Placement Document
Not for Circulation
Serial Number [●]

STATE BANK OF INDIA

(*Constituted as a body corporate under the State Bank of India Act, 1955*)

State Bank of India (the "Issuer" or the "Bank") is issuing 51,320,436 equity shares of face value ₹ 10 each (the "**Equity Shares**") at a price of ₹ 1,565 per Equity Share, including a premium of ₹ 1,555 per Equity Share, aggregating to ₹ 80,316.48 million (the **"Issue"**).

ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009

THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 (THE "SEBI REGULATIONS"). THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR, AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTOR WITHIN OR OUTSIDE INDIA. THE PRELIMINARY PLACEMENT DOCUMENT AND THIS PLACEMENT DOCUMENT HAVE NOT BEEN REVIEWED BY THE SECURITIES AND EXCHANGE BOARD OF INDIA (THE "SEBI"), THE RESERVE BANK OF INDIA ("RBI"), BSE LIMITED (THE "BSE"), THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED (THE "NSE"), THE MADRAS STOCK EXCHANGE LIMITED (THE "MSE"), THE CALCUTTA STOCK EXCHANGE LIMITED (THE "CSE"), THE DELHI STOCK EXCHANGE LIMITED (THE "DSE"), THE AHMEDABAD STOCK EXCHANGE LIMITED (THE "ASE", AND TOGETHER WITH THE BSE, THE NSE, THE MSE, THE CSE AND THE DSE, REFERRED TO AS "STOCK EXCHANGES") OR ANY OTHER REGULATORY OR LISTING AUTHORITY AND IS INTENDED ONLY FOR USE BY QUALIFIED INSTITUTIONAL BUYERS ("QIBs"), AS DEFINED IN THE SEBI REGULATIONS. THE ISSUE IS MEANT ONLY FOR QIBs ON A PRIVATE PLACEMENT BASIS AND IS NOT AN OFFER TO THE PUBLIC OR TO ANY OTHER CLASS OF INVESTORS.

YOU ARE NOT AUTHORISED TO AND MAY NOT (1) DELIVER THIS PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

INVESTMENTS IN EQUITY AND EQUITY-RELATED SECURITIES INVOLVE A CERTAIN DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST ANY AMOUNT IN THE ISSUE UNLESS THEY ARE PREPARED TO BEAR THE RISK OF LOSING ANY PART OR ALL OF THE AMOUNT INVESTED BY THEM. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ "RISK FACTORS" BEFORE DECIDING TO INVEST IN THE ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS PLACEMENT DOCUMENT.

The information on the Bank's website or any website directly or indirectly linked to the Bank's website does not form part of this Placement Document and prospective investors should not rely on such information contained in, or available through, such websites.

Invitations, offers and sales of the Equity Shares shall only be made pursuant to this Placement Document together with the respective Application Form (defined hereinafter) and the Confirmation of Allocation Note (defined hereinafter). The distribution of this Placement Document or the disclosure of its contents without the prior consent of the Bank to any person, other than QIBs and persons retained by QIBs to advise them with respect to their purchase of the Equity Shares, is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and make no copies of this Placement Document or any documents referred to in this Placement Document. See "*Issue Procedure*".

The Bank's outstanding Equity Shares, are listed on the Stock Exchanges. However, the Equity Shares are not being traded on the MSE, the CSE, the DSE and the ASE. The closing price of the Equity Shares on the BSE and the NSE on January 29, 2014 was ₹ 1,573.65 and ₹ 1,573.65 per Equity Share, respectively. In-principle approvals under Clause 24(a) of the Equity Listing Agreements (as defined hereinafter) for listing of the Equity Shares have been received from the BSE and the NSE on January 24, 2014. Applications to the BSE and the NSE will be made for obtaining listing and trading approvals for the Equity Shares offered through the Issue. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the BSE and the NSE should not be taken as an indication of the merits of the business of the Bank or the Equity Shares.

A copy of the Preliminary Placement Document has been delivered to the Stock Exchanges. A copy of this Placement Document has been filed with the Stock Exchanges in accordance with the SEBI Regulations. This Placement Document has not been and will not be registered as a prospectus with the RoC in India, and will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction.

THIS PLACEMENT DOCUMENT HAS BEEN PREPARED BY THE BANK SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE ISSUE.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "Securities Act") or any other applicable state securities laws of the United States and, unless so registered, 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 securities laws. Accordingly, the Equity Shares are being offered or sold only to (i) persons who are "qualified institutional buyers" (as defined in Rule 144A under the Securities Act and referred to in this Placement Document as "U.S. QIBs" pursuant to Section 4(a)(2) of the Securities Act; for the avoidance of doubt, the term U.S. QIB does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Placement Document as QIBs or Qualified Institutional Buyers) and (ii) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

Each purchaser of Equity Shares that is located within the United States will be required to represent and agree, among other things, that such purchaser (i) is a U.S. QIB; and (ii) will only reoffer, resell, pledge or otherwise transfer the Equity Shares in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S or in a transaction otherwise exempt from the registration requirements of the Securities Act. Each other purchaser of Equity Shares will be required to represent and agree, among other things, that such purchaser is acquiring the Issues Shares in an "offshore transaction" in accordance with Regulation S. For further details, see "*Selling Restrictions*" and "*Eligibility and Transfer Restrictions*".

This Placement Document is dated January 30, 2014.

BOOK RUNNING LEAD MANAGERS

Citigroup Global Markets India Private Limited	**Deutsche Equities India Private Limited**	**DSP Merrill Lynch Limited**	**HSBC Securities and Capital Markets (India) Private Limited**	**J.P. Morgan India Private Limited**	**SBI Capital Markets Limited***	**UBS Securities India Private Limited**

****SBI Capital Markets Limited shall be involved only in marketing of the Issue.***

TABLE OF CONTENTS

NOTICE TO INVESTORS

The Bank has furnished and accepts full responsibility for the information contained in this Placement Document and having made all reasonable enquiries, confirms, to the best of its knowledge and belief, that this Placement Document contains all information with respect to the Bank and the Equity Shares, which is material in the context of the Issue. The statements contained in this Placement Document relating to the Bank and the Equity Shares are, in all material respects, true and accurate and not misleading. The opinions and intentions expressed in this Placement Document with regard to the Bank and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to the Bank and are based on reasonable assumptions. There are no other facts in relation to the Bank and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by the Bank to ascertain such facts and to verify the accuracy of all such information and statements.

The Book Running Lead Managers have not separately verified all the information (financial, legal or otherwise) contained in this Placement Document. Accordingly, neither the Book Running Lead Managers nor any of their respective shareholders (except the Bank (to the extent stated above) as a shareholder of SBI Capital Markets Limited, which is one of the Book Running Lead Managers to the Issue), employees, counsel, officers, directors, representatives, agents or affiliates makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Book Running Lead Managers as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Placement Document acknowledges that such person has neither relied on the Book Running Lead Managers nor on any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Bank and the merits and risks involved in investing in the Equity Shares. Any prospective investor should not construe anything in this Placement Document as legal, business, tax, accounting or investment advice.

No person is authorised to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Bank or by or on behalf of the Book Running Lead Managers. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares issued pursuant to the Issue have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction, including the U.S. Securities and Exchange Commission ("SEC"), any other federal or state securities authorities in the U.S., the securities authorities of any non-U.S. jurisdiction and any other U.S. or non U.S. regulatory authority. No authority has passed on or endorsed the merits of the Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in the U.S. and may be a criminal offence in other jurisdictions.

The Equity Shares have not been and will not be registered under the Securities Act or any other applicable state securities laws of the United States and, unless so registered, 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 securities laws. Accordingly, the Equity Shares are being offered or sold only to (i) persons who are "qualified institutional buyers" (as defined in Rule 144A under the Securities Act and referred to in this Placement Document as "U.S. QIBs" pursuant to Section 4(a)(2) of the Securities Act; for the avoidance of doubt, the term U.S. QIB does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Placement Document as QIBs or Qualified Institutional Buyers) and (ii) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

Each purchaser of Equity Shares that is located within the United States will be required to represent and agree, among other things, that such purchaser (i) is a U.S. QIB; and (ii) will only reoffer, resell, pledge or otherwise transfer the Equity Shares in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S or in a transaction otherwise exempt from the registration requirements of the Securities Act. Each other purchaser of Equity Shares will be required to represent and agree, among other things, that such purchaser is acquiring the Issues Shares in an "offshore transaction" in accordance with Regulation S. For further details, see "*Selling Restrictions*" and "*Eligibility and Transfer Restrictions*".

The distribution of this Placement Document and the issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by the Bank or the Book Running Lead Managers which would permit an Issue of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any Issue materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction that would require registration of the Equity Shares in such country or jurisdiction. See "*Eligibility and Transfer Restrictions*".

In making an investment decision, investors must rely on their own examination of the Bank and the terms of the Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning the Issue. In addition, neither the Bank nor the Book Running Lead Managers are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. Each purchaser of the Equity Shares is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in the Bank under Chapter VIII of the SEBI Regulations and is not prohibited by SEBI or any other regulatory authority from buying, selling or dealing in securities. Each purchaser of the Equity Shares also acknowledges that it has been afforded an opportunity to request from the Bank and review information pertaining to the Bank and the Equity Shares.

The information on the Bank's website or any website directly or indirectly linked to the Bank's website or the website of the Book Running Lead Managers, does not constitute or form part of this Placement Document. This Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents. All references herein to "you" is to the prospective investors in the Issue.

CERTAIN U.S. MATTERS

THE EQUITY SHARES OFFERED HEREBY 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 AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE EQUITY SHARES ARE BEING OFFERED AND SOLD (A) IN THE UNITED STATES ONLY TO PERSONS REASONABLY BELIEVED TO BE QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURSUANT TO SECTION 4(a)(2) UNDER THE SECURITIES ACT, AND (B) OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON TRANSFER OF THE EQUITY SHARES, SEE "*TRANSFER RESTRICTIONS*".

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH, OR APPROVED OR DISAPPROVED BY, THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "**SEC**") OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER UNITED STATES REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED ON OR ENDORSED THE MERITS OF THE OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PLACEMENT DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

NOTICE TO HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT, NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION, MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE

HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS IN CERTAIN OTHER JURISDICTIONS

For information to investors in certain other jurisdictions, see "*Selling Restrictions*" and "*Eligibility and Transfer Restrictions*".

REPRESENTATIONS BY INVESTORS

By subscribing to any Equity Share under the Issue, you are deemed to have represented to us and the Book Running Lead Managers, and acknowledged and agreed as follows:

1. you are a "QIB" as defined in Regulation 2(1)(zd) of the SEBI Regulations and not excluded pursuant to Regulation 86 of the SEBI Regulations, having a valid and existing registration under the applicable laws and regulations of India and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allocated (as defined hereinafter) to you for the purposes of your business in accordance with Chapter VIII of the SEBI Regulations;

2. if you are a resident in any other country other than India, that you are permitted by all applicable laws to acquire the Equity Shares;

3. if you are Allotted (as defined hereinafter) Equity Shares pursuant to the Issue, you shall not, for a period of one year from the date of Allotment (as defined hereinafter), sell the Equity Shares so acquired except on the the BSE and the NSE (additional restrictions apply if you are within the U.S., see "*Eligibility and Transfer Restrictions*";

4. you are aware that the Equity Shares have not been and will not be registered under the Companies Act, SEBI Regulations or under any other law in force in India. The Preliminary Placement Document and this Placement Document have not been verified or affirmed by RBI, SEBI, the Stock Exchanges or any other regulatory or listing authority and will not be filed with the registrar of companies, and is intended only for use by QIBs. This Placement Document has been filed with the Stock Exchanges for record purposes only and has been displayed on the websites of the Bank, the BSE and the NSE;

5. you are entitled to subscribe for the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities;

6. you are entitled to acquire the Equity Shares under the laws of all relevant jurisdictions and that you have all necessary capacity and have obtained all necessary consents and authorities to enable you to commit to this participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in this Placement Document) and will honour such obligations;

7. you confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by the Bank or its agents ("**Bank's Presentations**") with regard to the Bank, the Equity Shares or the Issue; or (ii) if you have participated in or attended any Bank's Presentations: (a) you understand and acknowledge that the Book Running Lead Managers may not have knowledge of the statements that the Bank or its agents may have made at such Bank's Presentations and are therefore unable to determine whether the information provided to you at such Bank's Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the Book Running Lead Managers have advised you not to rely in any way on any information that was provided to you at such Bank's Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

8. neither the Bank nor the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates is making any recommendations to you, advising you regarding the suitability of any transactions it may enter into in connection with the Issue and that participation in the Issue is on the basis that you are not and will not, up to the Allotment, be a client of any of the Book Running Lead Managers and that the Book Running Lead Managers or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates have no duties or responsibilities to you for providing the protection afforded to their clients or for providing advice in relation to the Issue and are in no way acting in a fiduciary capacity to you;

9. you are aware that if you are Allotted more than 5% of the Equity Shares in the Issue, the Bank shall be required to disclose your name and the number of Equity Shares Allotted to you to the BSE and the NSE, and they will make the same available on their website and you consent to such disclosures;

10. all statements other than statements of historical fact included in this Placement Document, including, without limitation, those regarding the Bank's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Bank's business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Bank's present and future business strategies and environment in which the Bank will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Placement Document. The Bank assumes no responsibility to update any of the forward-looking statements contained in this Placement Document;

11. you have been provided a serially numbered copy of this Placement Document and have read this Placement Document in its entirety, including, in particular, the "*Risk Factors*";

12. you are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the Allotment of the same shall be on a discretionary basis;

13. you have made, or been deemed to have made, as applicable, the representations set forth under "*Eligibility and Transfer Restrictions*";

14. you understand that the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and accordingly, may not be offered or sold within the United States, except in reliance on an exemption from the registration requirements of the Securities Act;

15. if you are within the United States, you are a "qualified institutional buyer" as defined in Rule 144A under the Securities Act, are acquiring the Equity Shares for your own account or for the account of an institutional investor who also meets the requirements of a "qualified institutional buyer", for investment purposes only, and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part;

16. that in making your investment decision, (i) you have relied on your own examination of the Bank and the terms of the Issue, including the merits and risks involved, (ii) you have made and will continue to make your own assessment of the Bank, the Equity Shares and the terms of the Issue based on such information as is publicly available, (iii) you have consulted your own independent advisors or otherwise have satisfied yourself concerning without limitation, the effects of local laws, (iv) you have relied solely on the information contained in this Placement Document and no other disclosure or representation by the Bank or any other party; and (v) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of the Bank and the Equity Shares;

17. you are a sophisticated investor and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares; (ii) will not look to the Bank and/or the Book Running Lead Managers or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered; and (iii) are able to sustain a complete loss on the investment in the Equity Shares; (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You acknowledge that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. You are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to resale or distribution;

18. the Bank or the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates have not provided you with any tax advice or otherwise made any representations regarding the tax consequences of the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent

tax advice and will not rely on the Book Running Lead Managers or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates or the Bank when evaluating the tax consequences in relation to the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You waive and agree not to assert any claim against the Book Running Lead Managers or the Bank with respect to the tax aspects of the Equity Shares or the Issue or as a result of any tax audits by tax authorities, wherever situated;

19. that where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire the Equity Shares for each managed account; and to make the acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "you" to include such accounts;

20. you are not a Promoter (as defined under the SEBI Regulations) and are not a person related to the Promoter, either directly or indirectly and your Application does not directly or indirectly represent the Promoter or promoter group (as defined under the SEBI Regulations) of the Bank;

21. you have no rights under a shareholders agreement or voting agreement with the Promoter or persons related to the Promoter, no veto rights or right to appoint any nominee director on the Central Board of the Bank other than the rights acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoter;

22. you have no right to withdraw your Application after the Bid/Issue Closing Date (as defined hereinafter);

23. you are eligible to apply and hold Equity Shares so Allotted and together with any securities of the Bank held by you prior to the Issue. You further confirm that your holding upon the issue and allotment of the Equity Shares shall not exceed the level permissible as per any regulation applicable to you;

24. the Application Form submitted by you would not at any stage directly or indirectly result in triggering a requirement to make public announcement to acquire Equity Shares in accordance with the Takeover Code;

25. to the best of your knowledge and belief your aggregate holding together with other prospective Investors in the Issue that belong to the same group or are under common control as you, pursuant to the Allotment under the Issue shall not exceed 50% of the Issue Size. For the purposes of this representation:

    - the expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956.

    - 'control' shall have the same meaning as is assigned to it by clause 1 (e) of Regulation 2 of the Takeover Code.

26. you shall not undertake any trade in the Equity Shares credited to your beneficiary account until such time that the final listing and trading approval for the Equity Shares is issued by the BSE and the NSE;

27. you are aware and understand that the Book Running Lead Managers have entered into a Placement Agreement with the Bank whereby the Book Running Lead Managers have, subject to the satisfaction of certain conditions set out therein, undertaken to use its reasonable endeavours to seek to procure subscription for the Equity Shares on the terms and conditions set forth therein;

28. that the contents of this Placement Document are exclusively the responsibility of the Bank and that neither the Book Running Lead Managers nor any person acting on their behalf has or shall have any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on behalf of the Bank and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Placement Document or otherwise. By participating in the Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Book Running Lead Managers or the Bank or any other person and neither the Book Running Lead Managers nor the Bank nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

29. that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by the Book Running Lead Managers or the Bank and neither the Book Running Lead Managers nor the Bank will be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement that you have obtained or received;

30. that each of the representations, warranties, acknowledgements and agreements set forth above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in the Issue;

31. you agree to indemnify and hold the Bank and the Book Running Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations and warranties in this section. You agree that the indemnity set forth in this section shall survive the resale of the Equity Shares by or on behalf of the managed accounts;

32. that the Bank, the Book Running Lead Managers, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings which are given to the Book Running Lead Managers on their own behalf and on behalf of the Bank and are irrevocable;

33. that you are eligible to invest in India and in the Equity Shares under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000, and have not been prohibited by SEBI from buying, selling or dealing in securities;

34. that you understand that none of the Book Running Lead Managers has any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by us of any of our respective obligations or any breach of any representations or warranties by us, whether to you or otherwise;

35. that you acknowledge, represent and agree that your total interest in the paid-up share capital of the Bank, whether direct or indirect, beneficial or otherwise (any such interest, your "Holding"), when aggregated together with any existing Holding and/or Holding of any of your "relatives" or "associated enterprises" (as defined under Section 92A of the IT Act), does not exceed 5% of the total paid-up share capital of the Bank, unless you are an existing shareholder who already holds 5% or more of the underlying paid up share capital of the Bank pursuant to the acknowledgment of the RBI, provided that your Holding does not, without the further acknowledgment of the RBI, exceed your existing Holding after Allotment;

36. that you are aware that (i) applications for in-principle approval, in terms of clause 24(a) of the Equity Listing Agreements, for listing and admission of the Equity Shares and for trading on the BSE and the NSE, were made and such approval has been received from the BSE and the NSE, and (ii) the application for the final listing and trading approval will be made only after Allotment. There can be no assurance that the final approvals for listing of the Equity Shares will be obtained in time or at all. The Bank shall not be responsible for any delay or non-receipt of such final approvals or any loss arising from such delay or non-receipt;

37. that you are an investor who is seeking to purchase the Equity Shares for your own investment and not with a view to distribution. In particular, you acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares; and

38. any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of the Republic of India and the courts at Mumbai, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Placement Document.

39. each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times, up to and including the Allotment, listing and trading of the Equity Shares in the Issue.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the SEBI (FPI) Regulations, an FPI (other than Category III foreign portfolio investors and those broad based funds which are classified as FPI by virtue of their investment manager being appropriately regulated), including the affiliates of the Book Running Lead Managers, may issue or otherwise deal in offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities (all such offshore derivative instruments are referred to herein as **"P-Notes"**) listed or proposed to be listed on any recognized stock exchange in India only in favour of those entities which are regulated by any appropriate foreign regulatory authorities in the countries of their incorporation or establishment subject to compliance with "know your client" requirements. An FPI shall also ensure that further issue or transfer of any instrument referred to above issued by or on behalf of it, is made only to persons who are regulated by appropriate foreign regulatory authorities. P-Notes have not been and are not being offered or sold pursuant to this Placement Document. This Placement Document does not contain any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of the Bank and do not constitute any obligation of, claims on or interests in the Bank. The Bank has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to the P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to the Bank. The Bank and the Book Running Lead Managers do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with the P-Notes. Any P-Notes that may be issued are not securities of the Book Running Lead Managers and do not constitute any obligations or claims on the Book Running Lead Managers. FII affiliates of the Book Running Lead Managers may purchase, the Equity Shares to the extent permissible under law and may issue P-Notes in respect thereof.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuers of such P-Notes and the terms and conditions of any such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Placement Document;

2. warrant that the Bank's Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for the financial or other soundness of the Bank, its Promoter, its management or any scheme or project of the Bank;

it should not for any reason be deemed or construed to mean that this Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition, whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Certain Conventions

In this Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to "you", "your", "offeree", "purchaser", "subscriber", "recipient", "investors", "prospective investors" and "potential investor" are to the prospective investors of Equity Shares in the Issue and references to the "Issuer", "Bank", "our Bank", "we", "us", or "our" are to the State Bank of India, on an unconsolidated basis, unless the context otherwise requires. All references to the "Group" are to the State Bank of India and its Subsidiaries, Associates and Joint Ventures on a consolidated basis.

References in this Placement Document to "India" are to the Republic of India and its territories and possessions and the "Government" or the "Central Government" or the "state government" are to the Government of India ("**GoI**"), or the governments of any state in India, as applicable and as the case may be. All references herein to the "U.S." or the "United States" are to the United States of America and its territories and possessions. References to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable.

Financial and Other Information

In this Placement Document, all financial data for fiscal years 2011, 2012 and 2013 are derived from the consolidated financial statements of the Group unless otherwise specified and all financial data for the six months ended September 30, 2012 and 2013 and as at September 30, 2013 are derived from the unconsolidated financial statements of the Bank. As a result, the financial data as at, and for the six months ended, September 30, 2013 and the financial data for the fiscal years 2011, 2012 and 2013, included in this Placement Document may not be directly comparable. The Bank represented 73.4% of the Group's total assets as of March 31, 2013 and 78.7% of consolidated net profit for fiscal year 2013.

In this Placement Document, references to "USD", "$", "U.S.$" and "U.S. dollars" are to the legal currency of the United States and references to, "₹","Rs.", "INR" and "Rupees" are to the legal currency of India.

References to "lakhs" and "crores" in this Placement Document are to the following:

- one lakh represents 100,000 (one hundred thousand);
- ten lakhs represents 1,000,000 (one million);
- one crore represents 10,000,000 (ten million);
- ten crores represents 100,000,000 (one hundred million); and
- one hundred crores represents 1,000,000,000 (one thousand million or one billion).

The audited consolidated and unconsolidated financial statements of the Bank for the fiscal years 2011, 2012 and 2013, and the unaudited limited reviewed consolidated and unconsolidated financial results of the Bank for the six months ended September 30, 2013, (collectively, the "**Financial Statements**"), have been included in this Placement Document. See "*Financial Statements*". The Bank's financial statements are prepared in accordance with Indian GAAP as applicable to banks, guidelines issued by the RBI from time to time, practices generally prevailing in the banking industry in India and the applicable standards on auditing. The Bank prepares its financial statements in Rupees in accordance with Indian GAAP which differ in certain important aspects from U.S. GAAP and other accounting principles and standards on auditing with which prospective investors may be familiar in other countries. We have not attempted to quantify the impact of U.S. GAAP on the financial data included in this Placement Document, nor do we provide a reconciliation of our financial statements to those of U.S. GAAP. However, a narrative summary of the principal differences between Indian GAAP and U.S. GAAP relevant to the Bank is provided in this Placement Document. For a description of the principal differences between Indian GAAP and U.S. GAAP see "*Description of Certain Differences Between Indian GAAP and U.S. GAAP*". Accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with the respective accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Placement Document should accordingly be limited. See "*Risk Factors - Significant differences exist between Indian GAAP and other accounting principles, which may be material to investors' assessments of the Bank's financial condition*."

In this Placement Document, certain monetary thresholds have been subjected to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The fiscal year of the Bank commences on April 1 of each calendar year and ends on March 31 of the succeeding calendar year. Unless otherwise stated, references in this Placement Document to a particular year are to the calendar year ended on December 31, and to a particular "Fiscal" or "Fiscal Year" or "FY" are to the fiscal year ended on March 31.

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates, other industry data and certain industry forecasts pertaining to the businesses of the Bank contained in this Placement Document consists of estimates based on data reports compiled by government bodies, data from other external sources and knowledge of the markets in which the Bank competes. Unless stated otherwise, the statistical information included in this Placement Document relating to the industry in which the Bank operates has been reproduced from various trade, industry and government publications and websites.

This data is subject to change and cannot be verified with certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. Neither the Bank nor any of the Book Running Lead Managers have independently verified this data and do not make any representation regarding accuracy or completeness of such data. The Bank takes responsibility for accurately reproducing such information but accept no further responsibility in respect of such information and data. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analysis and estimates, so the Bank has relied on internally developed estimates. Similarly, while the Bank believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither the Bank nor any of the Book Running Lead Managers can assure potential investors as to their accuracy.

The extent to which the market and industry data used in this Placement Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

AVAILABLE INFORMATION

For so long as any Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, and the Bank is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Bank will furnish to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Placement Document that are not statements of historical fact constitute 'forward-looking statements'. Investors can generally identify forward-looking statements by terminology such as 'aim', 'anticipate', 'believe', 'continue', 'can', 'could', 'estimate', 'expect', 'intend', 'may', 'objective', 'plan', 'potential', 'project', 'pursue', 'shall', 'should', 'will', 'would', or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of the Bank are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

All statements regarding the Bank's expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Bank's business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Placement Document that are not historical facts.

Actual results may differ materially from those suggested by the forward-looking statements due to certain known or unknown risks or uncertainties associated with management's expectations with respect to, but not limited to, the actual growth in demand for banking and other financial products and services, the management's ability to successfully implement its strategy, future levels of impaired loans, the Bank's growth and expansion, the adequacy of the Bank's allowance for credit and investment losses, technological changes, investment income, the Bank's ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings the Bank is or may become a party to, the future impact of new accounting standards, management's ability to implement its dividend policy, the impact of Indian banking regulations on it, the Bank's ability to roll over its short-term funding sources, the Bank's exposure to market risks and the market acceptance of and demand for internet banking services. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net interest income and net income could materially differ from those that have been estimated.

Factors that could cause actual results, performance or achievements of the Bank to differ materially include, but are not limited to, those discussed under "*Risk Factors*", "*Industry Overview*", "*Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

The forward-looking statements contained in this Placement Document are based on the beliefs of the management, as well as the assumptions made by, and information currently available to, the management of the Bank. Although the Bank believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Placement Document or the respective dates indicated in this Placement Document, and the Bank undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialize, or if any of the Bank's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of the Bank could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to the Bank are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

The Bank is a body corporate incorporated under the laws of India. Substantially all of the Bank's Directors 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 recognise 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.

The United Kingdom, Singapore and Hong Kong, amongst 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 upon the judgment 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.

EXCHANGE RATE INFORMATION

The Indian rupee appreciated in fiscal 2010 and fiscal 2011 but depreciated over fiscal 2012 and fiscal 2013. The Indian rupee's recent depreciation has been attributed to the current account deficit and weak capital inflows, along with the strengthening of the U.S. dollar against major currencies.

Fluctuations in the exchange rate between the Rupees and the U.S. dollar will affect the U.S. dollar equivalent of the Rupee price of the Equity Shares on the BSE and the NSE. These fluctuations will also affect the conversion into U.S. dollar of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the U.S. dollar (in Rupees per U.S. dollar) based on the reference rates released by the Reserve Bank of India. No representation is made that the Rupees amounts actually represent such amounts in U.S. dollar or could have been or could be converted into U.S. dollars at the rates indicated, any other rates, or at all.

Fiscal Year:	**(₹ per USD 1.00)**			
	Period End	**Average***	**High***	**Low***
2010	45.14	47.42	50.53	44.94
2011	44.65	45.58	47.57	44.03
2012	51.16	47.95	54.24	43.95
2013	54.39	54.45	57.22	50.56

Source: www.rbi.org.in
**Note: High, low and average are based on RBI reference rate*

Month:	**(₹ per USD 1.00)**			
	Period End	**Average***	**High***	**Low***
April, 2013	54.22	54.38	54.88	53.94
May, 2013	56.50	55.01	56.50	53.74
June, 2013	59.70	58.40	60.59	56.42
July 2013	61.12	59.78	61.12	58.91
August 2013	66.57	63.21	68.36	60.74
September 2013	62.78	63.75	67.03	61.75
October 2013	61.41	61.62	62.36	61.16
November 2013	62.39	62.63	63.65	61.79
December 2013	61.90	61.91	62.38	61.18

Source: www.rbi.org.in
**Note: High, low and average are based on RBI reference rate*

Although the Bank has translated selected Indian rupee amounts in this Placement Document into U.S. dollars for convenience, this does not mean that the Indian rupee amounts referred to could have been, or could be, converted to U.S. dollars at any particular rate or, the rates stated above, or at all. There are certain restrictions on the conversion of Indian rupees into U.S. dollars. The exchange rate on January 24, 2014 was ₹ 62.18 per USD 1.00.

CERTAIN DEFINITIONS AND ABBREVIATIONS

The Bank has prepared this Placement Document using certain definitions and abbreviations which you should consider when reading the information contained herein.

The following list of certain capitalised terms used in this Placement Document is intended for the convenience of the reader/prospective investor only and is not exhaustive.

The terms defined in this section shall have the meaning set forth herein, unless specified otherwise in the context thereof, and references to any statute or regulations or policies shall include amendments thereto, from time to time.

Bank Related Terms

Term	Description
"the Bank" or "the Issuer"	State Bank of India
"our" or "we" or "us"	State Bank of India, unless the context otherwise requires
ALCO	The asset liability management committee of the Bank
Auditors / Statutory Auditors	The statutory central auditors of the Bank being, Todi Tulsyan & Co., Chartered Accountants, Singhi & Co., Chartered Accountants, SCM Associates, Chartered Accountants, S. Venkatram & Co., Chartered Accountants, Sriramamurthy & Co., Chartered Accountants, T. R. Chadha & Co., Chartered Accountants, S. N. Nanda & Co., Chartered Accountants, V. Soundararajan & Co., Chartered Accountants, K. B. Sharma & Co., Chartered Accountants, Add & Associates, Chartered Accountants, Dhamija Sukhija & Co., Chartered Accountants, Prakash & Santosh, Chartered Accountants, V. P. Aditya & Co., Chartered Accountants and S. Jaykishan, Chartered Accountants
Audit Committee / ACB	The audit committee of the Central Board
Associates	The associates of the Bank namely, the regional rural banks, i.e. Andhra Pradesh Grameena Vikas Bank, Arunachal Pradesh Rural Bank, Kaveri Grameena Bank, Chhattisgarh Gramin Bank, Deccan Grameena Bank, Ellaquai Dehati Bank, Meghalaya Rural Bank, Krishna Grameena Bank, Langpi Dehangi Rural Bank, Madhyanchal Gramin Bank, Malwa Gramin Bank, Mizoram Rural Bank, Marudhara Gramin Bank, Nagaland Rural Bank, Purvanchal Gramin Bank, Saurashtra Gramin Bank, Utkal Grameen Bank, Uttarakhand Gramin Bank, Vananchal Gramin Bank, Parvatiya Gramin Bank (ceased to be an Associate w.e.f. February 15, 2013), Samastipur Kshetriya Gramin Bank (ceased to be an Associate w.e.f. October 15, 2012) and Vidisha Bhopal Kshetriya Gramin Bank (ceased to be an Associate w.e.f. October 8, 2012) and others i.e. SBI Home Finance Limited (which is currently under liquidation), the Clearing Corporation of India Limited and Bank of Bhutan Limited
Associate Banks	The associate banks of the Bank namely, 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
CAIIB	Certified Associate of the Indian Institute of Banking & Finance
CENMAC	The central management committee of the Bank
"Central Board" or "Board"	The central board of directors of the Bank
CPCC	Credit Policy and Procedures Committee of the Bank
Chairman	The chairman of the Bank
Chief Credit and Risk Officer	The chief credit and risk officer of the Bank
Chief Development Officer	The chief development officer of the Bank
Chief Financial Officer	The chief financial officer of the Bank
Chief Information Officer	The chief information officer of the Bank
Deputy Managing Director(s)	The deputy managing director(s) of the Bank
Directors	The directors on the Central Board
ECCB	The executive committee of the Central Board
Equity Shares	Equity shares of face value ₹ 10 each of the Bank
FIBU	Financial Institution Business Unit of the Bank

Term	Description
Financial Statements	The audited consolidated and unconsolidated financial statements of the Bank for the fiscal years 2011, 2012 and 2013, and the unaudited limited reviewed consolidated and unconsolidated financial results of the Bank for the six months ended September 30, 2013, prepared in accordance with Indian GAAP, guidelines issued by the RBI from time to time and practices generally prevailing in the banking industry in India
Group	State Bank of India and its Subsidiaries, Associates and Joint Ventures
Joint Ventures	The joint ventures of the Bank namely, GE Capital Business Process Management Services Private Limited, C-Edge Technologies Limited, Macquarie SBI Infrastructure Management Pte. Limited, Macquarie SBI Infrastructure Trustees Limited, SBI Macquarie Infrastructure Management Private Limited, SBI Macquarie Infrastructure Trustees Private Limited, Oman India Joint Investment Fund - Management Company Private Limited and Oman India Joint Investment Fund-Trustee Company Private Limited
I&MA	The Bank's inspection and management audit department
ICAAP	A Group Internal Capital Adequacy Assessment Process
Managing Director(s)	The managing director(s) of the Bank
Promoter	The promoter of the Bank namely, the President of India acting through the Ministry of Finance, Government of India
RMCB	The risk management committee of the Central Board
SAMG	Stressed Assets Management Group of the Bank
SBI Act	The State Bank of India Act, 1955
SBI General Regulations	The State Bank of India General Regulations, 1955
SGCB	Shareholders' and Investors' Grievance Committee of the Board
Subsidiaries	The subsidiaries of the Bank namely, the domestic banking subsidiaries i.e., State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore; the domestic non-banking subsidiaries i.e., SBI Capital Markets Limited, SBI DFHI Limited, SBI Mutual Funds Trustee Company Private Limited, SBICAP Securities Limited, SBICAPS Ventures Limited, SBICAP Trustees Company Limited, SBI Cards and Payment Services Private Limited, SBI Funds Management Private Limited, SBI Life Insurance Company Limited, SBI Pension Funds Private Limited, SBI - SG Global Securities Services Private Limited, SBI Global Factors Limited, SBI General Insurance Company Limited and SBI Payment Services Private Limited; the foreign banking subsidiaries i.e., SBI (Mauritius) Limited., State Bank of India (Canada), State Bank of India (California), Commercial Indo Bank LLC, (formerly known as Commercial Bank of India LLC), PT Bank SBI Indonesia and Nepal SBI Bank Limited; and the foreign non-banking subsidiaries i.e., SBICAP (UK) Limited, SBI Funds Management (International) Private Limited and SBICAP (Singapore) Limited

Issue Related Terms

Term	Description
Allocated /Allocation	The allocation of the Equity Shares following the determination of the Issue Price to QIBs on the basis of the Application Forms submitted by them, in consultation with the Book Running Lead Managers and in compliance with Chapter VIII of the SEBI Regulations
Allotment/Allotted/Allot	Unless the context otherwise requires, the allotment and issue of the Equity Shares pursuant to the Issue
Allottees	QIBs to whom the Equity Shares of the Bank are issued and Allotted pursuant

Term	Description
	to the Issue
Application Form	The form (including any revisions thereof) pursuant to which a QIB shall submit a Bid for the Equity Shares in the Issue
Application	An offer by a QIB pursuant to the Application Form for subscription of the Equity Shares under the Issue
Bid(s)	Indication of interest of a QIB, including all revisions and modifications thereto, as provided in the Application Form, to subscribe for the Equity Shares in the Issue
Bid/Issue Closing Date	January 30, 2014 which is the last date up to which the Application Forms shall be accepted
Bid/Issue Opening Date	January 28, 2014
Bid/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both dates, during which the QIBs can submit their Bids
Book Running Lead Managers	Citigroup Global Markets India Private Limited, Deutsche Equities India Private Limited, DSP Merrill Lynch Limited, HSBC Securities and Capital Markets (India) Private Limited, J.P. Morgan India Private Limited, SBI Capital Markets Limited and UBS Securities India Private Limited. SBI Capital Markets Limited shall be involved only in the marketing of the Issue
CAN/Confirmation of Allocation Note	The note or advice or intimation to not more than 49 QIBs confirming the Allocation of the Equity Shares to such QIBs after discovery of the Issue Price and requesting payment for the entire applicable Issue Price for the Equity Shares Allocated to such QIBs
Closing Date	The date on which Allotment of the Equity Shares pursuant to the Issue shall be made, i.e. on or about February 3, 2014
Cut-off Price	The Issue Price of the Equity Shares which shall be finalised by the Bank in consultation with the Book Running Lead Managers
Designated Date	The date of credit of the Equity Shares to the QIB’s demat account, as applicable to the respective QIBs
Escrow Agreement	Agreement dated January 28, 2014 executed between the Bank, the Book Running Lead Managers and the Escrow Collection Bank in relation to the Issue
Escrow Account	A special bank account entitled “*State Bank of India - QIP Escrow Account*” opened by the Bank with the Escrow Collection Bank in terms of the Escrow Agreement into which the application monies payable by QIBs in connection with subscription to the Equity Shares shall be deposited
Escrow Collection Bank	State Bank of India, Capital Market Branch, Mumbai
Floor Price	The floor price of ₹ 1,629.35 for the Equity Shares, which has been calculated in accordance with Chapter VIII of the SEBI Regulations. In terms of the SEBI Regulations, the Issue Price cannot be lower than the Floor Price. The Bank has offered a discount of 3.95% on the Floor Price in terms of Regulation 85 of the SEBI Regulations
Issue	The offer and placement of 51,320,436 Equity Shares to QIBs, pursuant to Chapter VIII of the SEBI Regulations aggregating to ₹ 80,316.48 million
Issue Price	₹ 1,565 per Equity Share
Mutual Fund	A mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
Mutual Fund Portion	10% of the Equity Shares proposed to be Allotted in the Issue, which is available for Allocation to Mutual Funds
OCBs	Overseas corporate bodies
Pay-in Date	Last date specified in the CAN sent to QIBs, by which the Issue Price for the Equity Shares Allocated has to be paid
Placement Agreement	Placement agreement dated January 28, 2014 between the Bank and the Book Running Lead Managers
Placement Document	This placement document dated January 30, 2014 issued by the Bank in accordance with the provisions of Regulation 84 in Chapter VIII of the SEBI Regulations

Term	Description
Preliminary Placement Document	The preliminary placement document dated January 28, 2014 issued by the Bank in accordance with Chapter VIII of the SEBI Regulations
QIB or Qualified Institutional Buyer	A qualified institutional buyer as defined under Regulation 2(1)(zd) of the SEBI Regulations
QIP	Qualified institutions placement under chapter VIII of the SEBI Regulations
Qualified Purchaser or QP	A qualified purchaser as defined in Section 2(a)(51) and related rules of the Investment Company Act
Relevant Date	January 28, 2014, being the date of the meeting in which a committee of Directors (duly authorised by the ECCB), decides to open the Issue
Stock Exchanges	The BSE, the NSE, the MSE, the CSE, the DSE and the ASE
U.S. QIBs	Qualified Institutional Buyers as defined in Rule 144A under the Securities Act

Conventional and General Terms/ Abbreviations

Term/Abbreviation	Full Form/Description
AFS	Available for Sale
AGM	Annual General Meeting
AIF	Alternative Investment Funds as defined in the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
ARCIL	Asset Reconstruction Company (India) Limited
AML	Anti-Money-Laundering
AMTs	Account Management Teams
AS	Accounting Standards issued by the Institute of Chartered Accountants of India or any other competent body authorised as per any law in India to issue such standard(s)
ASCBs	All Scheduled Commercial Banks
ASE	Ahmedabad Stock Exchange Limited
ATM	Automated Teller Machines
AY	Assessment Year
Banking Companies Act	Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970
Banking Regulation Act	Banking Regulation Act, 1949
Basel II	Revised framework on “International Convergence of Capital Measurement and Capital Standards” by Bank for International Settlements
Basel III	A global regulatory framework for more resilient banks and banking systems (December 2010 (rev. June 2011)) published by the Bank for International Settlements RBI issued guidelines on the implementation of Basel III capital regulations in India on May 2, 2012
BCs	Business Correspondents
BCA	Baseline Credit Assessment
BFS	Board for Financial Supervision
BIFR	The Board for Industrial and Financial Reconstruction established under the SICA
Bn/Billion	Billion
BOLT	BSE On-line Trading
BPLR	The benchmark prime lending rate, based on cost of funds, cost of business operations, provisions and yield curve expectations
BSE	BSE Limited
CAD	Current Account Deficit
CARE	Credit Analysis and Research Limited
CAS	The Bank’s Credit Audit System
CASA	Current and Savings Account
Category III foreign portfolio investor(s)	Includes all other investors who are not eligible under category I and category II foreign portfolio investors (as defined under the SEBI (FPI) Regulations) such as endowments, charitable societies, charitable trusts, foundations, corporate

Term/Abbreviation	Full Form/Description
	bodies, trusts, individuals and family offices
CDR	Corporate Debt Restructing
CDRM	Corporate Debt Restructuring Mechanism
CDSL	Central Depository Services (India) Limited
Civil Code	The Code of Civil Procedure, 1908
Companies Act	The Companies Act, 1956 (without reference to the provisions thereof that have ceased to have effect upon the notification of the Notified Provisions of the Companies Act, 2013) and the Notified Provisions of the Companies Act, 2013
Companies Act, 1956	The Companies Act, 1956
Companies Act, 2013	The Notified Provisions of the Companies Act, 2013
CPI	Consumer Price Index
CRAR	Capital to Risk Weighted Assets Ratio
CRISIL	CRISIL Limited
CRR	Cash Reserve Ratio
CSE	Calcutta Stock Exchange Limited
DBTL	Direct Benefit Transfer for Liquefied Petroleum Gas, a scheme launched by the Ministry of Petroleum and Natural Gas, GoI
Depositories Act	The Depositories Act, 1996
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996
DP/Depository Participant	A depository participant as defined under the Depositories Act, 1996
DRT	Debt Recovery Tribunal established under the Recovery of Debts Due to Banks and Financial Institutions Act, 1993
DSE	Delhi Stock Exchange Limited
EEFC	Exchange Earners Foreign Currency
Equity Listing Agreement(s)	The equity listing agreements entered by the Bank with each of the Stock Exchanges
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FEMA Regulations	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
FII	A foregin institutional investor who is registered under the SEBI FII Regulations
Fitch	Fitch Ratings Limited
Foreign Portfolio Investor(s)/FPI(s)	A person who satisfies the eligibility criteria prescribed under Regulation 4 of the SEBI (FPI) Regulations and has been registered under Chapter II of the SEBI (FPI) Regulations, which shall be deemed to be an intermediary in terms of the provisions of the SEBI Act. Provided that any foreign institutional investor or qualified foreign investor who holds a valid certificate of registration shall be deemed to be a Foreign Portfolio Investor till the expiry of the block of three years for which fees have been paid as per the SEBI FII Regulations
FSR	Financial Strength Rating
FVCI	A foreign venture capital investor as defined and registered with the SEBI under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000
GAAP	Generally Accepted Accounting Principles
GAAR	General Anti Avoidance Rules
GDP	Gross Domestic Product
GDR	Global Depositary Receipt
Ghosh Committee	The Committee to enquire into various aspects of frauds and malpractices in banks
GIR Number	General Index Registry Number
GoI	Government of India
HFT	Held for Trading

Term/Abbreviation	Full Form/Description
HTM	Held to Maturity
HUF	Hindu Undivided Family
ICRA	ICRA Limited
IFRS	International Financial Reporting Standards
IIP	Index of Industrial Production
IND AS	Indian Accounting Standards (Ind AS) 101 "First-time Adoption of Indian Accounting Standards" ("**IND AS**") as notified by the Ministry of Corporate Affairs, Government of India, on February 25, 2011
India	The Republic of India
India Ratings	India Ratings and Research Private Limited, formerly "Fitch Ratings Private Limited"
Indian GAAP	Generally Accepted Accounting Principles followed in India
Investment Company Act	U.S. Investment Company Act of 1940, as amended, and related rules and regulations
IRDA	Insurance Regulatory and Development Authority constituted under the IRDA Act
IRDA Act	The Insurance Regulatory and Development Authority Act, 1999
ISIN	International Securities Identification Number
IT Act	The Income Tax Act, 1961
Jilani Committee	The Working Group to review the internal control and insepction/audit system in banks
KCC	Kisan Credit Card
Kelkar Committee	The Committee on RRB and relative Acts
Khan Working Group	The Working Group on Harmonising the Role and Operations of the Development Financial Institutions and banks
KYC Norms	Customer identification procedure for opening of accounts and monitoring transactions of suspicious nature followed by NBFCs for the purpose of reporting it to appropriate authority
LAF	Liquidity Adjustment Facility
LCR	Liquidity Coverage Ratio
MISEs	Micro and Small Enterprises
Mn/Million	Million
Moody's	Moody's Investors Services Limited
MSE	Madras Stock Exchange Limited
MSF	Marginal Standing Facility
MTM	Mark to Market
NABARD	National Bank for Agriculture and Rural Development
Narasimham Committee I	The Committee on the Financial System
Narasimham Committee II	The Second Committee on Banking Sector Reform
NDTL	Net Demand and Time Liability
NEFT	National Electronic Funds Transfer
Notified Provisions of the Companies Act, 2013	The 98 notified provisions of the Companies Act, 2013 published in the Gazette of India on September 12, 2013
NPA	Non-performing asset
NRI	Non Resident Indian
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
NSFR	Net Stable Funding Ratio
OFAC	U.S. Treasury Department's Office of Foreign Assets Control
p.a.	Per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PCR	Provisioning Coverage Ratio
PFIC	Passive Foreign Investment Company
PIS	Portfolio Investment Scheme
PMLA	Prevention of Money Laundering Act, 2002

Term/Abbreviation	Full Form/Description
POS	Point-of-Sale
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
RBI Dividend Circular	RBI Circular (RBI/2004-05/451DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05) dated May 4, 2005 on declaration of dividends by banks
RD	Recurring Deposit
Regulation S	Regulation S under the Securities Act
RFIA	Risk Focused Internal Audit
RMME	Relationship Manager for Medium Enterprises
RMSE	Relationship Manager for Small Enterprises
RoC	Registrar of Companies
RRBs	Regional Rural Banks
RTGS	Real-Time Gross Settlement
RUSU	Rural and Semi Urban
S&P	Standard & Poor's
SARFAESI Act	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SB-OD	Overdraft facility in a savings bank account
SCBs	Scheduled Commercial Banks
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SCR (SECC) Rules	Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012
SEBI	The Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI Insider Trading Regulations	Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992
SEBI (FPI) Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
SEBI FII Regulations	Securities and Exchange Board of India (Foreign Institutional Investors), Regulations, 1995
SEBI Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
SEC	United States Securities and Exchange Commission
Securities Act	U.S. Securities Act of 1933, as amended
SICA	Sick Industrial Companies (Special Provisions) Repeal Act, 2003
SLR	Statutory Liquidity Ratio
SMA	Special Mention Account
SMEs	Small and Medium Enterprises
STT	Securities Transaction Tax
Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011
USD	United States Dollars
US GAAP	Generally Accepted Accounting Principles in the United States of America
VAR	Value at Risk
VCF	Venture Capital Fund as defined in and registered with the SEBI under the Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996
w.e.f.	with effect from
WPI	Wholesale Price Index

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Placement Document, including under the sections titled "Risk Factors", "Use of Proceeds", "Issue Procedure", "Description of the Equity Shares" and "Placement". The information contained in "Description of the Equity Shares" shall prevail in the event of any inconsistency with the terms set out in this section.

Issuer	State Bank of India
Issue Size	51,320,436 Equity Shares aggregating to ₹ 80,316.48 million
Issue Price	₹ 1,565 per Equity Share
Face Value	₹ 10 per Equity Share
Floor Price	The Floor Price for the Issue calculated on the basis of Chapter VIII of the SEBI Regulations is ₹ 1,629.35 per Equity Share with reference to January 28, 2014 as the Relevant Date. In terms of the SEBI Regulations, the Issue Price cannot be lower than the Floor Price. The Bank has offered a discount of 3.95% on the Floor Price in terms of Regulation 85 of the SEBI Regulations.
Authority for the Issue	The Issue was authorised and approved by the Central Board, the ECCB and the shareholders of the Bank on October 30, 2013, November 28, 2013 and December 30, 2013, respectively. The Government of India has, pursuant to its letters dated December 9, 2013 and January 1, 2014, authorized the Issue. The RBI has, pursuant to its letters dated December 2, 2013 and December 24, 2013, authorized the Issue.
Eligible Investors	A QIB as defined in Regulation 2(1)(zd) of the SEBI Regulations and not excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations who is either (i) outside of the United States acquiring the Equity Shares in an offshore transaction under Regulation S; or (ii) an institutional investor in the United States or that is a "qualified institutional buyer" as defined in Rule 144A; or such other person as may be permitted under applicable laws to acquire the Equity Shares pursuant to this Issue; to whom this Placement Document and the Application Form will be circulated and who are eligible to Bid and participate in this Issue.
Equity Shares issued and outstanding immediately prior to the Issue	695,252,656 Equity Shares
Equity Shares issued and outstanding immediately after the Issue	746,573,092 Equity Shares
Dividend	For more information, see "*Description of the Equity Shares*", "*Dividend Policy*" and "*Taxation*".
Indian Taxation	For more information, see "*Taxation*".
Listing	The Bank has obtained in-principle approvals for the listing of the Equity Shares in terms of Clause 24 (a) of the Equity Listing Agreements, from the BSE and the NSE. The Bank shall apply to the BSE and the NSE for the listing approvals and the final listing and trading approvals, after the Allotment and after the credit of the Equity Shares to the beneficiary account with the Depository Participant, respectively.
Transfer Restriction	The Equity Shares being Allotted pursuant to the Issue shall not be sold for a period of one year from the date of Allotment except on the floor of the BSE and the NSE. The Equity Shares are subject to certain selling and transfer restrictions. For details, see "*Selling Restrictions*" and "*Eligibility and Transfer Restrictions*".
Pay-in Date	Last date specified in the CAN sent to QIBs, by which the consideration for the Equity Shares has to be paid.
Closing Date	The date on which Allotment of the Equity Shares pursuant to the Issue shall be made, i.e. on or about February 3, 2014

Ranking	The Equity Shares being issued shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividends. The shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by the Bank after the date of Issue. For details, see "*Description of the Equity Shares*".
Lock-up	For further details, see "*Placement - Lock up*".
Use of Proceeds	The total proceeds of the Issue will be ₹ 80,316.48 million. After deducting the issue expenses, the net proceeds of the Issue will be approximately ₹ 79,766.48 million. For further details, see "*Use of Proceeds*".
Risk Factors	Prior to making an investment decision, Eligible Investors should consider carefully the matters discussed under "*Risk Factors*".
Security Codes for the Equity Shares:	
ISIN	INE062A01012
BSE Code	500112
NSE Code	SBIN
MSE Code	SBI
CSE Code	69
DSE Code	7604
ASE Code	56881

SUMMARY OF BUSINESS

Overview

The Bank is India's largest bank, with 15,143 branches in India, 190 international offices in 35 countries and more than 256.4 million customer accounts as of September 30, 2013. The Bank is also the only bank listed in the Fortune 500. The Bank also had deposits, advances and a total assets base of ₹ 12,924.5 billion, ₹ 11,030.9 billion and ₹ 16,758.3 billion, respectively, as of September 30, 2013, and ₹ 11,336.4 billion, ₹ 9,269.2 billion and ₹ 14,400.6 billion, respectively, as of September 30, 2012, the largest by each measure among banking institutions in India. As of September 30, 2013 and 2012, the Bank's market share of aggregate domestic deposits was 16.8% and 16.4%, respectively, and the Bank's market share of domestic advances was 16.9% and 16.2%, respectively, among all RBI-scheduled commercial banks in India, based on RBI data dated September 20, 2013. The Bank organises 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 India's largest and most prominent corporations and institutions, including state-owned enterprises.

- *The Mid-Corporate Group* services entities with an annual turnover between approximately ₹ 500 million and ₹ 5 billion or which have credit facilities in excess of ₹ 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 overseas branches and subsidiaries, provides a range of international banking services to Indian and foreign companies with operations inside and outside India as well as NRIs conducting business in foreign markets and local populations.

- *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 range of products and services offered by the Bank includes advances and deposits (both retail and wholesale), foreign exchange and derivatives products, 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, credit cards, payment services and life 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 representing 74.2% and 73.7% of the consolidated Group's total assets as of September 30, 2013 and 2012, respectively, and 76.2% and 78.4% of its consolidated net profit for the six months ended September 30, 2013 and 2012, 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 have a domestic network of approximately 5,685 branches as of September 30, 2013, 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 September 30, 2013, the Group's consolidated deposits, advances and total assets were ₹ 17,314.1 billion, ₹ 14,548.0 billion and ₹ 22,596.9 billion, respectively. As of September 30, 2012, the Group's consolidated deposits, advances and total assets were ₹ 15,226.1 billion, ₹ 12,311.3 billion and ₹ 19,550.4 billion, respectively.

For the six month period ended September 30, 2013, the Group's consolidated net profit amounted to ₹ 73.7 billion, a decline of ₹ 20.8 billion, or 22.0%, from ₹ 94.5 billion for the six month period ended September 30, 2012.

As of September 30, 2013, the Bank's unconsolidated deposits, advances and total assets were ₹ 12,924.5 billion, ₹ 11,030.9 billion and ₹ 16,758.3 billion, respectively. As of September 30, 2012, the Bank's unconsolidated deposits, advances and total assets were ₹ 11,336.4 billion, ₹ 9,269.2 billion and ₹ 14,400.6 billion, respectively.

For the six month period ended September 30, 2013, the Bank's unconsolidated net profit amounted to ₹ 56.2 billion, a decline of ₹ 17.94 billion, or 24.2%, from ₹ 74.10 billion for the six month period ended September 30, 2012.

Competitive Strengths

The Bank believes the following to be its core competitive strengths:

- Relationship with the Government, state governments and state-owned enterprises
- Well-known brand with the largest branch and ATM network in India and extensive portfolio of products and services
- Strong deposit base providing stable and low-cost funding
- Regularly enhanced risk management and internal control functions
- Strong financial performance and stable capital position
- Experienced management team

Strategy

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

- Continue expansion of the Bank's distribution network and banking products
- Diversify revenue mix by increasing the Bank's non-banking products and businesses
- Increase cost consciousness by optimization of resources
- Utilise technology to enhance delivery of banking products and services
- Continue to strengthen the Bank's risk management and internal control capabilities
- Attract and develop talented and experienced professionals
- Focus on asset quality and reduction in NPA levels.

SELECTED FINANCIAL INFORMATION OF THE BANK

The following tables present an extract of the audited consolidated and unconsolidated financial statements of the Bank for fiscal years 2011, 2012 and 2013, and the unaudited limited reviewed consolidated and unconsolidated financial results of the Bank for the six months ended September 30, 2013 and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements". The Financial Statements are prepared in accordance with Indian GAAP, guidelines issued by the RBI from time to time and practices generally prevailing in the banking industry in India. The Financial Statements reflect applicable statutory requirements, regulatory guidelines and accounting practices in India; these requirements, guidelines and practices change from time to time. In accordance with Indian GAAP, adjustments to reflect such changes are made on a prospective basis, and financial statements for earlier periods are not restated. Indian GAAP differs in certain significant respects from U.S. GAAP. For a narrative description of the significant differences between Indian GAAP and U.S. GAAP relevant to the Bank, see "Description of Certain Differences Between Indian GAAP and U.S. GAAP".

Consolidated and unconsolidated Profit and Loss Statement

The consolidated operating results of the Group as of March 31, 2011, 2012 and 2013 are presented in the table below:

			(₹ in billion)	*(U.S.$ in billion)*
	Year ended March 31, 2011	**Year ended March 31, 2012**	**Year ended March 31, 2013**	**Year ended March 31, 2013[(1)]**
I. INCOME				
Interest earned	1,136.36	1,471.97	1,679.78	26.76
Other Income	339.89	296.92	325.82	5.19
TOTAL	**1,476.26**	**1,768.89**	**2,005.60**	**31.95**
II. EXPENDITURE				
Interest expended	680.86	893.20	1,068.18	17.01
Operating expenses	465.18	468.56	528.20	8.41
Provisions and contingencies	220.60	248.84	225.99	3.60
TOTAL	**1,366.64**	**1,610.60**	**1,822.37**	**29.03**
III. PROFIT				
Net Profit for the year (before adjustment for Share in Profit of Associates and Minority Interest)	109.62	158.29	183.23	2.92
Add: Share in Profit of Associates	2.18	1.44	2.32	0.04
Less: Minority Interest	4.95	6.30	6.38	0.10
Net Profit for the Group	106.85	153.43	179.16	2.85
Balance Brought forward	0.59	5.23	8.93	0.14
Add: Transfer from General Reserve				
Amount available for Appropriation	**107.44**	**158.66**	**188.09**	**3.00**

APPROPRIATIONS				
Transfer to Statutory Reserves	33.89	44.55	53.71	0.86
Transfer to Other Reserves	45.74	77.82	86.96	1.39
Proposed Dividend	19.05	23.49	28.39	0.45
Tax on Dividend	3.54	3.88	4.81	0.08
Balance carried over to Balance Sheet	5.23	8.93	14.23	0.23
TOTAL	**107.44**	**158.66**	**188.09**	**3.00**
Basic Earnings per Share	₹ 168.28	₹ 241.55	₹ 266.82	U.S.$4.25
Diluted Earnings per Share	₹ 168.28	₹ 241.55	₹ 266.82	U.S.$4.25

Notes:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the RBI reference exchange rate of U.S.$1.00 = ₹ 62.78 as of September 30, 2013.

The unconsolidated operating results of the Group as of March 31, 2011, 2012 and 2013 are presented in the table below:

			(₹ in billion)	*(U.S.$ in billion)*
	Year ended March 31, 2011	**Year ended March 31, 2012**	**Year ended March 31, 2013**	**Year ended March 31, 2013[(1)]**
I. INCOME				
Interest earned	813.94	1,065.21	1,196.57	19.06
Other Income	158.25	143.51	160.35	2.55
TOTAL	**972.19**	**1,208.73**	**1,356.92**	**21.61**
II. EXPENDITURE				
Interest expended	488.68	632.30	753.26	12.00
Operating expenses	230.15	260.69	292.84	4.66
Provisions and contingencies	170.71	198.66	169.77	2.70
TOTAL	**889.54**	**1,091.66**	**1,215.87**	**19.37**
III. PROFIT				
Net Profit for the year	82.65	117.07	141.05	2.25
Profit Brought forward	0.00	0.00	0.00	0.00
Profit balance of e-SBI Commercial & International Bank Ltd. transferred on amalgamation	-	0.06	-	-

TOTAL	**82.65**	**117.13**	**141.05**	**2.25**
APPROPRIATIONS				
Transfer to Statutory Reserve	24.79	35.17	44.18	0.70
Transfer to Capital Reserve	0.10	0.14	0.19	0.00
Transfer to Revenue and other Reserves	27.30	55.36	64.53	1.03
Proposed Dividend	19.05	23.49	28.39	0.45
Tax on Dividend	2.47	2.96	3.76	0.06
Loss on Amalgamation of State Bank of Indore	8.94	-	-	-
Balance carried over to Balance Sheet	0.00	0.00	0.00	0.00
TOTAL	**82.65**	**117.13**	**141.05**	**2.25**
Basic Earnings per Share	₹ 130.16	₹ 184.31	₹ 210.06	U.S.$3.35
Diluted Earnings per Share	₹ 130.16	₹ 184.31	₹ 210.06	U.S.$3.35

Notes:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the RBI reference exchange rate of U.S.$1.00 = ₹ 62.78 as of September 30, 2013.

The unaudited limited reviewed consolidated operating results of the Bank for the six month period as of September 30, 2012 and 2013 are presented in the table below:

		(₹ in billion)	*(U.S.$ in billion)*
	Six month period ended September 30, 2012	**Six month period ended September 30, 2013**	**Six month period ended September 30, 2013(1)**
1. Interest Earned (a) + (b) + (c) + (d)	822.81	912.56	14.54
a) Interest/discount on advances/bills	623.32	680.93	10.85
b) Income on Investments	187.55	218.89	3.49
c) Interest on balances with RBI and other inter bank funds	6.90	5.39	0.09
d) Others	5.04	7.35	0.12
2. Other Income	144.19	143.65	2.29
3. TOTAL INCOME (1+2)	**967.00**	**1,056.21**	**16.82**
4. Interest Expended	518.06	585.15	9.32
5. Operating Expenses (i) + (ii)	243.01	281.59	4.49
i) Employee Cost	112.39	149.26	2.38
ii) Other Operating Expenses	130.62	132.33	2.11

6. TOTAL EXPENDITURE (4) + (5) (excluding provisions and contingencies)	**761.07**	**866.74**	**13.81**
7. OPERATING PROFIT (3 - 6) (Profit before provisions and contingencies)	**205.93**	**189.47**	**3.02**
8. Provisions (Other than tax) and contingencies (net of write-back)	61.52	84.77	1.35
--- *of which provisions for Non-performing assets*	64.85	70.95	1.13
9. Exceptional Items	-	-	-
10. Profit from Ordinary Activities before tax (7-8-9)	144.41	104.71	1.67
11. Tax Expenses	47.97	28.86	0.46
12. Net Profit from Ordinary Activities after tax (10-11)	**96.44**	**75.85**	**1.21**
13. Extraordinary Items (net of tax expenses)	-	-	-
14. Net Profit for the period (12 + 13)	**96.44**	**75.85**	**1.21**
15. Share in Profit of Associates	1.11	1.36	0.02
16. Share of Minority	3.04	3.50	0.06
17. Net Profit for the Group (14 + 15 - 16)	**94.50**	**73.71**	**1.17**
Earnings per share of ₹ 10/- each (basic and diluted, not annualised) - in rupees	₹ 140.83	₹ 107.26	U.S.$1.71

Notes:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the RBI reference exchange rate of U.S.$1.00 = ₹ 62.78 as of September 30, 2013.

The unaudited limited reviewed unconsolidated operating results of the Bank for the six month period as of September 30, 2012 and 2013 are presented in the table below:

		(₹ in billion)	*(U.S.$ in billion)*
	Six month period ended September 30, 2012	**Six month period ended September 30, 2013**	**Six month period ended September 30, 2013(1)**
1. Interest Earned (a) + (b) + (c) + (d)	585.29	656.40	10.46
a) Interest/discount on advances/bills	446.73	492.25	7.84
b) Income on Investments	130.88	154.98	2.47
c) Interest on balances with RBI and other inter bank funds	2.75	2.19	0.03
d) Others	4.94	6.98	0.11
2. Other Income	68.40	77.52	1.23
3. TOTAL INCOME (1+2)	**653.69**	**733.93**	**11.69**
4. Interest Expended	364.31	418.77	6.67
5. Operating Expenses (i) + (ii)			

i) Employee Cost	84.17	113.58	1.81
ii) Other Operating Expenses	49.90	62.94	1.00
6. TOTAL EXPENDITURE (4) + (5) (excluding provisions and contingencies)	**498.39**	**595.30**	**9.48**
7. OPERATING PROFIT (3 - 6) (Profit before provisions and contingencies)	**155.30**	**138.63**	**2.21**
8. Provisions (Other than tax) and contingencies (net of write-back)	42.82	58.95	0.94
--- *of which provisions for Non-performing assets*	46.27	49.11	0.78
9. Exceptional Items	-	-	-
10. Profit from Ordinary Activities before tax (7-8-9)	112.48	79.68	1.27
11. Tax Expenses	38.39	23.52	0.37
12. Net Profit from Ordinary Activities after tax (10-11)	**74.10**	**56.16**	**0.89**
13. Extraordinary Items (net of tax expenses)	-	-	-
14. Net Profit for the period (12 + 13)	**74.10**	**56.16**	**0.89**
15. Share in Profit of Associates	-	-	-
16. Share of Minority	-	-	-
17. Net Profit after Minority Interest (14 + 15 - 16)	**74.10**	**56.16**	**0.89**
Earnings per share of ₹ 10/- each (basic and diluted, not annualised) - in rupees	₹ 110.42	₹ 82.10	U.S.$1.31

Notes:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the RBI reference exchange rate of U.S.$1.00 = ₹ 62.78 as of September 30, 2013.

Consolidated and unconsolidated Balance Sheet

The consolidated balance sheet of the Group as of March 31, 2011, 2012 and 2013 are presented in the table below:

			(₹ in billion)	*(U.S.$ in billion)*
	As of March 31, 2011	**As of March 31, 2012**	**As of March 31, 2013**	**As of March 31, 2013(1)**
CAPITAL AND LIABILITIES				
Capital	6.35	6.71	6.84	0.11
Reserves & Surplus	828.36	1,055.59	1,243.49	19.81
Minority Interest	29.77	37.26	42.54	0.68
Deposits	12,555.62	14,146.89	16,274.03	259.22
Borrowings	1,424.71	1,579.91	2,037.23	32.45
Other Liabilities and Provisions	1,634.17	1,473.20	1,727.46	27.52
TOTAL	**16,478.98**	**18,299.56**	**21,331.58**	**339.78**

ASSETS				
Cash and Balances with Reserve Bank of India	1,193.50	791.99	895.74	14.27
Balance with banks and money at call & short notice	359.78	483.92	556.54	8.86
Investments	4,190.66	4,609.49	5,193.93	82.73
Advances	10,064.02	11,636.70	13,926.08	221.82
Fixed Assets	64.87	74.08	93.70	1.49
Other Assets	606.16	703.38	665.59	10.60
TOTAL	**16,478.98**	**18,299.56**	**21,331.58**	**339.78**
Contingent Liabilities	8,527.55	9,371.55	10,564.89	168.28
Bills for Collection	688.66	804.10	802.02	12.78

Notes:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the RBI reference exchange rate of U.S.$1.00 = ₹ 62.78 as of September 30, 2013.

The unconsolidated balance sheet of the Bank as of March 31, 2011, 2012 and 2013 are presented in the table below:

			(₹ in billion)	*(U.S.$ in billion)*
	As of March 31, 2011	**As of March 31, 2012**	**As of March 31, 2013**	**As of March 31, 2013(1)**
CAPITAL AND LIABILITIES				
Capital	6.35	6.71	6.84	0.11
Reserves & Surplus	643.51	832.80	982.00	15.64
Deposits	9,339.33	10,436.47	12,027.40	191.58
Borrowings	1,195.69	1,270.06	1,691.83	26.95
Other Liabilities and Provisions	1,052.48	809.15	954.55	15.20
TOTAL	**12,237.36**	**13,355.19**	**15,662.61**	**249.48**
ASSETS				
Cash and Balances with Reserve Bank of India	943.96	540.76	658.30	10.49
Balance with banks and money at call & short notice	284.79	430.87	489.90	7.80
Investments	2,956.01	3,121.98	3,509.27	55.90
Advances	7,567.19	8,675.79	10,456.17	166.55
Fixed Assets	47.64	54.66	70.05	1.12
Other Assets	437.78	531.13	478.92	7.63
TOTAL	**12,237.36**	**13,355.19**	**15,662.61**	**249.48**
Contingent Liabilities	7,304.85	8,326.05	9,263.79	147.56

Bills for Collection	599.05	669.60	666.40	10.61

Notes:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the RBI reference exchange rate of U.S.$1.00 = ₹ 62.78 as of September 30, 2013.

The unaudited limited reviewed consolidated balance sheet of the Group for the six month period as of September 30, 2012 and 2013 are presented in the table below:

			(₹ in billion)	*(U.S.$ in billion)*
	As of September 30, 2012	**As of March 31, 2013**	**As of September 30, 2013**	**As of September 30, 2013(1)**
CAPITAL AND LIABILITIES				
Capital	6.71	6.84	6.84	0.11
Reserves & Surplus	1,157.55	1,243.49	1,357.50	21.62
Minority Interest	40.32	42.54	47.94	0.76
Deposits	15,226.07	16,274.03	17,314.10	275.79
Borrowings	1,741.95	2,037.23	2,272.15	36.19
Other liabilities and Provisions	1,377.79	1,727.46	1,598.37	25.46
Total Capital and Liabilities	**19,550.39**	**21,331.58**	**22,596.90**	**359.94**
ASSETS				
Cash and Balances with Reserve Bank of India	875.45	895.74	817.51	13.02
Balances with Banks and money at call and short notice	361.78	556.54	626.52	9.98
Investments	5,344.88	5,193.93	5,761.80	91.78
Advances	12,311.29	13,926.08	14,548.00	231.73
Fixed Assets	86.60	93.70	100.64	1.60
Other Assets	570.39	665.59	742.42	11.83
Total Assets	**19,550.39**	**21,331.58**	**22,596.90**	**359.94**

Notes:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the RBI reference exchange rate of U.S.$1.00 = ₹ 62.78 as of September 30, 2013.

The unaudited limited reviewed unconsolidated balance sheet of the Bank for the six month period as of September 30, 2012 and 2013 are presented in the table below:

			(₹ in billion)	(U.S.$ in billion)
	As of September 30, 2012	**As of March 31, 2013**	**As of September 30, 2013**	**As of September 30, 2013(1)**
CAPITAL AND LIABILITIES				
Capital	6.71	6.84	6.84	0.11
Reserves & Surplus	913.47	982.00	1074.53	17.12
Deposits	11,336.44	12,027.40	12,924.56	205.87
Borrowings	1,428.18	1,691.83	889.37	14.17
Other liabilities and Provisions	715.81	954.55	862.99	13.75
Total Capital and Liabilities	**14,400.61**	**15,662.61**	**16,758.30**	**266.94**
ASSETS				
Cash and Balances with Reserve Bank of India	660.99	658.30	624.92	9.95
Balances with Banks and money at call and short notice	271.63	489.90	515.26	8.21
Investments	3715.28	3,509.27	3,985.36	63.48
Advances	9269.19	10,456.17	11,030.90	175.71
Fixed Assets	64.03	70.05	75.50	1.20
Other Assets	419.49	478.92	526.35	8.38
Total Assets	**14,400.61**	**15,662.61**	**16,758.30**	**266.94**

Notes:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the RBI reference exchange rate of U.S.$1.00 = ₹ 62.78 as of September 30, 2013.

Unconsolidated Average Balance Sheet of the Bank

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

	Year ended March 31,								
	2011			2012			2013		
	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)
	(₹ in millions, except percentages)								
Interest-earning assets:									
Advances	7,043,346.3	599,760.1	8.52%	8,188,342.8	810,777.0	9.90%	9,668,728.2	905,371.0	9.36%
Investments	2,799,007.2	198,263.7	7.08%	3,089,610.9	239,491.4	7.75%	3,544,260.1	272,006.3	7.67%
Others	282,686.2	15,919.9	5.63%	255,096.9	14,946.1	5.86%	353,879.4	19,193.7	5.42%
Total interest-earning assets	10,125,039.7	813,943.7	8.04%	11,533,050.6	1,065,214.5	9.24%	13,566,867.6	1,196,571.0	8.82%
Non-interest earning assets:									
Fixed assets	48,034.6	—	—	51,788.7	—	—	64,937.7	—	—
Other assets	1,085,418.6	—	—	1,123,172.6	—	—	1,089,912.5	—	—
Total non-interest earning assets	1,133,453.2	—	—	1,174,961.3	—	—	1,154,840.2	—	—
Total assets	11,258,492.9	813,943.7	7.23%	12,708,011.8	1,065,214.5	8.38%	14,721,707.8	1,196,571.0	8.13%
Interest-bearing liabilities:									
Total deposits	8,708,883.3	432,347.5	4.96%	9,919,637.8	556,443.7	5.61%	11,490,002.3	674,645.5	5.87%
Subordinated loan	347,456.2	30,199.4	8.69%	399,248.9	35,920.9	9.00%	402,387.9	36,149.0	8.98%
Borrowings	736,287.3	25,617.4	3.48%	798,978.5	38,856.5	4.86%	1,115,758.4	41,241.1	3.70%
Total interest-bearing liabilities	9,792,626.7	488,164.3	4.99%	11,117,865.2	631,221.1	5.68%	13,008,148.6	752,035.5	5.78%
Non-interest bearing liabilities:									
Capital and reserves	703,160.3	—	—	740,979.8	—	—	941,317.0	—	—
Bills payable	155,807.2	—	—	160,844.6	—	—	154,730.4	—	—
Other liabilities	606,898.6	515.2	0.08%	688,322.2	1,082.6	0.15%	617,511.8	1,222.5	0.16%
Total non-interest bearing liabilities	1,465,866.2			1,590,146.6			1,713,559.2		
Total liabilities	11,258,492.9	488,679.5	4.34%	12,708,011.8	632,303.7	4.98%	14,721,707.8	753,258.0	5.12%

	Six months ended September 30,					
	2012			2013		
	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)
	(₹ in millions, except percentages)					
Interest-earning assets:						
Advances	9,218,797.0	446,727.0	9.69%	10,818,892.6	492,252.3	9.10%
Investments	3,534,086.5	130,878.8	7.41%	4,092,387.4	154,980.9	7.57%
Others	316,230.4	7,687.1	4.86%	412,398.3	9,171.3	4.45%
Total interest-earning assets	13,069,113.9	585,292.9	8.96%	15,323,678.2	656,404.5	8.57%
Non-interest earning assets:						
Fixed assets	61,402.3	—	—	74,159.6	—	—
Other assets	1,137,909.2	—	—	1,076,223.0	—	—
Total non-interest earning assets	1,199,311.5	—	—	1,150,382.6	—	—
Total assets	14,268,425.5	585,292.9	8.20%	16,474,060.8	656,404.5	7.97%
Interest-bearing liabilities:						
Total deposits	11,182,851.0	328,737.9	5.88%	12,749,224.5	373,628.6	5.86%
Subordinated loan	402,259.6	18,096.0	9.00%	406,487.4	18,209.7	8.96%
Borrowings	1,046,247.6	16,351.9	3.13%	1,407,142.3	26,830.9	3.81%
Total interest-bearing liabilities	12,631,358.2	363,185.8	5.75%	14,562,854.2	418,669.2	5.75%
Non-interest bearing liabilities:						
Capital and reserves	906,781.8	—	—	1,061,907.5	—	—
Bills payable	143,859.9	—	—	143,636.5	—	—
Other liabilities	586,425.6	1,123.0	0.15%	705,662.6	102.3	0.01%
Total non-interest bearing liabilities	1,637,067.3			1,911,206.6		
Total liabilities	14,268,425.5	364,308.7	2.55%	16,474,060.8	418,771.5	2.54%

Yields, Spreads and Margins

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

	Year ended March 31,			Six months ended September 30,		
	2011	2012	2013	2012	2013	2013
	(₹ in millions, except percentages)			(₹ in millions, except percentages)		(U.S.$ in millions)[(1)]
Interest income on interest-earning assets	813,943.6	1,065,214.5	1,196,571.0	585,292.9	656,404.5	10,456.1

	Year ended March 31,			Six months ended September 30,		
	2011	2012	2013	2012	2013	2013
	(₹ in millions, except percentages)			(₹ in millions, except percentages)		(U.S.$ in millions)[(1)]
Interest expense on interest-bearing liabilities	488,679.6	632,303.7	753,258.0	364,308.7	418,771.5	6,670.8
Average interest-earning assets	10,125,039.8	11,533,050.6	13,566,867.6	13,069,113.9	15,323,678.2	244,097.0
Average interest-bearing liabilities	9,792,626.7	11,117,865.2	13,008,148.6	12,631,358.2	14,562,854	231,977.5
Average total assets	11,258,492.9	12,708,011.8	14,731,707.8	14,268,425.5	16,474,060.8	262,421.9
Average interest-earning assets as a percentage of average total assets	89.93%	90.75%	92.16%	91.59%	93.02%	—
Average interest-bearing liabilities as a percentage of average total assets	86.98%	87.49%	88.36%	88.53%	88.40%	—
Average interest-earning assets as a percentage of average interest-bearing Liabilities	103.39%	103.73%	104.30%	103.47%	105.22%	—
Yield[(2)]	8.04%	9.24%	8.82%	8.96%	8.57%	—
Cost of funds[(3)]	4.99%	5.69%	5.79%	5.77%	5.75%	—
Spread	3.05%	3.55%	3.03%	3.19%	2.82%	—
Net interest margin[(4)]	3.32%	3.85%	3.34%	3.45%	3.19%	—

Notes:

(1) For the reader's convenience, U.S. dollar translations of Indian rupee amounts have been provided based on the RBI reference exchange rate of U.S.$1.00 = ₹ 62.78 as of September 30, 2013.

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

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

(4) Net interest margin is the difference between interest earned and interest expended divided by the total weekly average interest-earning assets.

Financial Ratios

The following table sets forth certain key financial indicators of the Bank, calculated on an unconsolidated basis, as of and for the periods indicated.

	As of and for the year ended March 31,			As of and for the six months ended September 30,	
	2011	2012	2013	2012	2013
			(in percentages)		
Return on average equity[(1)]	12.84%	14.36%	15.94%	18.18%	11.77%
Return on average assets[(2)]	0.71%	0.88%	0.91%	1.07%	0.69%
Dividend payout ratio[(3)]	23.05%	20.06%	20.12%	-	-
Cost to average assets[(4)]	2.04%	1.97%	1.91%	1.81%	1.76%
Tier I capital adequacy ratio	7.77%	9.76%	9.49%	8.97%	*8.73%
Tier II capital adequacy ratio	4.21%	4.07%	3.43%	3.66%	*2.96%
Total capital adequacy ratio	11.98%	13.83%	12.92%	12.63%	*11.69%
Net non-performing assets ratio[(5)]	1.63%	1.82%	2.10%	2.44%	2.91%
Allowance as percentage of gross non-performing assets[(6)]	51.25%	60.13%	57.11%	54.04%	49.92%
Average net worth to total average assets[(7)]	6.25%	6.33%	6.39%	6.36%	6.45%
Credit to deposit ratio[(8)]	76.32%	78.50%	82.42%	76.64%	80.54%
Cost to income ratio[(9)]	47.60%	45.23%	48.51%	46.33%	56.01%
Other income to operating income ratio[(10)]	32.73%	24.90%	26.56%	23.64%	24.60%

**Under Basel III. CAR Ratios of earlier years pertain to Basel II.*

Notes:

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

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

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

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

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

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

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

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

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

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

RISK FACTORS

This Placement Document contains forward-looking statements that involve risks and uncertainties. Prospective investors should carefully consider the following risk factors as well as other information included in this Placement Document prior to making any decision as to whether or not to invest in the Equity Shares. The risks described below, which constitute all known material risks concerning the Bank and this Issue, and any additional risks and uncertainties not presently known to the Bank or that currently are deemed immaterial could adversely affect the Bank's business, financial condition, liquidity or results of operations. As a result, the trading price of the Equity Shares could decline and investors may lose part or all of their investment.

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 favourable 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 certain European nations' debt troubles and doubts on the fiscal sustainability in the U.S. 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 instalments 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' changing perceptions toward savings. For example, retail customers may reduce their deposits and increase their investment in securities for a higher return, while SMEs and mid-corporate customers may reduce their deposits in order to fund projects in a favourable economic environment. In the event of a decrease in deposits, the Bank may be required to pay higher interest rates to attract deposits, which could adversely affect the Bank's performance. 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 event, the Bank may need to seek more expensive sources of funding, and it is uncertain whether the Bank will be able to obtain additional funding on commercially reasonable terms as and when required. 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 not be able to reduce its deposits if it experiences surplus liquidity. The Bank must find ways 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 the regulation of the RBI, the Bank's liabilities are subject to the 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 stood at 23.0% since its decrease from the previous level of 24.0% in August 2012. See "*Regulations and Policies - Regulations relating to maintenance of statutory reserves*". As of March 31, 2013 and September 30, 2013, Government securities represented 81.6% and 83.8% of the Bank's domestic investment portfolio, respectively, and comprised 23.0% and 24.2% of the Bank's demand and term liabilities, respectively. The Bank earns interest on such Government securities at rates which are less favourable 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.

Of the Bank's Government securities portfolio, 84.8% is 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 realise a loss or to hold the securities and possibly be required to recognise 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 the six months period ended September 30, 2013 and fiscal year 2013, total Government business turnover was ₹ 14,372.2 billion and ₹ 28,620.5 billion, respectively, and the Bank earned commission from Government transactions of ₹ 8.5 billion and ₹ 17.8 billion, respectively, or 10.90% and 11.08%, respectively, of the Bank's other (non-interest) income. The Bank's market share of Government business is approximately 58.0% and includes such transactions as handling payment and receipts for both the Government and state governments. The Bank has been able to retain its position as market leader in this business segment. For fiscal year 2012, total Government business turnover was ₹ 25,369 billion, the Bank earned commission from Government transactions of ₹ 20.1 billion, or 13.98% of the Bank's other (non-interest) income, and the Bank's market share of Government business was approximately 58.0%, including such transactions as handling payment and receipts for both the Government and state governments. In many instances, the Bank has acted as the sole agent for certain Government transactions. 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 Government 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.

If the Bank is not able to control or reduce the level of NPAs in its portfolio, its business will be adversely affected.

The Bank's NPAs have been increasing since 2009. Gross NPAs increased from ₹ 253.3 billion to ₹ 396.8 billion to ₹ 511.9 billion to ₹ 642.1 billion as of March 31, 2011, 2012, 2013 and September 30, 2013, respectively, representing 3.28%, 4.44%, 4.75% and 5.64%, respectively, of gross customer assets; net NPAs increased from ₹ 123.5 billion to ₹ 158.2 billion to ₹ 219.6 billion to ₹ 321.5 billion as of the same dates, respectively, representing 1.63%, 1.82%, 2.10% and 2.91%, respectively, of net customer assets. The Bank's NPAs may continue to 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. 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 Equity Shares. 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 mandated by RBI may adversely affect its business.

As of September 30, 2013 and March 31, 2013, the Bank's gross NPAs represented 5.64% and 4.75%, respectively, of gross customer assets and the Bank's NPAs, net of provisions, represented 2.91% and 2.10%, respectively, of net customer assets. As of September 30, 2013 and March 31, 2013, the Bank provided for 60.16% and 66.58%, 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 Equity Shares.

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. The Bank's PCR as on September 30, 2013 and March 31, 2013 was 60.16% and 66.58%, 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 increases in provisions mandated by RBI or other regulatory changes could lead to an adverse impact on the Bank's business, future financial performance and the trading price of the Equity Shares. See "*Regulations and Policies - Prudential norms for income recognition, asset classification and provisioning pertaining to advances*".

The Bank's gross restructured assets as a proportion of gross customer assets as of September 30, 2013 and March 31, 2013 was 4.6% and 4.0%, 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 honour 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 Equity Shares.

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 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 Reserve Bank of India increased the general provisioning on restructured standard accounts from 2.00% to 2.75%. The Reserve Bank of India, 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 Reserve Bank of India 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 would be increased to 3.50% from March 31, 2014, and further to 4.25% from March 31, 2015 and 5.00% from March 31, 2016. 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 structured loans to perform as expected could adversely affect the Bank's business, future financial performance, stockholders' equity and the price of the Equity Shares.

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 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-collateralised, 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 realisation in the event that the borrower challenges the enforcement in an Indian court. In the event a corporate borrower makes a reference to a specialised quasi-judicial authority called the BIFR, foreclosure and enforceability of collateral is stayed. The Bank may not be able to realise 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 Equity Shares.

The SARFAESI Act, the Debt Recovery Tribunal Act, 1993 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 legislation will continue to have a favourable 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 and 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. The Government permits foreign banks to establish wholly owned subsidiaries in India and invest up to 74.0% in Indian private sector banks.

The RBI has released a framework in November 2013 on the presence of foreign banks in India. Pursuant to the framework, foreign banks may operate in India setting up wholly owned subsidiaries (the "**WOS**"). Under the current framework, WOS of foreign banks are allowed to raise Rupee 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 centres except at a few locations considered sensitive on security considerations.

The RBI has issued guidelines on the entry of new private sector banks in the banking industry, including eligibility criteria, structure, capital requirements, shareholding structure and corporate governance practices; under which the deadline for applications was July 1, 2013. Greater presence of existing competitors or new entrants of banks offering a wider range of products and services could increase competition. In addition, the moderation of growth in the Indian banking sector is leading to greater competition for business opportunities. The Government is also actively encouraging banks and other financial institutions to significantly increase their lending to the agricultural sector, which will make this segment more competitive. Due to competitive pressures, 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 Equity Shares. See "*Business - Competition*".

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. In the event future risk exposures are greater than the historical measures indicated The Bank's balance sheet growth will be dependent upon economic conditions, as well as upon its determination to sell, purchase, securitise 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. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. See also "*Risk Factors - Risks Relating to India - A downgrade in ratings of India, the Indian banking sector or of the Bank may affect the trading price of the Equity Shares.*" 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 15,143 branches in India. As noted in the audit reports for the financial statements for fiscal years ended March 31, 2011, 2012 and 2013 and the limited review report for the unaudited reviewed financial results of the Bank for the six months ended September 30, 2013, 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 2013 incorporates financial information from 8,170 Indian branches and other accounting units which have not been subject to audit. These unaudited branches account for 5.38% of advances, 19.47% of deposits, 6.25% of interest income and 16.91% of interest expenses. In addition, the limited review report for the six months ended September 30, 2013 incorporates the relevant returns of 458 of the Bank's branches reviewed by the Bank's own officials acting as concurrent auditors, the returns of 254 branches certified by branch managers per instructions from the Bank's management and un-reviewed returns in respect of 14,952 branches and other accounting units. For the purposes of the limited review report on the unaudited reviewed financial results of the Bank for the six months ended September 30, 2013, 62.54% of the advances and 69.27% 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 dispersed through various industry sectors, the most significant of which are Infrastructure (including electricity), Iron and Steel, Textiles, Petroleum and Petrochemicals, and Engineering, which represented 13.12%, 6.75%, 4.59%, 4.71% and 2.74%, respectively, of the Bank's outstanding domestic fund based loans as at September 30, 2013. As at March 31, 2013, the top five industry sectors accounted for 31.49% of the Bank's outstanding domestic fund based loans.

The table below sets out the Bank's five largest domestic fund-based industry exposures as of September 30, 2013 and March 31, 2013:

Industry	**(₹ in billions)**	
	September 30, 2013	**March 31, 2013**
Infrastructure (including electricity)	1,246.8	1,145.2
Iron and Steel	641.1	640.7
Textiles	436.3	457.7
Petroleum and Petrochemicals	447.1	358.1
Engineering	260.7	262.7

The Bank risks over exposure to particular industry sectors and any significant deterioration in the performance of a particular sector that are driven by events not within the Bank's control. For instance, regulatory action or policy announcements by the Government or state government authorities, would adversely impact the ability of borrowers in that industry to service their debt obligations to the Bank. Although the Bank's portfolio contains loans to a wide variety of businesses, financial difficulties in these industrial 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 Equity Shares.

The Bank has high concentration 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, 2012, 2013 and September 30, 2013, the Bank's total exposure to borrowers (fund-based and non-fund based, including guarantees) was ₹ 13,238.0 billion, ₹ 17,555.3 billion and ₹ 18,951.5 billion, respectively. The ten largest individual borrowers of the Bank's together accounted for 10.9%, 9.6% and 9.3% of the Bank's total exposure as of those dates, respectively, and its ten largest borrower groups together accounted for 18.4%, 16.6% and 17.27% of its total exposure as of those dates, respectively. As of September 30, 2013 and March 31, 2013, the largest individual borrower accounted for 25.6% and 25.5%, respectively, of the Bank's total capital funds. As of September 30, 2013 and March 31, 2013, the largest individual borrower accounted for 43% and 37%, respectively, 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 Equity Shares.

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 ₹ 1,215.88 billion and ₹ 1,248.34 billion, as of September 30, 2013 and March 31, 2013, respectively, which is approximately 10.7% and 11.6%, of the Bank's total advances, as of those dates, respectively or 13.35% and 16.44% of adjusted net credit of the Bank, as of those dates, 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 Equity Shares.

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

The Bank's loan portfolio contains significant exposures to retail loans made for the purpose of residential construction, purchase or renovations, amounting to ₹ 1,300.3 billion, or approximately 13.69% of the Bank's total advances, as of September 30, 2013, an increase of 8.85% compared to March 31, 2013. 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. 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 liberalisation 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. A nationwide credit bureau has only been operational in India since 2001. This may affect the quality of information available to the Bank about the credit history of the Bank's borrowers, especially individuals and small businesses. In addition, the credit risk of the Bank's borrowers, particularly small and middle market companies, is higher than borrowers in more developed economies due to the evolving Indian regulatory, political, economic and industrial environment. The directed lending norms of the Reserve Bank of India 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. Also, several of the Bank's corporate borrowers in the past suffered from low profitability because of increased competition from economic liberalization, a sharp decline in commodity prices, a high debt burden and high interest rates in the Indian economy at the time of their financing, and other factors. 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 non-performing assets and there could be an adverse impact on the Bank's business, future financial performance, stockholders' equity and the price of the Equity Shares.

In addition to credit risks, the Bank also faces additional risks in comparison to banks operating in developed economies. The Bank pursues its banking, insurance and other activities in India, a developing economy with all of the risks that come with such an economy. The Bank's activities in India are widespread and diverse and involve employees, contractors, counterparties and customers with widely varying levels of education, financial sophistication and wealth. Although the Bank seeks to implement policies and procedures to reduce and manage marketplace risks as well as risks within the Bank's own organization, some risks remain inherent in doing business in a large, developing country. The Bank cannot eliminate these marketplace and operational risks, which may lead to legal or regulatory actions, negative publicity or other developments that could reduce the Bank's profitability. In the aftermath of the financial crisis, regulatory scrutiny of these risks is increasing.

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

As of September 30, 2013 and March 31, 2013, loans with a remaining tenor exceeding one year constituted 83.2% and 83.5%, respectively, 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 as estimated 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 risk analysis and mitigation mechanism and procedures to monitor its project finance borrowers, these procedures may not be effective, as projects often get delayed due to extraneous reasons. 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 Equity Shares.

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 negative liquidity gap in the three months to one year time period. The negative gap has arisen mainly because the Bank's deposits and other liabilities are of shorter average maturity than its loans and investments. Most of the Bank's incremental funding requirements are met through short-term funding sources, primarily in the form of deposits. However, a large portion of the Bank's assets have medium- or long-term maturities, creating potential funding mismatches. As of September 30, 2013, 4.93% of the Bank's demand deposits and 54.15% of the term deposits have maturities of up to one year. As of March 31, 2013, 5.29% of the Bank's demand deposits and 51.09% of the term deposits have maturities of up to one year. If a substantial number of the Bank's depositors do not roll-over deposited funds upon maturity, its liquidity position could be adversely affected. The failure to obtain roll over of customer deposits upon maturity or to replace them with fresh deposits could have a material adverse effect on the Bank's business, future financial performance and the trading price of the Equity Shares.

The Bank is exposed to fluctuations in foreign exchange rates.

As a financial organisation 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 Equity Shares.

The Bank's ability to pay dividends in the future will depend upon its future earnings, financial condition, cash flows, working capital requirements and capital expenditures.

The Bank's future ability to pay dividends will depend on the earnings, financial condition and capital requirements of the Bank. Dividends distributed by the Bank will attract dividend distribution tax at rates applicable from time to time. The Bank cannot assure investors that it will generate sufficient income to cover its operating expenses and pay dividends to its shareholders, or at all. In addition, dividends that the Bank has paid in the past may not be reflective of the dividends that it may pay in a future period. The Bank's future dividend policy will depend on its capital requirements, financing arrangements, results of operations, cash flows and financial condition. See "*Dividend Policy*".

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 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 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 ₹ 0.27 billion in fiscal 2011 and a loss of ₹ 0.95 billion in fiscal 2012 for the subsidiary. In fiscal 2013, this subsidiary made a loss of ₹ 1.45 billion. A slowdown 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 price of the Equity Shares.

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 behaviour. 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.

There is operational risk associated with the Bank's industry which, if and when realised, 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, unauthorised 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, ATM management and rural outreach BCs functions. Given its high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, its dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. The Bank may also be subject to disruptions of its operating systems arising from events that are wholly or partially beyond its control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to a deterioration in customer service and to loss or liability to the Bank. The Bank is further exposed to the risk that external vendors may be unable to fulfil their contractual obligations to the Bank (or will be subject to the same risk of fraud or operational errors by their respective employees as the Bank is), and to the risk that its (or its vendors') business continuity and data security systems prove not to be sufficiently adequate. The Bank also faces the risk that the design of its controls and procedures may prove inadequate, or are circumvented, thereby causing delays in detection or errors in information. Although the Bank maintains a system of controls designed to keep operational risk at appropriate levels, like all banks, the Bank has suffered losses from operational risk and there can be no assurance that the Bank will not suffer losses from operational risks in the future that may be material in amount, and its reputation could be adversely affected by the occurrence of any such events involving its employees, customers or third parties.

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 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 organisations 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 ₹ 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 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 the violation of AML and KYC procedures.

In addition, in March 2013, the Bank's California based subsidiary, State Bank of India (California), entered into a consent order (the "**Consent Order**") with its regulators, U.S. Federal Deposit Insurance Corporation ("**FDIC**") and California Department of Financial Institutions ("**CDFI**"), after regulators raised concerns about the AML and KYC compliance procedures of State Bank of India (California). The Consent Order has imposed various obligations and restrictions on 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, 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.

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 (such as Iran, Myanmar, Sudan and Syria, among others) and with certain persons or businesses that have been specially designated by the OFAC or other U.S. government agencies. Other governments and international or regional organisations 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 Equity Shares could incur reputational or other risks as the 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. 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 Equity Shares. 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 centres. 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 Equity Shares.

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 Equity Shares by, for example, requiring a restructuring of the Bank's activities or increasing its operating costs. See "*Regulations and Policies*".

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 ₹ 2.5 million (which are categorised as "priority sectors"). Economic difficulties are likely to affect those borrowers in priority sectors more severely. As of September 30, 2013 and March 31, 2013, the Bank's lending to priority sectors accounted for 29.8% and 36.4%, respectively, of adjusted net bank credit, with 13.4% and 16.4%, respectively, of net credit going to the agricultural sector. See "*Regulations and Policies - Priority Sector Lending*".

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 consistently lowered the repo rate and reverse repo rate, to 7.25% and 6.25%, respectively, effective May 3, 2013. However, the RBI has, with effect from October 29, 2013, has increased the repo rate to 7.75% and the reverse repo rate to 6.75%. Similarly, the RBI gradually decreased the 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.

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 priority sector lending requirements, as well as requiring the Bank to increase its lending to relatively riskier segments which could result in an increase in NPAs in the Bank's directed lending portfolio. Consequently, the Bank's levels of yield-generating assets may be reduced or the Bank may be forced to recognise 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 required to maintain its capital adequacy ratio at the minimum level required by the RBI for domestic banks. There can be no assurance that the Bank will be able to access capital as and when it needs it for growth.

The RBI required Indian banks to maintain a minimum Tier I capital adequacy ratio of 6.0% and a minimum risk weighted total capital adequacy ratio of 9.0% under the Basel II framework. As per the Basel II norms, as on March 31, 2013, the Bank's unconsolidated Tier I and total capital adequacy ratios were 9.49% and 12.92%, respectively, while the Group's consolidated Tier I and total capital adequacy ratios were 9.46% and 12.82%, respectively, reflecting a capital injection by the Government in fiscal years 2012 and 2013 through a preferential allotment of equity shares of ₹ 79.0 billion and ₹ 30.0 billion (including premium), respectively. The Bank is exposed to the risk of the RBI increasing the applicable risk weight for different asset classes from time to time. On May 2, 2012, the RBI issued guidelines on the implementation of the Basel III capital regulation framework in India, and on July 1, 2013, it issued a master circular on Basel III capital regulations, consolidating all relevant guidelines on Basel III issued up to June 30, 2013 (together, the "**Basel III Guidelines**"). The Basel III Guidelines require, among other things, higher levels of Tier I capital and common equity, capital conservation buffers, maintenance of a minimum prescribed leverage ratio on a quarterly basis, higher deductions from common equity and Tier I capital for investments in subsidiaries, changes in the structure of non-equity instruments eligible for inclusion in Tier I capital and loss absorbency features for non-equity Tier I and Tier II capital. The Basel III Guidelines also set out elements of regulatory capital and the scope of the capital adequacy framework, including disclosure requirements for components of capital and risk coverage. The Basel III Guidelines came into effect on April 1, 2013, and, subject to a series of transitional arrangements to be phased in over a period of time, will be fully implemented by March 31, 2018. See "*Regulations and Policies - Capital adequacy requirements*". Full provision for enhanced pension due to wage revision taken through the capital account in fiscal year 2011 and no infusion of capital resulted in a decline in the capital adequacy ratios of the Bank and the Group in fiscal year 2011. However, with capital infusion by the Government in fiscal year 2012 and 2013 for an amount of ₹ 79.0 billion and ₹ 30.0 billion, respectively, has improved the capital adequacy ratio well above the SBI target ratios of 12.00%. Increases in advances and write-offs in respect of NPAs since March 31, 2010 contributed to a decrease in the capital adequacy ratios of the Bank and the Group through fiscal year 2012 and were the impetus for the capital injections by the Government on March 30, 2012 and March 20, 2013. Recently, the Government injected ₹ 20.0 billion through preferential allotment of equity shares on January 2, 2014. There can be no assurance that the Government will provide additional capital injections or that the Bank will be able to raise adequate additional capital from other sources in the future at all or on terms favourable to it. Moreover, if the Basel Committee on Banking Supervision (the "**Basel Committee**") releases additional or more stringent guidance on capital adequacy norms which are given the effect of law in India in the future, the Bank may be forced to raise or maintain additional capital in a manner which could materially adversely affect its business, financial condition and results of operations.

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 Equity Shares.

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 Central Board, which determines the outcome of the actions relating to the general direction of the affairs of the Bank, including payment of dividends. See "*Regulations and Policies - 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 authorised 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 Equity Shares. See "*Regulations and Policies - 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.

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

As of September 30, 2013 and March 31, 2013, the Bank had a network of 190 international offices in 35 countries and intends to further expand its international operations. As the Bank has such a large number of foreign branches, foreign subsidiaries, joint ventures and associates, it is 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 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 materialise 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 realise 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, rationalise 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 Equity Shares 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 Equity Shares. 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 September 30, 2013, the Bank had a total of 222,106 employees, a decrease of approximately 2.7% from 228,296 employees as of March 31, 2013. The Bank at various times carries out recruitment drives in accordance with its expansion program and to cater to the vacancies that are likely to be created from the retirement of employees and also reduces employee numbers in response to efficiencies resulting from adopting new technologies or to market conditions. There can be no assurances, however, that the Bank will be able to continue the implementation of its plan to increase or otherwise adjust its number of employees successfully in the future to the targeted levels. If the Bank is not successful in recruiting sufficient numbers to execute its strategies, or training and maintaining its standards across a large employee population, or retaining its growing population of employees, 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 employs some officers on a contract basis for various purposes. The Bank believes the salaries offered to such contract officers are market competitive with respect to salaries offered in private sector banks. An 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 Equity Shares.

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 is guided by industry level negotiations between bank management represented by the Indian Bank's Association, and bank workers represented by their respective unions or associations. 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 total staff. Although their remuneration packages may not be comparable with those offered by private sector banks, the Bank believes that other benefits allow it to effectively compete for qualified employees. The attrition rate has been less than 1.0% among permanent staff, excluding the outflow due to retirement upon attaining superannuation. When required, the Bank also employs officers having 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. If the 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 unionised and any union action may adversely affect the Bank's business.

There are two majority and representative unions in the Bank, which are All India State Bank Officers' Federation ("**AISBOF**") and All India State Bank of India Staff Federation ("**AISBISF**"). Both unions are non-political. Approximately 91% of the Bank's Award Staff (clerical and subordinate) are the member of AISBISF and 96% of the Bank's Officers are the members of AISBOF. A small percentage of the Award Staff and Officers of the Bank are not members to any union. As part of United Forum of Bank Unions ("**UFBU**"), both AISBISF and AISBOF have either participated or extended moral support in the past to UFBU's calls for strike. Most recently, AISBISF and AISBOF participated in a strike on December 18, 2013, which caused some dislocations in the Bank's operations. While the Bank believes it 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 Equity Shares.

The Bank and its subsidiaries and associates are 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 counter 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 favourable 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 "*Legal Proceedings*".

A current employee of the Bank is being investigated for criminal misconduct involving actions undertaken as an employee of the Bank.

A current deputy managing director of the Bank is being investigated by the Central Bureau of Investigation for criminal conspiracy and accepting bribes in return for approving loans. The Bank had instituted formal internal investigations on this matter, which found no irregularities in the approval of credit facilities subject to the investigation.

However, it is not possible to predict the timing of the conclusion of the investigation by the Central Bureau of Investigation and its final determination. Although the Bank does not believe that this specific incident will have a material adverse impact on its business, criminal misconduct by the executives and employees of the Bank may result in reputational and operational harm to the Bank.

The Bank has contingent liabilities.

As of September 30, 2013, the Bank had contingent liabilities of approximately ₹ 11,709.60 billion, primarily due to an increase in liability on account of outstanding forward exchange contracts of ₹ 2,009.46 billion, an increase in guarantees given on behalf of constituents of ₹ 36.84 billion and an increase in other items for which the Bank is contingently liable of ₹ 361.53 billion, compared to contingent liabilities of ₹ 9,263.8 billion as of March 31, 2013. In fiscal year 2013 and six months period ended September 30, 2013, the Bank saw a significant increase in its contingent liabilities on account of increases in forward exchange contracts and other items for which the Bank is contingently liable. 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 Equity Shares.

Risks Relating to India

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. Any further slowdown in the Indian economy could adversely affect the Bank's business, results of operations, financial condition and prospects.

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 Equity Shares.

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, has led to increased liquidity and credit concerns and volatility in the global credit and 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 Policies*". 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 stabilising 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 Equity Shares. 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 Equity Shares.

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

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. In April and June 2012, S&P and Fitch, respectively, revised the outlook on the long-term ratings on India from "stable" to "negative", citing factors such as the slowdown in India's investment and economic growth and the widened current account deficit, resulting in weaker medium term credit, as well as structural challenges such as corruption, inadequate economic reforms and elevated inflation.

At the same time, S&P lowered the credit rating outlook of India's ten top banks and warned that it could downgrade these banks' credit rating depending on their asset quality and India's sovereign credit rating, while Fitch downgraded the credit rating outlook of 11 Indian financial institutions, including the Bank, to "negative" based on their close links to the Government. Moody's had earlier, in November 2011, 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 June 8, 2012 and January 8, 2013, S&P and Fitch, respectively, announced that they might lower India's credit rating below investment-grade, citing slowing GDP growth, setbacks or reversals in India's economic policy, widening fiscal deficit and/or increasing spreads of credit default swaps for Indian banks. On October 10, 2012, S&P stated that a downgrade would be likely if the country's economic growth prospects dim, its external position deteriorates, its political climate worsens or fiscal reforms slow. However, these rating agencies also indicated that they might revise their outlook to "stable" if the government implements initiatives to reduce structural fiscal deficits, improves its investment climate and increases growth prospects. S&P reiterated on May 17, 2013 that, although there has been some easing of pressure towards a downgrade of the rating, there is still a more than one-in-three likelihood of such a downgrade unless significant improvements in factors such as a high fiscal deficit and levels of government borrowing are seen. On June 15, 2013, Fitch upgraded the outlook of ten financial institutions, including the Bank, from "negative" to "stable" following its revision of the outlook on India's long-term foreign- and local-currency issuer default ratings from "negative" to "stable".

There can be no assurance that these ratings will not be further revised or changed by STP, Fitch or Moody or that any of the other global rating agency will not downgrade India credit rating.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact the Bank's ability to raise additional financing and the interest rates and other commercial terms at which such financing is available. Any of these developments may materially and adversely affect the cost of funds available to the Bank and the trading price of the Equity Shares. See "- *A significant change in the Government's policies could adversely affect the Bank's business and the trading price of the Equity Shares*".

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.$47.6 billion, or 31.4%, from fiscal year 2006 to fiscal year 2007, and by U.S.$110.5 billion, or 55.5%, from fiscal year 2007 to fiscal year 2008, reaching U.S.$309.7 billion as of March 31, 2008. During fiscal year 2009, foreign exchange reserves decreased sharply by U.S.$57.7 billion from fiscal year 2008, to U.S.$251.9 billion. Since then, foreign exchange reserves have generally increased to stand at U.S.$294.4 billion as of March 31, 2012, but decreased 0.6% to U.S.$292.6 billion as of March 31, 2013, according to the RBI. As of December 13, 2013, India's foreign exchange reserves were U.S.$295.5 billion.

A decline in India's foreign exchange reserves could result in reduced liquidity and higher interest rates in the Indian economy. India's foreign exchange reserves recently decreased to U.S.$287.9 billion as of May 30, 2013. There can be no assurance that India's foreign exchange reserves will not further decrease 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 Equity Shares.

Trade deficits could adversely affect the Bank's business and the trading price of the Equity Shares.

India's trade relationships with other countries can influence Indian economic conditions. In fiscal year 2013, India experienced a trade deficit of ₹ 10,378.5 billion, in fiscal year 2012, a trade deficit of ₹ 8,795.0 billion and in fiscal year 2011, a trade deficit of ₹ 5,405.5 billion. If India's trade deficit increases and becomes unmanageable, the Indian economy, and therefore the Bank's business, future financial performance and the trading price of the Equity Shares could be adversely affected.

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

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 "*Regulations and Policies - The Bank's relationships with the Government and the RBI*".

The most recent parliamentary elections for the Lok Sabha (the lower house of the Indian Parliament) took place in May 2009. Although there has been no significant change in the Government's policies since May 2009, current macroeconomic conditions could lead to certain policy and administrative steps which in turn could result in a wider fiscal deficit and, consequently, a downgrade in sovereign ratings, which would adversely affect exchange rates and interest rates.

Any significant change in the Government's economic liberalisation 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 Equity Shares. See "- *A downgrade in ratings of India, the Indian banking sector or of the Bank may affect the trading price of the Equity Shares".*

The risks to financial stability have been increasing in recent years.

As reported by the RBI in its financial stability report dated December 28, 2012, risks to financial stability have been increasing in recent years, primarily due to continued global risks and increased domestic macroeconomic risks. The risks to domestic growth are accentuated by fiscal and external sector imbalances. Banking sector risks primarily include tight liquidity, deteriorating asset quality and reducing soundness. While the RBI reported that the probability of distress of the entire banking system appeared to have reversed an upward trend and registered a marginal decline in the most recent period, it also asserted that no significant change to the overall risk to banking stability has occurred.

As reported by the RBI in its financial stability report dated June 28, 2012, asset quality pressures persisted in the domestic banking system as the growth in NPAs accelerated and continued to outpace credit growth in fiscal year 2012. Credit and deposit growth decelerated, largely reflecting the slowdown in the economy. Further, as the divergence between credit and deposit growth widened, banks increasingly relied on borrowings to fund their credit and investment growth, heightening associated liquidity risks in fiscal year 2012. It was also observed that funding strains coupled with sovereign risks have led to fears of a precipitous deleveraging process that could hurt global financial markets and the wider economy via asset sales and contractions in credit. Whilst the direct impact of such deleveraging is not expected to be significant on domestic credit availability in India, specialized types of financing such as structured long term finance, project finance and trade finance could be impacted. The RBI report anticipated the operating conditions for Indian banks in fiscal year 2013 would remain challenging given the weak global economic outlook, adverse domestic macroeconomic conditions and policy uncertainties.

The Indian banking sector, as a whole, has maintained its CRAR above the regulatory requirement of 9.0%. However, CRAR fell from 14.2% as at March 31, 2011 to 13.5% as at September 30, 2011, but recovered to 13.8% as at March 31, 2013 CRAR as of September 30, 2013 was 12.7%. Financial conditions in India have also put pressure on the asset quality of Indian banks. Loan loss provisions have been increasing across the 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 market price of the Equity Shares.

RBI's latest financial stability report as of December 30, 2013, also noted that asset quality continues to be a major concern for India's banking sector. The Gross NPA ratios of the banking sector and their restructured standard advances ratio have increased. As of September 2013, the total stressed advances ratio has increased to 10.2% of total advances from 9.2% as of March 2013. Leverage ratios have remained constant at approximately 6.0% (6.4% as at end September 30, 2013), which is twice the Basel III required minimum ratio of 3.0%.

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 marked inflationary trends, with particular increases in the prices of food, metals and crude oil. According to the RBI Handbook of Statistics on the Indian

Economy, inflation measured by the Indian Wholesale Price Index increased from 1.6% as of March 31, 2009 to 10.4% as of March 31, 2010 and decreased to 9.7% as of March 31, 2011 and to 7.7% as of March 31, 2012. It was 7.7% as of November 2013. India's current inflation is led by rises in food prices, while inflation in the manufacturing sector and basic metals is driven in part by continuing Rupee weakness and international commodity price pressures. As a result of increased inflation, the RBI increased policy rates five times in fiscal year 2012, but reversed its policy stance beginning April 2012, gradually reducing the bank rate to 8.25% with effect from May 3, 2013. However, the RBI increased again the bank rate to 10.25% effective July 15, 2013 to stop the decline in the rupee's value. Currently, the repo rate is at 7.75% as revised on October 29, 2013. 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.

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 Equity Shares could be adversely affected.

India has from time to time experienced social and civil unrest and hostilities with neighboring countries. India has also experienced terrorist attacks in various 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 Equity Shares.

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

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 2012, there was a delay in the onset of the south-west monsoon, and its progress and distribution was uneven, especially during the crucial Kharif sowing period in June and July. This resulted in delayed sowing of most crops. As a result, the agricultural sector had an estimated growth rate of 1.9 % in fiscal year 2013 as against 3.6% in fiscal year 2012. The occurrence of similar or other natural calamities could have a negative impact on the Indian economy, affecting the Bank's business and potentially causing the trading price of the Equity Shares 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 Equity Shares.

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 Equity Shares. 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.

Investors in the Equity Shares 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 recognise 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.

The United Kingdom, Singapore and Hong Kong, amongst 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 Placement Document, 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 IFRS, on the financial data included in this Placement Document, 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 Placement Document 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 Placement Document.

The effects of the planned convergence with IFRS and adoption of 'Indian Accounting standards converged with IFRS' ("IND-AS") are uncertain and any failure to successfully adopt IND-AS could adversely affect the Bank's business and the trading price of the Equity Shares.

The Bank may be required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, IFRS announced by the Ministry of Corporate Affairs, Government of India (the "**MCA**"). The MCA has announced that it will implement IND-AS in a phased manner after various issues including tax-related issues are resolved. No date has yet been announced for implementation.

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 realisable from its loans, including the possible liquidation of collateral (discounted at the loan's effective interest rate). This may result in the Bank recognising 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 Equity Shares.

There may be differences in 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. 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.

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 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 Equity Shares.

The proposed new taxation system could adversely affect the Bank's business and the trading price of the Equity Shares.

The Government has proposed three major reforms in Indian tax laws, namely the goods and services tax, the direct taxes code and provisions relating to GAAR.

As regards the implementation of the goods and service tax and the direct tax code, the Government has not specified any timeline for their implementation. The goods and services tax would replace 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 direct taxes code aims to reduce distortions in tax structure, introduce moderate levels of taxation, expand the tax base and facilitate voluntary compliance. It also aims to provide greater tax clarity and stability to investors who invest in Indian projects and companies as well as clarify the taxation provisions for international transactions. It aims to consolidate and amend laws relating to all direct taxes like income tax, dividend distribution tax and wealth tax and facilitate voluntary compliance.

As regards GAAR, the provisions have been introduced in the Finance Act, 2012 to come into effect from April 1, 2016. The GAAR provisions intend to catch arrangements declared as "impermissible avoidance arrangements", which is any 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. As the taxation system is intended to undergo significant overhaul, its consequent effects on the banking system cannot be determined as of the date of this Placement Document and there can be no assurance that such effects would not adversely affect the Bank's business, future financial performance and the trading price of the Equity Shares.

The implementation of Basel III Guidelines may have an adverse effect on the Bank and the position of the equity shareholders.

On December 17, 2009, 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'. 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 will be fully implemented on March 31, 2018. 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 LCR and the 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 harmonise 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, 2018, respectively. Until then, banks are required to comply with Basel III Guidelines on a "best efforts" basis.

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 capitalisation 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 favourable to it or at all. Further, the Basel III Guidelines, when fully implemented, may adversely affect the position of any holder of the Equity Shares.

The Indian banking sector is subject to external economic forces.

As reported by the RBI in its financial stability report for December 2011, the Indian banking sector is subject to economic forces that are affecting the health of the sector as a whole. The growing linkages and integration of the Indian economy and its financial system with the global economy are causing the banking system to face headwinds from uncertainty related to government finances and the banking sector in the Eurozone area and the United States. The RBI in its financial report for December 2012 has re-iterated that global risks remain elevated due to delays in resolution of issues like the Eurozone debt crisis. The uncertainty of the global economic environment is expected to continue as economic growth slows across many regions in the world. The RBI's December 2011 financial stability report noted that Indian banks have negligible exposures to the most affected European countries and that direct effects from uncertainty related to the Eurozone debt crisis are expected to remain muted. However, funding constraints in international financial markets could impact both the availability and cost of foreign funding for banks and corporations.

Further, India's economic growth has been affected through the trade and finance channels. Domestic demand and domestic corporate growth have recently begun to slow, while Indian interest rates have risen and inflationary pressures have increased. According to the RBI's financial stability report for 2012, the evolving global risks such as the fall in global growth and sovereign risk/contagion and a host of Indian domestic factors such as the increasing fiscal deficit, deterioration in the growth outlook and bank asset quality are the major risks to the banking sector. In RBI's latest financial stability report for December 2013, the RBI emphasized on the timing of the exit and tapering in its bond purchase programme by the U.S. Federal Reserve. Although the U.S. Federal Reserve has put an end the uncertainty on the timing of the exit, its impact on financial markets volatility will be conditioned by the pace of tapering going forward.

The Indian banking sector, as a whole, has maintained its CRAR above the regulatory requirement of 9.0% under Basel II. However, the banking system's CRAR fell from 14.2% as of March 31, 2011 to 12.7% as of September 30, 201. Leverage ratios have remained constant at approximately 6.0%, which is twice the Basel III required minimum of 3.0%. Financial conditions in India have also put pressure on the asset quality of Indian banks. The gross NPA ratio for Indian banks increased from 2.3% in March 2011 to 3.1% in March 2012 to 3.7% in December 2012. As a result, loan loss provisions have been increasing across the 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 Equity Shares.

Risks Relating to the Equity Shares and the Issue

There may be comparatively less active or liquid market for the Bank's Equity Shares, which may cause the price of the Equity Shares to fall and may limit your ability to sell the Equity Shares.

The price at which the Equity Shares will trade after this Issue will be determined by the marketplace and may be influenced by many factors, including:

- the Bank's financial results and the financial results of the companies in the businesses the Bank operates in;
- the history of, and the prospects for, the Bank's business and the sectors and industries in which it competes;
- the valuation of publicly traded companies that are engaged in business activities similar to the Bank's;
- significant developments in India's economic liberalization and deregulation policies.

In addition, the Indian stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of Indian companies. As a result, investors in the Equity Shares may experience a decrease in the value of the Equity Shares regardless of the Bank's operating performance or prospects.

Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.

Securities markets in India are smaller and more volatile than securities markets in more developed economies. The Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Although the price of the Bank's stock has been as volatile as the markets generally, future fluctuations could have a material adverse effect on the price of the Bank's Equity Shares.

The Equity Shares are subject to transfer restrictions.

The Equity Shares are being offered in transactions not required to be registered under the Securities Act. Therefore, the Equity Shares may be transferred or resold only in a transaction registered under or exempted from the registration requirements of the Securities Act and in compliance with any other applicable securities laws. Pursuant to the SEBI Regulations, for a period of 12 months from the date of the issue of the Equity Shares in the Issue, QIBs purchasing Equity Shares in the Issue may only sell their Equity Shares on the BSE or the NSE and may not enter into any off-market trading in respect of these Equity Shares. Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements. This may affect the liquidity of the Equity Shares purchased by investors and it is uncertain whether these restrictions will adversely impact the market price of the Equity Shares purchased by investors.

The Bank's holdings may be diluted by additional issuances of equity and any dilution may adversely affect the market price of the Bank's Equity Shares.

The Bank may be required to finance its future growth through additional equity offerings. Any future issuance of the Bank's equity shares could dilute the holdings of investors in the Bank and could adversely affect the market price of the Bank's Equity Shares.

Investors will be subject to market risks until the Equity Shares credited to the investor's demat account are listed and permitted to trade.

Investors can start trading the Equity Shares Allotted to them only after they have been credited to investors demat account, are listed and permitted to trade. Since the Bank's Equity Shares are currently traded on the BSE and the NSE, investors will be subject to market risk from the date they pay for the Equity Shares to the date when trading approval is granted for the same. Further, there can be no assurance that the Equity Shares Allocated to an investor will be credited to the investor's demat account or that trading in the Equity Shares will commence in a timely manner. This risk factor is for the information of investors and does not in any way dilute the right of investors and the Bank's obligations.

Investors may be subject to Indian taxes arising out of capital gains.

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if STT has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the equity shares are sold. Any gain realized on the sale of equity shares in an Indian company held for more than 12 months which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Further, Indian tax on capital gains, both short and long term, may be relieved from the tax burden under certain tax treaties with other countries, if operative. For further information, see "*Taxation*".

Any trading closures at the BSE and the NSE may adversely affect the trading price of the Bank's Equity Shares.

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the U.S. A closure of, or trading stoppage on, either of the BSE and the NSE could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

There are foreign investment restrictions under Indian law that limit the Bank's ability to attract foreign investors, which may adversely impact the market price of the Bank's Equity Shares.

Under current Indian regulations and practice, the approval of the RBI is required for the sale of equity shares by a NRI to a resident of India and for repatriation of the proceeds thereof, unless the sale is made through a stock exchange in India. Under currency exchange controls that are in effect in India, any approval granted by RBI for a transfer of shares by a NRI to a resident of India will require the equity shares to be transferred at a price based on a specified formula, and a higher price per share may not be permitted. Further, prior to the repatriation of sale proceeds, a no objection/tax clearance certificate from the income tax authority or the provision of an undertaking in the prescribed format along with a certificate from an accountant would be required. There can be no assurance that any required approval from the RBI or any other Government agency can be obtained on any particular terms or at all.

Applicants to the Issue are not allowed to withdraw their Bids after the Bid/Issue Closing Date.

In terms of the SEBI Regulations, applicants in the Issue are not allowed to withdraw their Bids after the Bid/Issue Closing Date. The Allotment of Equity Shares in this Issue and the credit of such Equity Shares to the applicant's demat account with depository participant could take approximately seven days and up to 10 days from the Bid/Issue Closing Date. However, there is no assurance that material adverse changes in the international or national monetary, financial, political or economic conditions or other events in the nature of force majeure, material adverse changes in the business, results of operation or financial condition of the Bank, or other events affecting the applicant's decision to invest in the Equity Shares, would not arise between the Bid/Issue Closing Date and the date of Allotment of Equity Shares in the

Issue. Occurrence of any such events after the Bid/Issue Closing Date could also impact the market price of the Equity Shares. The applicants shall not have the right to withdraw their Bids in the event of any such occurrence without the prior approval of SEBI. The Bank may complete the Allotment of the Equity Shares even if such events may limit the applicants' ability to sell the Equity Shares after the Issue or cause the trading price of the Equity Shares to decline.

The Bank may be classified as a passive foreign investment company, which could result in adverse United States federal income tax consequences to United States investors.

Based in part on certain proposed treasury regulations with respect to banks, which are not yet finalized, although not free from doubt, the Bank does not expect to be treated as a PFIC for United States federal income tax purposes for its taxable year ending March 31, 2013. However, the application of the PFIC rules is subject to ambiguity in several respects and the determination of whether the Bank is a PFIC is a factual determination made annually after the end of each taxable year. Thus it is possible that the Bank may be treated as a PFIC in any taxable year. If the Bank is treated as a PFIC for any taxable year during which a United States investor holds an Equity Share, certain adverse United States federal income tax consequences could apply to the United States investor.

Foreign Account Tax Compliance withholding may affect payments on the Equity Shares.

The U.S. "Foreign Account Tax Compliance Act" (or "**FATCA**") imposes a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. The Bank is classified as a financial institution for these purposes. If a withholding tax in respect of FATCA were to be deducted or withheld from any payments, neither the Bank nor any other person will pay additional amounts as a result of the deduction or withholding.

MARKET PRICE INFORMATION AND OTHER INFORMATION CONCERNING THE EQUITY SHARES

As of the date of this Placement Document, 695,252,656 Equity Shares are issued, subscribed and paid up.

The Equity Shares are listed on the Stock Exchanges. As the Equity Shares are traded on the BSE and the NSE, the stock market data has been given separately for each of these stock exchanges. The following tables set forth, for the period indicated, the reported high, low and average of closing market prices of the Equity Shares on the BSE and NSE and the number of Equity Shares traded on the days such high and low prices were recorded, for the Fiscal years 2011, 2012 and 2013.

a. BSE

Fiscal Year	High (₹)	Date of High	Number of Equity Shares traded on date of high	Volume on date of high (₹ in million)	Low (₹)	Date of Low	Number of Equity Shares traded on date of low	Volume on date of low (₹ in million)	Average price for the year (₹)*	Total Number of Equity Shares traded in the year	Total Volume of Equity Shares traded in the year ₹ in million)
2013	2,539.20	January 10, 2013	399,468	1,014.4	1,829.20	May 16, 2012	749,585	1,368.4	2,166.02	127,623,077	272,770
2012	2,934.30	April 26, 2011	326,551	952.9	1,582.80	December 20, 2011	983,206	1,574.8	2,135.68	157,232,218	326,674
2011	3,489.55	November 5, 2010	134,633	469.3	2,031.75	April 19, 2010	249,616	506.7	2,665.63	125,584,276	336,071

Source: www.bseindia.com

* *Average of the daily closing prices*

b. NSE

Fiscal Year	High (₹)	Date of High	Number of Equity Shares traded on date of high	Volume on date of high (₹ in million)	Low (₹)	Date of Low	Number of Equity Shares traded on date of low	Volume on date of low (₹ in million)	Average price for the year (₹)*	Total Number of Equity Shares traded in the year	Total Volume of Equity Shares traded in the year (₹ in million)
2013	2,539.10	January 10, 2013	2,150,465	5,462.7	1,827.70	May 16, 2012	2,898,700	5,285.4	2,166.53	607,054,740	1,301,274
2012	2,933.75	April 26, 2011	1,474,584	4,299.0	1,578.50	December 20, 2011	3,398,804	5,436.1	2,135.93	647,705,066	1,347,853
2011	3,489.95	November 5, 2010	413,238	1,440.2	2,032.45	April 19, 2010	925,060	1,878.1	2,665.67	490,229,431	1,316,167

Source: www.nseindia.com

* *Average of the daily closing prices*

The following tables set forth, for the period indicated, the reported high, low and average of closing market prices of the Equity Shares on the BSE and NSE and the number of Equity Shares traded on the days such high and low prices were recorded, in each month during the last nine months preceding the date of filing of this Placement Document:

c. **BSE**

Month, Year	High (₹)	Date of High	Number of Equity Shares traded on date of high	Volume on date of high (₹ in million)	Low (₹)	Date of Low	Number of Equity Shares traded on date of low	Volume on date of low (₹ in million)	Average price for the month (₹)*	Total Number of Equity Shares traded in the month	Total Volume of Equity Shares traded in the month (₹ in million)
December, 2013	1,889.20	December 9, 2013	291,562	553.4	1,718.95	December 17, 2103	303,605	524.4	1,785.40	5,321,886	9,527
November, 2013	1,886.00	November 3, 2013	96,583	182.7	1,675.45	November 12, 2013	486,176	825.2	1,778.56	8,186,947	14,544
October, 2013	1,795.50	October 31, 2013	638,938	1,128.2	1,611.65	October 8, 2013	431,177	705.8	1,671.01	8,180,362	13,680
September, 2013	1,808.75	September 19, 2013	664,381	1,189.3	1,475.30	September 3, 2013	383,575	576.7	1,641.28	9,392,687	15,512
August, 2013	1,713.55	August 7, 2013	421,146	711.7	1,489.25	August 29, 2013	509,198	761.7	1,591.39	11,163,104	17,692
July, 2013	2,015.60	July 1, 2013	301,407	600.7	1,709.85	July 31, 2013	464,231	790.5	1,851.18	9,726,358	17,887

Source: www.bseindia.com
** Average of the daily closing prices*

d. **NSE**

Month, Year	High (₹)	Date of High	Number of Equity Shares traded on date of high	Volume on date of high (₹ in million)	Low (₹)	Date of Low	Number of Equity Shares traded on date of low	Volume on date of low (₹ in million)	Average price for the month (₹)*	Total Number of Equity Shares traded in the month	Total Volume of Equity Shares traded in the month (₹ in million)
December, 2013	1,890.85	December 9, 2013	1,877,504	3,565.1	1,718.30	December 17, 2103	1,763,277	3,044.0	1,785.15	33,941,983	60,850
November, 2013	1,886.30	November 3, 2013	525,400	994.2	1,672.95	November 12, 2013	2,433,425	4,126.8	1,778.57	46,175,792	82,047
October, 2013	1,796.75	October 31, 2013	3,345,951	5,907.2	1,607.55	October 8, 2013	2,671,034	4,373.3	1,671.03	41,416,084	69,305
September, 2013	1,807.75	September 19, 2013	3,343,745	5,983.2	1,475.65	September 3, 2013	2,105,070	3,163.5	1,641.74	48,239,385	79,649
August, 2013	1,716.10	August 7, 2013	3,064,051	5,180.4	1,487.80	August 29, 2013	2,008,481	3,004.8	1,591.31	54,834,780	87,304
July, 2013	2,015.60	July 1, 2013	1,513,515	3,015.1	1,708.40	July 31, 2013	3,035,623	5,169.0	1,850.08	48,432,820	89,244

Source: www.nseindia.com
** Average of the daily closing prices*

e. The closing market prices of the Equity Shares on the BSE and the NSE on the trading day immediately following the day on which the resolutions were passed by the Central Board and the ECCB for approving the Issue, is set forth below:

i) On October 31, 2013, the trading day immediately following the day on which the resolution of the Central Board to approve the Issue was passed, closing price of the Equity Shares was ₹ 1,795.50 and ₹ 1,796.75 per Equity Share, on BSE and NSE respectively; and

ii) On November 29, 2013, the trading day immediately following the day on which the resolution of the ECCB to approve the Issue was passed, closing price of the Equity Shares was ₹ 1,821.50 and ₹ 1,819.45 per Equity Share, on BSE and NSE respectively.

USE OF PROCEEDS

The total proceeds of the Issue will be ₹ 80,316.48 million. After deducting the Issue expenses of approximately ₹ 550.00 million, the net proceeds of the Issue will be approximately ₹ 79,766.48 million.

Subject to compliance with applicable laws and regulations, the Bank intends to use the net proceeds of the Issue to augment its capital adequacy ratio and for general corporate purposes, in accordance with applicable law.

CAPITALISATION STATEMENT

The following table sets forth the Bank's capitalisation as of September 30, 2013 which has been extracted from its unaudited limited reviewed consolidated and unconsolidated financial results prepared in accordance with Indian GAAP, guidelines issued by the RBI from time to time and practices generally prevailing in the banking industry in India. This capitalisation table should be read together with the sections titled *"Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements"*.

Unconsolidated Capitalisation Statement as of September 30, 2013

The following table sets forth the unaudited limited reviewed unconsolidated indebtedness and capitalisation of the Bank as of September 30, 2013. This table should be read in conjunction with the Bank's unaudited limited reviewed unconsolidated financial results as of September 30, 2013 and the schedules and notes thereto presented elsewhere herein:

Particulars	**As of September 30, 2013**		**As adjusted[10]**	
	(₹ in billion, except %)	**(U.S.$ in billion)[1]**	**(₹ in billion, except %)**	**(U.S.$ in billion)[1]**
Short-term liabilities				
Deposits due to banks[2]	52.60	0.84	52.60	0.84
Other deposits[2]	805.83	12.84	805.83	12.84
Demand liabilities	4,603.36	73.33	4,603.36	73.33
Total	**5,461.79**	**87.01**	**5,461.79**	**87.01**
Long-term liabilities				
Term deposits[3]	7,462.77	118.87	7,462.77	118.87
Other liabilities[4]	863.00	13.75	863.00	13.75
Total	**8,325.77**	**132.62**	**8,325.77**	**132.62**
Borrowings[5]				
Borrowings	1,889.37	30.10	1,889.37	30.10
Total[6]	**15,676.93**	**249.71**	**15,676.93**	**249.71**
Shareholders' funds				
Share Capital[7]	6.84	0.11	7.47	0.12
Reserves and Surplus	1,074.53	17.12	1,173.67	18.69
Total shareholders' funds	**1,081.37**	**17.23**	**1,181.14**	**18.81**
Total capitalisation[8]	**16,758.30**	**266.96**	**16,878.07**	**268.84**
Capital Adequacy Ratio (Basel III)				
Tier I[9]	8.73%		9.67%	
Tier II	2.96%		3.14%	
Total Capital Adequacy Ratio[9]	**11.69%**		**12.81%**	

Notes:

(1) U.S. dollar translations of Rupee amounts have been made using the RBI reference exchange rate of U.S.$1.00 = ₹ 62.78 as of September 30, 2013.

(2) Excluding term deposits.

(3) Including current portion of term deposits.

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

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

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

(7) As of September 30, 2013 there were 5,000,000,000 authorised and 684,033,971 outstanding and fully paid Equity Shares. The Bank made a preferential allotment of 11,218,685 Equity Shares at a price of ₹ 1,782.74 per Equity Share to the Promoter on January 2, 2014. As on the date of this Placement Document, there are 5,000,000,000 authorised and 695,252,656 outstanding and fully paid Equity Shares.

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

(9) Excludes retained profits for the six months ended September 30, 2013.

(10) As adjusted to show the number of Equity Shares issued in the Issue, the preferential allotment to the Promoter and includes the allotment of unsecured non convertible debentures aggregating to ₹ 20.00 billion made in January 2014.

Unconsolidated contingent liabilities were ₹ 11,709.6 billion as of September 30, 2013.

Consolidated Capitalisation Statement as of September 30, 2013

The following table sets forth the consolidated indebtedness and capitalisation of the Bank as of September 30, 2013. This table should be read in conjunction with the Bank's unaudited limited reviewed consolidated financial results as of September 30, 2013 and the schedules and notes thereto presented elsewhere herein:

Particulars	As of September 30, 2013		As adjusted[10]	
	(₹ in billion, except %)	(U.S.$ in billion)[1]	(₹ in billion, except %)	(U.S.$ in billion)[1]
Short-term liabilities				
Deposits due to banks[2]	61.12	0.97	61.12	0.97
Other deposits[2]	1,016.57	16.19	1,016.57	16.19
Demand liabilities	5,685.22	90.56	5,685.22	90.56
Total	**6,762.91**	**107.72**	**6,762.91**	**107.72**
Long-term liabilities				
Term deposits[3]	10,551.20	168.07	10,551.20	168.07
Other liabilities[4]	1,598.37	25.46	1,598.37	25.46
Total	**12,149.57**	**193.53**	**12,149.57**	**193.53**
Borrowings[5]				
Borrowings	2,272.15	36.19	2,272.15	36.19
Total[6]	**21,184.62**	**337.44**	**21,184.62**	**337.44**
Shareholders' funds				
Share Capital[7]	6.84	0.11	7.47	0.12
Reserves and Surplus	1,357.50	21.62	1,456.64	23.20
Minority Interest	47.94	0.76	47.94	0.76
Total shareholders' funds	**1,412.28**	**22.50**	**1,512.05**	**24.08**
Total capitalisation[8]	**22,596.90**	**359.94**	**22,716.67**	**361.84**
Capital Adequacy Ratio (Basel III)				
Tier I[9]	8.27%		8.96%	
Tier II	2.66%		2.80%	
Total Capital Adequacy Ratio[9]	**10.93%**		**11.76%**	

Notes:
(1) U.S. dollar translations of Rupee amounts have been made using the RBI reference exchange rate of U.S.$1.00 = ₹ 62.78 as of September 30, 2013.
(2) Excluding term deposits.
(3) Including current portion of term deposits.
(4) Including interest accrued, provisions, and contingencies and other liabilities which have not been segregated as short-term or long-term.
(5) Borrowings include short-term and long-term borrowings.
(6) Represents the sum of short-term liabilities, long-term liabilities and borrowings.
(7) As of September 30, 2013 there were 5,000,000,000 authorised and 684,033,971 outstanding and fully paid Equity Shares. The Bank made a preferential allotment of 11,218,685 Equity Shares at a price of ₹ 1,782.74 per Equity Share to the Promoter on January 2, 2014. As on the date of this Placement Document, there are 5,000,000,000 authorised and 695,252,656 outstanding and fully paid Equity Shares.
(8) Represents the sum of short-term liabilities, long-term liabilities, borrowings and shareholders' funds.
(9) Excludes retained profits for the six months ended September 30, 2013.
(10) As adjusted to show the number of Equity Shares issued in the Issue, the preferential allotment to the Promoter and includes the allotment of unsecured non convertible debentures aggregating to ₹ 20.00 billion made in January 2014.

Consolidated contingent liabilities were ₹ 12,847.5 billion as of September 30, 2013.

Except as described above, there has been no material change to the Bank's capitalisation or indebtedness or contingent liabilities since September 30, 2013.

DIVIDEND POLICY

The RBI has laid down certain guidelines on the declaration of dividends by banks. The Bank, *inter alia*, follows the RBI Dividend Circular.

For eligibility criteria for declaration of dividend in terms of the RBI Dividend Circular, see "*Regulations and Policies*" and "*Description of the Equity Shares - Declaration of Dividend*".

For a summary of certain Indian and United States federal tax consequences of dividend distributions to shareholders, see "*Taxation*" and "*U.S. Federal Income Tax Considerations*".

The Bank generally declares and pays dividends in the fiscal year following the fiscal year to which they relate. In addition, the Bank may also declare interim dividends from time to time. The following table sets out, for the periods indicated, the dividends paid by the Bank.

Fiscal Year	Dividend per Equity Share (₹)	Total amount of Dividend* (in ₹ billion)
2011	30.00	19.05
2012	35.00	23.49
2013	41.50	28.39

*Excludes dividend distribution tax.

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

The following discussion and analysis of the Group's financial condition and results of operations is based on the Bank's and the Group's unconsolidated and consolidated financial statements and accompanying notes, which have been prepared in accordance with Indian GAAP and included in this Placement Document. This discussion should be read together with the Group's "Selected Financial and Operating Data," the Bank's unconsolidated "Selected Statistical Information" and the consolidated and unconsolidated financial statements which were made in accordance with prevailing practices within the banking industry in India and Indian GAAP, which differs in some respects from U.S. GAAP. See also "Description of Certain Differences Between Indian GAAP and U.S. GAAP."

Overview

The Bank is India's largest bank, with 15,143 branches in India, 190 international offices in 35 countries and more than 256.4 million customer accounts as of September, 2013. The Bank also had deposits, advances and a total assets base of ₹ 12,924.5 billion, ₹ 11,030.9 billion and ₹ 16,758.3 billion, respectively, as of September 30, 2013, and ₹ 11,336.4 billion, ₹ 9,269.2 billion and ₹ 14,400.6 billion, respectively, as of September 30, 2012, the largest by each measure among banking institutions in India. As of September 30, 2013 and 2012, the Bank's market share of aggregate domestic deposits was 16.8% and 16.4%, respectively, and the Bank's market share of domestic advances was 16.9% and 16.2%, respectively, among all RBI-scheduled commercial banks in India, based on RBI data dated September 20, 2013. The Bank organises its client relationships, marketing and product development, as well as non-customer facing activities, through its principal business groups. The Bank's 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 Mid-Corporate Group* services entities with an annual turnover between approximately ₹ 500 million and ₹ 5 billion or which have credit facilities in excess of ₹ 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 overseas branches and subsidiaries, provides a range of international banking services to Indian and foreign companies with operations inside and outside India as well as NRIs conducting business in foreign markets and local populations.

- *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 range of products and services offered by the Bank includes loans, advances, deposits, 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 and life 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 representing 74.2% and 73.7% of the consolidated Group's total assets as of September 30, 2013 and 2012, respectively, and 76.2% and 78.4% of its consolidated net profit for the six months ended September 30, 2013 and 2012, 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 have a domestic network of approximately 5,685 branches as of September 30, 2013, 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 September 30, 2013, the Group's consolidated deposits, advances and total assets were ₹ 17,314.1 billion, ₹ 14,548.0 billion and ₹ 22,596.9 billion, respectively. As of September 30, 2012, the Group's consolidated deposits, advances and total assets were ₹ 15,226.1 billion, ₹ 12,311.3 billion and ₹ 19,550.4 billion, respectively; and as of September 30, 2011, the Group's consolidated deposits, advances and total assets were ₹ 13,143.4 billion, ₹ 10,509.6 billion and ₹ 16,905.9 billion, respectively.

For the six month period ended September 30, 2013, the Group's consolidated net profit amounted to ₹ 73.7 billion, a decline of ₹ 20.8 billion, or 22.0%, from ₹ 94.5 billion for the six month period ended September 30, 2012, which in turn was an increase of ₹ 34.7 billion, or 58.0% from ₹ 59.8 billion for the six month period ended September 30, 2011.

As of September 30, 2013, the Bank's unconsolidated deposits, advances and total assets were ₹ 12,924.5 billion, ₹ 11,030.9 billion and ₹ 16,758.3 billion, respectively. As of September 30, 2012, the Bank's unconsolidated deposits, advances and total assets were ₹ 11,336.4 billion, ₹ 9,269.2 billion and ₹ 14,400.6 billion, respectively; and as of September 30, 2011, the Bank's unconsolidated deposits, advances and total assets were ₹ 9,731.7 billion, ₹ 7,906.0 billion and ₹ 12,425.2 billion, respectively.

For the six month period ended September 30, 2013, the Bank's unconsolidated net profit amounted to ₹ 56.2 billion, a decline of ₹ 17.9 billion, or 24.2%, from ₹ 74.1 billion for the six month period ended September 30, 2012, which in turn was an increase of ₹ 30.2 billion, or 68.6%, from ₹ 43.9 billion for the six month period ended September 30, 2011.

Factors Affecting Results of Operations and Financial Condition

The Group's asset portfolio, financial condition and results of operations have been, and are expected to be, influenced by numerous factors, including but not limited to those described below. These are expected to affect the overall growth prospects of the Group, including its ability to expand its deposit base, the quality of its assets, the level of credit disbursed by the Group, the value of its asset portfolio and its ability to implement its strategy.

Economic conditions

As a bank with the vast majority of its operations in India, the Group's financial position and results of operations have been and will continue to be significantly affected by overall economic growth patterns in India. With a population of 1.24 billion as of December 2012, India currently ranks as the world's second most populous country, and in 2012 the Indian economy was the tenth largest in the world with nominal GDP of U.S.$1,842 billion measured in U.S. dollars at market exchange rates (and the third largest economy in the world after adjusting for purchasing power parity). According to estimates by the RBI, India had a GDP growth of 9.3% during the Bank's fiscal year 2011, 6.2% in fiscal year 2012 and 5.0% in fiscal year 2013. In fiscal year 2009, the agricultural sector recorded a weak growth of 0.1% due to drought and rose marginally by 0.8% in fiscal year 2010. However, agriculture production for fiscal year 2011 rose significantly by 7.9% mainly due to a normal monsoon and a base effect; growth slowed in fiscal year 2013 to 1.9% due to effect of a drought. The RBI estimates that the services sector grew by 9.8% in fiscal year 2011 before declining to 7.9% in fiscal year 2012. In fiscal year 2013, the services sector was estimated to have grown at 6.8%. As far as external sector was concerned, there was a 23.7% increase in foreign exports in fiscal year 2012, supported by foreign institutional investment of U.S.$31.1 billion, as compared to only U.S.$18.2 billion in fiscal year 2011.

Going forward, the World Bank in its latest development update has highlighted that India is regaining its economic momentum and growth is expected to recover gradually to its high long-term potential. Economic growth is likely to accelerate close to 6% in fiscal year 2015. Reform initiatives taken by the Government have led to some improvements in India's economic activity. India's CAD is expected to significantly improve in fiscal year 2014. In addition, India is likely to continue its fiscal deficit consolidation path in the medium term. It is also believed that private consumption and investment growth will improve from the end of fiscal year 2014.

Since the second half of 2008, the global credit and equity markets have experienced substantial dislocations, liquidity disruptions and market corrections. In September and October 2008, liquidity and credit concerns and volatility in the global credit and financial markets increased significantly, with the bankruptcy or acquisition of, and government assistance extended to, several major U.S. and European financial institutions. In recent months, the European sovereign debt crisis has led to renewed concerns of global financial stability and increased volatility in debt and equity 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 global credit and financial markets.

Unlike in the United States and Europe, the slowdown in growth in India was not led by the financial sector but was affected by the following:

- a sharp decrease in global import demand, resulting in a slowdown in the level of exports;
- a contraction in the availability of global finance, particularly export finance, and an increase in the costs of foreign currency funds; and
- a slowdown in the investment plans of many corporations in anticipation of a demand slowdown.

Since 2009, there has been a recovery in global economic growth that was led by emerging markets, including India. Though the financial markets have recovered from their low points in early 2009, there have been intermittent increases in global risk aversion, with sovereign debt crises in Dubai and ongoing issues in Europe. There are now concerns that a tightening of monetary policy in emerging markets and some developed markets, caused by increased food, fuel and commodities prices, will lead to a moderation in global growth. This might result in a slowdown in India's export growth momentum. In particular, there are rising concerns of a possible slowdown in the Chinese economy; and China is one of India's major trading partners.

According to RBI data, over the past few years, India has become increasingly integrated with the global economy, both through trade and through exposure to financial markets. The loss of export markets is consequently likely to affect domestic output and employment, particularly as many export segments are also employment intensive. After the financial crisis, the demand slowdown led to inventory build-ups, constricted cash flows and cutbacks in corporate capital expenditure plans. Although the world economy and international trade have shown signs of recovery and many companies are financially healthy, a growth slowdown might adversely affect capital expenditure plans. India's GDP growth for fiscal year 2009 of approximately 6.7% was lower than India's average growth rate of 9.5% for the previous three fiscal years, according to RBI data. However, according to RBI estimates, Indian GDP growth increased in fiscal year 2011, growing at 9.3% that year, at 6.2% in fiscal year 2012 and at 5.0% in fiscal year 2013.

Inflation

High rates of inflation in the Indian economy have impacted and could continue to impact the Group's ability to sustain profitable net interest margins because it could lower the demand for loans, discourage diversification of the Group's loan portfolio or require the Group to increase the costs of its deposits. During fiscal year 2011, there was an increase in inflationary trends in India, primarily due to increases in the prices of certain foodstuffs due to shortages and poor weather conditions, and prices of fuel, manufactured goods and basic metals, driven by international commodity price pressures. Inflation measured by the Indian WPI reached a high of 10.9% in April 2010 and remained above 9.0% for the remainder of fiscal year 2011. The average inflation rate in fiscal year 2012 was at 7.4%, with a significant downtrend witnessed in March 2013 when it declined to 5.7%. This decline continued until May 2013, when the average inflation rate dropped to 4.6%. However, the average inflation rate surged after May 2013.

According to the most recently available data, WPI inflation accelerated to a 14-month high of 7.5% in November 2013, compared to 7.0% in October 2013 and 7.2% in November 2012. The rise in WPI for November 2013 was spread across all categories of goods, mainly driven by elevated food prices (19.9%) and primary articles prices (15.9%). The inflation trajectory going forward is expected to moderate as the pace of decline in vegetable prices at the wholesale market has gained momentum in the fourth week of November 2013, and this has continued into December 2013. This is expected to have a downward impact on food prices in coming months. The approaching electoral cycle may also act as an enabling factor in the offloading of food grains stocks in the market.

In response to increased inflation, in fiscal years 2011 and 2012, the RBI increased its policy rates 13 times, enacting gradual increases in the repo rate from 5.00% on March 31, 2010 to a peak of 8.50% with effect from October 25, 2011. However, the RBI cut the repo rate to 8.00% effective April 17, 2012 and to 7.75% effective January 29, 2013. RBI again decreased the repo rate to 7.50% on March 19, 2013 and then to 7.25% effective May 3, 2013. However, RBI reversed the trend on September 20, 2013 by raising the repo rate to 7.50% in response to the high inflation. RBI further increased the repo rate to 7.75% on October 29, 2013 and has maintained it at the same level since. The reverse repo rate has been pegged at 1.0% below the repo rate since March 2011 and thus has followed a similar trend since that time. During fiscal year 2011, the RBI increased the CRR from 5.75% to 6.00%, but in fiscal year 2012, it lowered the CRR to 4.75% and on January 29, 2013, to 4.00% with effect from February 9, 2013.

See "- *Fiscal Stimulus in India*," "*Risk Factors - Risks Relating to India - Increased volatility or inflation of commodity prices in India could adversely affect the Bank's business*."

Health of the Indian banking sector

According to RBI data, aggregate deposits of all scheduled commercial banks increased by 15.9% in fiscal year 2011, 13.5% in fiscal year 2012 and 14.2% in fiscal year 2013. Bank credit of scheduled commercial banks grew by 21.5% in fiscal year 2011, 17.0% in fiscal year 2012 and 14.1% in fiscal year 2013. The RBI largely followed an accommodative policy to stimulate growth during fiscal year 2010 to counteract such factors as a moderation in overall GDP growth over the period, slow industrial growth and negative growth in exports and imports and the increase in the current account deficit during the global financial crisis. In fiscal year 2011, the Indian economy recovered from the global financial crisis with 9.3% GDP growth. Although credit growth of all scheduled commercial banks increased to 21.5% in fiscal year 2011, growth in aggregate deposits fell to 15.9% from 17.2% due to monetary tightening by the RBI to control inflation which rose to 9.6% (WPI) in fiscal year 2011 from 3.8% in fiscal year 2010. To alleviate the liquidity shortage on account of slow deposit growth, the RBI opened a LAF from May 2010 until the end of fiscal year 2011 and continued to utilize it through fiscal year 2012 and also in fiscal year 2013. Through fiscal year 2012 and 2013, banks remained net borrowers from the RBI with average borrowings of approximately ₹ 798.2 billion on a daily basis in fiscal year 2012 and ₹ 756 billion in 2013. The RBI initiated several measures to ease systemic liquidity including decreasing the SLR by 100 basis points from 25.0% to 24.0% in December 2010 and further reduced to 23.0% in August 2012, providing additional liquidity support under the LAF window, operating a second LAF on a daily basis and open market operations for the purchase of government securities. The yields on 10-year government securities increased by 41 basis points during fiscal year 2012 from 8.0% at March 31, 2011 to 8.4% at March 31, 2012. However, yield on 10 year government securities improved marginally by 2 basis points to 8.2% in March 2013.

In response to tight systemic liquidity and the rising interest rate environment, scheduled commercial banks increased their deposit rates for various maturities by 25 to 100 basis points during fiscal year 2012. The impact of the rising cost of funds for banks was also reflected in lending rates, with banks increasing their base rates by about 125 basis points during fiscal year 2012. During fiscal year 2011, as a result of tight liquidity, rising interest rates and regulatory changes, the market experienced lower use of savings and investment products. The additional liquidity support under LAF extended by the RBI was withdrawn from May 7, 2011. Credit from scheduled commercial banks started moderating from early June 2011. During fiscal year 2012 to fiscal year 2013, the RBI kept the key interest rates unchanged until the end of third quarter of fiscal year 2013. However, to ease pressure on liquidity, the RBI reduced the CRR from 4.8% to 4.0% and reduced the SLR by 100 basis points to 23.0%. The SLR is the amount that the commercial banks require to maintain in the form of gold or government approved securities before providing credit. As a part of monetary transmission, deposit rates of major banks for more than one year maturity decreased from between 8.50% to 9.25% in fiscal year 2012 to a range of 7.5% to 9.0% in fiscal year 2013 and the base rate of major banks fell from between 10.0% to 10.8%, to between 9.7% and 10.3% in fiscal year 2013. During fiscal year 2014 to date, after the RBI raised the repo rate by 25 basis points to 7.8%, interest rates on both deposits and credit rose marginally.

As reported by the RBI in its financial stability report for December 2011, the Indian banking sector is subject to economic forces that are affecting the health of the sector as a whole. The growing linkages and integration of the Indian economy and its financial system with the global economy were exposing the banking system to uncertainty related to government finances and the banking sector in the Eurozone and the United States. The RBI in its financial stability report for December 2012 reiterated that global risks remain elevated due to delays in the resolution of issues such as the Eurozone debt crisis and the United States fiscal cliff. The uncertainty of the global economic environment is expected to continue as economic growth slows across many regions.

The RBI's financial stability report for 2011 noted that Indian banks have negligible exposures to the most affected European countries and that direct effects from uncertainty related to the Eurozone debt crisis are expected to remain muted. However, funding constraints in international financial markets could impact both the availability and cost of foreign funding for banks and corporates. Further, India's economic growth has been affected through the trade and finance channels. Domestic demand and domestic corporate growth have recently begun to slow, while Indian interest rates have risen and inflationary pressures have increased.

According to the RBI's financial stability report for 2012, the evolving global risks such as the fall in global growth and sovereign risk contagion, and a range of Indian domestic factors such as the increasing fiscal deficit, deterioration in the growth outlook and bank asset quality, are the major risks to the banking sector, although the resilience of the banking system to credit, interest rate, equity and foreign exchange shocks remain satisfactory.

The RBI's financial stability report for December 2013 noted that asset quality continues to be a major concern for SCBs. The Gross NPA ratios of SCBs as well as their restructured standard advances ratio have increased. Therefore, the total stressed advances ratio rose significantly to 10.2% of total advances as at end September 2013 from 9.2% as of March 2013. Five sectors, namely, infrastructure, iron and steel, textiles, aviation and mining together contribute 24% of total advances of SCBs, and account for around 53% of their total stressed advances. Further, the report stated that India stands committed to the implementation of the global regulatory reforms agenda and has made considerable progress on this front. Although firms and markets are beginning to adjust to the regulatory approach towards ending too-big-to-fail, recent research indicates continued expectation of sovereign support to such institutions.

The Indian banking sector, as a whole, has maintained its CRAR above the regulatory requirement of 9.0%. However, the banking system's CRAR fell from 14.2% as of March 31, 2012 to 13.9% in March 2013 and 12.7% as of September 30, 2013. Leverage ratios have remained constant at approximately 6.0%, which is twice the Basel III required minimum of 3.0%. Financial conditions in India have also put pressure on the asset quality of Indian banks. The gross NPA ratio for Indian banks increased from 2.9% to 3.4% between March 2012 and March 2013. As a result, loan loss provisions have increased across the sector.

Banking system credit growth, after remaining subdued during fiscal year 2010, subsequently recovered growing at a rate of 21.5% in fiscal year 2011. In fiscal year 2012 and fiscal year 2013, however, credit growth fell to 17.0% and 14.1% respectively. Non-food credit growth was 17.1% as of March 26, 2010 on a year-on-year basis, increasing to 21.3% in fiscal year 2011 and decreasing to 16.8% as of March 23, 2012 and further to 14.0% in fiscal year 2013. However, deposit growth lagged behind credit growth in the financial system with aggregate deposits increasing by 13.5% in fiscal year 2012, compared to 15.9% in fiscal year 2011. In fiscal year 2013, however, deposit growth increased marginally to 14.2%.

In the current fiscal year 2014, the trend in deposit and credit growth is reversed, as deposits are now growing a faster rate than credit. The most recently available data (up to December 13, 2013), indicates year-on-year growth in all scheduled commercial banks ("**ASCB**") deposits increased to 17.0% from 13.3% in the corresponding period of the previous year, while ASCB credit grew by 14.9% through December 13, 2013, compared to 16.2% in the same period of the previous year.

Other recent macroeconomic trends

Domestic equity markets remained volatile in 2013, mainly on account of the anticipation of U.S. Federal Reserve policy changes, domestic political uncertainty, slowdown in GDP growth and exports, and lower corporate earnings by some blue chip companies. Overall, the benchmark Bombay Stock Exchange Sensitive Index (the "**BSE Sensex**") increased by 10.9% from 17,528 points at year-end fiscal year 2010 to 19,445 points at year-end fiscal year 2011 but declined by 10.5% to 17,404 points as at year-end fiscal year 2012. However, in 2012-13, the BSE Sensex increased to 18,835 points, registering a growth of 8.2% and reached 21,193 points as on December 28, 2013. In 2013, one new entrant, MCX Stock Exchange Limited ("**MCX-SX**"), commenced operations in February 2013. It officially commenced operations with the launch of its flagship index SX40 comprising 40 blue chip companies, and is yet to gain significant market share.

The Indian Rupee depreciated by 6.7% during fiscal year 2013 from ₹ 50.87 per U.S.$1.00 at March 30, 2012 to ₹ 54.30 per U.S.$1.00 at March 28, 2013. The RBI undertook measures to mitigate the impact of Rupee depreciation, including restricting gold import, injection of U.S. dollars and Rupee liquidity. Foreign direct investments into India have recently decreased, with net foreign direct investments amounting to U.S.$17.97 billion in fiscal year 2010 and decreasing to U.S.$11.83 billion in fiscal year 2011. However, the flow of foreign direct investment increased to U.S.$22.06 billion in fiscal year 2012 and dropped marginally to U.S.$19.82 billion in fiscal year 2013. Foreign institutional investment flows into India remained strong through most of fiscal year 2011 amounting to U.S.$30.29 billion before declining significantly during its last quarter. In subsequent years, the flow of foreign institutional investment suffered a temporary decline due to the effects of a prolonged recession in the U.S. and the sovereign debt issue in Europe. Foreign institutional investment flow to India reached U.S.$17.17 billion in fiscal year 2012 and further accelerated to U.S.$26.89 billion in fiscal year 2013. As of March 31, 2013, foreign exchange reserves were equal to U.S.$292.0 billion, down 0.8% from U.S.$294.4 billion as of March 31, 2012, which was up 3.4% lower than the fiscal year 2011 reserve level of U.S.$304.8 billion. Net capital inflows were more than adequate to finance the current account deficit, resulting in accretion of U.S.$2.7 billion to the foreign exchange reserves during fiscal year 2013. Total imports into India increased from U.S.$383.4 billion in fiscal year 2011 to U.S.$ 499.5 billion in fiscal year 2012 and further higher to U.S.$502.2 billion in fiscal year 2013. Total exports from India increased by U.S.$53.6 billion in fiscal year 2012 to U.S.$309.7 billion, but declined by U.S.$3.19 billion in fiscal year 2013 to U.S.$306.6 billion. The revival in capital flows contributed to a surplus of U.S.$3.8 billion in India's balance of payments during fiscal year 2013 from a deficit of U.S.$12.8 billion in fiscal year 2012.

India's current account deficit declined to 3.6% of GDP in the fourth quarter of fiscal year 2013 from a historically high level of 6.7% of GDP in the third quarter of fiscal year 2013. For the full year, India's current account deficit increased to 4.8% of GDP in fiscal year 2013 as against 4.2% in fiscal year 2012. Oil and gold continued to constitute nearly 45% of total merchandise imports during the year. While oil import rose by 9.3%, gold import declined by 4.8% during fiscal year 2013. The trade deficit continued to remain at an elevated level of U.S.$195.7 billion, close to 11% of GDP. In the second quarter of fiscal year 2014, the current account deficit stood at U.S.$5.2 billion, representing 1.2% of GDP compared to U.S.$21.0 billion, representing 5.0% of GDP in the second quarter of fiscal year 2013 and U.S.$21.8 billion, representing 4.9% of GDP in the first quarter of fiscal year 2014.

Economic activity slowed during fiscal year 2014, and the IIP slowed further in October 2013 and registered a negative growth of 1.8% as against positive growth of 8.4% in October 2012. In terms of the sectorial classification; the mining and manufacturing sectors for the month of October 2013 declined by 3.5% and 2.0% respectively, while electricity grew by 1.3%.

India's sovereign ratings are "Baa3/Stable" from Moody's, "BBB-/Negative" from S&P and "BBB-/Stable" from Fitch. On November 7, 2013, S&P affirmed the country's credit rating at BBB- and warned of a likely downgrade in 2014 if the new government fails to reverse India's low growth. On September 4, 2013, Moody's also emphasized that the rating outlook will depend on the depth and extent of India's current economic downturn and the trends in the balance of payments situation. On August 21, 2013, Fitch also reported that it will maintain a 'Stable Outlook' on India's sovereign rating at 'BBB-', mainly because of the country's sizable forex reserves, fiscal deficit management and structural reforms. See "*Risk Factors - Risks Relating to India - A downgrade in ratings of India, the Indian banking sector or of the Bank may affect the trading price of the Equity Shares.*"

On April 10, 2011, Moody's had downgraded the Bank's FSR from "C-" to "D+" with stable outlook. This downgrade was primarily driven by the Bank's prevailing capital situation and stress on asset quality. On February 25, 2013, Moody's downgraded the Bank's BCA from "baa3" to "ba1", reflecting the Bank's high level of NPLs, based on the view that the NPLs are unlikely to be managed due to the Bank's weak ability to sustain any further deterioration in the economic environment and indicated a further downgrade if the Bank's gross NPLs exceeds 6.0% or impaired loans exceed 8.5%. Further, on September 26, 2013, Moody's changed the outlook on the Bank's FSR to negative from stable based on the view that the Bank's standalone credit profile faces negative pressures due to the slowdown of the Indian economy. On April 25, 2012, S&P revised its outlook on the Bank's long term rating to negative from stable, which reflects the view that a downgrade in rating is likely if external factors continue to deteriorate, growth prospects diminish or progress on fiscal reforms remains slow in a weakened political setting.

Fiscal stimulus in India

In fiscal years 2009 and 2010, both the Government and the RBI took fiscal and monetary policy measures to address the global slowdown. Central and state governments have implemented various stimulus measures, such as tax cuts and spending programs. These measures were complemented by a dynamic monetary policy environment. The RBI reduced its policy repo rates by 425 basis points in the period from September 2008 to April 2009 and injected significant liquidity into the markets. In fiscal years 2009 and 2010, the Government's fiscal deficit was 6.0% and 6.5% of GDP, respectively, because of the fiscal policies taken in reaction to the global slowdown. A faster than expected recovery and rising inflation led the RBI to start exiting the accommodative monetary policy stance in the last quarter of fiscal year 2010. The RBI's CRR was raised by 75 basis points in February 2010 and by another 25 basis points in the April 2010 monetary policy review. In response to increased inflation, in fiscal years 2011 and 2012, the RBI followed a tight monetary policy with gradual increases in the repo rate from 5.00% on March 31, 2010 to a peak of 8.50% with effect from October 25, 2011, but decreased the repo rate to 8.00% effective April 17, 2012, the first decrease in three years, to stimulate the economy, and further to 7.50% effective March 19, 2013. In addition, the RBI reduced the CRR from 6.00% effective April 24, 2010 to 4.00% effective February 9, 2013.

With headline inflation moderating, the RBI reduced the repo rate by 25 basis points in May 2013. However, due to a sharp depreciation of the rupee resulting from the sudden surge in capital outflows following indications of tapering of the U.S. Federal Reserve's quantitative easing programme, the RBI increased short-term interest rates on July 15, 2013 and compressed domestic money market liquidity in response. The measures taken included a 200 basis points increase in the MSF rate to 10.25%; a cap on daily LAF borrowing to 0.5% of NDTL of respective banks as against the earlier practice of unlimited access against excess SLR holdings; and an increase in the minimum daily CRR requirement to 99.0% from 70.0% of the requirement.

In September 2013, RBI reduced the MSF rate from 10.3% to 9.5% and also reduced the minimum daily maintenance of the CRR from 99.0% of the requirement to 95.0%. However, RBI raised the repo rate by 25 basis points to 7.5% and consequently, the reverse repo rate stands adjusted to 6.5%, while the Bank Rate, the rate at which RBI lends to other banks and financial institutions, has been reduced to 9.5%. Furthermore, in October 2013, the RBI raised the repo rate by 25 basis points to 7.75% but reduced the MSF rate by 25 basis points to 8.75%, due to persistently high WPI and CPI inflation.

As part of a fiscal consolidation, the Government reduced its deficit to 5.8% in fiscal year 2012 and 4.9% for the fiscal year 2013. For the fiscal year 2014, the fiscal deficit is budgeted at 4.8% of GDP.

Government policies and regulations

The Indian banking industry is regulated by the RBI and operates within a framework that provides guidelines on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPAs. The framework also stipulates required levels of lending to "priority sectors," such as agriculture, which may expose the Bank to higher levels of risk than it otherwise might face. The RBI can alter any of these policies at any time and can introduce new regulations to control any particular line of business. See "*Regulations and Policies - The RBI and its regulations*". For example, on January 31, 2012, the RBI declared that all private sector banks would be eligible to handle Government 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. Such policy alterations may result in increased competition or an increase in capital requirements, which will in turn have an impact on the Bank's results of operations. In addition to having gradually established more stringent capital adequacy requirements, over time the RBI has increased the CRR for Indian banks. Despite these increases, the RBI has decided to suspend interest payments on CRR balances. Any further increases in the CRR could have a negative impact on the Bank's results of operations. Any other changes in the regulatory environment as pertaining to the Indian banking industry could have a material impact on the Bank's operations and financial condition. See "*Risk Factors - Risks Relating to the Bank's Business - 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"* and *"Risk Factors - Risks Relating to the Bank's Business - Banking is a heavily regulated industry and material changes in the regulations which govern the Bank could cause its business to suffer*."

The Government's monetary policy is heavily influenced by the condition of the Indian economy, and changes in the monetary policy will affect the interest rates of the Group's loan and deposits. The RBI had stated its policy objective to limit inflation rate to 6.0% by March 2012, although the annual inflation rate based on the WPI for March 2012 was 7.7%. For March 2013, the WPI inflation rate was at 5.7%, against the RBI target rate of 6.8%. However, in fiscal year 2014, the RBI's policy objective is to limit inflation rate to 5.0% by March 2014. The Government's return to a monetary policy designed to combat inflation has resulted in a recent increase in RBI lending rates. Changes in this policy could result in lower interest rates on the Group's asset products, which could reduce its margins and thus its net interest income.

The RBI responds to fluctuating levels of economic growth, concerns about banks' liquidity position and inflationary pressures in the economy by adjusting the required CRR of Indian banks. When the CRR increases, the Bank must hold more cash in its reserves, which constrains the Bank's ability to deploy those funds by making advances to customers or investing the funds for potential gains. In response to the global financial crisis of 2008, the RBI lowered the CRR rate from 9.0% as of August 2008 to 5.0% as of January 2009. It then increased the CRR rate to 6.0% as at April 2010, reducing banks' funds available for lending despite increasing demand for loans in a recovering economy. However, beginning January 28, 2012, the RBI has gradually lowered the CRR rate to 4.0% effective February 9, 2013. Below is a table presenting RBI adjustments to the CRR since October 2004.

Effective Date	Rate	Effective Date	Rate
October 2, 2004	5.00%	August 30, 2008	9.00%
December 23, 2006	5.25%	October 11, 2008	6.50%
January 06, 2007	5.50%	October 25, 2008	6.00%
February 17, 2007	5.75%	November 8, 2008	5.50%

Effective Date	Rate	Effective Date	Rate
March 3, 2007	6.00%	January 17, 2009	5.00%
April 14, 2007	6.25%	February 13, 2010	5.50%
April 28, 2007	6.50%	February 27, 2010	5.75%
August 4, 2007	7.00%	April 24, 2010	6.00%
November 10, 2007	7.50%	January 28, 2012	5.50%
April 26, 2008	7.75%	March 10, 2012	4.75%
May 10, 2008	8.00%	September 22, 2012	4.50%
May 24, 2008	8.25%	November 3, 2012	4.25%
July 5, 2008	8.50%	February 9, 2013	4.00%
July 19, 2008	8.75%		

Source: RBI

The RBI has also instituted several prudential measures to moderate credit growth including increase in risk weights for capital adequacy computation and general provisioning for various asset classes.

Interest rates, allocation of funds and costs of funding

Interest income has historically been the most significant component of the Bank's revenue. For the six months ended September 30, 2012 and 2013, net interest income for the Bank was ₹ 221.0 billion and ₹ 237.6 billion, respectively, representing 76.3% and 75.4%, respectively, of the Bank's operating income. For fiscal year 2011, fiscal year 2012 and fiscal year 2013, net interest income for the Bank was ₹ 325 billion, ₹ 433 billion and ₹ 443 billion, respectively, representing 67.4%, 75.2% and 73.4%, respectively, of the Bank's operating income. Net interest income is the difference between the total interest earned on interest-earning assets and the total interest paid on interest-bearing liabilities. The Group's net interest income is dependent on a number of factors including the general level of interest rates, its ability to allocate its funds to assets that provide high interest rates and its cost of funding.

Interest rates

The majority of the Bank's corporate and commercial loans are priced at a floating rate based on the RBI lending rates, subject to a published minimum base rate. The RBI steadily increased lending rates from 2004 to 2008, partly to reduce money supply and partly to reduce liquidity at Indian banks. From October 2008 to April 2009, the RBI first lowered lending rates to promote credit growth, then raised them to control rising inflation. From December 2008 to April 2009, to enhance liquidity the RBI lowered the repo rate six times, from 8.0% to 4.75%. Over the same period, the RBI also gradually lowered the reverse repo rate to 3.25% at its lowest point. From March 2010, the RBI began raising the repo rate and the reverse repo rate to curb inflationary pressures, setting the repo rate at a high of 8.50% with effect from October 25, 2011. Prior to March 2011, the repo rate was independent of the reverse repo rate; however, they are now linked, with the reverse repo rate set at 1.0% below the repo rate.

The following table sets forth the RBI's bank rate, reverse repo rate and repo rate as of the end of each of the last five fiscal years and the current fiscal year.

	Bank Rate	Repo Rate	Reverse Repo Rate
	(percentage as at the date indicated)		
As of March 31, 2008	6.00%	7.75%	6.00%
As of March 31, 2009	6.00%	5.00%	3.50%
As of March 31, 2010	6.00%	5.00%	3.55%
As of March 31, 2011	6.00%	6.75%	5.75%
As of July 26, 2011	6.00%	8.00%	7.00%
As of September 16, 2011	6.00%	8.25%	7.25%
As of October 25, 2011	6.00%	8.50%	7.50%
As of March 31, 2012	9.50%	8.50%	7.50%
As of April 17, 2012	9.00%	8.00%	7.00%
As of January 29, 2013	8.75%	7.75%	6.75%
As of March 19, 2013	8.50%	7.50%	6.50%
As of May 3, 2013	8.25%	7.25%	6.25%

	Bank Rate	Repo Rate	Reverse Repo Rate
	(percentage as at the date indicated)		
As of July 15, 2013	10.25%	7.25%	6.25%
As of September 20, 2013	9.50%	7.50%	6.50%
As of October 07, 2013	9.00%	7.50%	6.50%
As of October 29, 2013	8.75%	7.75%	6.75%

Source: Reserve Bank of India

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

Beginning in July 2010, the RBI implemented a new base rate mechanism designed to move Indian banks closer to a market-based interest rate regime, with each bank in India to publicly disclose its own minimum rate, or "base rate," for all new and existing loans and advances which are due for re-pricing, subject to certain limited exceptions. Under this new base rate system, banks must review and revise their base rates at least once per quarter. The Bank fixed its initial base rate at 8.00% per annum, primarily on the basis of its cost of deposits and adjusted to 10.00% with effect from August 13, 2011 and to 9.70% with effect from February 4, 2013. However, due to the RBI's tightening measure on July 15, 2013 and subsequent increase in the repo rate, the cost of funds of the Bank increased and RBI revised the base rate to 9.8% on September 19, 2013 and further to 10.0% with effect from November 7, 2013. This base rate system replaced a system whereby a bank established interest rates based upon its prime lending rate, which could be higher than actual interest rates provided to certain borrowers.

Allocation of funds

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

Cost of funding

The Bank has broad reach across India with two thirds of its branches in rural and semi-urban areas where the level of income per capita is increasing. This reach, coupled with the Bank's strong brand reputation established for 206 years, enables the Bank to raise low cost stable deposits. As at September 30, 2013, the Bank believes it has a very low cost of deposits at 6.32%. This has allowed the Bank to benefit from availability of liquidity even when the system has faced liquidity constraints.

Recognising the need to protect its strong brand reputation, the Bank has offered value added deposit products, including savings bank accounts with accident insurance, multicity cheques and no minimum balance charges. Today, the robust IT platform of the Bank enables it to seamlessly offer various IT enabled products such as Green Remit Card, Green Channel Counter, Cash Deposit Machines, e-Freight, e-Auction, among others, which allows the Bank to remain competitive in the market.

While the RBI de-regulated savings bank interest rates in September 2011, this has not negatively impacted the savings bank account portfolio of the Bank (which amounted to ₹ 3,524.1 billion as of September 30, 2011, ₹ 3,965.4 billion as of September 30, 2012 and ₹ 4,454.4 billion as of September 30, 2013) evidencing the Bank's ability to attract deposits. The Bank had excess liquidity of over ₹ 287.0 billion as of September 30, 2013 even after meeting the reserve requirements. The Bank believes that increases in reserve requirements can be absorbed by it and will not cause liquidity issues.

The Bank had ₹ 346.7 billion in Tier 2 Bonds which was 2.07% of its total liabilities as of September 30, 2013. The Bank believes that it generates sufficient profit to support its expected growth. However, as the Bank would be considered a Domestic Systemically Important Bank and as a result be subject to other RBI policies such as counter cyclical buffers. While the RBI has not yet announce the implementation of such buffers, the Bank may need to raise Tier 2 bonds to meet future capital adequacy ratios. Tier 2 bonds comprised 22.74% of the Bank's regulatory capital under the RBI's implementation of Basel III guidelines, and the overall position is not expected to change materially in the short term.

Provisioning policies

The Bank's profit is affected by the amount of its provisions against loans, recovery and litigation costs. For fiscal year 2012 and fiscal year 2013, total provisions against NPAs increased due to an increase in gross NPAs as well as the implementation of more conservative RBI guidelines on provisioning for aging substandard and doubtful NPAs.

Banks are required to disclose the provisioning coverage ratio in the notes to their financial statements. The Bank had a provisioning coverage ratio of 60.16% and 66.58% as of September 30, 2013 and March 31, 2013, respectively. See "*Risk Factors - Risks Relating to the Bank's Business - An increase in the Bank's portfolio of NPAs and RBI - mandated provisioning requirements may adversely affect its business*."

Further, the provisioning requirement on all new standard restructured loans has been increased to 5.0% with effect from June 1, 2013. The increased provisioning requirement for the existing restructured standard loans as of May 31, 2013 will be gradually implemented, for example provisioning of 3.5% with effect from March 31, 2014 (spread over the four quarters of fiscal year 2014); provisioning of 4.25% with effect from March 31, 2015 (spread over the four quarters of fiscal year 2015); and provisioning of 5.0% with effect from March 31, 2016 (spread over the four quarters of fiscal year 2016).

Operating expenses

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

Staff Costs

In fiscal year 2011, 2012 and 2013 staff cost totalled ₹ 152.12 billion, ₹ 169.74 billion and ₹ 183.81 billion, respectively, which represented a year-on-year growth of 13.53%, 11.59% and 8.29%, respectively. A wage revision for the banking industry is due to be implemented with post-dated effect from November 01, 2012. The Bank made a provision of ₹ 9.45 billion in March 2013 for the previous five months of wages towards the new wage revision and related pension costs. For the first half of fiscal year 2014, the Bank has made a provision of ₹ 11.34 billion for salary revision and related pension costs. From April 1, 2013, Life Insurance Corporation of India ("**LIC**") has revised its life expectancy mortality tables from 76 years to 81 years. The Bank has assessed the impact of moving to the new mortality table as ₹ 24 billion for the year and has provided ₹ 12 billion for two quarters to meet this liability. This has increased salary costs by 34.94% for the half year ended September 30, 2013. Without these increased staff cost expenses due to the salary revision, the growth in staff cost would be approximately 7.21%, consistent with the previous year.

Moreover, the Bank has not undertaken any large scale recruitment for the past few years. Given the rate of superannuation of existing employees at an average of 7,000 employees per year and the need to staff new branches, the Bank recruited approximately 21,000 new employees during fiscal year 2013. These employees have all undergone the necessary training and are working towards building the profitability of the Bank.

The Bank offers three benefits to its employees: a contributory provident fund; a contributory pension; and lump-sum gratuity payments upon an employee's termination. The Bank believes these benefits are relatively generous in comparison to the industry.

Since 2010, new employees have joined the defined contribution plan and today their number is approximately 50,000. Going forward, the pension liability of the Bank is expected to stabilize as the high cost associated with long term employees will be replaced by younger and more cost efficient employees. With the restructure of banking processes, revision of job content, rationalization of roles and empowerment of employees, the Banks expects that staff costs will be better controlled.

Overheads

The Bank undertook a significant expansion of its branch and ATM network in 2011, 2012 and 2013 which increased overhead costs as a result of increased rental, insurance and other expenses. The Bank also invested in the Branch Ambience project, installing air-conditioning in all of its branches across the country, in an effort to counter competition when other banks begin establishing their presence in third and fourth tier cities.

The table below indicates the number of additional domestic branches and ATMs added during the fiscal years presented:

	For Fiscal Year		
	2011	**2012**	**2013**
Branches	1,046	555	719
ATM	3,705	2,057	5,034

Corporate tax rates

Corporate tax rates applicable to the Bank impact the Bank's profitability. The corporate tax rate applicable to the Bank was 33.99% for the six months ended September 30, 2013, 32.45% for fiscal year 2013, 32.4% for fiscal year 2012 and 32.4% for fiscal year 2011. Any increase in tax rates could have a material adverse effect on the Bank's financial results.

Discussion of the Unconsolidated Financial Statements of the Bank

The discussion set out below is based on: (i) the Bank's unconsolidated reviewed financial statements for the six months ended September 30, 2012 and 2013; and (ii) the Bank's unconsolidated reviewed financial statements as at September 30, 2013 and its unconsolidated audited financial results as at March 31, 2013, all of which are derived from the unconsolidated financial statements of the Bank. As a result, the financial data as at, and for the six months ended, September 30, 2013 included under this head "*Discussion of the Unconsolidated Financial Statements of the Bank*" may not be directly comparable with and the financial data for the fiscal years 2011, 2012 and 2013 (derived from the consolidated financial statements of the Group), included elsewhere in this Placement Document may not be directly comparable. The Bank represented 73.4% of the Group's total assets as of March 31, 2013 and 78.7% of consolidated net profit for fiscal year 2013.

Results for the six months ended September 30, 2013 compared to the six months ended September 30, 2012

Interest Earned

Interest earned increased by 12.2% to ₹ 656.4 billion in the six months ended September 30, 2013 from ₹ 585.3 billion in the six months ended September 30, 2012. This increase in interest earned was generated mainly by interest from advances, which grew by 10.19% and interest income from treasury operations which grew by 17.62%.

The Bank's portfolio of advances grew by 19.0% year-on-year to ₹ 11,030.9 billion as of September 30, 2013 compared to a growth of 17.9% year-on-year to ₹ 9,269.2 billion as of September 30, 2012. The increase in interest earned was also aided by a 17.6% increase in income earned on investments which totalled ₹ 157.2 billion in the six months ended September 30, 2013, compared to ₹ 133.6 billion in the six months ended September 30, 2012, primarily due to an increase in the Bank's investment portfolio to ₹ 3,985.4 billion as of September 30, 2013 from ₹ 3,715.3 billion as of

September 30, 2012 as well as an increase in the average yields earned on these investments.

Other Income

Other income increased by 13.3% to ₹ 77.5 billion in the six months ended September 30, 2013 from ₹ 68.4 billion in the six months ended September 30, 2012. The fee income of the Bank grew to ₹ 51.7 billion in September 2013 from ₹ 50.5 billion in September 2012. The growth of fee income has been lower due to relatively lower volumes of project finance as a result of economic and external conditions.

Interest Expended

Interest expended increased by 14.95% to ₹ 418.8 billion in the six months ended September 30, 2013 from ₹ 364.3 billion in the six months ended September 30, 2012.

Deposits increased to ₹ 12,924.5 billion as of September 30, 2013, a 14.00% increase compared to ₹ 11,336.4 billion as of September 30, 2012. The interest paid on liabilities was ₹ 373.6 billion for the six months ended September 30, 2013 as compared to ₹ 328.74 billion for the six months ended September 30, 2012. The interest expenses on deposits grew by 13.66% reflecting the Bank's low cost of deposits. The savings bank portfolio of the Bank grew by 12.33% to ₹ 4,454.43 billion as of September 30, 2013, from ₹ 3,965.43 billion as of September 30, 2012. However, during the same period, the term deposits grew by 16.83% reflecting a movement to stable sources of income due to higher inflation rates in the economy.

The average cost of deposits in the six months ended September 30, 2013 increased by 2 basis points compared to the six months ended September 30, 2012, from 6.30% to 6.32%, respectively, calculated on monthly average basis. The Bank was able to contain its cost of deposits by attracting and retaining depositors by offering a range of value added products.

The other component of the interest expenses of the Bank is interest on borrowing. Interest paid on borrowings increased by 64.08% to ₹ 26.8 billion in the six months ended September 30, 2013 from ₹ 16.3 billion in the six months ended September 30, 2012. The average level of market borrowings increased by 196.62% year-on-year to ₹ 316.32 billion in the six months ended September 30, 2013 as compared to ₹ 106.64 billion in the six months ended September 30, 2012. The Banks' average cost of borrowing for the six months ended September 30, 2013 has decreased by 10 basis points to 8.04% as compared to 8.14% for the six months ended September 30, 2012.

The increased cost of borrowing is due to various additional measures announced by RBI to address exchange rate volatility, these include:

(i) In a RBI circular dated July 15, 2013, the RBI recalibrated the MSF rate to be 300 basis points above the policy repo rate under the LAF;
(ii) In a RBI circular dated July 23, 2013, the overall limit for access to LAF by each individual bank was set at 0.5% of its own NDTL outstanding as on the last Friday of the second preceding fortnight; and
(iii) Banks are required to maintain a minimum daily CRR balance of 99% of the requirement.

The Bank's net interest margin stood at 3.19% as of September 30, 2013 compared to 3.34% as of March 31, 2013, a decrease of 15 basis points, as a result of changes to the Bank's policy for determining interest rates change in interest rates and a decline in assets.

The Bank reviewed the rates offered to SME customers and reduced the spread over the base rate by 200 to 300 basis points depending on the extent of collateral with exposure in order to improve the quality of its exposure. The base rate however remained static at 9.70% through the period except for the 10 basis point increase on 19 September 2013. However, the increase in non-performing loans during the period saw a reduction in interest earned by the Bank.

Operating Expenses

The Bank's operating expenses have a bearing on its profitability. Operating expenses increased by 31.7% to ₹ 176.5 billion in the six months ended September 30, 2013, from ₹ 134.1 billion in the six months ended September 30, 2012. Staff costs comprise a significant proportion of the banks administrative costs.

The staff cost increased by 34.9% to ₹ 113.6 billion in the six months ended September 30, 2013 from ₹ 84.5 billion in the six months ended September 30, 2012. The main components are a provision for the anticipated wage revision which has a post-dated effect from November 1, 2012. The Bank has made a provision of ₹ 11.34 billion for the six months ended September 30, 2013 for salary revision and related pension costs. Also, in April 2013, LIC has revised its life expectancy mortality tables from 76 years to 81 years. The Bank has assessed the impact of moving to the new mortality table as ₹ 24 billion for the whole year. It has provided ₹ 12 billion in the six months ended September 30, 2013 towards this liability. This has increased the salary cost to 34.94% for this period. Without these onetime expenses, the increase in salary cost would be 7.21%, the same rate of increase as previous year.

Other expenditure increased by 26.1% to ₹ 62.9 billion in the six months ended September 30, 2013 from ₹ 49.9 billion in the six months ended September 30, 2012. While 133 branches and 626 ATMs were opened during the six months ended September 30, 2012, the Bank undertook a significant expansion of branch and ATM network in the six months ended September 30, 2013, during which 327 new branches and 5,602 new ATMs were opened. This expansion has led to increase in other operating expenses including rentals, insurance, and other expenses.

Provisions and Contingencies (excluding provisions for tax)

Provisions and contingencies (excluding provisions for tax) increased by 37.66% to ₹ 58.9 billion in the six months ended September 30, 2013 from ₹ 42.8 billion in the six months ended September 30, 2012. Loan loss provisions increased by 6.13% to ₹ 49.1 billion in the six months ended September 30, 2013 from ₹ 46.2 billion in the six months ended September 30, 2012. The general provision on standard assets also increased by 27.80% to ₹ 5.4 billion in the six months ended September 30, 2013 from ₹ 4.2 billion in the six months ended September 30, 2012. The increase in the standard assets provision was mainly due to the RBI increase in the provision on fresh restructured standard assets from June 1, 2013 to 5% per annum; and the RBI increase in the provision on existing stock of restructured standard assets to 3.50%, which will take effect on March 31, 2014. The RBI has allowed banks to gradually move towards this ratio in the three quarters prior to March 31, 2014. In six months ended September 30, 2014, the Bank made a provision of 3.10%, as compared to 2.75% in the six months ended September 30, 2010, on existing stock.

The provision for depreciation on investments amounted to ₹ 5.40 billion in the six months ended September 30, 2013 compared to a writeback of ₹ 7.81 billion in the six months ended September 30, 2012. The decrease in long term yields resulted in banks incurring large MTM losses in their investment portfolio. Since these MTM losses were partly a result of abnormal market movements and could be recouped going forward, the RBI issued a circular dated August 23, 2013 to allow banks to:

(i) Retain SLR holdings in HTM category at 24.5% of their NDTL compared to earlier instructions to bring SLR holdings in the HTM category down to 23.0%.
(ii) In addition as a one time measure, banks were allowed to transfer SLR securities from the AFS/HFT category to HTM category up to the limit of 24.5% of NDTL. Such transfer of securities from AFS/HFT category to HTM category was allowed to be made at the lower of the book value or market value.
(iii) Banks were given the option of distributing the net depreciation on the entire AFS and HFT portfolios on each of the valuation dates in the current fiscal year in equal instalments during the fiscal year 2013 to fiscal year 2014.

As a result, the Bank moved ₹ 590 billion from AFS to HTM in September 2013. The difference in the valuations of ₹ 2.00 billion was absorbed in the Bank's profit & loss account. However, the investment depreciation was assessed as ₹ 21.0 billion. The Bank took the option available under RBI dispensation and absorbed ₹ 7.00 billion in the second quarter of fiscal year 2014. The Bank intends to provide ₹ 14.0 billion in the third and fourth quarters of fiscal year 2014. However, the actual amount will depend on the then prevailing market rates in the market.

Tax Expenses and Provisions

Total provision for tax decreased by 38.7% to ₹ 23.5 billion in the six months ended September 30, 2013 from ₹ 38.3 billion in the six months ended September 30, 2012 on account of a decline in the Bank's operating profit by 10.4%.

Current income tax expenses for the Bank decreased by 50.0% to ₹ 17.2 billion in the six months ended September 30, 2013 as compared to ₹ 34.5 billion in the six months ended September 30, 2012, due mainly due to lower taxable income and higher allowable deductions.

Net Profit

As a result of the above, net profit decreased by 24.21% to ₹ 56.2 billion in the six months ended September 30, 2013 from ₹ 74.1 billion in the six months ended September 30, 2012.

Financial Condition

Total assets amounted to ₹ 16,758.3 billion as of September 30, 2013, compared to ₹ 15,662.6 billion as of March 31, 2013, an increase of 7.0%. Cash and balances with the RBI decreased by 5.1% to ₹ 624.9 billion as of September 30, 2013 from ₹ 658.3 billion as of March 31, 2013. The primary reason for this decrease was reduction in CRR from 4.50% as of September 30, 2012 to 4.00% as of September 30, 2013. Balances with banks and money at call and short notice increased by 5.2% to ₹ 515.3 billion as of September 30, 2013 from ₹ 489.9 billion as of March 31, 2013. Advances increased by 5.5% to ₹ 11,030.9 billion as of September 30, 2013 from ₹ 10,456.2 billion as of March 31, 2013.

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

	As of March 31, 2013	As of September 30, 2013	% change
	(₹ in millions, except percentages)		
Cash and balances with the RBI	658,304	624,922	(5.1)%
Balance with banks and money at call and short notice	489,898	515,260	5.2%
Total cash and cash equivalents	1,148,202	1,140,182	(0.7)%
Government securities	2,721,206	3,134,656	15.2%
Other investments	788,067	850,701	7.9%
Total investments	3,509,273	3,985,357	13.6%
Term loans	4,914,969	5,437,397	10.6%
Other advances	5,541,197	5,593,501	0.9%
Total advances	10,456,166	11,030,898	5.5%
Fixed assets	70,050	75,503	7.8%
Other assets	478,920	526,354	9.9%
Total assets	15,662,611	16,758,295	7.0%

Total liabilities and shareholders' funds amounted to ₹16,758.3 billion as of September 30, 2013, compared to ₹ 15,662.6 billion as of March 31, 2013, an increase of 7.0%. The 9.4% increase in reserves and surplus to ₹ 1,074.5 billion as of September 30, 2013 from ₹ 982.0 billion as of March 31, 2013 was primarily attributable to retention of half-yearly profit of ₹ 56.2 billion. Borrowings increased by 11.7% to ₹ 1,889.4 billion as of September 30, 2013 from ₹ 1,691.8 billion as of March 31, 2013. The increase in the Bank's borrowings is primarily attributable to an increase in the borrowings at foreign offices to ₹ 205.1 billion. Of the borrowings at foreign offices, ₹ 141.3 billion is attributable to change in translation rates and remaining ₹ 63.8 billion to additional borrowing to finance the assets created at foreign offices.

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

	As of March 31, 2013	As of September 30, 2013	% change
	(in millions, except percentages)		
Capital	6,840	6,840	0.0%
Reserves and surplus	981,997	1,074,532	9.4%
Total shareholders' funds	988,837	1,081,372	9.4%
Deposits	12,027,396	12,924,560	7.5%
Borrowings	1,691,827	1,889,369	11.7%
Other liabilities and provisions	954,551	862,993	(9.6)%
Total liabilities and shareholders' funds	15,662,611	16,758,295	7.0%

The composition of the Bank's outstanding domestic deposits showed an increase of ₹ 8.1 billion in lower-cost retail deposits and CASA deposits from March 31, 2013 to September 30, 2013. As of September 30, 2013, the Bank had outstanding CASA deposits of ₹ 5,262.9 billion as against ₹ 5,254.9 billion as of March 31, 2013. The Bank's CASA ratio, calculated as the ratio of current account deposits and savings account deposits to domestic deposits (including interbank), decreased from 46.5% to 43.6% from March 31, 2013 to September 30, 2013, respectively. Savings account deposits increased by approximately 7.4% on a monthly basis from ₹ 4,149.1 billion to ₹ 4,454.4 billion, whereas current account deposits decreased by 26.9% through the six months ended September 30, 2013, compared to having increased by 12.5% through the fiscal year ended March 31, 2013.

Discussion of the Consolidated Financial Statements of the Group

The discussion set out below is based on the Group's audited consolidated financial statements for fiscal years 2011, 2012 and 2013. The consolidated financial statements for fiscal year 2013 contain 28 subsidiaries, eight joint ventures and 25 associates; the consolidated financial statements for fiscal year 2012 contain 29 subsidiaries, eight joint ventures and 25 associates; and the consolidated financial statements for fiscal year 2011 contain 30 subsidiaries, eight joint ventures and 26 associates. Since the entities consolidated in the financial statements are not uniform over these three periods, the figures appearing against various items for these years are not strictly comparable.

The consolidated and unconsolidated financial statements of the Bank for fiscal years 2012 and 2011 as presented in this Placement Document have been regrouped and, wherever appropriate, reclassified in order to present the figures on a substantially consistent basis compared to the audited financial statements for fiscal year 2013. Financial figures from fiscal years 2012 and 2011 appearing in this "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" reflect regrouped and/or reclassified figures appearing in the audited financial statements found elsewhere in this Placement Document.

Results for Fiscal Year 2013 compared to Fiscal Year 2012

Interest Earned

Interest earned increased by 14.1% to ₹ 1,679.8 billion in fiscal year 2013 from ₹ 1,472.0 billion in fiscal year 2012. This increase was primarily attributable to a 13.6% increase in the interest earned on advances and bills to ₹ 1,264.4 billion in fiscal year 2013 from ₹1,113.4 billion in fiscal year 2012, which was primarily due to an increase in the Group's volume of advances. The Group's portfolio of advances increased by 19.7% to ₹ 13,926.1 billion as of March 31, 2013 compared to ₹ 11,636.7 billion as of March 31, 2012, with an increase of 17.6% in term loans. The increase in interest earned was also aided by a 14.8% increase in income earned on investments to ₹ 387.0 billion in fiscal year 2013 from ₹ 337.1 billion in fiscal year 2012, which was primarily due to an increase in the Group's investment portfolio to ₹ 5,193.9 billion as of March 31, 2013 from ₹ 4,609.5 billion as of March 31, 2012.

Other Income

Other income increased by 9.7% to ₹ 325.8 billion in fiscal year 2013 from ₹ 296.9 billion in fiscal year 2012. This increase was primarily due to profit earned on the sale of investments. The Group incurred a gain on the sale of investments of ₹ 28.6 billion in fiscal year 2013 as compared to a loss of ₹ 5.8 billion in fiscal year 2012. The yield on Government securities declined during the year from 8.63% in April 2012 to 7.99% by March 31, 2013. This reduction in yield offered opportunities for churning the SLR portfolio of the Bank. This churning has resulted in the higher profit on sale of investments.

Interest Expended

Interest expended increased by 19.6% to ₹ 1,068.2 billion in fiscal year 2013 from ₹ 893.2 billion in fiscal year 2012. This increase was primarily due to a 21.4% increase in the Group's interest expense on deposits amounting to ₹ 963.0 billion in fiscal year 2013 as compared to ₹ 793.5 billion in fiscal year 2012, which was primarily due to an increase in the Group's volume of deposits.

Deposits increased to ₹ 16,274.0 billion as of March 31, 2013, a 15.0% increase compared to ₹ 14,146.9 billion as of March 31, 2012, due to a 14.9% increase in term deposits. The Group's cost of deposits was 5.92% and 6.21% for the year ended March 31 and March 31, 2013, respectively. Interest paid on borrowings increased by 7.0% to ₹ 47.4 billion in fiscal year 2013 from ₹ 44.3 billion in fiscal year 2012.

The Group's net interest margin on a consolidated basis stood at 3.16% as of March 31, 2013 compared to 3.48% as of March 31, 2012, a decrease of 32 basis points, and the Bank's net interest margin stood on an unconsolidated basis at 3.34% (each based on weekly average interest-bearing assets) as of March 31, 2013 compared to 3.85% as of March 31, 2012, an decrease of 51 basis points, primarily as a result of slower growth in net interest income of 2.40% compared to 17.98% growth in average assets. The slower growth in net interest income is due to higher growth in interest expenses, i.e., 19.13% against the interest income of 12.33%.

The Bank's net interest margin calculated on a weekly average basis was 3.9%, 3.6%, 3.5%, 3.4% and 3.3% for the three-month periods ended March 31, 2012, June 30, 2012, September 30, 2012, December 31, 2012 and March 31, 2013, respectively.

Operating Expenses

Operating expenses increased by 12.7% to ₹ 528.2 billion in fiscal year 2013 from ₹ 468.6 billion in fiscal year 2012. This increase was primarily attributable to an increase in overhead expenses, which increased by 14.7% to ₹ 284.2 billion in fiscal year 2013 from ₹ 247.7 billion in fiscal year 2012. Significant expansion of Branch and ATM network was undertaken which resulted in increase in operating expenses such as rent, insurance etc.

Other contributors to the increase in the Group's operating expenses were taxes, lighting, depreciation and advertising expenses.

Provisions and Contingencies (excluding provisions for tax)

Provisions and contingencies (excluding provisions for tax) decreased by 7.4% to ₹ 150.4 billion in fiscal year 2013 from ₹ 162.4 billion in fiscal year 2012. These provisions mainly comprise of provision for depreciation on investment, general provision for standard assets and loan loss provisions. The decrease in provision requirement is due to a reduction in provision for depreciation on investment and general provision on standard assets. There was a small increase on loan loss provision from ₹ 142.1 billion in fiscal year 2012 to ₹ 149.1 billion in fiscal year 2013. However, due to the improvement in market conditions, there was a write back of ₹ 9.5 billion in fiscal year 2013 on provision for depreciation on investment whereas in fiscal year 2012, a provision of ₹ 8.8 billion was recorded.

Tax Expenses and Provisions

Total provision for tax decreased by 12.5% to ₹ 75.6 billion in fiscal year 2013 from ₹ 86.4 billion in fiscal year 2012, mainly on account of higher allowable deductions.

Current income tax expenses increased by 3.8% to ₹ 82.6 billion in fiscal year 2013 as compared to ₹ 79.6 billion in fiscal year 2012.

Net Profit

As a result of the above, net profit for the Group increased by 16.8% to ₹ 179.2 billion in fiscal year 2013 from ₹ 153.4 billion in fiscal year 2012.

Financial Condition

Total assets amounted to ₹ 21,331.6 billion as of March 31, 2013 compared to ₹ 18,299.6 billion as of March 31, 2012, an increase of 16.6%. Cash and balances with the RBI increased by 13.1% to ₹ 895.7 billion as of March 31, 2013 from ₹ 792.0 billion as of March 31, 2012. With reduction in yield on Government securities, the market value of SLR portfolio improved considerably, and therefore, a write-back of provisions for depreciation on investment could be done resulting in reduction in overall provisioning requirement. The market is witnessing a reversal of the trend in the current year. Advances increased by 19.7% to ₹ 13,926.1 billion as of March 31, 2013 from ₹ 11,636.7 billion as of March 31, 2012.

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

	As of March 31,		
	2012	2013	% change
	(₹ in millions, except percentages)		
Cash and balances with the RBI	791,992	895,740	13.1%
Balance with banks and money at call and short notice	483,916	556,537	15.0%
Total cash and cash equivalents	1,275,908	1,452,277	13.8%
Government securities	3,635,858	3,964,317	9.0%
Other investments	973,633	1,229,615	26.3%
Total investments	4,609,491	5,193,932	12.7%
Term loans	5,742,954	6,752,145	17.6%
Other advances	5,893,748	7,173,935	21.7%
Total advances	11,636,702	13,926,080	19.7%
Fixed assets	74,080	93,700	26.5%
Other assets	703,381	665,594	(5.4)%
Total assets	18,299,562	21,331,583	16.6%

The Bank constituted 73.9% of the Group's deposits as of March 31, 2013 and therefore, the movement in the Group's deposits is largely attributable to the movement in the Bank's deposits. The discussion below sets out the movement in the Bank's deposits.

Total liabilities and shareholders' funds amounted to ₹ 21,331.6 billion as of March 31, 2013 compared to ₹ 18,299.6 billion as of March 31, 2012, an increase of 16.6%. A 17.8% increase in reserves and surplus to ₹ 1,243.5 billion as of March 31, 2013 from ₹ 1,055.6 billion as of March 31, 2012 was primarily attributable to a capital injection by the Government through a preferential allotment of ₹ 30.0 billion (including share premium) of equity shares. Deposits increased by 15% to ₹ 16,274.0 billion as of March 31, 2013 from ₹ 14,146.9 billion as of March 31, 2012, primarily as a result of a growth in deposits due to competitive interests rates offered by the Group. Borrowings increased by 29.0% to ₹ 2,037.2 billion as of March 31, 2013 from ₹ 1,579.9 billion as of March 31, 2012. The increase in the Group's borrowings is primarily attributable to the Group's borrowing and refinancing outside India and borrowing from other institutions and agencies within India.

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

	As of March 31,		
	2012	2013	% change
	(₹ in millions, except percentages)		
Capital	6,710	6,840	1.9%
Reserves and surplus	1,055,590	1,243,490	17.8%
Total shareholders' funds	1,062,300	1,250,330	17.7%
Minority interest	37,257	42,539	14.2%
Deposits	14,146,894	16,274,026	15.0%
Borrowings	1,579,914	2,037,232	28.9%
Other liabilities and provisions	1,473,197	1,727,456	17.2%
Total liabilities and shareholders' funds	18,299,562	21,331,583	16.6%

The composition of the Bank's outstanding domestic deposits showed an increase of ₹ 1,479.2 billion due to growth in retail deposits and CASA deposits from the end of fiscal year 2012 to the end of fiscal year 2013. As of March 31, 2013, the Bank had outstanding CASA deposits of ₹ 5,254.9 billion as against ₹ 4,581.2 billion as of March 31, 2012. The Bank's CASA ratio, calculated as the ratio of current account deposits and savings account deposits to domestic deposits (including interbank), marginally decreased from 46.6% to 46.5% from March 31, 2012 to March 31, 2013, respectively. Savings account deposits increased by approximately ₹ 550.0 billion on a monthly basis from ₹ 3,598.4 billion to ₹ 4,149.0 billion, whereas current account deposits increased by 12.5% through fiscal year 2013, compared to having increased by 8.2% through fiscal year 2012. During the same period, bulk deposits increased by ₹ 196.1 billion and stood at ₹ 1,314.1 billion as of March 31, 2013 as against ₹ 1,118.0 billion as of March 31, 2012.

Results for Fiscal Year 2012 compared to Fiscal Year 2011

Interest Earned

Interest earned increased by 29.5% to ₹ 1,472.0 billion in fiscal year 2012 from ₹ 1,136.3 billion in fiscal year 2011. This increase was primarily attributable to a 32.9% increase in the interest earned on advances and bills to ₹ 1,113.4 billion in fiscal year 2012 from ₹ 838.0 billion in fiscal year 2011, which was primarily due to an increase in the Group's volume of advances and an increase in prevailing interest rates, including an increase in the prime lending rate from 13.00% as of March 31, 2011 to 14.75% as of March 31, 2012. The Group's portfolio of advances grew by 15.6% to ₹ 11,636.7 billion as of March 31, 2012 compared to ₹ 10,064.0 billion as of March 31, 2011, with an increase of 13.3% in term loans. The increase in interest earned was also aided by a 21.0% increase in income earned on investments to ₹ 337.1 billion in fiscal year 2012 from ₹ 278.5 billion in fiscal year 2011, which was primarily due to an increase in the Group's investment portfolio to ₹ 4,609.5 billion as of March 31, 2012 from ₹ 4,190.7 billion as of March 31, 2011 as well as an increase in the average yields earned on these investments.

Other Income

Other income decreased by 12.8% to ₹ 298.4 billion in fiscal year 2012 from ₹ 342.1 billion in fiscal year 2011. This decrease was primarily attributable to a loss on sale of investments and a loss on revaluation of investments. The Group incurred a loss on sale of investments of ₹ 5.8 billion in fiscal year 2012 as compared to a profit of ₹ 30.9 billion in fiscal year 2011. The Group incurred a loss on revaluation of investments of ₹ 13.7 billion in fiscal year 2012 as compared to a loss of ₹ 1.4 billion in fiscal year 2011.

Interest Expended

Interest expended increased by 31.2% to ₹ 893.2 billion in fiscal year 2012 from ₹ 680.9 billion in fiscal year 2011. This increase was primarily due to a 30.6% increase in the Group's interest expense on deposits amounting to ₹ 793.5 billion in fiscal year 2012 as compared to ₹ 607.5 billion in fiscal year 2011, which was primarily due to an increase in the Group's volume of deposits and an increase in prevailing interest rates.

The Group's deposits increased to ₹ 14,146.9 billion as of March 31, 2012, a 12.7% increase compared to ₹ 12,555.6 billion as of March 31, 2011, due to a 21.3% increase in term deposits. The Bank's cost of deposits (unconsolidated) calculated on a monthly basis was 5.26%, 5.66%, 5.83%, 5.90% and 5.95% for the three-month periods ended March 31, 2011, June 30, 2011, September 30, 2011, December 31, 2011 and March 31, 2012, respectively. Interest paid on borrowings for the Group increased by 47.7% to ₹ 44.3 billion in fiscal year 2012 from ₹ 29.9 billion in fiscal year 2011.

The Group's net interest margin on a consolidated basis stood at 3.48% as of March 31, 2012 compared to 3.10% as of March 31, 2011, an increase of 38 basis points, and the Bank's net interest margin stood on an unconsolidated basis at 3.85% (each based on weekly average interest-bearing assets) as of March 31, 2012 compared to 3.32% as of March 31, 2011, an increase of 53 basis points, primarily as a result of an increase in the prime lending rate and the Bank's base rate, as well as a 15.8% increase in advances.

The Bank's net interest margin calculated on a weekly average basis was 3.32%, 3.62%, 3.71%, 3.84% and 3.85% for the three-month periods ended March 31, 2011, June 30, 2011, September 30, 2011, December 31, 2011 and March 31, 2012, respectively.

Operating Expenses

Operating expenses increased by 0.7% to ₹ 468.6 billion in fiscal year 2012 from ₹ 465.2 billion in fiscal year 2011. This marginal increase was primarily attributable to a 6.6% increase in payments to and provisions for employees to ₹ 220.8 billion in fiscal year 2012 from ₹ 207.1 billion in fiscal year 2011. The principal cause for the increase was an increase in salary bills. Other expenditure also increased by 19.2% to ₹ 43.5 billion in fiscal year 2012 from ₹ 36.5 billion in fiscal year 2011. These increases were partially offset by reduced operating expenses relating to insurance business, which decreased by 15.5% to ₹ 124.4 billion in fiscal year 2012 from ₹ 147.3 billion in fiscal year 2011.

Other contributors to the marginal increase in the Group's operating expenses were (i) an increase of ₹ 3.9 billion, or 15.9%, in rent, taxes and lighting, (ii) an increase of ₹ 1.9 billion, or 17.0%, in insurance expenses, and (iii) an increase of ₹ 0.5 billion, or 11.4%, in postage, telegrams, telephones, etc.

Provisions and Contingencies (excluding provisions for tax)

Provisions and contingencies (excluding provisions for tax) increased by 22.0% to ₹ 162.4 billion in fiscal year 2012 from ₹ 133.2 billion in fiscal year 2011. Loan loss provisions increased by 26.2% to ₹ 142.1 billion in fiscal year 2012 from ₹ 112.6 billion in fiscal year 2011. This increase was due to an increase in gross NPAs, as well as additional provisions recorded in anticipation of more conservative RBI guidelines on provisioning in combination with provisioning for aging substandard and doubtful assets. The general provision on standard assets also increased by 3.2% to ₹ 13.0 billion in fiscal year 2012 from ₹ 12.6 billion in fiscal year 2011. The provision for depreciation on investments amounted to ₹ 8.6 billion in fiscal year 2012 compared to ₹ 7.6 billion in fiscal year 2011.

Tax Expenses and Provisions

Total provision for tax decreased by 1.1% to ₹ 86.4 billion in fiscal year 2012 from ₹ 87.4 billion in fiscal year 2011.

Current income tax expenses decreased by 8.4% to ₹ 79.6 billion in fiscal year 2012 as compared to ₹ 73.4 billion in fiscal year 2011.

Net Profit

As a result of the above, net profit (after minority interest), increased by 43.6% to ₹ 153.4 billion in fiscal year 2012 from ₹ 106.8 billion in fiscal year 2011.

Financial Condition

Total assets amounted to ₹ 18,299.6 billion as of March 31, 2012 compared to ₹ 16,479.0 billion as of March 31, 2011, an increase of 11.0%. Cash and balances with the RBI decreased by 33.6% to ₹ 792.0 billion as of March 31, 2012 from ₹ 1,193.5 billion as of March 31, 2011. The primary reason for this decrease was a reduction in the CRR. Balances with banks and money at call and short notice saw a 34.5% increase to ₹ 483.9 billion as of March 31, 2012 from ₹ 359.8 billion as of March 31, 2011. Advances increased by 15.6% to ₹ 11,636.7 billion as of March 31, 2012 from ₹ 10,064.0 billion as of March 31, 2011.

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

	As of March 31,		
	2011	**2012**	**% change**
	(₹ in millions, except percentages)		
Cash and balances with the RBI	1,193,498	791,992	(33.6%)
Balance with banks and money at call and short notice	359,776	483,916	34.5%
Total cash and cash equivalents	1,553,274	1,275,908	(17.9%)
Government securities	3,197,185	3,635,858	13.7%
Other investments	993,480	973,633	2.0%
Total investments	4,190,665	4,609,491	10.0%
Term loans	5,070,042	5,742,954	13.3%
Other advances	4,993,974	5,893,748	18.0%
Total advances	10,064,016	11,636,702	15.6%
Fixed assets	64,868	74,080	14.2%
Other assets	606,160	703,381	16.0%
Total assets	16,478,983	18,299,562	11.0%

Total liabilities and shareholders' funds amounted to ₹ 18,299.6 billion as of March 31, 2012 compared to ₹ 16,479.0 billion as of March 31, 2011, an increase of 11.0%. A 27.4% increase in reserves and surplus to ₹ 1,055.6 billion as of March 31, 2012 from ₹ 828.4 billion as of March 31, 2011 was primarily attributable to a capital injection by the

Government through a preferential allotment of equity shares of ₹ 79.0 billion (including premium). Deposits increased by 12.7% to ₹ 14,146.9 billion as of March 31, 2012 from ₹ 12,555.6 billion as of March 31, 2011, primarily as a result of a growth in deposits due to a better rate of interest offered by the Group. Borrowings increased by 10.9% to ₹ 1,579.9 billion as of March 31, 2012 from ₹ 1,424.7 billion as of March 31, 2011. The increase in the Group's borrowings is primarily attributable to the Group's borrowing and refinancing outside India, borrowing from other institutions and agencies within India and the issuance of subordinated debt in India's domestic market.

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

	As of March 31,		
	2011	**2012**	**% change**
	(₹ in millions, except percentages)		
Capital	6,349	6,710	5.7%
Reserves and surplus	828,363	1,055,590	27.4%
Total shareholders' funds	834,712	1,062,300	27.3%
Minority interest	29,772	37,257	25.1%
Deposits	12,555,625	14,146,894	12.7%
Borrowings	1,424,708	1,579,914	10.9%
Other liabilities and provisions	1,634,166	1,473,197	(9.9%)
Total liabilities and shareholders' funds	16,478,983	18,299,562	11.0%

The Bank constituted 73.8% of the Group's deposits as of March 31, 2012 and therefore, the movement in the Group's deposits is largely attributable to the movement in the Bank's deposits. The discussion below sets out the movement in the Bank's deposits.

The composition of the Bank's outstanding domestic deposits showed an increase of ₹ 276.7 billion in lower-cost retail deposits and CASA deposits from the end of fiscal year 2011 to the end of fiscal year 2012. As of March 31, 2012, the Bank had outstanding CASA deposits of ₹ 4,581.2 billion as against ₹ 4,304.5 billion as of March 31, 2011. The Bank's CASA ratio, calculated as the ratio of current account deposits and savings account deposits to domestic deposits (including interbank), marginally decreased from 48.5% to 46.6% from March 31, 2011 to March 31, 2012, respectively. Savings account deposits increased by approximately ₹ 30.4 billion on a monthly basis from April 2011 to March 2012, whereas current account deposits decreased by 8.2% through fiscal year 2012, compared to having increased by 10.6% through fiscal year 2011. During the same period, bulk deposits increased by ₹ 126.4 billion and stood at ₹ 1,118.1 billion as of March 31, 2012 as against ₹ 991.7 billion as of March 31, 2011.

Liquidity

The following table sets forth the Bank's unconsolidated statement of cash flows for the six months ended September 30, 2012 and 2013:

	Six months ended September 30,	
	2012	**2013**
	(₹ in millions)	
Cash and equivalents, beginning of period	971,631.6	1,148,201.6
Net cash (used in)/from operating activities	11,073.1	17,535.2
Net cash (used in)/from investing activities	(13,344.3)	(16,852.1)
Net cash (used in)/from financing activities	(44,547.6)	(50,276.9)
Exchange fluctuation cash flow	7,809.6	41,574.6
Net change in cash and cash equivalents	(39,009.2)	(8,019.2)
Cash and equivalents, end of period	932,622.5	1,140,182.4

The following table sets forth the Group's consolidated statement of cash flows for fiscal years 2011, 2012 and 2013:

	Year ended March 31		
	2011	2012	2013
		(₹ in millions)	
Cash and equivalents, beginning of period	1,118,539	1,553,275	1,275,908
Net cash (used in)/from operating activities	439,001	(301,141)	240,978
Net cash (used in)/from investing activities	(16,460)	(23,193)	(34,192)
Net cash (used in)/from financing activities	12,516	22,088	(44,234)
Exchange fluctuation cash flow	(321)	24,879	13,819
Net change in cash and cash equivalents	434,736	(277,367)	176,369
Cash and equivalents, end of period	1,553,275	1,275,908	1,452,277

Cash Flows from Operating Activities

The Bank recorded a net cash inflow from operating activities of ₹ 17.5 billion in the six months ended September 30, 2013. The primary reasons for the inflow were an increase in deposits of ₹ 897.2 billion and an increase in borrowings of ₹ 192.3 billion. The inflow was offset by outflow due to increased investments of ₹ 460.8 billion and increase in advances of ₹ 623.8 billion.

The Bank recorded a net cash inflow from operating activities of ₹ 11.1 billion in the six months ended September 30, 2012. The primary reasons for the inflow were an increase in Deposit of ₹ 900.0 billion and an increase in Borrowings of ₹ 156.9 billion. The inflow was offset by outflow due to increase in Investments of ₹ 581.0 billion and increase in Advances of ₹ 640.0 billion.

The Group recorded a net cash inflow from operating activities of ₹ 241.0 billion in fiscal year 2013. The primary reasons for the inflow were an increase in deposits of ₹ 2,127.1 billion and increase in borrowings of ₹ 454.9 billion. The inflow was partially offset by an increase in investments of ₹ 539.5 billion and an increase in advances of ₹ 2,438.4 billion.

The Group recorded a net cash outflow from operating activities of ₹ 301.1 billion in fiscal year 2012. The primary reasons for the outflow were an increase in investment of ₹ 445.8 billion and an increase in advances of ₹ 1,714.8 billion. The outflow was partially offset by an increase in deposits of ₹ 1,591.3 billion.

The Group recorded a net cash inflow from operating activities of ₹ 439.0 billion in fiscal year 2011. The primary reasons for the inflow were an increase in deposits of ₹ 1,391.0 billion and an increase in borrowings of ₹ 135.7 billion. These inflows were partially offset by an increase in investments of ₹ 41.3 billion and an increase in advances of ₹ 1,481.6 billion.

Cash Flows from Investing Activities

The Bank recorded a net cash outflow of ₹ 16.9 billion in the six months ended September 30, 2013 due to increase in Investments in Subsidiaries/ Joint Ventures/ Associates of ₹ 5.5 billion and in investment in fixed assets of ₹ 11.8 billion.

The Bank recorded a net cash outflow from investing activities of ₹ 13.3 billion in the six months ended September 30, 2012. The primary reason for the outflow was an increase in investments in fixed assets of ₹ 14.2 billion.

The Group recorded a net cash outflow from investing activities of ₹ 34.2 billion in fiscal year 2013. The primary reason for the outflow was an increase in fixed assets of ₹ 35.8 billion.

The Group recorded a net cash outflow from investing activities of ₹ 23.2 billion in fiscal year 2012. The primary reason for the outflow was an increase in fixed assets of ₹ 23.4 billion.

The Group recorded a net cash outflow from investing activities of ₹ 16.5 billion in fiscal year 2011. The cash was used primarily to fund an increase in fixed assets of ₹ 18.7 billion, including in connection with the Bank's branch expansion.

Cash Flows from Financing Activities

The Bank recorded a net cash outflow from financing activities of ₹ 50.3 billion in the six months ended September 30, 2013. The primary reasons for the outflow were interest paid on capital instruments issued by the Bank of ₹ 18.2 billion and dividend paid by the Bank amounting to ₹ 32.1 billion.

The Bank recorded a net cash outflow from financing activities of ₹ 44.6 billion in the six months ended September 30, 2012. The reasons for the outflow were interest paid on capital instruments issued by the Bank of ₹ 18.1 billion and dividend paid by the Bank of ₹ 26.5 billion.

The Group recorded a net cash outflow of ₹ 44.2 billion from financing activities in fiscal year 2013. The primary reasons for the outflow was interest paid by the Group on bonds of ₹ 47.1 billion as well as dividends paid, including tax thereon, of ₹ 26.5 billion.

The Group recorded a net cash inflow from financing activities of ₹ 22.1 billion in fiscal year 2012. The primary reason for inflow were the issue of share capital amounting ₹ 78.9 billion and the issue of bonds amounting to ₹ 11.8 billion. This inflow was partially offset by interest the Group paid on bonds of ₹ 45.8 billion as well as dividends paid, including tax thereon, of ₹ 21.5 billion.

The Group recorded a net cash inflow of ₹ 12.5 billion from financing activities in fiscal year 2011. The primary reason for the inflow was the Group's receiving ₹ 68.4 billion from issuing bonds. This inflow was partially offset by interest the Group paid on bonds of ₹ 40.3 billion as well as dividends paid, including tax thereon, of ₹ 14.2 billion.

Contingent Liabilities

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

Contingent Liabilities	**As of March 31, 2013**	**As of September 30, 2013**
	(₹ in billions)	
Claims against the Group not acknowledged as debts	9.6	13.38
Liability for partly paid investments	0.03	0.03
Liability on account of outstanding forward exchange contracts	4,719.1	6,728.59
Guarantees given on behalf of constituents	1,729.1	1,765.94
Acceptances, endorsements and other obligations	1,266.7	1,300.91
Other items for which the Group is contingently liable	1,539.2	1,900.75
Total	9,263.8	**11,709.60**

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

Contingent Liabilities	**As of March 31,**		
	2011	**2012**	**2013**
		(₹ in billions)	
Claims against Bank not acknowledged as debts	12.1	13.4	15.7
Liability for partly paid investments	0.2	0.1	0.1
Liability on account of outstanding forward exchange contracts	4,212.6	4,601.1	5,488.6
Guarantees given on behalf of constituents	1,616.7	1,909.8	1,986.1
Acceptances, endorsements and other obligations	1,652.0	1,604.0	1,498.9
Other items for which Bank is contingently liable	1,034.0	1,243.2	1,575.5

Contingent Liabilities	As of March 31, 2011	2012	2013
		(₹ in billions)	
Total	8,527.6	9,371.6	10,564.9

The Bank's contingent liabilities increased by 26.4%, or ₹ 2,445.81 billion, to ₹ 11,709.60 billion as of September 30, 2013 from ₹ 9,263.79 billion as of March 31, 2013, primarily due to an increase in liabilities relating to outstanding forward exchange contracts of ₹ 2,009.46 billion, from ₹ 4,719.13 billion as of March 31, 2013 to ₹ 6,728.59 billion as of September 30, 2013, an increase in guarantees given on behalf of clients and customers of ₹ 36.84 billion, from ₹ 1,729.10 billion as of March 31, 2013 to ₹ 1,765.94 billion as of September 30, 2013, and an increase in other items for which the Bank is contingently liable of ₹ 361.53 billion, from ₹ 1,539.22 billion as of March 31, 2013 to ₹ 1,900.75 billion as of September 30, 2013. Other items for which the Bank is contingently liable include interest rate swaps and cross-currency swaps.

The Group's contingent liabilities increased by 12.7%, or ₹ 1,193.3 billion, to ₹ 10,564.9 billion as of March 31, 2013 from ₹ 9,371.6 billion as of March 31, 2012, primarily due to an increase in guarantees given by the Group on behalf of constituents from ₹ 1,909.8 billion as of March 31, 2012 to ₹ 1,986.1 billion as of March 31, 2013.

The Group's contingent liabilities increased by 9.9%, or ₹ 844.0 billion, to ₹ 9,371.6 billion as of March 31, 2012 from ₹ 8,527.6 billion as of March 31, 2011, primarily due to an increase in guarantees given by the Group on behalf of constituents from ₹ 1,616.7 billion as of March 31, 2011 to ₹ 1,909.8 billion as of March 31, 2012.

Guarantees

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

Capital Resources

The Group is subject to the capital adequacy guidelines stipulated by the RBI, which are based on the framework of the Basel Committee on Banking Supervision. In June 2008, the RBI issued the Master Circular — Prudential Guidelines on Capital Adequacy and Market Discipline under Basel II. As per Basel II guidelines, the Group is required to maintain a minimum Tier capital ratio of 6.0% and a minimum total capital adequacy ratio of 9.0%. Tier I capital consists of equity capital, statutory reserves, other disclosed free reserves, capital reserves and innovative perpetual debt instruments eligible for inclusion in Tier I capital. Tier II capital consists of general provision and loss reserves, upper Tier II instruments and subordinated debt instruments eligible for inclusion in Tier II capital.

The Bank has moved to Basel III Regulations as implemented by RBI from April 1, 2013. Banks have to comply with the regulatory limits and requirements as prescribed under Basel III capital regulations, on an on-going basis. Banks are required to maintain capital adequacy ratio of 9% both at unconsolidated and consolidated levels. Banks are also required to maintain a CET I Capital ratio of 5.5% and a capital conservation buffer of 2.5% as CET I. To ensure easy transition to Basel III, appropriate transitional arrangements have been provided such as for meeting the minimum Basel III capital ratios and full regulatory adjustments to the components of capital. Basel III capital regulations would be fully implemented as of March 31, 2018.

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

	As of March 31, 2013	As of September 30, 2013
	(₹ in billions, except percentages)	
Tier I Capital	949.47	951.26

	As of March 31, 2013	As of September 30, 2013
	(₹ in billions, except percentages)	
Tier II Capital	344.15	322.29
Total qualifying capital	1,293.62	1,273.55
Total risk-weighted assets and contingents	10,009.44	10,646.88
Capital adequacy ratios:		
Tier I capital adequacy ratio	9.49%	8.93%
Tier II capital adequacy ratio	3.43%	3.03%
Total capital adequacy ratio	12.92%	11.96%
Minimum Tier I capital adequacy ratio required by the RBI	6.00%	6.00%
Minimum total capital adequacy ratio required by the RBI	9.00%	9.00%

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

	As of September 30, 2013
	(₹ in billions, except percentages)
CET I Capital	917.76
Tier I Capital	934.27
Total qualifying Capital	1,250.53
Total Risk Weighted Assets and Contingents	10,696.61
Capital adequacy ratios:	
CET I Capital Adequacy ratio	8.58%
Tier I Capital Adequacy ratio	8.73%
Total Capital Adequacy ratio	11.69%
Minimum CET I Capital Adequacy ratio required by RBI (5.5% on final phase in as on March 31,2018)	4.5%
Minimum Tier I Capital Adequacy ratio required by RBI (7.0% on final phase in as on March 31,2018)	6.0%
Minimum Total Capital Adequacy ratio required by RBI (9.0 % on final phase in as on March 31,2018)	9.0%

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

	As of March 31,		
	2011	2012	2013
	(₹ in billions, except percentages)		
Tier I Capital	849.4	1,074.1	1,254.68
Tier II Capital	448.6	448.5	445.68
Total qualifying capital	1,298.0	1,522.6	1,700.36
Total risk-weighted assets and contingents	10,584.7	11,128.0	13,258.06
Capital adequacy ratios:			
Tier I capital adequacy ratio	8.02%	9.65%	9.46%
Tier II capital adequacy ratio	4.24%	4.03%	3.36%
Total capital adequacy ratio	12.26%	13.68%	12.82%
Minimum Tier I capital adequacy ratio required by the RBI	6.00%	6.00%	6.00%
Minimum total capital adequacy ratio required by the RBI	9.00%	9.00%	9.00%

The Bank's total capital adequacy ratio as of September 30, 2013 was 11.69%, including a Tier I capital adequacy ratio of 8.73% and a Tier II capital adequacy ratio of 2.96%.

The Group's total capital adequacy ratio as of March 31, 2013 was 12.82%, including a Tier I capital adequacy ratio of 9.46% and a Tier II capital adequacy ratio of 3.36%.

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

Critical Accounting Policies

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

MATERIAL DEVELOPMENTS

Preferential Allotment to the President of India

Pursuant to the resolution(s) passed by the Central Board on October 30, 2013, the ECCB on November 28, 2013, December 12, 2013 and January 2, 2014 and the shareholders of the Bank on December 30, 2013, the Bank made a preferential allotment of 11,218,685 Equity Shares at a price of ₹ 1,782.74 per Equity Share to the President of India, acting through the Ministry of Finance, Government of India on January 2, 2014.

Private Placement of non convertible debentures

Pursuant to a resolution passed by the ECCB on January 2, 2014, the Bank has alloted 20,000 unsecured non convertible debentures of face value of ₹ 1 million per debenture aggregating to ₹ 20 billion by way of private placement on January 2, 2014 for a tenure of 120 months with an annually payable coupon of 9.69%.

SELECTED STATISTICAL INFORMATION

The following unaudited information should be read together with the Bank's financial statements included in this Placement Document as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Certain non-GAAP financial measures are included in this section. The Bank discloses these measures because it uses them to assess its performance and because it considers them useful measures that are frequently used by securities analysts, investors and others to evaluate banks, many of which present such non-GAAP financial measures when reporting their results. However, these measures are not calculated using a standard methodology and may not be comparable to the definition of similarly titled measures used by other banks.

Assets and Liabilities

Unconsolidated Average Balance Sheet of the Bank

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

	Year ended March 31,								
	2011			2012			2013		
	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)
	(₹ in millions, except percentages)								
Interest-earning assets:									
Advances	7,043,346.3	599,760.1	8.52%	8,188,342.8	810,777.0	9.90%	9,668,728.2	905,371.0	9.36%
Investments	2,799,007.2	198,263.7	7.08%	3,089,610.9	239,491.4	7.75%	3,544,260.1	272,006.3	7.67%
Others	282,686.2	15,919.9	5.63%	255,096.9	14,946.1	5.86%	353,879.4	19,193.7	5.42%
Total interest-earning assets	10,125,039.7	813,943.7	8.04%	11,533,050.6	1,065,214.5	9.24%	13,566,867.6	1,196,571.0	8.82%
Non-interest earning assets:									
Fixed assets	48,034.6	—	—	51,788.7	—	—	64,937.7	—	—
Other assets	1,085,418.6	—	—	1,123,172.6	—	—	1,089,912.5	—	—
Total non-interest earning assets	1,133,453.2	—	—	1,174,961.3	—	—	1,154,840.2	—	—
Total assets	11,258,492.9	813,943.7	7.23%	12,708,011.8	1,065,214.5	8.38%	14,721,707.8	1,196,571.0	8.13%
Interest-bearing liabilities:									
Total deposits	8,708,883.3	432,347.5	4.96%	9,919,637.8	556,443.7	5.61%	11,490,002.3	674,645.5	5.87%
Subordinated loan	347,456.2	30,199.4	8.69%	399,248.9	35,920.9	9.00%	402,387.9	36,149.0	8.98%
Borrowings	736,287.3	25,617.4	3.48%	798,978.5	38,856.5	4.86%	1,115,758.4	41,241.1	3.70%
Total interest-bearing liabilities	9,792,626.7	488,164.3	4.99%	11,117,865.2	631,221.1	5.68%	13,008,148.6	752,035.5	5.78%
Non-interest bearing liabilities:									
Capital and reserves	703,160.3	—	—	740,979.8	—	—	941,317.0	—	—
Bills payable	155,807.2	—	—	160,844.6	—	—	154,730.4	—	—
Other liabilities	606,898.6	515.2	0.08%	688,322.2	1,082.6	0.15%	617,511.8	1,222.5	0.16%
Total non-interest bearing liabilities	1,465,866.2			1,590,146.6			1,713,559.2		
Total liabilities	11,258,492.9	488,679.5	4.34%	12,708,011.8	632,303.7	4.98%	14,721,707.8	753,258.0	5.12%

	Six months ended September 30,					
	2012			2013		
	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)
	(₹ in millions, except percentages)					
Interest-earning assets:						
Advances	9,218,797.0	446,727.0	9.69%	10,818,892.6	492,252.3	9.10%
Investments	3,534,086.5	130,878.8	7.41%	4,092,387.4	154,980.9	7.57%
Others	316,230.4	7,687.1	4.86%	412,398.3	9,171.3	4.45%
Total interest-earning assets	13,069,113.9	585,292.9	8.96%	15,323,678.2	656,404.5	8.57%
Non-interest earning assets:						

	Six months ended September 30,					
	2012			2013		
	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)
	(₹ in millions, except percentages)					
Fixed assets	61,402.3	—	—	74,159.6	—	—
Other assets	1,137,909.2	—	—	1,076,223.0	—	—
Total non-interest earning assets	1,199,311.5	—	—	1,150,382.6	—	—
Total assets	14,268,425.5	585,292.9	8.20%	16,474,060.8	656,404.5	7.97%
Interest-bearing liabilities:						
Total deposits	11,182,851.0	328,737.9	5.88%	12,749,224.5	373,628.6	5.86%
Subordinated loan	402,259.6	18,096.0	9.00%	406,487.4	18,209.7	8.96%
Borrowings	1,046,247.6	16,351.9	3.13%	1,407,142.3	26,830.9	3.81%
Total interest-bearing liabilities	12,631,358.2	363,185.8	5.75%	14,562,854.2	418,669.2	5.75%
Non-interest bearing liabilities:						
Capital and reserves	906,781.8	—	—	1,061,907.5	—	—
Bills payable	143,859.9	—	—	143,636.5	—	—
Other liabilities	586,425.6	1,123.0	0.15%	705,662.6	102.3	0.01%
Total non-interest bearing liabilities	1,637,067.3			1,911,206.6		
Total liabilities	14,268,425.5	364,308.7	2.55%	16,474,060.8	418,771.5	2.54%

Yields, Spreads and Margins

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

	Year ended March 31,			Six months ended September 30,		
	2011	2012	2013	2012	2013	2013
	(₹ in millions, except percentages)			(₹ in millions, except percentages)		(U.S.$ in millions)(1)
Interest income on interest-earning assets	813,943.6	1,065,214.5	1,196,571.0	585,292.9	656,404.5	10,456.1
Interest expense on interest-bearing liabilities	488,679.6	632,303.7	753,258.0	364,308.7	418,771.5	6,670.8
Average interest-earning assets	10,125,039.8	11,533,050.6	13,566,867.6	13,069,113.9	15,323,678.2	244,097.0
Average interest-bearing liabilities	9,792,626.7	11,117,865.2	13,008,148.6	12,631,358.2	14,562,854	231,977.5
Average total assets	11,258,492.9	12,708,011.8	14,731,707.8	14,268,425.5	16,474,060.8	262,421.9
Average interest-earning assets as a percentage of average total assets	89.93%	90.75%	92.16%	91.59%	93.02%	—
Average interest-bearing liabilities as a percentage of average total assets	86.98%	87.49%	88.36%	88.53%	88.40%	—
Average interest-earning assets as a percentage of average interest-bearing Liabilities	103.39%	103.73%	104.30%	103.47%	105.22%	—
Yield(2)	8.04%	9.24%	8.82%	8.96%	8.57%	—
Cost of funds(3)	4.99%	5.69%	5.79%	5.77%	5.75%	—
Spread	3.05%	3.55%	3.03%	3.19%	2.82%	—
Net interest margin(4)	3.32%	3.85%	3.34%	3.45%	3.19%	—

Notes:

(1) For the reader's convenience, U.S. dollar translations of Indian rupee amounts have been provided based on the RBI reference exchange rate of U.S.$1.00 = ₹ 62.78 as of September 30, 2013.

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

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

(4) Net interest margin is the difference between interest earned and interest expended divided by the total weekly average interest-earning assets.

Financial Ratios

The following table sets forth certain key financial indicators of the Bank, calculated on an unconsolidated basis, as of and for the periods indicated.

	As of and for the year ended March 31,			As of and for the six months ended September 30,	
	2011	2012	2013	2012	2013
			(in percentages)		
Return on average equity(1)	12.84%	14.36%	15.94%	18.18%	11.77%
Return on average assets(2)	0.71%	0.88%	0.91%	1.07%	0.69%
Dividend payout ratio(3)	23.05%	20.06%	20.12%	-	-
Cost to average assets(4)	2.04%	1.97%	1.91%	1.81%	1.76%
Tier I capital adequacy ratio	7.77%	9.76%	9.49%	8.97%	*8.73%
Tier II capital adequacy ratio	4.21%	4.07%	3.43%	3.66%	*2.96%

	As of and for the year ended March 31,			As of and for the six months ended September 30,	
	2011	2012	2013	2012	2013
			(in percentages)		
Total capital adequacy ratio	11.98%	13.83%	12.92%	12.63%	*11.69%
Net non-performing assets ratio[5]	1.63%	1.82%	2.10%	2.44%	2.91%
Allowance as percentage of gross non-performing assets[6]	51.25%	60.13%	57.11%	54.04%	49.92%
Average net worth to total average assets[7]	6.25%	6.33%	6.39%	6.36%	6.45%
Credit to deposit ratio[8]	76.32%	78.50%	82.42%	76.64%	80.54%
Cost to income ratio[9]	47.60%	45.23%	48.51%	46.33%	56.01%
Other income to operating income ratio[10]	32.73%	24.90%	26.56%	23.64%	24.60%

**Under Basel III. CAR Ratios of earlier years pertain to Basel II.*

Notes:

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

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

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

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

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

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

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

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

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

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

The Bank's capital adequacy ratios as of September 30, 2013 are reported above without including retained profit. The Bank's Tier I capital adequacy ratio (including retained profits) was 9.13% as of September 30, 2013. Its Tier II capital adequacy ratio (including retained profits) was 2.96% as of September 30, 2013. The Bank's total capital adequacy ratio (including retained profits) was 12.09% as of September 30, 2013.

Analysis of Changes in Interest Revenue and Interest Expense by Volume and Rate

The following table sets forth, for the periods indicated, the allocation of the changes in the Bank's interest revenue (including, with respect to equity investments, dividend income) and interest expense between average volume and changes in average rates.

	Year ended March 31, 2011 vs. year ended March 31, 2010			Year ended March 31, 2012 vs. year ended March 31, 2011			Year ended March 31, 2013 vs. year ended March 31, 2012			Six months ended September 30, 2012 vs. six months ended September 30, 2013		
	Increase	(Decrease)(1)	Due to	Increase	(Decrease)(1)	Due to	Increase	(Decrease)(1)	Due to	Increase	(Decrease)(1)	Due to
	Net Change	Change in Average Volume	Change in Average Rate	Net Change	Change in Average Volume	Change in Average Rate	Net Change	Change in Average Volume	Change in Average Rate	Net Change	Change in Average Volume	Change in Average Rate
						(₹ in millions)						
Interest revenue												
Advances	93,433.7	101,181.4	(7,747.7)	211,016.9	98,017.7	112,999.1	94,594.0	146,581.8	(51,987.8)	45,525.3	109,550.4	(64,025.1)
Investments	20,900.8	(12,221.5)	33,122.3	41,227.7	20,527.3	20,700.4	32,514.9	35,242.2	(2,727.3)	24,102.1	17,249.3	6,852.8
Others	(10,330.0)	(16,582.0)	6,252.0	(973.7)	(1,560.4)	586.7	4,247.6	5,787.7	(1,540.1)	1,484.2	3,191.2	(1,707.0)
Total interest-earning assets	104,004.5	72,377.9	31,626.6	251,270.8	116,984.6	134,286.2	131,356.5	187,611.7	(56,255.2)	71,111.6	129,991.0	(58,879.3)
Interest expenses												
Total interest on deposits[1]	(995.4)	(58,474.0)	57,478.6	124,096.2	59,618.5	64,477.6	118,201.8	88,089.9	30,111.9	44,890.7	47,201.5	(2,310.8)
Subordinated loan	3,113.2	3,696.5	(583.3)	6,288.9	4,541.7	1,747.2	228.0	282.4	(54.4)	113.8	266.6	(152.8)
Borrowings	13,336.9	1,164.9	12,172.1	13,239.0	2,213.1	11,025.9	2,384.6	15,405.8	(13,021.2)	10,479.0	801.9	9,677.1
Other liabilities	—	—	—	—	—	—	139.8	(111.2)	251.0	(1,020.6)	168.4	(1,189.0)
Total interest-bearing liabilities	15,454.8	(53,612.6)	69,067.4	143,624.2	66,373.4	77,250.7	120,954.3	103,666.9	17,287.3	54,462.8	48,438.4	6,024.4
Net interest revenue	88,549.7	125,990.5	(37,440.8)	107,646.7	50,611.2	57,035.5	10,402.2	83,944.8	(73,542.5)	16,648.8	81,552.6	(64,903.7)

Note:

(1) Includes saving deposits, current deposits and term deposits.

Return on Equity and Assets

The following table presents selected financial ratios for the Bank for the periods indicated.

	Year ended March 31,			Six months ended September 30,	
	2011	2012	2013	2012	2013
	(₹ in billions except percentages)				
Net profit	82,645.2	117,072.9	141,049.8	74,097.0	56,160.9
Average total assets	11,258,492.9	12,708,011.8	14,721,707.8	14,268,425.5	16,474,060.8
Average shareholders' equity	703,160.3	740,979.8	941,317.0	906,781.8	1,061,907.5
Net profit as a percentage of average total assets	0.73%	0.92%	0.96%	1.04%	0.68%
Net profit as a percentage of average shareholders' equity...	11.75%	15.80%	14.98%	16.34%	10.58%
Average shareholders' equity as a percentage of average total assets	6.25%	5.83%	6.39%	6.36%	6.45%

Investment Portfolio

As of March 31, 2013 and September 30, 2013, the Bank's investments comprised 22.4% and 23.8% of its total unconsolidated assets, respectively, while total advances were 66.8% and 65.8% of the Bank's total unconsolidated assets, respectively. 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 23.0% of its demand and time liabilities in SLR securities. In addition, the surplus funds of the Bank's deposits and advances are invested by the domestic treasury. These investments are in conformity with the Bank's policy on investments and the risk limits set by the Bank's Board.

Total Domestic Investment Portfolio

The following tables set forth, as of the dates indicated, information relating to the Bank's total domestic investment portfolio. Domestic investments constituted 96.6%, 96.4%, 96.9% and 96.7% of the Bank's investment portfolio as of March 31, 2011, 2012, 2013 and six months ended September 31, 2013, respectively.

	As of March 31, 2011				As of March 31, 2012				As of March 31, 2013			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in ten millions)											
Government securities............	231,713.44	231,170.35	111.45	654.54	256,717.35	255,839.76	29.91	907.49	269,260.39	269,526.50	572.14	306.03
Other debt securities............	20,250.89	19,920.84	5.65	335.70	17,440.96	16,942.67	7.34	505.64	34,585.20	34,468.98	50.34	166.56
Total debt securities	251,964.33	251,091.19	117.10	990.24	274,158.31	272,782.43	37.25	1,413.13	303,845.58	303,995.47	622.48	472.59
Non-debt securities	11,678.65	11,557.24	2,152.19	2,273.60	6,235.45	6,408.96	1,957.49	1,783.98	7,522.40	7,889.41	2,117.06	1,750.06
Subsidiaries and associates — at cost	4,858.30	4,855.43	–	2.87	5,463.87	5,461.00	–	2.87	5,467.99	5,465.13	-	2.87
Total	26,8501.28	267,503.86	2,269.29	3,266.71	285,857.63	284,652.39	1,994.74	3,199.98	316,835.98	317,350.01	2,739.54	2,225.52

	As of September 30, 2013			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in ten millions)			
Government securities	310,127.48	310,118.17	178.49	187.80
Other debt securities	37,184.39	36,463.57	19.55	740.37
Total debt securities	347,311.87	346,581.75	198.04	928.17
Non-debt securities	5,672.66	5,933.16	2,060.09	1,799.59
Subsidiaries and associates — at cost..	5,685.33	5,682.46	-	2.87
Total	358,669.86	358,197.36	2,258.13	2,730.63

Available for Sale Investments

The following table sets forth, as of the dates indicated, information related to the Bank's domestic investments available for sale.

	As of March 31, 2011				As of March 31, 2012				As of March 31, 2013			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in ten millions)											
Government securities	40,392.90	39,864.71	111.45	639.64	49,153.54	48,275.96	29.91	907.49	67,889.13	68,155.41	572.14	305.86
Other debt securities	20,136.71	19,827.54	5.65	314.82	17,323.06	16,843.12	7.34	487.28	34,465.17	34,348.97	50.34	166.54
Total debt securities	60,529.61	59,692.25	117.10	954.46	66,476.60	65,119.08	37.25	1,394.77	102,354.31	102,504.38	622.48	472.41
Non-debt securities	11,336.93	11,216.23	2,152.19	2,272.89	5,833.30	6,007.39	1,957.49	1,783.39	6,867.58	7,235.22	2,117.06	1,749.43
Associates	—	—	—	—	—	—	—	—	-	-	-	-
Total	71,866.54	70,908.48	2,269.29	3,227.35	72,309.90	71,126.47	1,994.74	3,178.16	109,221.89	109,739.59	2,739.54	2,221.83

	As of September 30, 2013			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in ten millions)			
Government securities	47,267.62	47,258.38	178.49	187.73
Other debt securities	37,102.78	36,381.97	19.55	740.37
Total debt securities	84,370.40	83,640.35	198.04	928.10
Non-debt securities	4,824.86	5,085.95	2,060.09	1,799.00
Associates	-	-	-	-
Total	89,195.27	88,726.30	2,258.13	2,727.10

Held to Maturity Investments

The following tables set forth, as of the dates indicated, information related to the Bank's domestic investments held to maturity.

	As of March 31, 2011				As of March 31, 2012				As of March 31, 2013			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in ten millions)											
Government securities	191,320.54	191,305.64	—	14.90	207,563.80	207,563.80	—	—	201,149.04	201,149.04	-	-
Other debt securities	114.18	93.30	—	20.88	102.86	84.65	—	18.22	85.02	85.02	-	-
Total debt securities	191,434.72	191,398.94	—	35.78	207,666.66	207,648.45	—	18.22	201,234.06	201,234.06	-	-
Non-debt securities	333.50	333.90	—	0.60	402.16	401.57	—	0.59	653.77	653.17	-	0.59
Associates	4,858.30	4,855.43	—	2.87	5,463.87	5,461.00	—	2.87	5,467.99	5,465.13	-	2.87
Total	196,626.52	196,587.27	—	39.25	213,532.69	213,511.02	—	21.68	207,355.82	207,352.36	-	3.46

	As of September 30, 2013			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in ten millions)			
Government securities	262,855.31	262,855.31	-	-
Other debt securities	81.60	81.60	-	-
Total debt securities	262,936.91	262,936.91	-	-
Non-debt securities	847.80	847.21	-	0.59
Subsidiaries and associates — at cost	5,685.33	5,682.46	-	2.87
Total	269,470.04	269,466.58	-	3.46

Held for Trading Investments

The following table sets forth, as of the dates indicated, information related to the Bank's domestic investments held for trading.

	As of March 31, 2011				As of March 31, 2012				As of March 31, 2013			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in ten millions)											
Government securities	-	-	-	-	-	-	-	-	222.21	222.05	0.00	0.17
Other debt securities	-	-	-	-	15.04	14.90	-	0.14	35.00	34.99	-	0.02
Total debt securities	-	-	-	-	15.04	14.90	-	0.14	257.21	257.03	0.00	0.19
Non-debt securities	0.51	8.22	8.11	-	-	-	-	-	1.06	1.02	-	0.04

	As of March 31, 2011				As of March 31, 2012				As of March 31, 2013			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in ten millions)											
Associates	-	-	-	-	-	-	-	-	-	-	-	-
Total	0.51	8.22	8.11	-	15.04	14.90	-	0.14	258.27	258.05	0.00	0.22

	As of September 30, 2013			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in ten millions)			
Government securities	4.55	4.48	-	0.07
Other debt securities	-	-	-	-
Total debt securities	4.55	4.48	-	0.07
Non-debt securities	-	-	-	-
Subsidiaries and associates — at cost	-	-	-	-
Total	4.55	4.48	-	0.07

Residual Maturity Profile

— Available for sale

The following tables set forth, as of the date indicated, an analysis of the residual maturity profile of the Bank's domestic investments in government and corporate debt securities classified as AFS securities and their weighted average market yields.

	As of March 31, 2011							
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ in ten millions)							
Government securities	596.56	6.31%	3,854.56	7.79%	16,495.14	6.50%	18,918.47	7.42%
Other debt securities	4,503.68	6.32%	1,712.05	10.02%	3,994.38	7.88%	9,617.44	8.34%
Total debt securities market value	5,100.21	—	5,566.61	—	20,489.52	—	28,535.91	—
Total book value	5,102.37	—	5,670.49	—	20,785.44	—	28,971.32	—

	As of March 31, 2012							
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ in ten millions)							
Government securities	12,605.00	8.86%	3,488.00	8.69%	16,507.00	7.58%	16,554.00	8.05%
Other debt securities	4,006.00	10.95%	2,922.00	8.03%	3,746.00	8.07%	6,649.00	8.31%
Total debt securities market value	16,615.00	—	6,381.00	—	19,938.00	—	22,185.00	—
Total book value	16,611.00	—	6,410.00	—	20,253.00	—	23,203.00	—

	As of March 31, 2013							
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ in ten millions)							
Government securities	18,737.79	8.43	4,248.12	7.81	18,468.64	7.51	26,700.86	8.34
Other debt securities	8,165.56	9.10	11,705.91	9.18	6,122.18	9.06	8,355.32	8.48
Total debt securities market value	26,903.35	-	15,954.03	-	24,590.81	-	35,056.18	-
Total book value	26,901.86	-	15,903.25	-	24,694.53	-	34,854.67	-

	As of September 30, 2013							
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ in ten millions)							
Government securities	24,650.38	8.54	5,864.29	6.89	12,058.30	7.63	4,685.40	8.71
Other debt securities	7,149.74	8.90	14,847.76	9.04	5,939.65	8.92	8,444.82	8.61
Total debt securities market value	31,800.13	-	20,712.05	-	17,997.96	-	13,130.22	-
Total book value	31,799.63	-	20,646.15	-	18,206.63	-	13,717.99	-

— Held to maturity

The following tables set forth, as of the indicated, an analysis of the residual maturity profile of the Bank's domestic investments in government and corporate debt securities classified as held to maturity and their weighted average market yields.

	As of March 31, 2011							
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ in ten millions)							
Government securities	325.78	10.95%	9,284.81	10.03%	73,861.79	7.27%	107,833.25	7.83%
Other debt securities	—	—	11.25	6.59%	61.34	9.35%	20.70	7.97%
Total debt securities market value	325.78	—	9,296.06	—	73,923.13	—	107,853.95	—
Total book value	325.79	—	9,310.96	—	73,944.02	—	107,853.96	—

	As of March 31, 2012							
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ in ten millions)							
Government securities	3,116.0	7.35%	10,976.0	8.44%	71,660.0	7.16%	121,811.0	7.13%
Other debt securities	—	—	17.0	4.68%	66.0	4.79%	21.0	8.00%
Total debt securities market value	3,116.0	—	10,986.0	—	71,714.0	—	121,832.0	—
Total book value	3,116.0	—	10,993.0	—	71,726.0	—	21,832.0	—

							As of March 31, 2013	
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
							(₹ in ten millions)	
Government securities	6,318.24	8.01	11,460.02	6.67	79,864.05	7.51	103,506.74	7.93
Other debt securities	-	-	-	-	85.02	5.52	-	-
Total debt securities market value	6,318.24	-	11,460.02	-	79,949.07	-	103,506.74	-
Total book value	6,318.24	-	11,460.02	-	79,949.07	-	103,506.74	-

							As of September 30, 2013	
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
							(₹ in ten millions)	
Government securities	-	-	3,964.93	6.73	89,108.24	7.54	169,782.14	7.79
Other debt securities	-	-	-	-	81.60	5.42	-	-
Total debt securities market value	-	-	3,964.93	-	89,189.84	-	169,782.14	-
Total book value	-	-	3,964.93	-	89,189.84		169,782.14	

Funding

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 & private issuance of bonds. Deposits raised from the retail segment were 57.19%, 61.16%, 61.50% and 62.49% of the Bank's total deposits as of March 31, 2011, 2012, 2013 and September 30, 2013, respectively.

Total Deposits

The following table sets forth, for the periods indicated, the Bank's average outstanding domestic deposits excluding inter-bank deposits on a monthly average basis and the percentage composition by each category of deposits. The average cost of savings deposits was 3.43%, 3.92%, 4.03% and 4.00% in the years ended March 31, 2011, 2012 and 2013 and the six months ended September 30, 2013, respectively. The average cost of time deposits (excluding provident fund deposits and certificates of deposit) was 7.72%, 8.57%, 8.97% and 8.86% in the years ended March 31, 2011, 2012 and 2013 and the six months ended September 30, 2013, respectively.

	Year ended March 31,					
	2011		2012		2013	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ in billions, except percentages)					
Term deposits	3,848.79	48.78	4,721.45	51.94	5,639.58	54.19
Saving deposits	3,019.96	38.27	3,533.31	38.87	3,978.33	38.22
Current deposits	776.09	9.84	783.81	8.62	789.79	7.59
Other deposits	245.90	3.12	52.34	0.58	0.07	0.00
Total	7,890.74	100.00	9,090.91	100.00	10,407.78	100.00

	Six months ended September 30,			
	2012		2013	
	Amount	% of Total	Amount	% of Total
	(₹ in billions, except percentages)			
Term deposits	5,492.90	54.25	6,347.09	55.15
Saving deposits	3,865.95	38.18	4,360.63	37.89
Current deposits	765.74	7.56	801.49	6.96
Other deposits	0.10	-	0.05	-
Total	10,124.69	100.00	11,509.25	100.00

As of September 30, 2013, individual domestic term deposits of the Bank in excess of ₹ 5,000,000 had balance to maturity profiles as set out below.

	As of September 30, 2013				
	Up to 3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total
	(₹ in billions)				
Balance to maturity for deposits exceeding ₹ 5,000,000	598.10	1001.15	256.77	117.19	1973.21

Short-term Borrowings

The following table sets forth, for the periods indicated, information related to the Bank's short-term domestic borrowings, which primarily comprised money-market borrowings. Short-term borrowings exclude deposits and securities sold under repurchase agreements.

	Year ended March 31,			Six months ended September 30,	
	2011	2012	2013	2012	2013
	(₹ in billions except percentages)				
Period end balance	371.32	433.58	201.25	103.87	161.36
Average balance during the period not captured(1)	204.92	265.12	75.19	41.91	150.38
Average interest rate during the period(2)	6.2%	8.2%	7.9%	8.3%	7.5%
Interest at period end(3)	12.62	21.82	5.97	1.73	5.66

Notes:

(1) Average daily balances outstanding.

(2) Represents the ratio of interest expense on short-term borrowings to the average of balances of short-term borrowings.

(3) Represents the total interest paid on account of short term borrowings during the period.

Cash Flow Mismatch Analysis

The following table sets forth the Bank's structural liquidity gap position as of September 30, 2013:

	As of September 30, 2013				
	Up to 3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total
	(₹ in millions, except percentages)				
Cash and Balances with RBI	154,124.50	119,018.30	247,417.80	103,788.80	624,349.40
Balances with Other Banks	178,044.80	0.00	16,255.00	0.00	194,299.80
Lending to Financial Institutions	0.00	0.00	0.00	0.00	0.00
Investments	861,432.30	354,047.20	1,024,463.90	1,573,532.40	3,813,475.80
Advances	834,949.70	700,170.40	6,072,462.70	1,902,384.00	9,509,966.80
Operating Fixed Assets	0.00	0.00	0.00	77,053.20	77,053.20
Deferred Tax Assets	0.00	0.00	0.00	0.00	0.00
Other Assets	1,834,937.70	2,161,931.60	152,055.10	871,671.10	5,020,595.50

	As of September 30, 2013				
	Up to 3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total
	(₹ in millions, except percentages)				
Total Inflows	3,863,489.00	3,335,167.50	7,512,654.50	4,528,429.50	19,239,740.50
Capital and Reserves	0.00	0.00	0.00	989,161.80	989,161.80
Bills Payable	288.80	0.00	115,501.20	0.00	115,790.00
Borrowings from Financial Institutions .	69,880.00	69,981.00	30,048.90	5,346.10	175,256.00
Deposits from Other Accounts	1,115,381.30	2,902,791.30	5,973,523.10	2,212,805.40	12,204,501.10
Subordinated Loans	0.00	2,000.00	56,230.00	310,134.00	368,364.00
Other Liabilities	1,984,001.10	2,291,954.30	384,236.10	813,008.80	5,473,200.30
Total Outflows	3,169,551.20	5,266,726.60	6,559,595.30	4,330,456.10	19,326,329.10
Liquidity Gap	693,937.90	(1,931,559.10)	953,059.10	197,973.50	(86,588.60)
Cumulative Gap	693,937.90	(808,812.30)	85,651.20	(86,588.60)	(86,588.60)
Liquidity gap as % of Total Liabilities	21.89%	(36.68)%	14.53%	4.57%	(0.45)%

Notes:

(1) Classification methodologies are based on the Asset Liability Management Guidelines issued by the RBI.

(2) Assets and liabilities are classified into categories as per residual maturity.

(3) Assets and liabilities that do not mature or have ambiguous maturities are classified as per historical behavioral analysis or management judgment.

Loan Portfolio and Credit Substitutes

As of September 30, 2013, the Bank's gross loan portfolio was ₹ 11,393.3 billion and its gross credit substitutes outstanding were ₹ 3,066.85 billion. The majority of the Bank's gross loans and credit substitutes are to borrowers in India. For a description of the Bank's consumer loan products, see "*Business - Business Groups - National Banking Group - Personal Banking*".

The Bank makes loans to a wide range of public sector and private sector commercial and industrial customers, agricultural customers and individual customers, in each case within the guidelines issued by the RBI. Working capital facilities consist of revolving cash credit facilities and short-term loans. Revolving cash credit facilities, based on a traditional overdraft system of lending, have been the most common form of working capital financing in India. Pursuant to RBI guidelines, only a specified percentage of a working capital facility can be accessed as cash credit, with the balance being short-term loans having a minimum maturity of one year.

The following table sets forth, for the periods indicated, the Bank's domestic loan portfolio classified by product groups.

	As of March 31,			As of September 30,
	2011	2012	2013	2013
	(₹ in billions)			
Large Corporate	1,087.7	1,250.2	1,755.9	1,987.6
Mid Corporate	1,575.7	1,708.0	1,999.5	2,197.7
Corporate loans	2,663.4	2,958.3	3,755.4	4,185.3
SME loans	1,196.8	1,456.6	1,730.2	1,578.9
Agriculture loans	948.3	1,072.6	1,248.3	1,215.9
Retail loans	1,645.8	1,824.3	2,096.9	2,241.7
Food advances and others	170.6	267.1	264.1	279.7
Total domestic loans	6,624.9	7,578.9	9,094.9	9,501.5
International loans	1,093.6	1,357.2	1,690.7	1,891.7
Total gross loans	7,718.5	8,936.1	10,785.6	11,393.2

Note: Previous period figures have been regrouped / reclassified wherever necessary to conform to current period classification

Interest Rate Sensitivity Analysis

The following table sets forth the interest rate sensitivity analysis of the Bank's assets and liabilities as of September 30, 2013:

	As of September 30, 2013, due in					
	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Non-Sensitive	Total
	(₹ in millions)					
Cash and Balances with RBI	0.00	0.00	0.00	0.00	638,447.10	638,447.10

	As of September 30, 2013, due in					
	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Non-Sensitive	Total
	(₹ in millions)					
Balances with other Banks	23,450.00	0.00	0.00	0.00	82,917.80	106,367.80
Lending to Financial Institutions	0.00	0.00	0.00	0.00	0.00	0.00
Investments	291,559.60	395,887.60	1,030,754.00	2,214,965.50	50,806.00	3,983,972.70
Advances	7,805,665.00	250,010.30	1,059,616.80	356,737.90	28,445.40	9,500,475.40
Other Assets	1,148,279.70	1,895,304.40	22,533.90	0.10	2,220,557.40	5,286,675.50
Total Assets	9,268,954.30	2,541,202.30	2,112,904.70	2,571,703.50	3,021,173.70	19,515,938.50
Borrowings from Financial Institutions	131,233.70	519.20	31,139.40	1,597.30	0.00	164,489.60
Deposits from other Accounts	1,925,439.40	3,364,101.20	6,374,166.00	445,298.30	0.00	12,109,004.90
Subordinated Loans	0.00	2,000.00	81,230.00	285,134.00	0.00	368,364.00
Other liability	1,573,291.90	2,023,428.40	81,305.80	6,849.10	3,235,003.80	6,919,879.00
Total Liabilities	3,629,965.00	5,390,048.80	6,567,841.20	738,878.70	3,235,003.80	19,561,737.50

Concentration of Loans and Credit Substitutes

Pursuant to RBI guidelines, exposure ceilings are 15% of capital funds in the case of a single borrower and 40% in the case of a borrower group. The single borrower exposure limit is extendable by another 5%, up to 20% of capital funds. The borrower group exposure limit is extendable by another 10%, up to 50% of capital funds, provided that the additional exposure is for the purpose of financing infrastructure projects. In addition, a bank may, in exceptional circumstances and with the approval of its board of directors, consider increasing its exposure to a single borrower up to a maximum of an additional 5% of capital funds, subject to the borrower consenting to the bank making appropriate disclosure about the borrower in the bank's annual report. There are generally no restrictions in India on exposure to a particular industry. RBI norms specify exposure to capital market, real estate, sensitive commodities listed by the RBI, venture capital funds, stockbrokers, financing for acquisition of overseas entities, and credit to overseas joint ventures. For further information, see "*Regulations and Policies*".

The following table sets forth, at the dates indicated, the Bank's domestic fund-based loans outstanding categorized by borrower industry or economic activity.

	September 30, 2012		March 31, 2013		September 30, 2013	
Segment	**Amount**	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
	(₹ billions, except percentages)					
Infrastructure	985.34	12.37%	1,145.24	12.59%	1,246.81	13.12%
Iron & Steel	497.50	6.25%	640.67	7.04%	641.12	6.75%
Textiles	385.45	4.84%	457.66	5.03%	436.34	4.59%
Petroleum & Petrochemicals	310.96	3.90%	358.09	3.94%	447.13	4.71%
Engineering	257.05	3.23%	262.73	2.89%	260.65	2.74%
Other Industries	1,531.11	19.23%	1,724.06	18.96%	1,778.68	18.72%
Services	542.18	6.81%	627.24	6.90%	634.45	6.68%
Trade	481.54	6.05%	567.48	6.24%	546.32	5.75%
Commercial Real Estate	106.87	1.34%	128.96	1.42%	153.35	1.61%
Home Loans	1,083.81	13.61%	1,194.67	13.14%	1,300.34	13.69%
Auto Loans	202.41	2.54%	248.00	2.73%	273.96	2.88%
Other Retail Loans	631.38	7.93%	654.27	7.19%	667.38	7.02%
Direct Agriculture	947.91	11.90%	1,085.84	11.94%	1,115.03	11.74%
Total	7,963.51	100.00%	9,094.92	100.00%	9,501.54	100.00%

As of September 30, 2013, aggregate exposure to the Bank's top ten largest borrowers amounted to ₹ 1,766.25 billion representing approximately 136.53% of its total Tier I and Tier II capital. The Bank had an exposure of ₹ 331.09 billion on such date for its single largest borrower, representing 25.59% of its Tier I and Tier II capital, as of September 30, 2013.

Regional Concentration

The Bank's widespread branch network enables the Bank to diversify its lending risks geographically. The following table presents an analysis of the Bank's domestic advances by region as of the dates indicated.

Circle	As of March 31,			As of September 30,
	2011	2012	2013	2013
Ahmedabad	4%	4%	4%	3%
Bangalore	4%	4%	4%	3%
Bengal/Kolkata	3%	3%	3%	3%
Bhopal	5%	5%	5%	5%
Bhubaneswar	2%	2%	2%	2%
Chandigarh	6%	5%	5%	5%
Chennai	5%	5%	6%	5%
Delhi	5%	6%	6%	6%
Hyderabad	7%	7%	7%	6%
Kerala	2%	2%	2%	2%
Lucknow	2%	2%	2%	2%
Mumbai	7%	9%	8%	8%
North East	2%	2%	2%	2%
Patna	3%	3%	3%	3%
Corporate Centre[(1)]	43%	41%	43%	46%
Total domestic advances	100%	100%	100%	100%

Note:

(1) The Corporate Centre 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 Centre 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 9 regional offices in Ahmedabad, Bangalore, Chandigarh, Chennai, Delhi, Hyderabad, Kolkata, Mumbai and Pune.

The Bank's aggregate exposure to its ten largest individual borrowers as of September 30, 2013 totalled approximately ₹ 1,766.25 billion, or approximately 10.75% of its total exposure.

Non-Performing Assets

The Bank has in the past suffered losses through impairment of loans as some borrowers were impacted by negative trends in the global market place, recessionary conditions in the domestic economy, increased competition and volatility in industrial growth and commodity prices. The Bank has adopted several measures to refine its credit selection processes and appraisal capabilities, including the establishment of SAMG. See "*- Other Strategies for NPA Reduction" and "Business - 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:

- establishment of appropriate administrative structure to enable effective follow-up and resolution of impaired assets;
- account by account solution for resolution of NPAs;
- action under SARFAESI Act is taken to recover dues by sale of secured assets;
- establishment of Early Warning Systems to capture internal triggers and external events;
- appointment and close monitoring of resolution agents for quick enforcement of security; and
- deployment of specialized offices like law officers and officers with recovery skills.

The Bank's gross NPA ratio increased from 3.28% as of March 31, 2011 to 4.44%, 4.75% and 5.64% as of March 31, 2012 and 2013 and September 30, 2013, respectively, while its net NPA ratio increased from 1.63% as of March 31, 2011 to 1.82%, 2.10% and 2.91% as of March 31, 2012, 2013 and September 30, 2013, respectively.

The Group's gross NPA ratio increased from 3.09% as of March 31, 2011 to 4.15% and 4.47% as of March 31, 2012 and 2013, respectively, while its net NPA ratio increased from 1.56% as of March 31, 2011 to 1.81% as of March 31, 2012 and 2.07% as of March 31, 2013. See *"Risk Factors - 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 September 30,
	2011	2012	2013	2013
	(₹ in millions except percentages)			
Gross NPAs	253,262.9	396,761.6	511,893.9	642,063.0
Specific provisions	129,563.9	238,346.1	292,099.1	320,319.3
Floating provisions	230.0	230.0	230.0	230.0
NPA net of provisions	123,468.9	158,188.5	219564.8	321,513.7
Gross customer assets	7,718,022.9	8,936,126.1	10,785,571.1	11,393,264.3
Net customer assets	7,567,194.5	8,675,788.9	10,456,165.6	11,030,897.7
Gross NPAs/gross customer assets (%).	3.28%	4.44%	4.75%	5.64%
Net NPAs/net customer assets (%)	1.63%	1.82%	2.10%	2.91%
Specific provision as a percentage of gross NPAs	51.16%	60.07%	57.06%	49.89%
Total provisions as a percentage of gross NPAs	51.25%	60.13%	57.11%	49.92%

The Bank's net provisioning coverage ratio as of March 31, 2011, 2012, 2013 and September 30, 2013, computed as per RBI guidelines, was 64.95%, 68.10%, 66.58% and 60.16%, respectively.

The following table sets forth, for periods indicated, information about the Bank's NPA provisions.

	As of March 31,			As of September 30,
	2011	2012	2013	2013
	(₹ in millions)			
Specific provision at the beginning of the year	86,647.2	129,563.9	238,346.1	292,099.1
Addition during the year	113,068.7	137,632.7	141,674.0	47,505.7
Reduction during the period	70,152.0	28,850.5	87,921.0	19,285.5
Specific provision at the end	129,563.9	238,346.1	292,099.1	320,319.3
Floating provision	230.0	230.0	230.0	230.0

The following table sets forth the details of the movement in NPAs for the quarter ended September 30, 2013:

	Quarter ended Jun 30, 2013	Quarter ended September 30, 2013						
		(₹ in billions)						
	Total	Large Corporate	Mid Corporate	SME	Agri	Retail	International	Total
Cash Recovery	14.0	0.3	0.7	5.4	5.0	2.3	0.6	14.1
Up gradation	15.2	-	11.4	4.6	3.1	3.8	0.9	23.8
Write Off	11.5	2.9	4.5	2.1	0.0	2.7	0.3	12.5
Gross Reduction	40.6	3.2	16.6	12.1	8.1	8.8	1.8	50.5
Fresh Slippages	137.7	7.5	48.0	11.6	6.8	1.4	8.4	83.7
Net Increase	97.0	4.3	31.4	(0.4)	(1.3)	(7.4)	6.7	33.2
Gross NPA%	**5.6%**	**1.7%**	**10.2%**	**9.1%**	**11.1%**	**1.8%**	**2.1%**	**5.6%**

The SAMG was established to ensure close and continuous monitoring and timely management of NPAs of ₹ 50 million and above. Since the beginning of fiscal year 2008, the Group has taken over the responsibility from the Bank for dealing with all NPAs of ₹ 10 million 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 Centre. A high level task force at Corporate Centre reviews NPAs of ₹ 250 million and above periodically.

NPAs of ₹ 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 September 30,
	2011	2012	2013	2013
	(₹ in millions)			
Standard	7,464,760	8,539,370	10,273,680	10,751,200
Restructured assets	320.300	371,680	431,110	524,360
Non-performing assets	253,262	396,761	511,893	642,063
Sub-standard assets	110,752	173,031	202,423	254,153
Doubtful assets	114,390	191,550	282,830	344,450
Loss assets	28,120	32,180	26,640	43,460

The following table sets forth the Bank's NPAs for its largest accounts, identified by industry, as of September 30, 2013.

Industry	Gross principal outstanding (₹ in millions) As of September 30, 2013
Aviation	12,120
Iron and steel	7,020
Pharmaceuticals	5,280
Textiles	4,400
Edible Oil	8,320
IT	3,670
Power	15,910
Total	56,720

Recognition of NPAs and Provisioning

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.

	As of March 31,			As of September 30,
	2011	2012	2013	2013
	(₹ in millions)			
Standard	7,464,762	8,539,370	10,273,680	10,751,200
Sub-standard	110,750	173,039	202,423	254,153
Doubtful	114,390	191,550	282,830	344,450
Loss	28,120	32,180	26,640	43,460
Total	7,718,022	8,936,130	10,785,573	11,393,263

The following table sets forth the Bank's provisions for possible credit losses at the dates indicated.

	As of March 31,			As of September 30,
	2011	2012	2013	2013
	(₹ in millions)			
Provision held	129,794	238,576	292,329	320,549
Provision held as percentage of gross advances	1.68%	2.67%	2.71%	2.81%
Provision held as percentage of gross NPAs	51.25%	60.13%	57.11%	49.92%

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.

The following table sets forth the movement in restricted assets for the three month period ended September 30, 2013:

	As of September 30, 2013 (₹ in billions)		
	Standard	NPA	Total
Restructured Accounts as on July 1, 2013 (Opening position)	329.6	118.5	448.1
Add: Fresh Restructuring + Increase in outstanding during Q2 FY14	85.9	7.2	93.1
Add: Up-gradation to restructured standard category	0.9	(0.9)	0.0
Less: Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of the quarter and hence need not be shown as restructured standard advances at the beginning of the next quarter	(2.7)	0.0	(2.7)
Less: Down-gradations of restructured accounts during Q2 FY14	(19.0)	19.0	0.0
Less: Write-offs + Closures + Decrease in outstanding	(3.2)	(10.9)	(14.1)
Total restructured accounts as on Sept 30, 2013 (Closing Position)	**391.6**	**132.8**	**524.4**

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 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 15.0% 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.

Analysis of NPAs by Industry Sector

The following table sets forth, for the periods indicated, the Bank's domestic NPAs, by borrowers' industry or economic activity and as a percentage of its loans in the respective industry or economic activities sector. These figures do not include credit substitutes.

	As of March 31,								
	2011			2012			2013		
	(₹ ten million, except percentages)								
Name of the Industry	**Gross Assets**	**NPAs**	**% of NPA in Industry**	**Gross Assets**	**NPAs**	**% of NPA in Industry**	**Gross Assets**	**NPAs**	**% of NPA in Industry**
Chemical and Pharmaceutical	16,401	451	2.75%	22,021	1,144	5.19%	14,973	1,486	9.92%
Agribusiness	94,825	4,518	4.76%	86,453	7,778	9.00%	107,921	10,138	9.39%
Textile	33,418	1,385	4.14%	35,731	2,574	7.20%	38,096	2413	6.33%
Cement	5,370	27	0.50%	7,465	46	0.62%	7,058	308	4.37%
Sugar	5,668	35	0.62%	6,747	36	0.54%	7,817	58	0.74%
Leather	1,755	25	1.42%	1,975	194	9.80%	2,394	196	8.19%
Automobiles and Transportation equipment	6,205	156	2.51%	7,274	141	1.93%	8,475	88	1.04%
Financial	1,0571	49	0.46%	14,415	341	2.37%	3,819	4	0.1%
Production and Transmission of energy	52,266	82	0.16%	48,228	179	0.37%	57,767	485	0.84%
Commerce and trade	35,056	3,358	9.58%	46,770	3,606	7.71%	56,940	4,737	8.32%
Transport, Storage and Communication	32,250	232	0.72%	31,128	477	1.53%	32,062	1,358	4.23%
Individuals	164,519	4,358	2.65%	181,554	4,187	2.31%	209,302	4,269	2.04%
Others	198,507	8,341	4.20%	260,568	16,269	6.24%	362,868	22,838	6.29%
Total Domestic	662,444	23,073	3.48%	757,889	37,157	4.90%	909,492	48,378	5.32%

	As of September 30, 2013		
Name of the Industry	**Gross Assets**	**NPAs**	**% of NPA in Industry**
Chemical and Pharmaceutical	14,966	2,039	13.62
Agribusiness	113,360	12,588	11.10
Textile	35,385	2,525	7.13
Cement	7,014	357	5.10
Sugar	6,153	57	0.93
Leather garments	2,469	183	7.43
Automobiles and Transportation equipment	8,882	141	1.59
Financial	3,209	3	0.10
Production and Transmission of energy	68,011	2,429	3.57
Commerce and trade	54,860	5,525	10.07
Transport, Storage and Communication	29,661	1,780	6.00
Individuals	223,414	4,109	1.84
Others	382,154	28,550	7.47
Total Domestic	949,537	60,286	6.35

Business segment analysis of the Bank's domestic NPA portfolio as of September 30, 2013

Business segment	**As of September 30, 2013 (₹ in millions)**
Corporate	267,750
Small and Medium Enterprises	168,140
Retail	41,090
Agriculture	125,880
International Advances	39,200
Total	642,060

Top Ten Non-Performing Assets

The following table sets forth, for the period indicated, information regarding the Bank's largest NPAs, identified by industry sector, as well as the value of the collateral securing the loan (the valuations are derived from the audited financial statements of the borrower or independently arrived at by outside agencies). However, the net realizable value of such collateral may be substantially less. See "*Risk Factors - Risks Relating to the Bank's Business - The Bank may experience delays in enforcing its collateral when borrowers default on their obligations to the Bank, which may result in failure to recover the expected value of collateral security, exposing it to a potential loss.*"

	As of September 30, 2013					
Industry (no. of accounts)	**Type of Banking Arrangement**	**Gross Principal Outstanding**	**Provisions**	**Principal Outstanding Net of Provision For Credit Losses**	**Collateral**	**Currently Servicing All Interest Payments**
			(₹ in millions)			
Aviation	Consortium	12,120	11,210	910	2,740	N
Iron and steel	Multiple	7,020	1,054	5,966	1,300	N
Textiles	Consortium	4,400	4,270	130	810	N
Pharmaceuticals	Consortium	5,280	1,820	3,460	3,077.8	N
Edible Oil	Consortium	8,320	6,410	1,910	0	N
IT	Consortium	3,670	550	3,060	1,385	N
Power	Consortium	15,910	2,390	13,520	20,950	N
Total		56,720	27,704	28,956	30,263	

Restructuring of Debts

The Bank's NPAs are restructured on a case-by-case basis after its Stressed Assets Management Group has determined that restructuring is the best means of maximizing realization of the loan. These loans continue to be on a non-accrual basis and are reclassified as performing loans only after sustained performance under the loan's renegotiated terms for a period of at least one year.

Management of Stressed Assets

An integrated approach to review and management of stressed assets including rehabilitation and restructuring has been put in place. The primary intent in the approach is to ensure that a SMA (account showing sign of trouble) does not slip into an NPA. Identification, determination of the cause of the problem and initiation of remedial measures on a pro-active basis with a thrust on restructuring of accounts that are intrinsically viable, are the hallmarks of this approach.

A review of stressed assets is provided to the appropriate reviewing authority at specified intervals, who would then give necessary directions on the recommended action plan. Based on a detailed viability study, if the unit is found viable, it is put on a rehabilitation package.

Other Strategies for NPA Reduction

The following are the strategies followed by the Bank to reduce the level of NPAs in cases where restructuring efforts are unsuccessful.

- In respect of all NPAs above ₹ 0.1 million, provisions of the SARFAESI Act 2002 are being invoked to compel the defaulting borrowers to repay the Bank's dues or to suggest an acceptable compromise offer. Where such proposals are not forthcoming, assets are also being seized.
- In respect of Agricultural banking and Retail banking, specific special business units such as the AGL Business Unit and small and medium enterprises business unit have been created to boost not only growth of business in these segments but also to take effective measures, including restructuring for reduction of NPAs as well as efforts to avoid standard assets from becoming NPAs.
- Recourse to recovery channels like SHG Network, enforcement and recovery agents, intensive recovery camps and deployment of marketing and recovery officers with specific recovery targets in the agriculture business segment for speedy recovery of NPAs by the agri business unit and the small and medium enterprise business unit form part of stepped-up efforts for recovery of agriculture and retail banking NPAs. See "*Risk Factors - Risks Relating to the Bank's Business - The Bank's loan portfolio contains significant advances to the agricultural sector.*"
- Marketing efforts for reaching acceptable compromise proposals from the defaulting borrowers or guarantors. The possibility of compromise under the Bank's own NPA management policy and under Lok Adalat Scheme is also

explored and finalized at the earliest date possible in all eligible cases of NPAs under the agriculture segment and those financed under Government sponsored schemes. "Lok Adalat Scheme" means any scheme framed by the national legal services authority, a state legal services authority or a district legal services authority constituted under Section 3, 6, 9 of the LSA Act, 1987 respectively, for the purpose of giving effect to any of the provisions of the LSA Act, 1987.

- Follow up with suits filed or judgment decrees rendered and DRT/RC issued cases is being intensified. The execution of judgment decrees is subject to increased attention in order to improve recoveries.
- Close follow up with central and state government authorities for resolution of Government guaranteed accounts.
- Sale of all hardcore assets to asset reconstruction companies, other banks, financial institutions or non-banking financial companies on a security receipt or cash basis.
- Migration of NPAs and advance under collection accounts of ₹ 10 million and above to the stressed assets management branch units across India and all non-agricultural NPAs below ₹ 10 million to stressed assets resolution centers in the 105 centers where they are located, for focused monitoring.

See "*Risk Factors - 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.*"

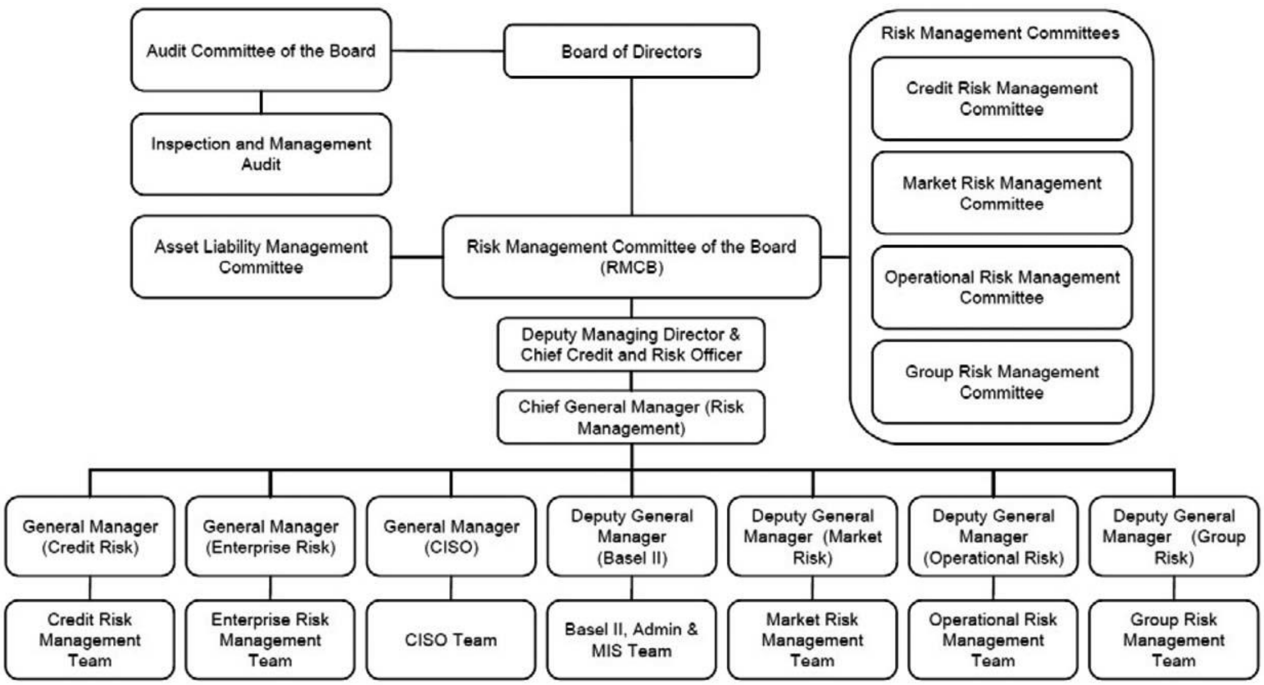
RISK MANAGEMENT

The Bank is exposed to various risks that are an inherent part of any banking business, with the major risks being credit risk, market risk, liquidity risk and operational risk. The Bank has various policies and procedures in place to measure, manage and monitor these risks systematically across all its portfolios.

These policies are reviewed by the Central Board from time to time. The Central Board 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 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 and Chief Credit and Risk Officer, who is also the chairman of the Risk Management Committees. The Credit Risk Management Department, the Market Risk Management Department, the Operational Risk Management Department, the Group Risk Management Department and the Enterprise Risk Management Department all report directly to the Deputy Managing Director and Chief Credit and Risk Officer through the Chief General Manager (Risk Management). These five 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 operates an integrated, 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. As per 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 the case of infrastructure projects) of the Bank's capital funds.

The Bank believes it has the policies and procedures in place to manage its risks and 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 ₹ 250 million (other than against specified securities for which there is no restriction).
Non-corporates (partnerships, associations, etc.)	Maximum aggregate credit facilities (fund-based and non-fund based) of ₹ 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.
Corporates	Maximum aggregate credit facilities in accordance with prudential norms of the RBI on exposures.

The Bank's current credit policy prescribes that the Bank's aggregate term loans with residual maturity of over three years should not in the aggregate exceed 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 25.0% 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 corporates, 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

The Bank has an asset liability management policy which prescribes various prudential limits for liquidity risk and interest rate risk management. ALCO has the job of 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.

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. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to 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 corporates 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 Committee, which receives input from various departments such as risk management and legal. 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, mid 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 for derivatives is approved by the Board and prescribes market risk parameters such as cut-loss triggers 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 controlled 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 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 500 days historical data which is updated each day. 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 "*Risk Factors — 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;
- training;
- reward systems;
- placement and rotation of staff;
- monitoring of frauds;
- disciplinary proceedings systems;
- insurance;
- risk and control self assessment;
- loss data analysis for better risk management; 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.

The Bank's inspection and management audit department ("**I&MA**") 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, NRI 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, amongst other things.

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 Market Risk Management Department uses 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 Market Risk Management Department 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 in Mumbai as well as branches in Chennai, Mumbai, Kolkata, New Delhi, Hyderabad and Ahmedabad. 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 corporates through its 14 regional offices and 62 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 the KYC/AML departments 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 closely monitors the implementation of the KYC guidelines and AML procedures through a system of education and 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. 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 30% 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 Associate Banks, 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, five domestic banking entities, six overseas banking entities, ten domestic non-banking entities and six step-down subsidiaries 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, a 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 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 for board approval and submission to the RBI. 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 II 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 Basel II framework. Phase one addresses three "Pillar 1" Risks identified in the Basel II framework, namely credit risk, market risk and operational risk, in migrating to advanced approaches to risk management under the Basel II framework. Through its ICAAP report the Bank also addresses "Pillar 2" Risks identified in the Basel II framework, such as liquidity risk, interest rate risk, credit concentration risk, reputation risk and strategic risk. Phase two addresses enterprise and group risks and will be implemented in due course. Pursuant to RBI guidelines on Basel II under Pillar 3 (Market Discipline), the Bank's group risk management department implements "Pillar 3" (market discipline) policies related to disclosure under the Basel II framework.

Credit Management Policies and Procedures

Credit Policy and Procedures Committee ("CPPC")

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 according to the probability of recovery. 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 ECCB or the CPPC before deviating from the terms of the sanction, if any.

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 eight 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 selfemployed 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 and leasing 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, 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 Department, which is under the supervision and control of the ACB. The internal audit inspection system plays a critical role in identification, control and management of risks by using international best practices. The Bank regards this process as one of the most important components of corporate governance. The Bank carries out two main types of audits — a risk focused internal audit ("**RFIA**") and a management audit covering different facets of internal audit requirements. All accounting units of the Bank, such as those of the branches, the BPR entities, major critical corporate center departments such as the foreign account office, treasury operations and the central accounts office, are subjected to RFIA. Management audits cover administrative offices and examine policies and procedures separate from the execution of such policies and procedures.

In addition, the department conducts credit audits, concurrent audits, information systems audits, home office audits (audits of foreign offices) and expenditure audit. Expenditure audits involve scrutiny of accounts and correctness of expenditures incurred and are conducted at such operating units as corporate center establishments, local head offices, zonal offices, regional business offices, lead bank offices. To ensure that irregularities identified in audits of branches are rectified, audits of compliance at select branches are also undertaken.

All branches/offices inspected during fiscal year 2013 were rated as well controlled or adequately controlled.

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 Bank's domestic branches are segregated into three groups based on business profile and risk exposures. The audits of one group of branches are administered by the central audit unit, while the audits of the other two groups and all BPR entities are administered by 13 zonal inspection offices, located in various centers, each of which is headed by a general manager. The audit of branches and BPR entities is conducted at intervals approved by in the ACB and in conformity with RBI norms.

Management Audit

Management audits cover Corporate Center establishments; circles, Apex Training Institutions, associate banks, foreign subsidiaries, foreign joint ventures and RRBs sponsored by the Bank.

Credit Audit

The goal of the Bank's credit audit system ("**CAS**") is to continually improve the quality of the Bank's commercial credit portfolio through critically examining large commercial loans on an individual basis. Aligned with RFIA, CAS assesses compliance with the Bank's policies for credit appraisal, sanction of loans and credit administration. CAS also provides feedback to the business units by way of warning signals about the quality of their advance portfolios and suggests remedial measures. Credit audits are carried out through an a offsite review called a loan review mechanism, of all individual advances above a threshold limit within six months of a sanction, enhancement or renewal. Onsite post-sanction audits occur once in 12 months.

Information System Audit

Information systems audits of the Bank's centralized IT establishments are conducted in a manner similar to RFIA, but by a separate team of qualified officials. Branches are subject to the information systems audits, which assess IT-related risks, as part of the RFIA of the branches.

Concurrent Audit System

A concurrent audit system is a continuous control process integral to sound internal accounting functions, effective controls and operational oversight. A concurrent audit system, implemented in the circles and BPR units, is reviewed on an ongoing basis in accordance with RBI directives so as to cover 30% to 40% of the Bank's deposits and 60% to 70% of the Bank's advances and other risk exposures. It is carried out at branches having large deposits, advances and other risk exposures and at selected BPR units. The Inspection and Audit Department prescribes the processes, guidelines and formats for the conduct of concurrent audits.

Enforcement of Security Interests

The SARFAESI Act

To assist banks and financial institutions in recovering their unpaid advances and to ensure financial discipline among borrowers, the Government enacted the SARFAESI Act in December 2002. The SARFAESI Act provides the legal framework for (i) the securitization of financial assets by setting up a securitization company or a reconstruction company; (ii) the foreclosure of assets through a securitization company or a reconstruction company; and (iii) the foreclosure of NPA accounts.

The Bank has been applying all available methods for the recovery of unpaid advances, including reporting the name of willful defaulters to the RBI together with commencing the necessary steps for recovery. The Bank has also initiated aggressive one-time settlement measures to recover unpaid loans.

Corporate Debt Restructuring Mechanism and Sale of Assets

In addition to the Government enacting 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 SARFAESI Act provides the framework for setting up asset reconstruction companies in India. Accordingly, the Bank, together with other major Indian banks, has jointly promoted the Asset Reconstruction Company (India) Limited. ("**ARCIL**"). ARCIL serves as the entity that acquires the NPAs of its parent banks at a mutually acceptable price against the issue of security receipts. ARCIL seeks to recover outstanding debts through restructuring, settlement or enforcement of security interests. ARCIL then uses amounts recovered to redeem the security receipts issued to certain qualified institutional investors.

In July 2005, the RBI issued guidelines on the sale and purchase of NPAs amongst banks, financial institutions and non-banking financial companies. See "*Regulation and Supervision — The RBI and its 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.

The Bank also periodically engages in sales of NPAs to reconstruction companies, banks, financial institutions and non-banking financial companies.

Risk Management in Banking Subsidiaries

The Bank's banking subsidiaries, which include the five Associate Banks and SBICI Bank Limited (which was merged with the Bank with effect from July 29, 2011), have implemented Risk Management Policies which are in line with SBI'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. A risk governance structure has also been put in place by all the Associate Banks with one general manager designated as the Chief Risk Officer. As is the case with the Bank, the banking subsidiaries have put in place risk management committees. The Bank's banking subsidiaries have complied with the guidelines under Basel II framework, and are in compliance with the minimum capital adequacy reserve requirements stipulated by the RBI, as of September 30, 2013.

INDUSTRY OVERVIEW

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 Book Running Lead Managers 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 the Indian financial system. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including the following:

- commercial banks;
- long-term lending institutions;
- non-banking financial companies, including housing finance companies;
- other specialized financial institutions, and state-level financial institutions;
- insurance companies; and
- mutual funds.

Until the early 1990s, the Indian financial system was strictly controlled. Interest rates were administered, formal and informal parameters governed asset allocation, and strict controls limited entry into and expansion within the financial sector. The Government's economic reform program, 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, the Narasimham Committee I. The second phase of the reform process began in 1999. See *"- Banking Sector Reform - Committee on Banking Sector Reform (Narasimham Committee II)"*.

This discussion presents an overview of the role and activities of the RBI and of each of the major participants in the Indian financial system, with a focus on commercial banks. This is followed by a brief summary of the banking reform process along with the recommendations of various committees that have played a key role in the reform process. A brief discussion on the impact of the liberalization process on long-term lending institutions and commercial banks is then presented. Finally, reforms in the non-banking financial sector are briefly reviewed.

The Reserve Bank of India

The 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 *"Regulations and Policies"*.

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 of June 30, 2013, there were 151 scheduled commercial banks in India, serving approximately ₹ 70.6 trillion in deposit accounts through a network of branches that stood at 106,389 as of March 31, 2013. Scheduled commercial banks are banks that are listed in the schedule to the RBI Act and are further categorized as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with approximately 63.4% of bank branches located in rural or semi-urban areas of the country as of June 30, 2013. A large number of these branches belong to the public sector banks.

Public Sector Banks

Public sector banks (majority ownership by the Government of India) make up the largest category in the Indian banking system. They include the State Bank of India and its five associate banks, 19 nationalized banks and 62 RRBs. Excluding the RRBs, the remaining public sector banks have 73,599 branches, and accounted for 72.8% of the outstanding gross bank credit and 74.6% of the aggregate deposits of the scheduled commercial banks at June 30, 2013. The public sector banks' large network of branches enables them to fund themselves out of low cost deposits. State Bank of India is the largest bank in India in terms of total assets. As of March 31, 2013, State Bank of India and its five associate banks had 20,325 branches. As of June 30, 2013, SBI accounted for 22.3% of aggregate deposits and 22.6% of outstanding gross bank credit of all scheduled commercial banks.

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 NABARD is responsible for supervising the functions of the RRBs. In 1986 the Kelkar Committee made comprehensive recommendations covering both the organizational 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 program, re-capitalization of the RRBs was initiated in fiscal year 1995, a process which continued until fiscal year 2000 and covered 187 RRBs with aggregate financial support of ₹ 21.9 billion from the stakeholders. Simultaneously, prudential reforms on income recognition, asset classification and provisioning for loan losses following customary banking benchmarks were introduced.

There were 62 RRBs as of June 30, 2013 which accounted for 2.9% of aggregate deposits and 2.5% of gross bank credit outstanding of scheduled commercial banks as on June 30, 2013. There were a total of 17,856 RRB branches as of March 31, 2013.

Private Sector Banks

Most large banks in India were nationalized in 1969, resulting in public sector banks making up the largest portion of Indian banking. The Government's focus on public sector banks was maintained throughout the 1970s and 1980s. In addition, existing private sector banks that showed signs of an eventual default were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry of the private sector into the banking system. This resulted in the introduction of private sector banks. These banks are collectively known as the "new" private sector banks. At year-end fiscal year 2011, there were seven "new" private sector banks. In addition, 14 "old" private sector banks existing prior to July 1993 were operating. The Sangli Bank Limited, an unlisted "old" private sector bank merged with the ICICI Bank with effect from April 19, 2007. The Centurion Bank of Punjab merged with the HDFC Bank in May 2008. The Bank of Rajasthan Limited, an old private sector bank, merged with the ICICI Bank with effect from August 12, 2010.

As of June 30, 2013, private sector banks accounted for approximately 18.4% of aggregate deposits and 19.5% of gross bank credit outstanding of the scheduled commercial banks. Their network of 15,375 branches as of June 30, 2013 accounted for 17.2% of the total branch network of scheduled commercial banks (excluding RRB branches) in the country.

In February 2013, the RBI issued guidelines on the entry of new private sector banks in the banking industry specifying that select entities or groups in the private sector, entities in the public sector or non-banking financial companies with a successful track record of at least ten years and not receiving over 10% of income from real estate, construction and/or broking activities are eligible to promote banks. The initial minimum capital requirement for these entities is ₹ 5.0 billion with foreign shareholding not exceeding 49.0% for the first five years and the new banks could be set up only through a wholly owned non-operative financial holding company registered with the RBI. The business plan for the bank should cover a realistic plan for achieving financial inclusion. The last date for submission of applications for setting up new banks was July 1, 2013 and 26 applications were received by the RBI.

Foreign Banks

As of March 31, 2013, there were 43 foreign banks operating in India with a combined total of 332 branches. As of June 30, 2013, foreign banks accounted for 4.2% of aggregate deposits and 5.2% 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% of the investee bank's equity capital. In 2005 the RBI issued a "Roadmap for Presence of Foreign Banks in India", announcing the following measures to be implemented in two phases:

- During the first phase (from March 2005 through to March 2009), foreign banks were allowed to establish a presence by setting up wholly owned subsidiaries or by converting existing branches into wholly-owned subsidiaries.
- Also during the first phase, foreign banks were allowed to acquire a controlling stake in private sector banks identified by the RBI for restructuring. This was only to be done in a phased manner.
- For new and existing foreign banks, proposals were made to go beyond the existing World Trade Organization commitment of allowing increases of 12 branches per year. A more liberal policy will be followed for areas with a small number of banks.
- During the second phase (from April 2009 onwards) and after a review of the first phase, foreign banks would be allowed to acquire up to 74.0% in private sector banks in India.

In April 2009, in light of deteriorating global financial markets, the RBI postponed the second phase until greater clarity emerged as to recovery and reform of the global regulatory and supervisory architecture. 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. Other recommendations of the discussion paper include requiring systemically important foreign banks to convert their Indian operations into wholly-owned subsidiaries, a less restrictive branch expansion policy and ability to raise Rupee debt through issuance of non-equity capital instruments for such converted subsidiaries, lower priority sector targets as compared to domestic banks and unified regulation for both Indian and foreign banks with respect to investments in subsidiaries and associates.

In July 2012, the RBI revised priority sector lending norms and mandated foreign banks with 20 branches or more in India to meet priority lending norms as prescribed for domestic banks.

In November 2013, the RBI issued a scheme for setting up wholly-owned subsidiaries by foreign banks in India. The scheme envisages that foreign banks that commenced business in India after August 2010, or do so in the future, would be permitted to do so only through wholly-owned subsidiaries if certain specified criteria apply to them. These criteria include incorporation in a jurisdiction which gives legal preference to home country depositor claims, among others. Further, a foreign bank that has set up operations in India through the branch mode after August 2010 will be required to convert its operations into a subsidiary if it is considered to be systemically important. A bank would be considered to be systemically important if the assets on its Indian balance sheet (including credit equivalent of off-balance sheet items) exceed 0.25% of the assets of the Indian banking system. Establishment of a subsidiary would require approval of the RBI which would be subject to various factors including economic and political relations with the country of incorporation of the parent bank and reciprocity with the home country of the parent bank. The regulatory framework for a subsidiary of a foreign bank would be substantially similar to that applicable to domestic banks, including with respect to management, directed lending, investments and branch expansion. Wholly-owned subsidiaries of foreign banks may, after further review, be permitted to enter into merger and acquisition transactions with Indian private sector banks, subject to adherence to the foreign ownership limit of 74% that is currently applicable to Indian private sector banks.

Co-operative Banks

Co-operative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In response to liquidity and insolvency problems experienced by some cooperative banks in fiscal year 2001, the RBI undertook several interim measures, pending formal legislative changes, including measures related to lending against shares, borrowing in the call market and term deposits placed with other urban co-operative banks. Presently the RBI is responsible for supervision and regulation of urban co-operative banks, and NABARD for state co-operative banks and district central cooperative banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004 provides for the regulation of all co-operative banks by the RBI. See also *"- Recent Structural Reforms - Proposed Amendments to the Banking Regulation Act"*. In 2004 a Government task force (the "**Task Force**") recommended several structural, regulatory and operational reforms for co-operative banks, including the provision of financial assistance by the government for revitalizing this sector. In February 2005, the RBI issued guidelines on mergers and amalgamations in the urban cooperative bank sector to facilitate the mergers of such banks to result in the emergence of stronger banking entities. In the Government's budget for fiscal year 2006, the Finance Minister accepted the recommendations of the Task Force in principle and consulted with state governments and began implementing the recommendations in the states that agreed to them. During fiscal year 2006 the RBI outlined a medium term framework for urban co-operative banks. Subsequently a task force for urban co-operative banks was set up in select states to draw up a time-bound action plan for revival of potentially viable urban co-operative banks and for a non-disruptive exit for non-viable urban co-operative banks.

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 and direct subscription to shares, debentures and guarantees. The primary long-term lending institutions included the Industrial Development Bank of India, 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 like investment banking and advisory services; and
- short-term lending activities including 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 harmonies the role and operations of long-term lending institutions and banks. The RBI, in its mid-term review of monetary and credit policy for fiscal year 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms applicable to banks. In April 2001, the RBI issued guidelines on several operational and regulatory issues which were required to be addressed in evolving a path for conversion of a long-term lending institution into a universal bank. See "*- Recent Structural Reforms - Universal Banking Guidelines*".

Several mergers resulted from this reform effort. In April 2002, ICICI merged with ICICI Bank. The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003 converted the Industrial Development Bank of India into a banking company incorporated under the Companies Act, 1956 on September 27, 2004, with exemptions from certain statutory and regulatory norms applicable to banks, including an exemption for a certain period of time from the 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, the Life Insurance Corporation of India and specialized non-banking financial companies like the Infrastructure Development Finance Corporation. Indian banking companies also provide bond issuances to institutional and retail investors.

Non-Banking Financial Companies

There are more than 12,225 non-banking financial companies in India as of June 30, 2013, mostly in the private sector. All non-banking financial companies are required to register with the RBI. The non-banking financial companies may be categorized into entities which take public deposits and those which do not. The companies which take public deposits are subject to strict supervision and 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 announced in December 2011 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 license by the RBI and converted itself into Kotak Mahindra Bank.

During fiscal year 2006, the RBI issued guidelines on the financial regulation of systemically important non-banking financial companies and their relationship with banks in an effort to remove 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 ₹ 1.0 billion as per the last audited balance sheet as systemically important. These non-banking financial companies were required to maintain a minimum capital to risk weighted assets ratio of 10.0%, in addition to conforming to single and group exposure norms. In August 2008, the RBI issued draft guidelines covering non-deposit taking non-banking financial companies. It was proposed that non-deposit taking non-banking financial companies with an asset size of ₹ 1.0 billion and above would have to maintain a capital to risk weighted assets ratio of 12.0% instead of the then current minimum of 10.0%. The capital adequacy ratio were proposed to be increased to 15.0% from April 2009. In its 2009 annual policy statement, the RBI deferred the implementation of the capital to risk weighted assets ratio of 12.0% requirement to March 31, 2010 and of 15.0% to March 31, 2011. In February 2011, the RBI issued guidelines mandating deposit taking non-banking financial companies to maintain capital to risk weighted assets ratio of 15.0% against the current minimum of 12.0%.

With the purpose of enhancing the flow of funds to infrastructure projects, the RBI issued guidelines in November 2011 for the establishment of infrastructure debt funds. An infrastructure debt fund may be set up either as a trust or as a company. A trust based infrastructure debt fund would be a mutual fund which would be regulated by SEBI while a company based infrastructure debt fund would be a non-banking financial company which would be regulated by the RBI. All non-banking financial companies, including infrastructure finance companies may sponsor infrastructure debt funds set up as mutual funds. However, only infrastructure finance companies can sponsor infrastructure debt funds set up as non-banking financial companies. Banks are allowed to sponsor infrastructure debt funds in the form of mutual funds and non-banking financial companies with investments by the bank not exceeding 10% 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 ₹ 500 million with a minimum net-owned fund of ₹ 20 million for registering as a non-banking financial company, a minimum Tier I capital of 12% to be achieved in three years, 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.

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. The 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 the 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, 1987, provides for securitisation of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme.

Other Financial Institutions

Specialized Financial Institutions

In addition to the long-term lending institutions, there are various specialized financial institutions which cater to the specific needs of different sectors. These include NABARD, the Export Import Bank of India, the Small Industries Development Bank of India, the Risk Capital and Technology Finance Corporation Limited, the Tourism Finance Corporation of India Limited, the National Housing Bank, the Power Finance Corporation Limited, the Infrastructure Development Finance Corporation Limited and the 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 of September 30, 2013 there were 51 insurance companies in India, of which 24 are life insurance companies and 27 are general insurance companies. Of the 24 life insurance companies, 23 are in the private sector and one is in the public sector. Among the general insurance companies, 21 are in the private sector and 6 (including the Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited) are in the public sector. The General Insurance Corporation of India, a re-insurance company, is in the public sector. The Life Insurance Corporation of India, The 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 IRDA. In December 1999, the Indian Parliament passed the IRDA Act, which amended the Insurance Act, 1938 and opened up the Indian insurance sector for foreign and private investors. The Insurance Act, 1938 allows foreign equity participation in new insurance companies of up to 26.0%. A new company should have minimum paid up equity capital of ₹ 1.0 billion to carry on the business of life insurance or general insurance or ₹ 2.0 billion to carry on exclusively the business of re-insurance.

In its monetary and credit policy for fiscal year 2001, the RBI issued guidelines governing the entry of banks and financial institutions into the insurance business. The guidelines permit banks and financial institutions to enter the business of insurance underwriting through joint ventures provided they meet stipulated criteria relating to their net worth, capital adequacy ratios, profitability track record, level of non-performing loans and the performance of their existing subsidiary companies. The promoters of insurance companies have to divest in a phased manner their shareholding in excess of 26.0% (or such other percentage as may be prescribed), after a period of ten years from the date of commencement of business or within such period as may be prescribed by the Indian government. The Indian government, while presenting its budget for fiscal year 2005, proposed an increase in the limit on foreign equity participation in private sector insurance companies from 26.0% to 49.0%. However, this would require an amendment to the insurance laws and the foreign investment policy proposal has not yet been implemented.

During fiscal year 2012, the new business weighted individual premium underwritten by the life insurance sector decreased by 9.2% to ₹ 1,142.3 billion compared to ₹ 1,258.2 billion in fiscal year 2011. The weighted individual premium underwritten by the private sector decreased from 31.3% in fiscal year 2011 to 28.6% in fiscal year 2012. The gross premium underwritten in the general insurance sector amounted to ₹ 547.6 billion in fiscal year 2012 as against ₹ 445.3 billion in fiscal year 2011, recording a growth of 23.0% (excluding the Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited). The share of private sector in gross direct premium of the non-life insurance sector increased to 40.9% in fiscal year 2012 from 39.7% in fiscal year 2011.

Effective September 2010, IRDA introduced revisions to the unit-linked insurance products such as an increase in the lock-in period from three years to five years, a minimum mortality cover, a cap on surrender and other charges and a minimum guaranteed return of 4.5% on pension annuity products. The minimum guaranteed return of 4.5% on pension products was applicable up to year-end fiscal year 2011. From fiscal year 2012 the guaranteed return was 50 basis points above the average reverse repo rate subject to a maximum of 6% and a minimum of 3%. On October 21, 2010, IRDA stipulated that insurers would not be permitted to sell universal life insurance products until guidelines on the regulation of such products were finalised. In November 2010, IRDA issued the final guidelines on universal life insurance products. The guidelines state that universal life products will be known as variable insurance products. Variable insurance products are defined as non-linked life insurance products that provide a death benefit equal to the guaranteed sum assured plus the balance in the policy account and a maturity benefit equal to the balance in the policy account together with a terminal bonus, if any, as applicable. Such products will only provide mortality coverage, and no other contingency will be covered. The sum assured shall be at least ten times the annualized premium. The minimum policy and premium payment term will be five years and there will be a lock-in period of three years. The products must have a guaranteed interest rate, referred to as the minimum floor rate. These changes are expected to impact the life insurance business in India.

Gross premiums underwritten by general insurance companies moderated in fiscal year 2008 and fiscal year 2009 due to de-tariffing of the general insurance sector. Until January 1, 2007, almost 70.0% of the general insurance market was subject to price controls under a tariff regime. With the commencement of a tariff free regime effective January 1, 2007, as a result of competitive pricing this led to a significant decrease in premium rates across the industry, leading to moderate premium growth during fiscal year 2009 and fiscal year 2010. During fiscal year 2012, industry premiums grew by 22.0% as compared to an increase of 14.0% in fiscal year 2011 and an increase of 9.0% in fiscal year 2010. In March 2011, IRDA conducted an audit of the third party motor insurance pool and concluded that the pool reserves needed to be enhanced significantly. Accordingly, all general insurance companies were required to provide for third party motor pool losses at 153.0% over fiscal year 2008 to fiscal year 2011 compared to the earlier loss rate of 122.0% to127.0%. Further, based on results of an evaluation instituted to determine the loss rates of the third party motor pool released on January 3, 2012, the loss rates were further revised upwards to 159.0% for fiscal year 2008, 188.0% for fiscal year 2009, 200.0% for fiscal year 2010 and 213.0% for fiscal year 2011.

Furthermore, pursuant to the decision to dismantle the third party motor pool by IRDA, effective April 1, 2012, the above loss rates were applicable until March 31, 2012 and a declined pool has been created in place. Under this mechanism, insurers would cede only those policies to the pool that they would not look at underwriting themselves. Insurers have been mandated to underwrite motor pool policies to the extent of the sum of 50.0% of their share in total gross premiums and 50.0% share in total motor premiums. Any shortfall against this requirement will be allocated to the insurers from the declined pool. Additionally, as against the earlier mechanism of ceding all third party premiums including those related to comprehensive policies, under the declined pool framework, only specific third party insurance premiums would be pooled. Accordingly, under this mechanism, the size of the pool is expected to decline substantially and the allocation of losses to individual insurers would be based on their ability to meet the mandated targets.

Mutual Funds

As of September 30, 2013, there are 47 mutual funds in India with assets under management of ₹ 7,459.69 billion. Average assets under management off all mutual funds increased by 8.2% to ₹ 8,082.95 billion during the three month ended September 30, 2013 from ₹ 7,473.33 billion during the three months ended September 30, 2012. From 1963 to 1987, the Unit Trust of India was the only mutual fund operating in the country. It was set up in 1963 at the initiative of the Government and the RBI. From 1987 onwards, several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, the Life Insurance Corporation of India and the General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

In June 2009, SEBI removed the entry load, up-front charges deducted by mutual funds, for all mutual fund schemes and required that the up-front commission to distributors should be paid by the investor to the distributor directly. In November 2009, to enhance the reach and marketability of mutual fund schemes, SEBI permitted the use of stock exchange terminals to facilitate transactions in mutual fund schemes as a result of which mutual fund units can now be traded on recognized stock exchanges. In February 2010, the SEBI introduced guidelines for the valuation of money market and debt securities with a view to ensure that the value of money market and debt securities in the portfolio of mutual fund schemes reflect the current market value. The valuation guidelines were effective from August 1, 2010. Further, the Union Budget for fiscal 2014 allowed mutual funds distributors to become members on the mutual fund segment of stock exchanges to enable them to leverage the stock exchange network to improve the reach and distribution of mutual fund products.

Banking Sector Reform

Most large banks in India were nationalized in 1969 and thereafter were subject to a high degree of control until reform began in 1991. In addition to controlling interest rates and entry into the banking sector, these government regulations also channeled lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low interest-bearing government securities or SLR bonds to fulfill 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 (The Narasimham Committee I) was set up in August 1991 to recommend measures for reforming the financial sector. Many of the recommendations made by the committee, which addressed organizational issues, accounting practices and operating procedures, were implemented by the Government. The major recommendations that were implemented included the following:

- With fiscal stabilization and the government increasingly resorting to market borrowing to raise resources, the SLR or the proportion of the banks' net demand and time liabilities that were required to be invested in government

- securities was reduced from 38.5% in the pre-reform period to 25.0% in October 1997. The RBI currently requires banking companies to maintain a liquidity ratio of 23.0%;
- Similarly, the CRR or the proportion of a bank's net demand and time liabilities that was required to be deposited with the RBI was reduced from 15.0% in the pre-reform period to a low of 4.5%. The CRR effective February 9, 2013 is 4.00%;
- Special tribunals were created to resolve bad debt disputes;
- 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; and
- Substantial capital infusion to several state-owned banks was approved in order to bring their capital adequacy closer to internationally accepted standards. By the end of fiscal year 2002, aggregate re-capitalization amounted to ₹ 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.

Recent Structural Reforms

Amendments to the Banking Regulation Act

The Government promulgated an ordinance in 2007 enabling the RBI to specify the SLR without any floor rate. The ordinance has subsequently been repealed and replaced by the Banking Regulation (Amendment) Act, 2007.

Amendments to the RBI Act

In May 2006, the Indian Parliament approved amendments to the RBI Act removing the floor rate of 3.0% for a CRR requirement, giving the RBI discretion to reduce the CRR to less than 3.0%. The amendments also created a legal and regulatory framework for derivative instruments.

Amendments to Laws Governing Public Sector Banks

In 2006, the Indian Parliament amended the laws governing India's public sector banks permitting these banks to issue preference shares and make preferential allotments or private placements of equity. The amendments also authorize the RBI to prescribe 'fit and proper' criteria for directors of such banks and to permit the supersession of their boards and appointment of administrators in certain circumstances.

Amendments to the Banking Regulation Act

In December 2012, the Indian Parliament amended the laws governing the banking sector. The main amendments are as follows:

- to permit all private banking companies to issue preference shares that will not carry any voting rights, subject to RBI guidelines;
- to make prior approval of the RBI mandatory for the acquisition of more than 5.0% of a banking company's paid-up capital or voting rights by any individual or firm or group, and empower the RBI to impose conditions while granting approval for such acquisitions;
- to empower the RBI, after consultations with the Government, to supersede the board of a private sector bank for a total period not exceeding twelve months, during which time the RBI will have the power to appoint an administrator to manage the bank;
- to 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
- to restrict the maximum voting power exercisable by a shareholder in a private banking company to 26% irrespective of its total shareholding and raise the ceiling for voting rights of shareholders of a nationalized bank from 1% to 10%.

Insurance Laws (Amendment) Bill 2008

The Insurance Laws (Amendment) Bill, 2008 was introduced in the Indian Parliament in 2008 and currently includes the following provisions:

- to raise the foreign investment limit in the insurance sector from 26.0% to 49.0%; and
- to eliminate the requirement that Indian promoters of an insurance company reduce their stake to 26.0% after ten years.

Legislative Framework for Recovery of Debts due to Banks

In fiscal year 2003, the Indian Parliament passed the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (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 the SEBI is permitted, subject to certain conditions and restrictions.

Several petitions challenging the constitutional validity of the SARFAESI Act were filed before the Indian Supreme Court. The Supreme Court, in April 2004, upheld the constitutionality of the SARFAESI Act, other than the requirement originally included in the Act that the borrower deposit 75.0% of the dues with the debt recovery tribunal as a pre-condition for appeal by the borrower against the enforcement measures. In November 2004, the Government issued an ordinance amending the SARFAESI Act. The Indian Parliament has subsequently passed this ordinance as an Act. This Act, as amended, now provides that a borrower may make an objection or representation to a secured creditor after a notice is issued by the secured creditor to the borrower under the Act demanding payment of dues. The secured creditor has to 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 "*Regulations and Policies - The RBI and its Regulations - Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("**SARFAESI Act**")*".

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 the banks or the financial institutions can file a suit for recovery of the amounts due to them. However, if a scheme of reconstruction is pending before the BIFR, under the Sick Industrial Companies (Special Provisions) 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 SARFAESI Act. While presenting its budget for fiscal year 2002, the Government announced measures for the setting up of more debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provisions) Act, 1985. To date, however, this Act has not been repealed.

Corporate Debt Restructuring Forum

The RBI has devised a corporate debt restructuring system as an institutional mechanism for the restructuring of corporate debt. 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 BIFR, debt recovery tribunals and other legal proceedings. In particular, this framework aims to preserve viable corporations that are affected by certain internal and external factors and minimise the losses to the creditors and other stakeholders through an orderly and coordinated restructuring program. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements.

Universal Banking Guidelines

Universal banking in the Indian context means the transformation of long-term lending institutions into banks. Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, the RBI, in its mid-term review of monetary and credit policy for fiscal year 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. If a long-term lending institution chose to exercise the option available to it and formally decided to convert itself into a universal bank, it could formulate a plan for the transition path and a strategy for smooth conversion into a universal bank over a specified time frame. In April 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.

Pension Reforms

Currently, there are three categories of pension schemes in India: pension schemes for Government employees, pension schemes for employees in the organized sector and voluntary pension schemes. In case of pension schemes for Government employees, the government pays its employees a defined periodic benefit upon their retirement. Further, the contribution towards the pension scheme is funded solely by the Government and not matched by a contribution from the employees. The Employees Provident Fund, established in 1952, is a mandatory program for employees of certain establishments. It is a contributory program that provides for periodic contributions of 10% to 12% of the basic salary by both the employer and the employees. The contribution is invested in prescribed securities and the accumulated balance in the fund (including the accretion thereto) is paid to the employee as a lump sum on retirement. Besides these, there are voluntary pension schemes administered by the Government (the Public Provident Fund to which contribution may be made up to a maximum of ₹ 100,000) or offered by insurance companies, where the contribution may be made on a voluntary basis. Such voluntary contributions are often driven by tax benefits offered under the scheme.

In 1998, the Government commissioned the Old Age Social and Income Security project and nominated an expert committee to suggest changes to the existing policy framework. The committee submitted its report (the "**OASIS Report**") in January 2000, recommending a system for private sector management of pension funds to provide market-linked returns. It also recommended the establishment of a separate pension regulatory authority to regulate the pensions system. Subsequently, in the budget for fiscal year 2001, the Government announced that a high level committee would be formulated to design a contribution-based pension scheme for new Government recruits. The Government also requested that IRDA draw up a roadmap for implementing the OASIS Report. The IRDA submitted its report in October 2001. The report suggested that pension fund managers should constitute a separate legal entity to conduct their pension business. In August 2003, the Government announced that it would be mandatory for its new employees (excluding defense personnel) to join a new defined contribution pension scheme where both the Government and the employee would make monthly contributions of 10% of the employee's basic salary. The Government also announced that a Pension Fund Development and Regulatory Authority would be set up to regulate the pension industry. The Government constituted the interim Pension Fund Development and Regulatory Authority on October 11, 2003. In December 2003, the Government announced that the new pension system would be applicable to all new recruits to Indian Government service (excluding defense personnel) from January 1, 2004. Further, on December 30, 2004, the Government promulgated an ordinance establishing the statutory regulatory body, Pension Fund Regulatory and Development Authority to undertake promotional, developmental and regulatory functions with respect to the pension sector. In March 2005, the Government tabled the Pension Fund and Development Authority Bill in Parliament. The Indian Government's budget for fiscal year 2006 recognized the opportunities for foreign direct investment in the pension sector and it has also announced that the Government would issue guidelines for such investment. In 2009, the Government extended the New Pension System to all citizens of India on a voluntary basis, effective from May 1, 2009. Private sector participation in managing pension assets was permitted for the first time in fiscal year 2009, and six private sector companies have been issued licenses. See also "*Business - Overview*".

Reforms of the Non-Banking Financial Companies

Standards relating to income recognition, provisioning and capital adequacy were prescribed for non-banking financial companies in June 1994. Registered non-banking financial companies were required to achieve a minimum capital adequacy of 6.0% by year-end fiscal year 1995 and 8.0% by year-end fiscal year 1996 and to obtain a minimum credit rating. To encourage the companies complying with the regulatory framework, the RBI announced in July 1996 certain liberalization measures under which the non-banking financial companies registered with it and complying with the prudential norms and credit rating requirements were granted freedom from the ceiling on interest rates on deposits and amount of deposits.

Other measures introduced include requiring non-banking financial companies to maintain a certain percentage of liquid assets and to create a reserve fund. The percentage of liquid assets to be maintained by non-banking financial companies has been revised uniformly upwards to 15.0% of public deposits since April 1999. From January 1, 2000, the requirement should not be less than 10.0% in approved securities and the remaining in unencumbered term deposits in any scheduled commercial bank, the aggregate of which shall not be less than 15.0% of the public deposit outstanding at the close of business on the last working day of the second preceding quarter. The maximum rate of interest that non-banking financial companies could pay on their public deposits was reduced from 12.5% per annum to 11.0% per annum effective March 4, 2003. Effective April 24, 2007, the maximum rate of interest on public deposits accepted by non-banking financial companies was increased to 12.5% per annum.

Efforts have also been made to integrate non-banking financial companies into the mainstream financial sector. The first phase of this integration covered measures relating to registrations and standards. The focus of supervision has now shifted to non-banking financial companies accepting public deposits. This is because companies accepting public deposits are required to comply with all the directions relating to public deposits, prudential norms and liquid assets. A task force on non-banking financial companies set up by the Government submitted its report in October 1998, and recommended several steps to rationalize the regulation of non-banking financial companies. Accepting these recommendations, the RBI issued new guidelines for non-banking financial companies in December 1998, which were as follows:

- a minimum net owned fund of ₹ 2.5 million is mandatory before existing non-banking financial companies may accept public deposits;
- a minimum investment grade rating is compulsory for loan and investment companies accepting public deposits, even if they have the minimum net owned funds;
- permission to accept public deposits was also linked to the level of capital to risk assets ratio. Different capital to risk assets ratio levels for non-banking financial companies with different ratings were specified; and
- non-banking financial companies were advised to restrict their investments in real estate to 10.0% of their net owned funds.

In the monetary and credit policy for fiscal year 2000, the RBI stipulated a minimum capital base of ₹ 20 million for all new non-banking financial companies. In the Government's budget for fiscal year 2002, the procedures for foreign direct investment in non-banking financial companies were substantially liberalized.

During fiscal year 2003, the RBI introduced a number of measures to enhance the regulatory and supervisory standards of non-banking financial companies, especially in order to bring them at par with commercial banks, in select operations, over a period of time. Other regulatory measures adopted and subsequently revised in November 2004 included aligning interest rates in this sector with the rates prevalent in the rest of the economy, tightening prudential norms and harmonizing supervisory directions with the requirements of the Companies Act, 1956 procedural changes in nomination facilities, issuance of a Know Your Customer policy and allowing non-banking financial companies to enter the insurance agency business.

In 2005, the RBI introduced stricter regulatory measures for non-banking financial companies, including stringent reporting requirements and revised Know Your Customer guidelines. On December 12, 2006, the RBI issued guidelines on the financial regulation of systematically important non-banking financial companies and banks' relationships with them with a view to remove 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 ₹ 1.0 billion as per the last audited balance sheet as systemically important. These non-banking financial companies are required to maintain a minimum capital to risk weighted assets ratio of 10.0%, in addition to conforming to single and group exposure norms. The guidelines restrict banks' holdings in a deposit taking non-banking financial company, excluding housing finance companies, to 10.0% of the paid up equity capital of the non-banking financial company. The total exposure to a single non-banking financial company has been limited to 10.0% of a bank's capital funds (15.0% in the case of an asset finance company). The limit may be increased to 15.0% and 20.0%, respectively, provided that the excess exposure is on account of funds lent by the non-banking financial company to the infrastructure sector. 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 asset size of ₹ 1.0 billion and above will have to maintain capital to risk weighted assets ratio of 12.0% against the current minimum of 10.0%. The capital adequacy ratio was proposed to be increased to 15.0% from April 2009. In the annual policy statement announced on

April 21, 2009, the RBI deferred the implementation of capital to risk weighted assets of 12.0% to March 31, 2010 and of 15.0% to March 31, 2011.

As per existing instructions of the RBI, non-banking financial companies in India having assets of ₹ 500 million and above as per their last audited results are required to constitute an audit committee, consisting of no less than three members of its board of directors. In May 2007 the RBI announced that non-banking financial companies with deposit base of ₹ 200 million and above may also consider constituting an audit committee on similar lines. Further, the RBI has also instructed non-banking financial companies with public deposits of ₹ 200 million and above or having an asset size of ₹ 1.0 billion or above to form a nomination committee to ensure 'fit and proper' status of proposed/existing directors for such companies. The RBI also instructed such non-banking financial companies to form a risk management committee to manage integrated risk. Additionally, the RBI also prohibited such non-banking financial companies from extending loans, advances or non-fund based facilities or any other financial accommodation/facilities to their directors and/or certain other connected persons. The RBI classifies non-banking financial companies under 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.

The RBI released the Report of the Working Group on the Issues and Concerns in the Non-Banking Financial Company Sector (the "**Report**") on August 29, 2011. The working group, chaired by Usha Thorat (the "**Working Group**"), was constituted by RBI with a mandate to review the existing regulatory and supervisory framework of non-banking financial companies with a special focus on the risks in the non-banking financial company sector. The Report seeks alignment of the laws and regulations governing non-banking financial companies with those governing banks in India. 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.

Impact of Liberalisation on the Indian Financial Sector

Until 1991, the financial sector in India was heavily controlled and commercial banks and long-term lending institutions, the two dominant financial intermediaries, had mutually exclusive roles and objectives and operated in a largely stable environment, with little or no competition. Long-term lending institutions were focused on the achievement of the Government's various socio-economic objectives, including balanced industrial growth and employment creation, especially in areas requiring development. Long-term lending institutions were extended access to long-term funds at subsidized rates through loans and equity from the Government and from funds guaranteed by the Government originating from commercial banks in India and foreign currency resources originating from multilateral and bilateral agencies.

The focus of the commercial banks was primarily to mobilize household savings through demand and time deposits and to use these deposits to meet the short-term financial needs of borrowers in industry, trade and agriculture. In addition, the commercial banks provided a range of banking services to individuals and business entities.

However, since 1991, there have been comprehensive changes in the Indian financial system. Various financial sector reforms, implemented since 1991, have transformed the operating environment of banks and long-term lending institutions. In particular, the deregulation of interest rates, the emergence of a liberalized domestic capital market, and the entry of new private sector banks, along with the transformation of long-term lending institutions into banks, have progressively intensified the competition among banks.

Impact of Global Financial Crisis on India

The bankruptcy of Lehman Brothers in September 2008 led to a rapid deterioration of the global macroeconomic environment and a sharp moderation in global economic activity. In India, this impact was felt mainly through its trade and capital channels. As a result, there was a sharp reduction in domestic liquidity between September and October 2008. The decline in global commodity prices led to a moderation in inflation and facilitated substantial reductions in key policy rates and reserve requirements. The RBI reduced repo and reverse repo rates and the SLR and CRR requirements to ease the liquidity situation, especially for non-banking financial companies and mutual fund companies.

As reported by the RBI in its financial stability report for December 2011, the Indian banking sector is subject to economic forces that are affecting the health of the sector as a whole. The growing linkages and integration of the Indian economy and its financial system with the global economy are causing the banking system to face headwinds from uncertainty related to government finances and the banking sector in the Eurozone area and the United States. The

RBI in its financial stability report for December 2012 has re-iterated that global risks remain elevated due to delays in resolution of issues like the Eurozone debt crisis. The uncertainty of the global economic environment is expected to continue as economic growth slows across many regions in the world. The RBI's financial stability report for 2011 noted that Indian banks have negligible exposures to the most affected European countries and that direct effects from uncertainty related to the Eurozone debt crisis are expected to remain muted. However, funding constraints in international financial markets could impact both the availability and cost of foreign funding for banks and corporates. Further, India's economic growth has been affected through the trade and finance channels. Domestic demand and domestic corporate growth have recently begun to slow, while Indian interest rates have risen and inflationary pressures have increased. According to the RBI's financial stability report for 2012, the evolving global risks such as the fall in global growth and sovereign risk/contagion and a host of Indian domestic factors like the increasing fiscal deficit, deterioration in the growth outlook and bank asset quality are the major risks to the banking sector though the resilience of the banking system to credit, interest rate, equity and foreign exchange shocks remain satisfactory.

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 quarterly basis.

Credit Policy During Fiscal Year 2011

During fiscal year 2011, the RBI's monetary policy stance was oriented towards the calibrated normalization of policy rates and liquidity management. The repo rate was increased seven times by 25 basis points each from 5.00% to 6.75%. The reverse repo was increased by 225 basis points from 3.50% at the beginning of the year to 5.75% at end of fiscal year 2011. The CRR was increased by 25 basis points from 5.75% to 6.0% effective April 24, 2010. As a result of tight liquidity conditions prevailing from June 2010, the RBI reduced the SLR from 25.0% to 24.0% effective December 18, 2010. Also, in November 2010, the RBI announced a temporary liquidity support measure of an exemption of up to 2% in maintaining the SLR. With a permanent reduction of 1% in the SLR announced in December 2010, the RBI reduced the temporary exemption from 2.0% to 1.0%. Subsequently, in May 2011, temporary exemption was fully withdrawn. The RBI also announced that it would conduct open market operation auctions.

Other regulatory measures announced in the monetary policy statements include the following:

- the risk weight for residential housing loans of more than ₹ 7.5 million irrespective of the loan-to-value ratio was increased to 125% from 75%;
- the loan-to-value ratio for housing loans was capped at 80%; thereby preventing excessive leverage;
- standard asset provisioning on home loans sanctioned at teaser rates (loans offered at comparatively lower rate of interest in the first few years, after which rates are reset at higher rates) was increased from 0.4% to 2.0%;
- the threshold for investments by financial conglomerates in their significant entities was decreased to 20% from the present 30%, while stipulating that where investments exceed 20% of the paid-up capital of such entities, it would be deducted at 50% from Tier I and 50% from Tier II capital; and
- all scheduled commercial banks would convert their opening balance sheet as of April 1, 2013 in compliance with Indian Accounting Standards' convergence with IFRS.

Credit Policy During Fiscal Year 2012

In its annual policy statement for fiscal year 2012, announced on May 3, 2011, the RBI increased the repo rate by 50 basis points from 6.75% to 7.25%. The reverse repo rate was increased by 50 basis points from 5.75% to 6.25%. Other measures announced by the RBI were:

- a single independent varying policy rate was introduced which would be the repo rate. The reverse repo rate would be pegged at a fixed 100 basis points below the repo rate. A new MSF was introduced from which banks could borrow overnight up to 1% of net demand and time liabilities, for which the interest rate would be 100 basis points above the repo rate;
- the savings bank deposit interest rate was increased from 3.5% to 4.0% with immediate effect;
- provisioning requirement for advances classified as sub-standard was increased from 10% to 15%, for secured advances classified as doubtful for up to one year from 20% to 25%, and for those above one year and up to three years from 30% to 40% of loans outstanding; and

- a special committee was set up to examine the existing classification of priority sectors (which includes categories such as agriculture, small scale industries, small business/ service enterprises, micro credit, educations loans and housing loans) and suggest revised guidelines.

Credit Policy During Fiscal Year 2013

In its annual policy statement for fiscal year 2013 announced on April 17, 2012, the RBI reduced the repo rate by 50 basis points from 8.5% to 8.0%. Accordingly, the reverse repo rate was adjusted to 7.0% and the MSF rate was adjusted to 9.0%. Also, to improve liquidity, the borrowing limit of scheduled commercial banks under the MSF was increased from 1% to 2% of net demand and time liabilities. The CRR was kept unchanged at 4.75%.

Other regulatory measures announced in the policy statement include the following:

- levies of foreclosure charges and pre-payment penalties on home loans on a floating interest rate basis was disallowed; and
- a bank's exposure ceiling for a single non-banking financial company with gold loans that comprise up to 50.0% or more of its financial assets was reduced from 10.0% to 7.5% of a bank's capital funds.

In the mid-quarter review announced on June 29, 2012, the RBI did not make any changes to the policy rates but raised the export credit refinance limit from 15% to 50% of outstanding export credit. In the first quarter review on July 31, 2012, the RBI reduced the SLR from 24.0% to 23.0%, keeping the repo rate and the cash reserve requirement unchanged.

In the mid-quarter review announced on September 17, 2012, the RBI reduced the CRR by 25 basis points from 4.75% to 4.50% of net demand and time liabilities. In the second quarter review announced on October 30, 2012, the RBI reduced the CRR by 25 basis points from 4.5% to 4.25% of net demand and time liabilities. The repo rate was kept unchanged at 8.0%.

Other regulatory measures announced in the policy statement include the following:

- loans up to ₹ 20.0 million to partnership firms, cooperatives and corporates directly engaged in agriculture activities was made eligible for classification under direct agriculture lending under priority sector norms. Also, loans to housing finance companies for on-lending for housing up to ₹ 1.0 million per borrower was included under priority sector lending;
- provision for restructured standard accounts was increased from existing 2.0% to 2.75%; and
- domestic banks were permitted to open administrative offices in Tier I centers subject to reporting to the RBI.

In the mid-quarter monetary policy review announced on December 18, 2012, policy rates were kept unchanged. In the third quarter review announced on January 29, 2013, the RBI reduced the repo rate by 25 basis points from 8.0% to 7.75%. Accordingly, the reverse repo rate was adjusted to 6.75% and the MSF rate was adjusted to 8.75%. Further, the CRR was reduced by 25 basis points from 4.25% to 4.00% of net demand and time liabilities.

Credit Policy During Fiscal Year 2014

In its annual policy statement for fiscal year 2014 announced on May 3, 2013, RBI stated that the risks to the global economic environment had receded and that there were signs of stabilization. It also observed that there were signs of a turnaround in the domestic economy. India GDP grew at 5.0% in fiscal year 2013 due to weakness in industrial activity and a slowdown in the services sector. There was a moderation in inflation for fiscal year 2013 with WPI declining to an average of 7.3% in fiscal year 2013 as compared to 8.9% in fiscal year 2012. CPI averaged 10.2% in fiscal year 2013. RBI projected fiscal year 2014 GDP growth at 5.7% and estimated WPI to be range-bound around 5.5%.

Against this backdrop, RBI reduced the repo rate by 25 basis points from 7.50% to 7.25%. As a result, the reverse repo rate was adjusted to 6.25% and the MSF rate was adjusted to 8.25%. The CRR was retained at 4.0% of the NDTL.

Other key regulatory measures announced in the policy statement include the following:

- allowing FIIs to hedge their currency risk by using exchange traded currency futures in the domestic exchanges
- increase loan limit for MISE in the services sector from ₹ 20 million to ₹ 50 million, and;

- follow a uniform, fair and transparent pricing policy and not discriminate between their customers at home branch and non-home branches

In the first quarter review announced on July 30, 2013, RBI revised the growth projections downwards from 5.7% to 5.5% and announced its aim to contain WPI inflation to 5.0% by March 2014. RBI decided to keep the policy repo rate unchanged at 7.25% and the CRR at 4.0%.

RBI, in its mid-quarter review on September 20, 2013, increased the policy repo rate from 7.25% to 7.50%. In the second quarter review announced on October 29, 2013, RBI decided to increase the policy repo rate to 7.75% from 7.50% and keep the CRR unchanged at 4.0%.

Key Regulatory Developments in the Indian Financial Sector in Fiscal Year 2011

Effective April 1, 2010, the effective interest paid on savings deposits rates increased following RBI guidelines mandating a change in the methodology of calculating interest payable on savings deposits.

Regulatory Changes in Housing Loans

In December 2010, the RBI imposed a regulatory ceiling on the loan-to-value ratio of housing loans at 80%. However, small value loans of less than ₹ 2.0 million were permitted to have a loan to value ratio not exceeding 90%. Further, the risk weighting for residential loans of ₹ 7.5 million and above was set at 125% irrespective of the loan-to-value ratio, in contrast with the earlier mandated risk weighting of 100% when a loan-to-value ratio exceeded 75%. With respect to loans outstanding under special housing loan products with lower initial interest rates, the standard asset provisioning requirement was increased from 0.4% to 2.0%.

In February 2011, the RBI excluded from classification as direct agriculture lending under priority sector requirements (i) loans to non-banking financial companies which are then lent onwards to individuals and entities and secured with gold jewelry as collateral; (ii) investments made by banks in securitised assets originated by non-banking financial companies where the underlying assets were loans against gold jewelry; and (iii) the purchase/assignment of a gold loan portfolio from non-banking financial companies.

The RBI advised banks to stop issuing Tier I and Tier II capital instruments with step-up options, in order to ensure that such capital instruments remain eligible for inclusion in the new definition of regulatory capital under the Basel III framework.

In the Union Budget for fiscal year 2012, the Government enhanced the priority sector eligibility ceiling for housing loans for dwelling units from ₹ 2.0 million to ₹ 2.5 million.

In May 2010, the RBI permitted infrastructure non-banking financial companies to raise funds through external commercial borrowings for on-lending to the infrastructure sector and in July 2010 permitted financing arrangements through external commercial borrowing for the refinancing of Rupee loans made to finance infrastructure projects such as seaports, airports, roads and power plants. In the Union Budget for fiscal year 2012, the limit for investment by foreign institutional investors in corporate bonds with a residual maturity of over five years issued by Indian companies in the infrastructure sector was raised by U.S.$20 billion, to a total of U.S.$25 billion. Further, the RBI proposed the creation of special purpose vehicles in the form of notified infrastructure debt funds that would have a lower withholding tax on their interest payments and tax exemptions on their incomes.

In August 2010, the RBI issued a discussion paper on entry of new banks in the private sector and in January 2011 released a discussion paper on the presence of foreign banks in India. In August 2011, the RBI issued draft guidelines for licensing of new banks in the private sector for public comment.

In June 2010, IRDA introduced revisions to the regulations governing unit-linked insurance products that became effective September 1, 2010. These revisions included an increase in the lock-in period from three years to five years, an increase in minimum mortality cover, a cap on surrender and other charges and a minimum guaranteed return on pension annuity products.

In March 2011, IRDA after conducting an audit of the Indian Motor Third Party Insurance Pool (the "**Pool**") concluded that the Pool reserves needed to be enhanced significantly. Accordingly, it stipulated that all general insurance companies should increase relevant reserves and provide for losses on the Pool at the provisional rate of 153.0% over fiscal year 2008 to fiscal year 2011 in the financial results for fiscal year 2011 compared to the earlier loss rate of 122-127%.

RBI Measures Announced During Fiscal Year 2012

Measures announced by the RBI during fiscal year 2012 included:

- increasing the savings bank deposit rate by 50 basis points from 3.5% to 4.0% in May 2011;
- the savings account interest rate was subsequently deregulated in October 2011 with an uniform interest rate to be given for deposits up to ₹ 100,000, and differential rates permitted for deposits of over ₹ 100,000 depending on the amount in the account;
- interest rates on non-resident (external) Rupee deposits and ordinary non-resident accounts were deregulated, allowing banks to determine the interest rate on savings and term deposits of maturity one year and above; most banks increased NRI deposit rates to over 9.0% in line with domestic deposit rates;
- the all-in-cost ceiling on external commercial borrowings of three years to five years maturity was raised from 300 basis points to 350 basis points. The all-in-cost ceiling for five years and above maturity was kept unchanged at 500 basis points;
- limits on banks' investments in non-financial services companies were prescribed as per which equity investments by a bank in non-financial companies were capped at 10% of the investee company's paid-up share capital and overall group exposure was limited to 20%;
- final guidelines for implementing the Basel III framework were proposed prescribing a minimum common equity Tier I capital of 5.5%, minimum total capital ratio of 9.0% with Tier I capital of 7.0%, and additional 2.5% capital conservation buffer to be built between March 2014 to March 2017; and
- guidelines on the internal ratings based approach of the Basel II framework for the calculation of capital charge for credit risks was released. Some of the recommendations included a loss given default of 65% and treating restructured assets as non-performing assets for capital adequacy purposes. Banks intending to adopt this approach were required to apply to the RBI after April 1, 2012.

In addition, on May 10, 2012, in an effort to improve the depreciating Rupee, the RBI changed its policy regarding Exchange Earners Foreign Currency ("**EEFC**") Accounts. The policy now requires 50% of the balances in EEFC accounts to be converted forthwith into Rupee balances and credited to Rupee accounts as per the directions of the account holder. In respect of all future forex earnings, an exchange earner is eligible to retain 50% (as against the previous limit of 100%) in non-interest bearing EEFC accounts. 50% of the balance must be surrendered for conversion to Rupee balances.

RBI Measures Announced for Fiscal Year 2013

The RBI's Monetary Policy for fiscal year 2013 included a 50 basis point reduction in the repo rate from 8.50% to 8.00%, effective from April 17, 2012, to boost economic growth. The RBI expects 7.3% GDP growth and 15.0% growth in the money supply (M3) in fiscal year 2013. Wholesale price index inflation is projected to be 6.5% as of March 31, 2013. Deposits are projected to grow by 16%, while non-food credit is projected to grow by 17% during fiscal year 2013. The RBI has boosted liquidity measures by doubling banks' borrowing limit under the MSF to 2% of their NDTL. Other developments and measures announced by the RBI were:

- the bank rate was adjusted to 9.0%;
- the reverse repo rate, fixed as 1% below the repo rate, was adjusted to 7.0%;
- the MSF rate, fixed as 1% above the repo rate, adjusted to 9.0%;
- CRR retained at 4.75% of NDTL of schedule banks;
- the RBI projects real GDP growth for fiscal year 2013 at 7.3% on the assumption of a normal monsoon season;
- money supply growth projected at 15.0% in 2012-13;
- growth in non-food credit and aggregate deposits projected at 17.0% and 16.0%, respectively;
- final guidelines on Basel III implementation were announced on May 2, 2012;
- banks to reduce their regulatory exposure ceiling to non-banking financial companies involved in lending against gold;
- foreclosure/prepayment charges on floating rate home loans abolished;
- revised guidelines on securitization transactions were announced in May 2012;
- working group to assess the feasibility of introducing more long term fixed interest rate loan products by banks;
- banks advised to offer basic saving bank deposit account with certain minimum facilities; and
- initiation of allotment of unique customer identification code to all the bank customers.

RBI Measures Announced for Fiscal Year 2014

The RBI, in its mid-quarter Monetary Policy Review, March 19, 2013, announced the following measures based on an assessment of the prevalent macroeconomic situation:

- a reduction of the repo rate under the LAF by 25 basis points from 7.75% to 7.50% with immediate effect; and
- a reduction of the reverse repo rate under the LAF to 6.5% and the MSF rate and the bank rate to 8.5% with immediate effect.

The RBI, in its Annual Monetary Policy Statement, on May 3, 2013, announced the following measures:

- the RBI to reduce the policy repo rate under the LAF by 25 basis points from 7.5% to 7.25 %;
- the reverse repo rate under the LAF, determined with a spread of 100 basis points below the repo rate, were set to 6.25%; and
- the MSF rate, determined with a spread of 100 basis points above the repo rate, and also the Bank Rate, were reduced to 8.25%.

The RBI, in its mid-quarter Monetary Policy Review, on June 17, 2013, announced the following measures based on an assessment of the prevalent macroeconomic situation:

- maintain the CRR of scheduled banks unchanged at 4.0% of their net demand and time liabilities;
- maintain the policy repo rate under the LAF unchanged at 7.25%; and
- maintain the reverse repo rate under the LAF at 6.25% and the MSF rate and the Bank Rate at 8.25%.

The RBI announced the following measures on July 23, 2013:

- the overall limit for borrowing under the daily LAF for each bank to be set at 0.5%of NDTL;
- Banks need to maintain 99% of their daily CRR requirements with the RBI, as against 70%; and
- the introduction of revised guidelines for gold imports for domestic consumption in India.

The RBI, in its First Quarter Monetary Policy Review, on July 30, 2013, announced the following measures based on an assessment of the prevalent macroeconomic situation:

- to keep the CRR of scheduled banks unchanged at 4.0% of their net demand and time liabilities; and
- to keep the repo rate under the LAF facility unchanged at 7.25%.

The RBI, in its Mid-Quarter Monetary Policy Review, on September 20, 2013, announced the following measures based on an assessment of the prevalent macroeconomic situation:

- a reduction of the MSF by 75 basis points from 10.25% to 9.50%;
- a reduction of the daily maintenance of CRR from 99% to 95% while keeping the CRR unchanged at 4%;
- an increase in the policy repo rate from 7.25% to 7.50%; and
- an increase in the reverse repo rate to 6.50% and a reduction in the bank rate to 9.50%.

The RBI announced the following measures on October 7, 2013:

- a reduction of the MSF from 9.00% to 8.75%; and
- a reduction in the Bank rate from 9.50% to 9.00%.

The RBI, in its Second Quarter Monetary Policy Review, on October 29, 2013, announced the following measures based on an assessment of the prevalent macroeconomic situation:

- a reduction in the Bank Rate from 9.00% to 8.75%;
- a reduction of the MSF from 9.00% to 8.75%;
- an increase in the policy repo rate under the LAF from 7.50% to 7.75%; and
- an increase in liquidity provided through term repos of 7-day and 14-day tenor from 0.25% of NDTL of the banking system to 0.5%.

The RBI, in its Mid Quarter Monetary Policy Review, on December 18, 2013, announced the following measures based on an assessment of the prevalent macroeconomic situation:

- to keep the policy repo rate under the LAF unchanged at 7.75%; and
- to keep the CRR of scheduled banks unchanged at 4.0% of net demand and time liability.

The RBI released a discussion paper on "Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalising Distressed Assets in the Economy" on December 17, 2013. The discussion paper outlines a corrective action plan that would incentivize early identification of problem cases, timely restructuring of accounts which are considered to be viable, and taking prompt steps by banks for recovery or sale of unviable accounts. The main proposals of the discussion paper are:

- early formation of a lenders' committee with timelines to agree to a plan for resolution;
- incentives for lenders to agree to a plan in a collective and timely manner - better regulatory treatment of stressed assets if a resolution plan is underway, accelerated provisioning if no agreement can be reached;
- improvement in current restructuring process: independent evaluation of large value restructurings mandated, with a focus on viable plans and a fair sharing of losses (and future possible upside) between promoters and creditors;
- more expensive future borrowing for borrowers who do not co-operate with lenders in resolution; and
- more liberal regulatory treatment of asset sales:

- lenders can spread loss on sale over two years provided loss is fully disclosed;
- takeout financing and refinancing possible over a longer period and will not be construed as restructuring;
- leveraged buyouts will be allowed for specialised entities for acquisition of 'stressed companies';
- steps to enable better functioning of asset reconstruction companies mooted; and
- sector-specific companies and private equity firms encouraged to play active role in stressed assets market.

BUSINESS

Overview

The Bank is India's largest bank, with 15,143 branches in India, 190 international offices in 35 countries and more than 256.4 million customer accounts as of September 30, 2013. The Bank is also the only bank listed in the Fortune 500. The Bank also had deposits, advances and a total assets base of ₹ 12,924.5 billion, ₹ 11,030.9 billion and ₹ 16,758.3 billion, respectively, as of September 30, 2013, and ₹ 11,336.4 billion, ₹ 9,269.2 billion and ₹ 14,400.6 billion, respectively, as of September 30, 2012, the largest by each measure among banking institutions in India. As of September 30, 2013 and 2012, the Bank's market share of aggregate domestic deposits was 16.8% and 16.4%, respectively, and the Bank's market share of domestic advances was 16.9% and 16.2%, respectively, among all RBI-scheduled commercial banks in India, based on RBI data dated September 20, 2013. The Bank organises 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 India's largest and most prominent corporations and institutions, including state-owned enterprises.

- *The Mid-Corporate Group* services entities with an annual turnover between approximately ₹ 500 million and ₹ 5 billion or which have credit facilities in excess of ₹ 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 overseas branches and subsidiaries, provides a range of international banking services to Indian and foreign companies with operations inside and outside India as well as NRIs conducting business in foreign markets and local populations.

- *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 range of products and services offered by the Bank includes advances and deposits (both retail and wholesale), foreign exchange and derivatives products, 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, credit cards, payment services and life 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 representing 74.2% and 73.7% of the consolidated Group's total assets as of September 30, 2013 and 2012, respectively, and 76.2% and 78.4% of its consolidated net profit for the six months ended September 30, 2013 and 2012, 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 have a domestic network of approximately 5,685 branches as of September 30, 2013, 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 September 30, 2013, the Group's consolidated deposits, advances and total assets were ₹ 17,314.1 billion, ₹ 14,548.0 billion and ₹ 22,596.9 billion, respectively. As of September 30, 2012, the Group's consolidated deposits, advances and total assets were ₹ 15,226.1 billion, ₹ 12,311.3 billion and ₹ 19,550.4 billion, respectively.

For the six month period ended September 30, 2013, the Group's consolidated net profit amounted to ₹ 73.7 billion, a decline of ₹ 20.8 billion, or 22.0%, from ₹ 94.5 billion for the six month period ended September 30, 2012.

As of September 30, 2013, the Bank's unconsolidated deposits, advances and total assets were ₹ 12,924.5 billion, ₹ 11,030.9 billion and ₹ 16,758.3 billion, respectively. As of September 30, 2012, the Bank's unconsolidated deposits, advances and total assets were ₹ 11,336.4 billion, ₹ 9,269.2 billion and ₹ 14,400.6 billion, respectively.

For the six month period ended September 30, 2013, the Bank's unconsolidated net profit amounted to ₹ 56.2 billion, a decline of ₹ 17.94 billion, or 24.2%, from ₹ 74.10 billion for the six month period ended September 30, 2012.

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 nationalised and the Bank was constituted with the RBI holding 92% of its share capital.

The Bank's original mandate based on the recommendation of All India Rural Credit Survey Committee of 1954 was to spread banking facilities on a large scale and make credit more readily available in India, especially in rural and semi-urban areas. In compliance with its mandate, the Bank expanded its network of 477 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 15,143 branches in India, 190 international offices in 35 countries and more than 256.4 million customer accounts as of September 30, 2013. Today, the Bank competes in all major banking sectors while still fulfilling its original mandate.

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

Under the SBI Act, the Government or government agencies are required to maintain majority ownership of the Bank. See "*Regulation and Supervision — The State Bank of India Act, 1955*". In fiscal year 1994, in compliance with regulatory reforms, the Bank completed a public offering. On January 2, 2014, the Government's shareholding increased to 62.9% as a result of a preferential allotment of equity shares for an aggregate amount of ₹ 20.0 billion including premium. The rest is held by institutions (including foreign institutions) and individual investors.

Competitive Strengths

The Bank believes the following to be its core competitive strengths:

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

The Government owns 62.9% of the Bank, which enables the Bank to enjoy certain support from the Government. On March 30, 2012 and March 20, 2013, the Government injected ₹ 79.0 billion and ₹ 30.0 billion, respectively, (including premium) into the Bank through preferential allotments of equity shares to increase the Bank's Tier I capital adequacy ratio and ensure sufficient capital to support credit growth. Recently, the Government injected ₹ 20.0 billion through preferential allotment of equity shares on January 2, 2014. The Bank believes its strong relationships with both the Government and state governments are key factors driving asset growth and providing a stable source of business. The Government generates significant business activity in the economy. For the six months ended September 30, 2013 and the years ended March 31, 2013 and 2012 the Government's business turnover was ₹ 14,372 billion, ₹ 28,621 billion and ₹ 25,369 billion, respectively. For the six months ended September 30, 2013 and the years ended March 31, 2013 and 2012, the Bank earned commissions from Government transactions of ₹ 8.5 billion, ₹ 17.8 billion and ₹ 20.1 billion, respectively, or 10.90%, 11.08% and 13.98%, respectively, of the Bank's other (non-interest) income. 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 September 30, 2013 and March 31, 2013 and 2012, 8.0%, 7.0% and 10.3%, respectively, of the Bank's loan portfolio consisted of loans to PSEs. The Bank believes that, as the Indian economy and financial markets continue to grow, the demand for the Bank's services from the Government, state governments and PSEs will also increase.

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 "*Industry Overview – 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 58 years of operations in India, the Bank believes that it is the country's best known banking brand. The Bank is India's largest bank, with 15,143 branches in India, 190 international offices in 35 countries and more than 256.4 million customer accounts as of September 30, 2013. The Bank also has the largest ATM network in India with 32,777 ATMs as of September 30, 2013. As of September 30, 2013, the Bank had deposits, advances and a total assets base of ₹ 12,924.4 billion, ₹ 11,030.90 billion and ₹ 16,758.3 billion, respectively, and of ₹ 11,336.4 billion, ₹ 9,269.2 billion and ₹ 14,400.6 billion, respectively, as of September 30, 2012, 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, 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 programme 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 ₹ 12,924.6 billion and ₹ 11,336.4 billion as of September 30, 2013 and September 30, 2012, respectively, representing a market share of 16.8% and 16.4%, 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 CASA deposits within its deposit mix, with the ratio of CASA deposits to its total domestic deposits as of September 30, 2011, 2012 and 2013 standing at 47.4%, 45.0% and 43.6%, respectively. For the six months ended September 2013, the Bank's average cost of domestic deposits was 6.32%, an increase of 2 basis points compared to six months ended September 2012.

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 modelling, 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 the Enterprise Risk Management Team, 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 and operational 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 adopted IT applications in areas such as domestic treasury, asset liability management, loan origination, cash management and financial reporting. It has also leveraged IT applications in its contact centre and its complaint management system. The Bank's 'Finacle Suite' integrates 145 branches in 25 countries into the Bank's Finacle core banking system.

The Bank has maintained adequate capital reserves in accordance with Basel II since March 31, 2008 and has also implemented Basel III 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 "*Continue to strengthen the Bank's risk management and internal control capabilities*".

Strong financial performance and stable capital position

The Bank, including its foreign offices, has been able to maintain strong financial performance, as reflected in its performance ratios, such as a net interest margin of 3.19% and 3.45% for the six months period ended September 30, 2013 and 2012, respectively. The Bank's financial strength 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 by 13.34% in September 2013 over September 2012. The Bank's capital position under Basel II regulations as measured by its unconsolidated overall and Tier I capital adequacy ratios was 12.92% and 9.49%, respectively, as of March 31, 2013 (which are higher than mandatory levels), allowing the Bank to take advantage of significant growth opportunities in the market. Under Basel III, the Bank's Tier I and overall capital adequacy ratios was 8.73% and 11.69%, respectively, as of September 30, 2013 (without accounting for the net income for six month ended September 30, 2013) and 9.32% and 12.51%, respectively, as of March 31, 2013.

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 plans to execute this strategy in the following ways:

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

The Bank intends to increase revenues generated from its banking business by expanding its distribution network, growing its customer base and diversifying its banking product mix. The Bank intends to use its strong financial position to take advantage of increasing growth opportunities within and outside of India, recruiting new employees, opening new branches and establishing new ATMs. The Bank plans to increase its efforts 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 aims 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 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. Further, the Bank has also implemented an automated compliance management system.

Utilise technology to enhance delivery of banking products and services

The Bank is committed to its ongoing effort to leverage new technology to maximise 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.

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. As a result, in the three months ended September 30, 2013, only ₹ 83.7 billion of loans were newly categorized as NPAs, compared to ₹ 137.7 billion in the three months ended June 30, 2013. In addition, the Bank has already put in place appropriate administrative structure 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 and request for proposals have also been rolled out for the same. The Bank plans to focus on investment grade corporates for incremental exposures. The Bank has begun to deploy specialized officials like law officers and officers with recovery skills wherever necessary as well as organize recovery camps at RUSU centres to enable quick cash recoveries in 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 organises 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*
- *The National Banking Group*
- *The Mid-Corporate Group*
- *The International Banking Group*
- *The Global Markets Group*

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 organised 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 prioritise 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 turnover exceeding ₹ 5.0 billion 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 March 31, 2011, 2012 and 2013, and September 30, 2013, the loan portfolio comprising large corporate loans was ₹ 1,087.7 billion, ₹ 1,252.9 billion, ₹ 1,758.3 billion and ₹ 1,987.7 billion, respectively.

The Corporate Banking Group endeavours to go beyond traditional lending products by exploring new growth areas such as cash management, offering centralised 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 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 ₹ 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 seven branches dedicated exclusively to Corporate Accounts group customers in Delhi, BKC-Mumbai, 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 maximise 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 authorisation controls required by corporate customers. Other delivery channels utilised 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 July 2010 have been linked to the Bank's publicly declared base rate. Non-fund-based products such as letters of credit, bank guarantees, deferred payment guarantees, remittance and collection services, online tax payment, cash management services and end-to-end payment solutions are some of the sources of fee-based income. As of September 30, 2013, total outstanding loans to customers of the Corporate Accounts group were ₹ 1,987.5 billion in respect of fund-based products and ₹ 1,887.1 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 computerised 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 to 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 term loan exposure of ₹ 500.0 million for proposals other than under area of PF cells; projects with project cost of above ₹ 15.0 billion for projects under area of PF cells and project cost above ₹ 5.0 billion for projects not in the area of PF cells. In the case of other infrastructure projects, the project cost/exposure level is as follows: project cost of above ₹ 5.0 billion for projects under areas of PF cells, and project cost of ₹ 2.0 billion for projects not in purview of PF cells. For commercial projects, the relevant threshold is a project cost of above ₹ 10.0 billion for projects under area of PF cells and a project cost above ₹ 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 ₹ 500.0 million and above, power projects with project cost ceiling up to ₹ 15.0 billion, commercial projects with project cost ceiling up to ₹ 10.0 billion and other infrastructure projects with project cost ceiling up to ₹ 5.0 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 large infrastructure projects, apart from appraisal, control is also maintained at this level. Once the project risk has passed, control of the project reverts to the originating Group.

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. The Bank's leasing portfolio amounts to ₹ 64.5 million as of September 30, 2013, and the Bank does not expect leasing to comprise a significant part of its activities in the future.

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 specialised branch catering to this segment. CMB is a settlement bank of 14 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.

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 Limited, 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 securitisation. By leveraging the experience of SBI Capital Markets Limited 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 1,219 branches at 722 centers throughout India, with pooling facilities at various branches, which are connected to the Bank's central clearing centre in Mumbai. This service aims to enhance liquidity, 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 centres on the same day that they are cleared at the collecting centres. SBI FAST also offers disbursement and payment services through a separate platform to facilitate payments and collections across the country at customers' payment centres and plant locations.

Detailed management information system 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 centres through automatically generated email. The Bank customises the management information system reports to customers' needs. Monthly reports are also sent to customers through automatically generated email. Full reconciliation support, meaning the automatic reconciliation of payments and receipts effected by the customer, is provided centrally from the Bank's hub in Mumbai by a dedicated team.

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 as well as paper products. In addition to effecting payments to Bank branches, electronic payments may be made by the Bank on behalf of its customers to other banks' branches across India. As of September 30, 2013, 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 favour 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*".

Funds Transfer and Settlement

The Bank offers RTGS and NEFT remittance 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 service. NEFT and RTGS continue to remain the most cost effective and efficient modes for remittance. The numbers of outward remittances through NEFT and RTGS have registered growth of 111.88% and 14.57%, respectively; during for the six month periods ended September 30, 2012 and 2013. The Bank has recently become market leader in NEFT, with a market share of 25.65% as of September 30, 2013, and continues to be the market leader in RTGS, with a market share of 12.66% as of September 30, 2013. NEFT remittances through the Bank's mobile banking service have increased in fiscal year 2013 by registering 477,022 successful transactions as compared to 207,533 successful transactions in fiscal year 2012.

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 14 administrative circles covering the Bank's branch network, 4 exchange bureaus, 70 satellite offices and 106 extension counters as of September 30, 2013.

Personal Banking

The Bank is the largest retail bank in India, with approximately 212 million retail accounts. The Bank also has the largest branch and ATM network in India, which, as of September 30, 2013, totalled 15,143 branches, of which 5,162 were in urban and metropolitan areas and 9,981 were in rural and semi-urban areas. The number of branches has grown significantly. The total number of branches as of March 31, 2011, 2012 and 2013 were 13,542, 14,097 and 14,816 respectively. The Bank's ATM network totalled 32,777 ATMs as of September 30, 2013, compared to a total of 20,084, 22,141 and 27,175 as of March 31, 2011, 2012 and 2013, 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 Loan, Automobile Finance Loans, Education Loans and Personal Loans, deposit products, such as demand deposits, term deposits and savings accounts. In addition, the Bank also provides services tailored to Non-resident Indians.

The Bank has made concerted effort to broaden its client base of salaried employees by offering customized special salary packages for employees of corporations, defence, paramilitary, railways, Central Government, state governments and police. These packages include asset and liability products with benefits and privileges, such as zero balance account, free personal accident insurance cover, free ATM cards, concession in interest rates and processing charges on "P" segment loans.

Deposit products offered to Personal Banking customers include savings, term deposits and hybrid accounts that combine features of savings and term deposit accounts. The total domestic deposit base of Personal Banking as of September 30, 2013 was approximately ₹ 7,538.3 billion, of which CASA constituted approximately 47.5% (₹ 3,578.7 billion).

The Bank's retail lending products include Home, Auto, Education and Personal Loans. The Bank's retail loan portfolio was equal to approximately 20.0% of the Bank's total advances as of September 30, 2013. According to RBI data, the Bank had approximately 23.1% market share of the Retail Auto Loan Market, and a market share of approximately 25.2% of the Education Loan market (as measured by amounts outstanding) among scheduled commercial banks as of September 30, 2013.

- *Home Loans*: In India, the Bank is the leading provider of loans with market share of 26%, in terms of aggregate amount outstanding during fiscal year 2013. As of March 31, 2013, and September 30, 2013, home loans constituted approximately 57.0% 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 Loan for fiscal years 2011, 2012, 2013 and as of September 30, 2013, were ₹ 899.1 billion, ₹ 1,027.4 billion, ₹ 1,194.7 billion and ₹ 1,300.3 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, 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 include the SBI Car Loan Scheme, NRI Car Loan Scheme, Used Car Loan Scheme, Certified Pre-owned Car Loan Scheme and Two-wheeler Scheme. The Retail Auto Loan portfolio contributes approximately 12.2% of the total Retail loan portfolio of the Bank as of September 30, 2013. The Bank has 23.1% market share and ranks number one in the Indian Car Loans market as of September 30, 2013, according to the September 2013 RBI report on Sectoral Deployment of Bank Credit. The Bank's Retail Auto Loans for fiscal years 2011, 2012 and 2013 and six months ended September 2012 and 2013 were ₹ 151.4 billion, ₹ 183.1 billion, ₹ 248.0 billion, ₹ 202.4 billion and ₹ 274.0 billion respectively.

- *Education Loans*: In India, the Bank is the largest provider of Education Loans among all scheduled commercial banks as of September 30, 2013, according to the RBI data. Education Loans include targeted products such as SBI Scholar Loans, which include loans to students securing admissions in 114 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 for Student Loan Scheme is ₹ 1 million for studies in India and ₹ 3 million for studies abroad. Under Scholar Loan Scheme, the maximum loan amount is up to ₹ 3 million. The Bank has also launched a SBI Loan Scheme for Vocational Education & Training in July 2012.

- *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, Loans against Deposits, the Rent Plus Scheme, Pension Loan, Loan against Properties, Loan against Government Securities, Loan against Capital Market Instruments and Gold Loan.

The following table sets out the total amounts outstanding of Education Loans and Auto Loans in the Bank's Personal Banking loan portfolio for the last four fiscal years:

	As of March 31,			**As of September 30,**
	2011	**2012**	**2013**	**2013**
			(₹ in billions)	
Home Loans..................	899.1	1,027.4	1,194.7	1,300.3
Education Loans	111.0	125.7	137.5	146.7
Auto Loans....................	151.4	183.1	248.0	274.0

Deposit products offered to Personal Banking customers include savings, checking, term deposits and hybrid accounts that combine features of savings and term deposit accounts.

The Bank offers Relationship Banking at select branches to extend personalized service to the high value customers. The Relationship Manager ensures that the banking requirements of the customers are carried out efficiently and smoothly.

NRI Banking Business

State Bank of India is a global Indian bank, with a presence across all time zones through 190 foreign offices in 35 countries. The Bank has 74 dedicated NRI Branches in India, Correspondent Banking relations with over 402 global banks and tie-up arrangements with 24 Exchange Houses and 4 Banks across the Middle East. NRIs can enjoy "anywhere – anytime" banking facilities.

The product suite for NRIs range from Bank Deposits, Loans and Remittances to Investments, Online Equity Trading, Portfolio Investment Schemes, Structured Products, Mutual Funds and Insurance. The Bank intends to leverage its strong relationships with the Indian diaspora in its NRI Banking business.

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 the country, with a total of 32,777 ATMs as of September 30, 2013. The Bank believes that ATMs are its most dynamic retail delivery channel today. The Bank had issued 123.9 million debit cards as of September 30, 2013. The Bank's customers can conduct a range of transactions at the Bank's ATMs across the country, including cash withdrawals, balance enquiries, mini-statements, fund transfer, utility payments, mobile recharge, payment of premium on SBI life insurance policies, SBI credit card account payments, temple donations, payment of fees for selected schools and colleges, mobile banking registration and mobile number registration for SMS alerts.

The Bank has created a single ATM network across the Group with a total of 38,815 ATMs installed and 152.91 million ATM cards issued by the Group as of September 30, 2013. On average, the Bank's ATMs transact more than 6.36 million transactions daily involving approximately ₹ 3,152.3 billion of cash withdrawals for the six month period ended September 30, 2013. For the Group, average daily transactions are more than 7.88 million transactions per day, with cash withdrawals of ₹ 20.9 billion per day.

Debit Cards

The Group continues to lead debit card issuance in India with over 123.9 million Debit Cards issued to customers as of September 30, 2013 with over 41% market share. The Group has recorded year to year growth of 51% in Debit Card spending over point of sale and e-Commerce. The Bank has been actively promoting Debit Card usage at Point of Sale and for e-Commerce transactions by running various strategic and tactical promotional campaigns. The Bank has launched "State Bank Business Debit Card" for its corporate customers in two variants, "Pride" and "Premium" during fiscal year 2012 and 2013. As of November 2013, more than 0.12 million Business Debit Cards have been issued. The Bank also launched "State Bank Virtual Card," a variant of the Debit Card during fiscal year 2012 and 2013 for its retail customers availing the Bank's Internet Banking facility. The card can be created by using the Internet Banking facility for performing secured e-commerce (online) transactions, without exposing the card and account information.

Merchant Acquiring Business

The Bank has established its merchant acquiring business to enable the bank to realise the credit and debit card market's significant potential and had deployed 104,615 POS terminals as of September 30, 2013. 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, Prizm Payment Services Private Limited. and ATOS Worldline (India) Private Limited, to expand its merchant acquiring business, which facilitates payment through cards at retail outlets. The number of terminals installed has increased from 5,076 in March 2011 to 10,673 in March 2012 to 65,514 in March 2013 and to 104,615 by September 30, 2013. The number of transactions has increased from 262,435 for fiscal year 2011 to over 1.0 million for fiscal year 2012 and over 9.0 million for fiscal year 2013 and over 10.9 million for the six month period ended September 30, 2013. The volume of transactions increased from ₹ 695.4 million for fiscal year 2011 to approximately ₹ 2,053.0 million for fiscal year 2012 to approximately ₹ 24,855.0 million for fiscal year 2013 and to ₹ 31,573.3 million for the six month period ended September 30, 2013. Revenue from the Bank's merchant acquiring business increased 296% year on year to ₹ 331.5 million in fiscal year 2013. The Bank's market share in terms of the number of its POS terminals increased by over 250 basis points for the six month period ended August 2013. The Bank intends to deploy an additional 300,000 terminals over the next three years.

Prepaid Cards

The Bank's range of prepaid cards include general purpose Rupee prepaid cards like gift cards, eZ-pay cards, Xpress money cards, smart payout cards, achiever cards and foreign travel cards catering to the various payment needs of customers.

State Bank Foreign Travel Card ("**SBFTC**") is a prepaid foreign currency card issued in association with VISA designed to make foreign travel safe, secure, trouble-free and convenient. The card is a chip-based EMV compliant card which stores encrypted and confidential information and offers a convenient and secure way to carry cash anywhere in the world (it is valid worldwide except in India, Nepal and Bhutan). It is available in eight currencies, namely; US Dollar (USD), Great Britain Pound (GBP), Euro, Canadian Dollar (CAD), Australian Dollar (AUD), Japanese Yan (JPY), Saudi Riyal (SAR) and Singapore Dollar (SGD). Corporate variants of State Bank Foreign Travel Cards have been introduced to cater to the needs of Corporates. Sales during fiscal year 2012 and 2013 and up to November 2013 amounted to U.S.$ 64.3 million and U.S.$ 45.4 million, respectively.

eZ-Pay Cards is a Rupee-denominated prepaid card issued in association with VISA designed to facilitate periodic payments. This card is primarily used by Government departments for disbursements under social benefits schemes of state and Central Governments as well as by corporate entities for making payment of salaries, thus reaching millions of households. Sales during fiscal year 2012 and 2013 and up to November 2013 amounted to ₹ 9.3 billion and ₹ 5.6 billion, respectively. Co-branded Prepaid Cards for various zones of Indian Railways and Federation of Freight

Forwarders' Association in Indian ("**FFFAI**") were also launched during fiscal year 2012 and 2013.

State Bank Xpress Money Card, a co-branded prepaid Card launched during fiscal year 2013 with UAE Exchange & Financial Services Ltd, an agent of UAE Exchange Centre LLC, Abu Dhabi provides for the loading of inward remittances received under Money Transfer Service Scheme ("**MTSS**") of RBI.

State Bank Smart Payout Card, a variant of the Prepaid Card with a loadable and reloadable limit of ₹ 10,000 and a monthly ceiling of ₹ 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 blue collar workers of listed and non-listed corporates and companies not having the proper KYC documents for their wage, salary, and incentive payments.

State Bank Gift Cards is a prepaid card issued in association with VISA which corporate customers give as gifts to clients and employees and retail customers give as gifts to friends and family. Sales registered during fiscal year 2013 amounted to ₹ 774.4 million.

State Bank Achiever Card, a re-loadable corporate incentive Card with a validity of 10 years for the disbursement of incentives and awards was also launched during fiscal year 2013.

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 focuses on developing innovative and effective modes of delivering banking services to the customers predominantly located in rural and semi urban centres. The Rural Business Group is subdivided into two business units: Rural Business (Outreach) and Agri Business.

Rural Business (Outreach)

The Bank views rural banking as a driver of future growth. The Bank has been involved in extending banking facilities to rural areas of the country before it became mandatory for banks to do so in India. The Bank is also an active participant in financial inclusion programs. The Bank has exclusive facilities to pursue activities in this area and has always given priority to rural banking as this was viewed as a business opportunity apart from an obligation. The Bank has expanded its network in the rural and semi urban areas of India by opening a number of branches in these areas. The number of the Bank's branches in rural areas increased from 5,138 in fiscal year 2011 to 5,382 and 5,686 in fiscal year 2012 and 2013, respectively. As a result of this expansion, the Bank has introduced banking services to numerous villages that were previously unbanked. As of March 31, 2011, 2012 and 2013 and September 30, 2013, the Bank provided banking services to 6,599, 12,931, 20,531 and 27,959 villages that were unbanked.

The Bank has some 15,143 branches across the country and of these as much as 5,759 are in rural areas, which is 38% of the total number of branches, with 4,222 or 28% of the branches located in semi-urban areas. The Bank also has pan-India presence; functioning as lead bank in 11 states and 1 Union Territory of India, including in difficult regions of the country such as the North Eastern states, Andaman and Nicobar.

Rural Banking requires an innovative approach in respect of delivery of services in remote areas to a population with significant illiteracy rates, and which involves a large number of small-value transactions. To cater to customer needs, the Bank has developed alternative delivery channels for banking services and products through Business Correspondents ("**BCs**") model. As of September 30, 2013, the Bank has engaged more than 38,000 customer service points of BCs.

Rural Banking offers a particular challenge due to the low margin transactions that typically occur at rural branches. The Bank seeks to overcome this challenge through IT based initiatives targeted specifically at the rural customer. The Bank is using four technologies for its BCs channel, these include: Kiosk Banking (Internet based), Mobile Rural Banking Solution, Card based technology and Cell phone messaging technology. The BCs constitute a huge support structure for the bank in its financial inclusion efforts and have grown significantly in the past several years. In fiscal years 2011, 2012 and 2013 and the six months ended September 30, 2013, the BCs channel has made ₹ 21 billion, ₹ 54 billion, ₹ 130 billion and ₹ 101 billion of transactions, respectively. The number of accounts serviced through the BCs channels has also grown: with approximately, 6 million, 9 million, 16 million and 24 million accounts being serviced in the fiscal years 2011, 2012 and 2013 and the six months ended September 30, 2013, respectively. The number of BCs outlets servicing these accounts were 20,763, 29,866, 38,480 and 38,018 as of March 31, 2011, 2012 and 2013 and September 30, 2013, respectively.

In January 2013, the Bank introduced a financial inclusion debit card. It has issued over 1.48 million cards since introduction. This helped develop the RuPay electronic payment platform in rural areas.

The Bank's thrust is to provide basic banking products and services like savings and loans, remittances and cash-in and cash-out products, to the rural population while at the same time promoting financial literacy. All products offered through the BCs channel are technology enabled. Savings bank, RD, remittance and SB-OD facilities are the products offered through the BCs channel.

The Bank has moved beyond traditional banking to support grass-roots initiatives to encourage access to finance for the poorest of the rural population. Micro finance, including financing to Self Help Groups ("**SHGs**"), has significantly contributed to the credit growth and improvement in the standard of living in rural areas.

SHGs groups, comprising approximately 10 to 20 members, serve as the basis for establishing group dynamics and a culture of savings within the community. The SHGs, by the nature of their activities, promote social capital and entrepreneurship at the micro level. The Bank lends to the SHGs whom then on lend to their members. The Bank is market leader in SHG financing with a credit deployment of ₹ 54 billion to 0.54 million SHGs as of September 30, 2013.

Agri Business

Since its inception, the Bank has played and continues to play an important role in the development of Indian agriculture. The Bank had 436 agricultural development branches as of September 30, 2013. These are specialised 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 mechanisation, 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 customised products to their clients. The Bank has also developed IT-driven products for Kisan Credit Card ("**KCC**") to allow continuous interaction with customers in the farming community. Initiatives aimed at strengthening ties with the farming community include attending farmers' meetings and events as well as a village adoption program, whereby each branch adopts one to five villages in order to build banking relationships there and to support integrated development of the village.

As in its other lending operations, the Bank uses a scoring model for credit assessment of borrowers under several of its programs. The Bank has taken various steps 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, organisation of special recovery and counselling camps in all agri-business intensive branches, wide publicity of additional incentives from the Government (3% interest subversion) on timely basis, recognising 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 organised 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 Lok Adalats is deemed to be the decree of a civil court and is final and binding on all parties with no right of appeal.

Small and Medium-Sized Enterprises

The SME Business Group focuses on servicing the specific credit needs of small- and medium-sized enterprises defined by the Micro, Small and Medium Enterprises Development Act, 2006. The SME Business Group had a loan portfolio of approximately ₹ 1,578.9 billion as of September 30, 2013, equal to approximately 13.9% of the Bank's total advances as of such date and including some indirect financing of the agricultural sector and allied activities. As of March 31, 2011, 2012 and 2013, the SME Business Group had loan portfolios of ₹ 1,196.8 billion, ₹ 1,456.6 billion and ₹ 1,730.2 billion, respectively.

The Bank is the pioneer and market leader in financing SMEs, with approximately 600 SME-intensive branches serving more than 1.3 million accounts 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 customisation in products is rarely needed. However, the Bank has provided relationship managers and customer relation executives to high-end SMEs, which generally require more specialised attention. The relationship managers provide personalised services to medium enterprises (566 RMMEs) and small enterprises (274 RMSe) as well. The Bank has focused on developing approximately 600 SME-intensive branches into dedicated platforms for SME lending. Relationship managers and SME clusters have been mapped to these branches for accelerated growth. As regards to SME deposits, the Bank no longer provides higher interest rates to attract bulk deposits. A standard rate is now provided to all deposits to lower the cost of deposits.

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 ₹ 0.1 million, to meet any kind of credit requirement including purchase of shop or furniture; (ii) *open term loan* which is a pre-sanction term loan facility for both manufacturing and service sector enterprises up to ₹ 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 millers 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 schools for all purposes i.e. 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) *fleet finance scheme* to provide loans for purchase of new transport vehicles aimed at the surface transport operators; (ix) *asset backed loans* to provide loans against property; and (x) *stree shakti scheme* which is a scheme for women entrepreneurs with margin concession.

The Bank currently has approximately 600 specialised 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 on a scoring model system to simplify the approval process for loans up to ₹ 5 million for manufacturing units and ₹ 2.5 million for trade and services. The Bank has also developed industry, activity, and cluster specific scoring models. As part of its business process review policy, the Bank has centralised credit processing for SMEs, which has enabled the Bank to offer greater uniformity in appraisals, quicker processing and better risk management. The Bank has entered into tie up arrangements with various industry majors for dealer financing on more favourable terms.

In addition to traditional lending products, the Bank seeks to extend its reach to the supply chain partners of large corporations through supply chain financing, including the financing of selected vendors and dealers of the Bank's corporate clients. This IT-based product provides an important cross-selling opportunity, linking customers of the Corporate Banking Group, as industry majors, and suppliers or vendors of various sizes that comprise the customer base of the SME Group.

Government Banking

The Bank handles government transactions as an agent of the RBI on behalf of the Government and various state governments. For the six month period ended September 30, 2013, the Bank was able to retain its position as the market leader in this business segment with a market share of approximately 58.0% in terms of handling Government payments and receipts. 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, defence 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 with annual turnover between approximately ₹ 0.5 billion and ₹ 5.0 billion and/or which have been provided credit facilities in excess of ₹ 100 million by the Bank. The Mid-Corporate Group had a loan portfolio of ₹ 2,197.7 billion as of September 30, 2013, equal to approximately 23.1% of the Bank's total domestic advances as of such date. As of March 31, 2011, 2012 and 2013, the Mid-Corporate Group had a loan portfolio of ₹ 1,575.7 billion, ₹ 1,708.0 billion and ₹ 1,999.5 billion, respectively. The strengths of the Mid-Corporate Group are:

- special attention provided to the overall banking requirements of Mid-Corporate clients through AMTs;
- customised solutions to meet financial requirements of Mid-Corporate clients;
- a network of 62 branches covering major industrial and business centres in India; and
- executives well versed in credit, foreign exchange and trade finance.

Mid-sized corporate customers have been and continue to be the growth drivers of India's economic development. The Bank believes that this market segment encompasses more than 10,000 entities, many of which are listed on domestic stock exchanges. A high concentration of these customers is in about 50 urban centres, and they are served by the Bank's extensive branch network at these centres. In addition, the Mid-Corporate Group serves this segment in 36 Metropolitan and Urban centres through 62 dedicated branch outfits – housing specialised AMTs ranging from 2 to 10 such teams in each of the Mid Corporate branches. Relationship Managers leading the AMTs provide a single point of contact for all Mid-Corporate customers.

Relationship Managers are assigned to all Mid-Corporate customers. A typical Relationship Manager handles approximately 15 to 20 Mid-Corporate customers and is the customer's central contact point in the Bank. 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 familiarising customers with the various products and services offered by the Bank. Relationship Managers focus on offering all the products among various verticals within the Bank (e.g. Cash Management Products, Interest Rate and Currency Hedging Products, Custodial Services and Retail Products.) besides marketing Mutual Fund & Insurance products of the Bank's subsidiaries.

The Mid-Corporate Group is active in areas such as consortium/multiple banking for working capital advances, project finance and term loans to investment grade customers; including stand-alone term lending to well rated customers. The Group also offers non-fund based products such as letters of credit and bank guarantees, by offering market-related pricing to high-volume/high-income and well rated accounts. Customers of the Mid-Corporate Group can also be industry majors, vendors or dealers. 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.

The Group leverages account planning exercises undertaken by AMTs, for increasing business and wallet share, while simultaneously focusing on quality of assets, containment of NPAs and regular evaluation of the pricing granted to customers on the various products offered.

International Banking Group

As of September 30, 2013, the Bank had a network of 190 overseas offices in 35 countries covering all major time zones. Among other locations, it is present in New York, London, Frankfurt, Singapore, Hong Kong, Shanghai and the Maldives. It maintains correspondent relationships with 402 leading banks in 110 countries. The Bank also has 1,765 Relationship Management Application arrangements through the SWIFT network, facilitating interbank financial telecommunications. The International Banking Group's loan portfolio was equal to approximately 16.60% of the Bank's total advances as of September 30, 2013.

The Bank's international strategy is focused on India-linked opportunities, and the Bank also intends to expand its banking operations to serve local clients in its host countries. The international product portfolio of the Bank includes corporate lending, loan syndications, letters of credit and guarantees, working capital finance, project export finance, 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, as well as NRIs conducting business in foreign markets. The International Banking Group also seeks to service individual customers outside India through the Bank's branches and subsidiaries.

The Bank has recently executed 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 NRI and non-Indian customers, with new offices planned in countries such as Bahrain, Bangladesh, China, Italy, South Korea and the United Kingdom. The Bank also plans to expand operations in Africa through its seventh foreign subsidiary in Botswana. In Brazil and Myanmar, the Bank plans to establish its presence through representative offices. The thrust is on improving the retail business in the United States, United Kingdom, Canada, Singapore, South Africa, Mauritius, Hong Kong, Nepal, Bangladesh, Indonesia, Sri Lanka, Maldives, Bahrain, Saudi Arabia and Oman.

As part of the centralisation 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 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 Indian joint ventures or the wholly owned subsidiaries of Indian corporations which have acquired companies or set up new projects outside India. The Bank's foreign offices have also achieved significant growth in the area of trade finance as the import and export trade of India has increased. The Bank periodically revises its investment policy for foreign offices in line with international market practice and available products, emphasising investments in the fixed income products of sovereign, banking and corporate issuers.

The Bank earns service fees from providing management expertise to two exchange companies in the Middle East, which also focus on mobilising deposits and opening new NRI accounts for the Bank. Given the opportunities arising from the substantial Indian population in the region, the Bank also has arrangements with 27 exchange companies and five banks in the Middle East to facilitate NRI and other customer remittances to India.

The Bank's emphasis on technology is an integral part of its international banking operations. A common banking application software, specific to the requirements of the Bank's international branches and subsidiaries, has been implemented at 153 foreign offices in 25 countries, including 89 offices under five subsidiaries. The Bank's internet banking facility is available at all these foreign offices, and the Bank also has ATM facilities in 14 countries, out of which 11 countries are connected to the ATM switch at CBD Belapur in Navi Mumbai, and the remaining offices to their local switches for ATM operations. Customers at foreign offices now benefit from the instant remittance facility for credits to accounts maintained in Indian offices through centralised SWIFT operations. Remittances to accounts in other banks are routed through the National Electronic Funds Transfer scheme of the RBI. AML/OFAC monitoring is done at all foreign offices with advanced tools.

Global Link Services

GLS collected proceeds from 41,071 export bills up to the six month period ended September 30, 2013 and 104,262 bills for the year ended March, 2013. The export bills were denominated in U.S. Dollars as well as Euros. Along similar lines, GLS also collected proceeds from 30,959 for the half year ended September 30, 2013 and 74,566 multi-denomination foreign currency cheques for fiscal year 2013. The Bank received inward remittances from various centers in the Middle East, United Kingdom, United States and Canada. Up to September 30, 2013, four million remittances worth USD 3.6 billion were received by the Bank. In fiscal year 2013 seven million inward remittances were handled by the Bank, bringing in an amount of USD7.27 billion.

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 with contract values up to USD100 million, and act as a sponsor for its customers in respect of projects exceeding USD100 million, which need to be approved by a working group headed by the Export-Import Bank of India and co-chaired by the Government's financial departments. 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 six month period ended September 30, 2013.

		As of and for the year six month period ended September 30, 2013			
Name	**Date of Establishment**	**Bank's Shareholding**	**Net Profit**	**Total Owned Funds**	**Total Assets**
		(%)		**(₹ in million)**	
Foreign Subsidiaries					
SBI (Canada)[(1)]	May 5, 1982	100.0	(42)	7,608	37,800
SBI (California)[(1)]	Sept. 3, 1982	100.0	15	7,663	46,716
SBI (Mauritius) Ltd[(1)]	Oct. 12, 1989	93.4	450	9,998	65,490
PT Bank SBI Indonesia[(1)]	Oct. 24, 1970	99.0	73	1,240	15,321
Nepal SBI Bank Ltd. [(1) (2)]	July 7, 1993	55.23	287	2,638	38,377
Foreign Joint Ventures					
Bank of Bhutan...............................	May 28, 1968	20.0	202	3,755	29,712
Commercial Indo Bank LLC, (formerly known as Commercial Bank of India LLC) [(1)]	Dec. 5, 2003	60.0	136	3,051	6,632

Notes:

(1) Foreign currency translations of Rupee amounts have been made using following approximations of market exchange rates effective as of September 30, 2013: Canada CAD = ₹ 60.7250; United States USD = ₹ 62.605; Mauritius MUR = ₹ 2.06; Indonesia IDR = ₹ 0.0054; Nepal NPR = ₹ 0.6281; and Russia RUB = ₹ 1.9325.

(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 of maximising efficiency and return on capital. The Bank also seeks to optimise profits from its trading portfolio by taking advantage of market opportunities. The Bank's trading portfolio includes its regulatory portfolio, as there is no restriction on active management of the regulatory portfolio.

Under the RBI's SLR requirement for Indian banks, the Bank is required to maintain 23.0% of its net demand and time liabilities by way of approved securities, such as Government securities (including state government securities). The Bank maintains its SLR through a portfolio of Government securities that it actively manages to optimise yield and benefit from price movements.

The RBI may prescribe the CRR, or the required percentage of net demand and time liabilities that banks must hold by way of cash balances with RBI, for scheduled commercial banks without any floor or ceiling rate. The RBI decreased the CRR from 6.00% effective April 24, 2010 to 5.50% effective January 28, 2012, to 4.75% effective March 10, 2012 and further to 4.00% effective February 9, 2013 in order to increase liquidity. In view of Section 3 of the RBI (Amendment) Act, 2006 which came into force on April 1, 2007, the RBI does not pay any interest on CRR balances.

Due to these regulatory reserve requirements, a substantial portion of the Bank's trading and securities portfolio consists of Government securities. As of September 30, 2013, Government securities constituted 53% of the Bank's total trading and AFS securities portfolio, while the remainder included corporate debt securities and equity securities. The Bank had outstanding Government securities worth ₹ 472.7 billion under the AFS and HFT categories as of September 30, 2013.

The Global Markets Group engages in domestic and foreign exchange operations from its main office in Mumbai. As part of its treasury activities, the Bank also maintains a proprietary trading portfolio in domestic debt and equity securities and in foreign currency assets. The Bank's investment and market risk policies are approved by the Central Board. The Bank's trading activities include qualified institutional placements, initial public offerings, mutual funds and private placements in the secondary market and are supported by the Bank's own equity research activity.

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 and Corporate Accounts Group. The hedging products include permitted derivative structures such as foreign exchange forward contracts, options, and currency and interest rate swaps.

The Global Markets Group is focusing on increasing marketing of treasury services to the Bank's customers. Its Treasury Marketing Group 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 customised 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 ₹ 2,380 billion that include some of India's largest superannuation funds, a type of retirement benefit scheme, and the funds of 18 regional rural banks ("**RRBs**") required for SLR requirements. The Global Markets Group also holds a license from SEBI to offer custodial services alongside the Bank's portfolio management services to institutional customers.

Stressed Assets Management Group

The SAMG headed by a Deputy Managing Director & Group Executive, supported by two chief general managers and 5 general managers, focuses on the timely resolution of NPAs migrated by other verticals. The Bank's Credit Policy and Procedures Committee formulate NPA policy, while the SAMG handles the NPAs in accordance with such policies. The group has 425 employees and operates from 16 branches throughout India exclusively dedicated to the recovery or rehabilitation of NPAs migrated from other business groups within the Bank. The 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 by a one-time settlement with the borrower. Some of the other strategies adopted by the Bank for resolving NPA issues are restructuring of assets, corporate debt restructuring, organising recovery camps, initiating legal action before the DRT/court, initiating action under the SARFAESI Act, sale of NPAs to asset reconstruction companies, reporting defaulting borrower as wilful defaulters to credit information companies, etc.

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 India (Subsidiary Banks), Act, 1959 created the banks now named State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore (together, the "**Associate Banks**"). Originally independent regional banks, the Associate Banks are now wholly- or majority-owned subsidiaries of the Bank. The Associate Banks have a total of 5,685 branches as of September 30, 2013 located in various regions in India and, collectively, the Associate Banks accounted for ₹ 5,184.97 billion, ₹ 5,045.6 billion and ₹ 4,349.5 billion in aggregate assets as of September 30, 2013 and March 31, 2013 and 2012, respectively, representing 22.9%, 23.7% and 23.8%, respectively, of the Group's total consolidated assets.

The Bank acquired one of its previous Associate Banks, the State Bank of Indore, with effect from August 26, 2010. SBICI Bank Ltd., a wholly-owned banking subsidiary of the Bank established in Mumbai on October 7, 1993, was merged into the Bank with effect from July 29, 2011 pursuant to a Government notification. SBICI Bank Ltd. has not been considered an Associate Bank since July 28, 2011.

The Associate Banks generally offer the same products and services as that offered by the Bank, though they are allowed the freedom to initiate their own product lines where they deem it necessary to meet the specific demands of their clients. The Bank's five Associate Banks together had an estimated market share of 5.81% in deposits and 6.04% in advances of all scheduled banks as of September 30, 2013, and an estimated market share of 6.1% in deposits and 6.2% in advances of all scheduled banks as of March 31, 2013, calculated based on RBI data. The Bank agrees to a budget and a business plan with each Associate Bank annually. The Bank exercises strategic control over each Associate Bank through the respective boards of directors.

During the six month period ended September 30, 2013, the Associate Banks together recorded a growth in deposits and advances of 13.22% and 17.17%, respectively, over the same period in 2012. During fiscal year 2013, the Associate Banks together recorded a growth in deposits and advances of 15.5% and 17.7%, respectively, over the previous fiscal year, as compared to a growth in deposits and advances during fiscal year 2012 of 16.0% and 20.3%, respectively, over the previous fiscal year, and as compared to a growth during fiscal year 2011 of 14.2% and 17.5%, respectively, over the previous fiscal year. The Associate Banks together reported net profit of ₹ 12.54 billion during the six month period ended September 30, 2013, a decrease of 28.34% from the same period in 2012. The Associate Banks together reported net profit of ₹ 36.8 billion during fiscal year 2013, an increase of 1.7% from fiscal year 2012. Together, they reported net profit of ₹ 36.2 billion during fiscal year 2012, an increase of 0.8% from a net profit for fiscal year 2011 of ₹ 35.9 billion.

Gross NPAs of the Associate Banks as a percentage of gross advances increased from 2.1% as of March 31, 2011 to 3.0% as of March 31, 2012, to 3.4% as of March 31, 2013 and to 4.69% as of September 30, 2013. Net NPAs as a percentage of net advances increased from 1.0% as of March 31, 2011 to 1.6% as of March 31, 2012, to 1.8% as of March 31, 2013 and to 2.76% as of September 30, 2013. Net NPA is defined as gross NPA (which is the aggregate of all NPAs) less provisions.

Although there are no inter-company loans, there are customary inter-bank drawing and deposit arrangements and short-term inter-bank lending transactions between the Bank and the Associate Banks. During fiscal year 2012, the Bank made an aggregate equity infusion of ₹ 5.9 billion in the Associate Banks. The Bank did not make any equity infusion in the Associate Banks during fiscal year 2013 or the six month period ended September 30, 2013.

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 the same accounting policies and are administered by senior level management appointed by the Bank.

The following table sets out the Bank's shareholding and certain financial information of the Associate Banks:

	As of and for the 6 months ended September 30, 2013				
Name of the Bank	**Bank's Ownership**	**Deposits**	**Advances**	**Operating Profit**	**Net Profit**
	(%)			**(₹ in millions)**	
State Bank of Bikaner and Jaipur	75.1	685,810	597,191	7,797	3,421
State Bank of Hyderabad	100.0	1,209,148	965,441	12,562	4,566
State Bank of Mysore	92.3	570,199	461,746	5,190	823
State Bank of Patiala	100.0	908,716	745,859	6,981	1,316
State Bank of Travancore	75.0	908,595	685,522	7,293	2,410

The following table sets out certain performance highlights of the Associate Banks:

	As of and for 6 months ended September 30, 2013			
Name of the Bank	**Return on Average Assets**	**Return on Equity**	**Net NPA**	**CRAR(1)**
	(percentages, all figures annualised)			
State Bank of Bikaner and Jaipur	0.83	13.57	2.47	11.22
State Bank of Hyderabad	0.65	11.97	2.50	11.34
State Bank of Mysore	0.25	4.21	3.69	10.96
State Bank of Patiala	0.25	4.81	3.41	9.58
State Bank of Travancore	0.46	11.75	2.07	10.13

Note:

(1) CRAR, which indicates the ratio of capital employed to the risk weighted assets of the Bank and is computed in accordance with RBI guidelines on Basel III.

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 September 30, 2013 and March 31, 2013, such non-bank subsidiaries and joint ventures accounted for ₹ 666.8 billion and ₹ 655.9 billion, respectively, in 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.

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 Placement Document.

		As of and for the half year ended September 30, 2013			
Non-Banking Subsidiaries	**Business**	**Bank's Ownership(1)**	**Investment**	**Assets**	**Net Profit/ (Loss)**
		(%)		**(₹ in millions)**	
SBI Capital Markets Ltd	Finance syndication; debt and equity; project structuring and due diligence; mergers and acquisitions; advisory; infrastructure project advisory; securitisation	100.0	580	10,628	1,228
SBICAPS Securities Ltd.(2)	Stock brokering	100.0	n/a	1,335	4
SBICAPS Ventures Ltd.(2)	Venture capital	100.0	n/a	53	(3)

SBICAP Trustee Co. Ltd.[2]	Trustee company	100.0	n/a	291	41
SBICAP (UK) Ltd. [2]	Financial services and advisory	100.0	n/a	251	(11)
SBICAP (Singapore) Ltd. [2]	Financial services and advisory	100.0	n/a	48	(91)
SBI Funds Management (International) Pvt. Ltd.[3]	Asset management	63.0	315	4,699	752
SBI Funds (International) Ltd.[4]	Managing off-shore funds	100.0	n/a	109	13
SBI Life Insurance Co. Ltd	Life insurance	74.0	7,400	542,989	4,317
SBI DFHI Ltd	Primary dealer trading in Government securities, trustee services	63.78	2,182	34,456	227
SBI Cards & Payment Services Pvt. Ltd	Credit cards	60.0	4,710	42,897	1434
SBI Pension Funds Pvt. Ltd	Pension funds	60.0	180	309	11
SBI Global Factors Ltd	Factoring (domestic and international) services	86.2	1,380	11,313	(275)
SBI-SG Global Securities Pvt. Ltd.[3][5]	Custody fund accounting services	65.0	520	742	(33)
SBI Payment Services	Services to merchant acquiring	100.00	20	12.5	(0.6)
SBI General Insurance Company Ltd.[3][5]	General insurance	74.0	1,100	16,560	(417)
SBI Mutual Fund Trustee Co. Pvt. Ltd	Trustee company	100.0	1	192	13

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 SBI's holding in these companies 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 was established in 2000 as a joint venture with Cardif SA ("**Cardif**"), a French subsidiary of BNP Paribas, which holds a 26.0% stake. Subsequently Cardif was absorbed by BNP Paribas Assurance which is also a wholly-owned subsidiary of BNP Paribas. During fiscal years 2013 and 2012, SBI Life underwrote 0.89 million and 0.88 million insurance policies, respectively. According to IRDA data, as of March 31, 2013, SBI Life was ranked first amongst private life insurers in India in terms of new premiums mobilised, with a market share of 16.9%. As of March 31, 2013, SBI Life's total market share in terms of new business annual premium equivalent was 12.6%. It recorded a profit after tax of ₹ 6.2 billion for the year ended March 31, 2013 as against ₹ 5.6 billion for the year ended March 31, 2012 recording year-on-year growth of 11.9%.

In terms of industry trends, first year retail insurance premiums underwritten in the life insurance sector decreased by 1.9% (on a weighted received premium basis) to ₹ 470.2 billion in fiscal year 2013 from ₹ 479.4 billion in fiscal year 2012 and decreased by 4.8% (on a weighted received premium basis) in fiscal year 2012 from ₹ 503.7 billion in fiscal year 2011. However, the gross insurance premiums of the non-life insurance sector (excluding specialised insurance institutions) grew by 18.8% to ₹ 690.8 billion in fiscal year 2013 from ₹ 583.4 billion in fiscal year 2012.

SBI Life had gross written premium income of ₹ 104.5 billion for fiscal year 2013, an increase of 20.4% compared to ₹ 131.3 billion for fiscal year 2012. Assets under management by SBI Life as of March 31, 2013 stood at ₹ 519.1 billion, an increase of 11.5% compared to ₹ 465.8 billion as of March 31, 2012. SBI Life has been rated "AAA/Stable" by CRISIL (an Indian affiliate of S&P) for financial strength towards meeting policyholder obligations and "iAAA" by ICRA for highest claims paying ability and fundamentally strong position.

SBI Life has an innovative approach to the distribution of insurance products. SBI Life's products are distributed through bank branches as the primary distribution channel, and SBI Life has utilised the Bank's name, reputation and customer base to increase the sales of its life insurance products. This strategy leverages the combined strengths of the Group's extensive branch network and BNP Paribas's expertise in offering insurance products through banks, or "bancassurance" ("**Bancassurance**"). For the three-month period ended March 31, 2013, approximately 34.2% of SBI Life's gross written premiums were sourced through Bancassurance.

As a secondary distribution channel, SBI Life works with over 94,000 licensed advisors, as of March 31, 2013, who sell through SBI Life branches. As of March 31, 2013, licensed advisors work through a total of 758 offices, of which 44 are new branches opened during fiscal year 2013. Such agency channels contribute approximately 41.3% of SBI Life's gross written premium.

SBI Life also sells to corporate customers, which accounted for approximately 21.1% of SBI Life's insurance premiums for fiscal year 2013.

General Insurance

The Bank entered into a joint venture agreement with Insurance Australia Group Limited in 2008 to establish SBI General Insurance Company Limited, which began operations in fiscal year 2011. The Bank owns a 74.0% stake in the joint venture. The Bank's strategy is to leverage its strong Bancassurance channels to offer clients new general insurance products that will compliment SBI Life's existing life insurance product portfolio. Further, SBI General was ranked third in personal accident insurance as of September 30, 2013. The Bank has entered into a corporate agency agreement with SBI General, under which the Bank will be distributing the products of SBI General through its branch network. The company recorded a net loss of ₹ 1.5 billion during fiscal year 2013, compared to a net loss of ₹ 1.0 billion during fiscal year 2012.

Credit Cards

SBI Cards & Payment Services Private Limited, ("**SBICPSL**") is a joint venture between the Bank and GE Capital Corporation, wherein the Bank holds 60% stake. SBICPSL posted a net profit of ₹ 1,430.0 million for the half year ended September 30, 2013. Further, the net profit of SBICPSL was ₹ 1,363.0 million for the year ended March 31, 2013 as against ₹ 379.0 million during the year ended March 31, 2012, representing a year-on-year growth of 259.6%. In terms of number of cards, SBICPSL's market share increased from 12.4% for fiscal year ended 2012 to 13.3% for fiscal year ended 2013.

Asset Management Services

SBI Funds Management (P) Ltd. ("**SBIFMPL**"), the Asset Management Company of SBI Mutual Fund is a joint venture with Amundi, the sixth largest Fund House in terms of average assets under management and a leading player in the market with over 5 million investors. SBI Mutual Funds celebrated 25 Years of Investment Management in fiscal year 2013.

Specialised Financial Services

The Bank believes SBI Global Factors Limited. to be one of the leading factorial companies in India. Presently the Bank holds an 86.2% stake in SBI Global Factors Limited. The company registered a profit of ₹ 0.04 billion during fiscal year 2013 as compared to a loss of ₹ 0.7 billion during fiscal year 2012.

Custodial Services

The Bank signed a joint venture agreement with Société Générale on June 5, 2008 for the creation of SBI Custodial Services Private Limited. The company has since been renamed to SBI-SG Global Securities Services Pvt. Ltd. The company's clients include overseas investors such as 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 the Indian securities market. The company offers its clients custodial and securities services such as custody, fund accounting and fund administration services. The Bank currently holds a 65.0% equity stake in SBI-SG Global Securities Services Private Limited.

Private Equity

In 2008 the Bank entered into a joint venture with Macquarie Group of Australia and International Finance Corporation, Washington to create and manage a U.S.$1.2 billion India-focused private equity fund with contributions from domestic as well as overseas investors. The fund has made eight investments in infrastructure sectors such as airports, telecom, roads, renewable and thermal energy. The fund invested approximately 90% of the capital committed.

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, a U.S.$100 million fund to invest in all sectors across India.

As of March 31, 2013, the fund had made three investments in sectors such as defense electronics and industrial explosives totalling approximately ₹ 2.0 billion, or approximately 40% of the capital committed.

In December 2012, the Bank entered into a non-binding memorandum of understanding with the Russian Sovereign Wealth Fund-Russian Direct Investment Fund to set up a U.S.$2.0 billion private equity fund to invest and/or facilitate investments in bilateral cooperation projects, bilateral trade-related projects or companies, privatization or globalization projects, and projects connected to India and Russia.

Portfolio Investment

The Bank has obtained RBI approval for offering its PIS to NRIs on a repatriable and non-repatriable basis. In June 2012, the Bank entered into an agreement with Geojit BNP Paribas Financial Services Limited ("**Geojit BNP**"), a stock brokerage firm registered with the NSE and the BSE. Under the agreement, Geojit BNP 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 applicable legislation, 15 RRBs covering over 138 districts in 15 states with a network of 3,380 branches as of September 30, 2013. Following changes to the regulatory framework governing RRBs, these banks have been transformed into commercial banks. The Bank retains certain sponsor responsibilities.

These responsibilities include approving annual business plans and quarterly monitoring of performance, managerial assistance through secondment of high-level staff, inspection and audit, planning and budgeting, training and development, prevention of fraud, and guidance and support through the Bank's Treasury and Markets Group. The Bank's shareholding in each RRB is limited to 35.0%; the Government holds 50.0% and each relevant state government holds 15.0% of the shares of each RRB. RRBs cater to the banking needs of customers in rural and semi-urban areas and their operations are concentrated in one district or a cluster of districts in each state. Their target customer group is agricultural, small business and retail customers, to whom the RRBs provide services such as deposit and time accounts, lending and financing products and services. The Bank leverages its IT capabilities to ensure greater inclusion of the agricultural sector in banking, such as promulgating smart cards with biometric identification and ATM-enabled KCC, which are debit cards linked to loan accounts of farmers. Following Government consolidation of the sector, there are 22 RRBs sponsored by the Group as of March 31, 2013. Of these 22 RRBs, 15 RRBs are sponsored by the Bank.

Information Technology Systems and Infrastructure

The Bank's IT infrastructure provides connectivity among the domestic and international network of branches. The objective of the Bank's IT policy is to achieve and maintain efficiency in internal operations and to meet customer and market expectations. In order to remain technologically competitive with peers and meet customer demand, the Bank is continuously 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 for internal infrastructure and customer-oriented uses.

IT-Based Products and Services

Mobile Banking Services

The Bank is the market leader in India's mobile banking space, with a market share of 55.40% in terms of number of transactions and of 18.83% of transaction value, according to RBI September 2013 data. The Bank's mobile banking service, State Bank Freedom, offers low cost, round-the-clock, real time banking services with an aim to maximise both convenience and security. The registrations in mobile banking grew by 3.6 million during fiscal year 2013 and by 1.5 million in the six month period ended September 30, 2013, reaching 6.2 million and 7.7 million as of March 31, 2013 and September 30, 2013, respectively. The total number of mobile banking users as on March 31, 2011 and March 31, 2012 were 1.0 million and 3.7 million, respectively. The Bank handles over 260,000 financial and non-financial mobile transactions per day.

Depending on the mode of access, available facilities include account balance enquires, mini-statements, cheque book requests, trading account enquiries, fund transfer within the Bank and to other banks in India, mobile credit top-ups, rail and air ticket booking, bill payments and payments of life insurance premiums and Interbank Mobile Payment Services. The Bank has also launched a prepaid stored value account named Mobicash, with multiple variants.

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, which rolled out in July 2010, are a means for branch customers to conduct transactions such as deposit, withdrawal and fund transfer without filling out any paperwork, saving 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. As of September 30, 2013, 8,960 branches use Green Channel Counters. The average number of transactions routed daily is 100,000, which comprises approximately 0.8% of total such transactions. The Bank's Green Remit Card, which was introduced in January 2012, is a paperless banking solution that allows customers to transfer funds into the accounts of others. For two year period ended November 30, 2013, 3.1 million Green Remit Cards were issued, of which 2.5 million were issued in fiscal year 2014. In April 2012, the Bank launched a "virtual" debit card called State Bank Virtual to address customer concerns about debit card fraud in e-commerce transactions. A customer may log into his 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 peace of mind to customers who are wary of making online purchases for security reasons.

In July 2011, the Bank introduced electronic self-service kiosks, which are capable of carrying out approximately 22 types of non-cash transactions, including printing passbooks, updating personal information and automatic fund transfer. As of September 30, 2013, 1,190 kiosks are in use.

Internet Banking

As of September 30, 2013, all of the Bank's domestic branches were authorised to register customers for internet banking services, and approximately 14.68 million customers in the retail segment and approximately 0.7 million customers in the corporate segment (total approximately 15.38 million) were registered for internet banking. This represents significant growth in the number of total internet banking customers, up from approximately 9.0 million customers as of March 31, 2012.

The internet banking service is accessed from the Bank's website: www.onlinesbi.com. The Bank's internet banking solution is a comprehensive product for both retail and corporate users. For retail users, the Bank's internet banking portal offers a host of services, such as enquiry of account balances, downloading of account statements, interbank and intra-bank fund transfer, online bill payments, online tax payments, online creation and closure of fixed deposits, request for issuance of cheque books/drafts/banker cheques/gift cards, request for stop payment of cheques, viewing and downloading of dematerialised account statements, online application for initial public offerings ("**IPOs**") through the Applications Supported by Blocked Amount ("**ASBA**") process, donations to charitable/religious organizations and relief funds, mobile/DTH recharging and payment of insurance premiums.

For corporate customers, including SMEs, the Bank offers dedicated internet banking services that include features specifically tailored to these clients, such as control and authorisation features. Internet banking for corporate customers includes various online features like account enquiry, fund transfer to personal and third party accounts, various tax payments, online payment of customs duty, an e-collection facility, payments to registered suppliers, a bulk upload facility for the payment of bills, salary and taxes, top-up of pre-paid card, remittance to intra and interbank beneficiaries, electronic dealer and vendor financing, issuance of online drafts in bulk, a direct debit facility, IPO subscription through the ASBA process, view and download of dematerialised account holdings and online payment of Employee Provident Fund subscriptions.

The Bank's Associate Banks use the same platform to make internet banking services available to their customers.

Dematerialised ('Demat') and Online Trading

Demat and Online Trading services are being offered by the Bank across India. The Bank's objective is to continue broaden its customer base while streamlining the Bank's Demat and online trading products with additional value added services and features. Accordingly, the business model of Demat activity has been revised and all new Demat and Online Trading accounts are being opened in the books of SBICAP Securities Limited. Demat and Online Trading services are available at over 2,110 branches across India. As of September 30, 2013 and March 31, 2012 and 2013, over 240,942, 252,000 and 243,685 customers, respectively, held dematerialised accounts with the Bank.

Other IT-based Services

In October 2010, the Bank launched e-Frieght, a facility of online payment for railway freight, to allow corporate customers to save time and effort in transporting goods through the Railways. As of November 2013, there are 679 corporate clients who utilize the Bank's e-Freight facility to make payments. E-Freight is a product backed with the Bank's guarantee. In October 2010, the Bank introduced e-Auction for the Government and PSUs, 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.

IT Infrastructure

Core Banking Solution

The Bank has the largest core banking platforms in India with 411 million accounts as of November 2013. The Bank's average transactions per day increased by 15.2% year-on-year to 47.0 mm and peak transactions increased by 38.0% year-on-year to 76.4 mm in November 2013. Further the Bank's peak transactions per second increased by 30.0% year-on-year to 2,472 in November 2013. All of the Bank's branches are connected to the Bank's core banking application, a fully centralised database that provides for online real-time transaction processing efficiently across branches, through a centralized processing centre. 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 factor 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 business requirements for the next five years.

State Bank Connect

State Bank Connect is the Bank's principal connectivity platform and is the backbone of the Group's overall technology infrastructure. The Bank and its Associate Banks depend 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 software, corporate email and internet portals. State Bank Connect is a secure, robust WAN architecture network built with equipment owned by the Bank providing network connectivity between branches, offices and ATMs of the Group through leased lines, satellite-based very small aperture terminals and CDMA technologies.

Trade Finance Project

The Bank runs a centralised trade finance solutions platform, CS Eximbills, which has been customised 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 application and treasury applications to facilitate the seamless flow of data entered across multiple systems. Major benefits include multi-currency accounting, faster turnaround for clients and data integrity across systems. As of September 30, 2013, 688 branches (including trade finance central processing centres) are enabled for the Bank's CS Eximbills application.

Recent Initiatives

The Bank focuses on leveraging centralised IT administration to maximise the benefits of IT across its branches and banking activity, 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 cheques to clear and settle by converting physical cheques into digital copies for onward transmission. This initiative has already been implemented in the Delhi National Capital Region and in the Southern grid, comprising MICR centres in the states of Tamil Nadu, Kerala, Karnataka, Andhra Pradesh, West Bengal, Guwahati, Odisha and Union Territory of Chandigarh. Implementation of the CTS system in the western grid, comprising the states of Maharashtra, Goa, Madhya Pradesh, Gujarat and Chhattisgarh is in progress and is expected to be completed shortly.

The Bank has built a single repository of enterprise data as part of its Enterprise Data Warehouse Project. The Enterprise Data Warehouse integrates master and transaction data from major source systems in the Bank, including foreign offices and subsidiaries. The Bank performs analytics in important business areas, such as channel performance and profitability, channel migration, product and customer profitability, customer one view, stressed assets, branch productivity, remittances and KYC and AML compliance, and shares outputs with the business units for initiating further action. Various business dashboards and analytical reports have been developed and made available to the business units, branches and Inspection and Audit departments sharing information at various levels for decision support. Data is also shared with certain credit information agencies, such as CIBIL, Highmark, Experian and Equifax.

As part of its IT development plan, the Bank upgraded six application servers in February 2012 and created additional storage capacity for the Bank's production environment by providing an additional 40 terabytes for each of the primary data centre and the disaster recovery centre.

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 one initiative designed to meet changing market demand. As of the date of this Placement Document, a significant number of transactions have migrated from the branches to alternate service channels such as ATMs, internet banking, mobile banking, contact centres, business facilitators and BCs. For the fiscal years 2011, 2012 and 2013 and the six months ended September 30, 2013, 27.7%, 33.3%, 35.7% and 33.3% of the Bank's total transactions, respectively, were conducted through alternate channels. The Bank has improved efficiency by migrating most non-customer facing activities to centralised processing centres. Branches have been redesigned to make their layout customer centric, with about 60% to 70% of the space freed up in the banking hall for the customers. Sales and service activities have been segregated, and specialised 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 cheques, 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 standardisation, 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 includes without limitation the following:

- "Best Bank" in "Electronic Payments Systems", "Use of Technology for Financial Inclusion" and "Customer Management & Business Intelligence" 2013 by IDRBT;

- "Ethical Company Banking" sector at India's Most Ethical Companies Awards 2013 by CSR;

- "Best Green Service Innovation" award 2013 by Asian Leadership Awards;

- "Asia's Best CSR Practices Awards" 2013 by CMO Asia;

- "Golden Peacock Award For HR Excellence" 2013 by Golden Peacock Awards; and

- "Silver Edge Award" 2013 for the Bank's HRMS Project by EDGE.

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 liberalised 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, maximising 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 centralised solutions, without having to utilise 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 centralising 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 a wide product portfolio through its extensive branch network and by leveraging its client relationships in diverse market and geographic segments. In addition, in rural banking and micro finance, the Bank believes it can build on the strength of its extensive geographic presence and reputation to continue to expand in these areas.

The Bank has sought to capitalise 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 centres 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

Until recently, the RBI conducted Government business with all public sector banks and only three private sector banks, namely, Axis Bank (formerly UTI Bank), ICICI Bank and HDFC Bank. On July 1, 2012, the RBI decided that all sector banks will be considered eligible to handle any central or state government business, at par with public sector banks. 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 customised e-solutions, as well as a dedicated, well trained work force that handles Government business effectively and efficiently. Economic slowdown, management of fiscal deficit, and change in Government policies may reduce Revenue & Expenditure (Receipts & Payments) transactions of the Government which may impact the Government business turnover of the Bank, leading to a reduction in Bank's income from commissions, which, historically has proved to be a highly profitable business segment for the Bank.

Insurance

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

Employees

As of September 30, 2013, the Bank had 222,106 employees of whom 35.73% were officers, 47.70% were clerical staff and 16.57% were subordinate staff. The Bank's employees include professionals in business management, accountancy, engineering, law, computer science, economics and other relevant disciplines. The Bank aims to develop a collaborative culture and on-going consultative process at various levels of administration within the Bank. The Bank believes that it has amicable relations with its employees.

The computerisation of branches and other IT initiatives have reduced employee workloads and allowed the Bank to limit the growth of or reduce its overall workforce during the past six years despite growing its business. Nevertheless, the introduction of business process review initiatives and focused efforts in marketing has resulted in an increased demand for new staff. The Bank has a human resources plan in place which is reviewed based on the manpower requirements to meet the Bank's growth plans and attrition arising out of the retirement, death and resignation of employees. Various initiatives such as retraining operational staff are under way. Incentive schemes based on performance measurements have also been implemented to facilitate the Bank's growth, as well as providing the desired motivation to its employees.

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 six month periods ended September 30,	
	2011	2012	2013	2012	2013
			(₹ in millions)		
Average business per employee	70.5	79.8	94.4	93.9	102.4
Average business per branch	1,118.0	1,248.0	1,392.0	1,403.0	1,514.3
Net profit per employee	0.4	0.5	0.6	0.7	0.5
Net profit per branch	6.1	8.3	9.5	10.4	7.4

The Bank believes that its employees are its most valuable assets. The Bank has implemented e-learning at State Bank Academy, Gurgaon, to provide online training and assessment as well as an internal social networking site to connect employees. The performance management system in the Bank has been upgraded to focus on competency based assessments and career progression implications. The State Bank Staff College, State Bank Academy, State Bank Institute of Information and Communication Management, State Bank Institute of Rural Development and 47 staff learning centres, all owned and operated by the Bank, are located across India and are focused on the creation and development of skills relevant to the future of Banking.

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 deal with this issue, the Bank is recruiting staff for specialised functions. In addition, the Bank recruits staff at campuses across India. The Bank has also formulated an incentive scheme for operational employees in an effort to retain talented employees. Adjustments to this scheme are undertaken on a regular basis to align with market conditions.

Properties

The Bank's principal network consists of 15,143 branches, extension counters and 32,777 ATMs as of September 30, 2013. These facilities are located throughout India. In addition to the branches, extension counters and ATMs, the Bank maintains 14 administrative circles. Of the properties used by the Bank, approximately 1,020 are owned by the Bank. The Bank's corporate office is located in Mumbai. The Bank's premises and other fixed assets are accounted for on a historical cost basis in accordance with Indian GAAP. As such, the Bank believes the value of its properties, many of which have been in the Bank's possession for a long period, are being carried on its balance sheet at values significantly below their current fair value.

BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

Board of Directors

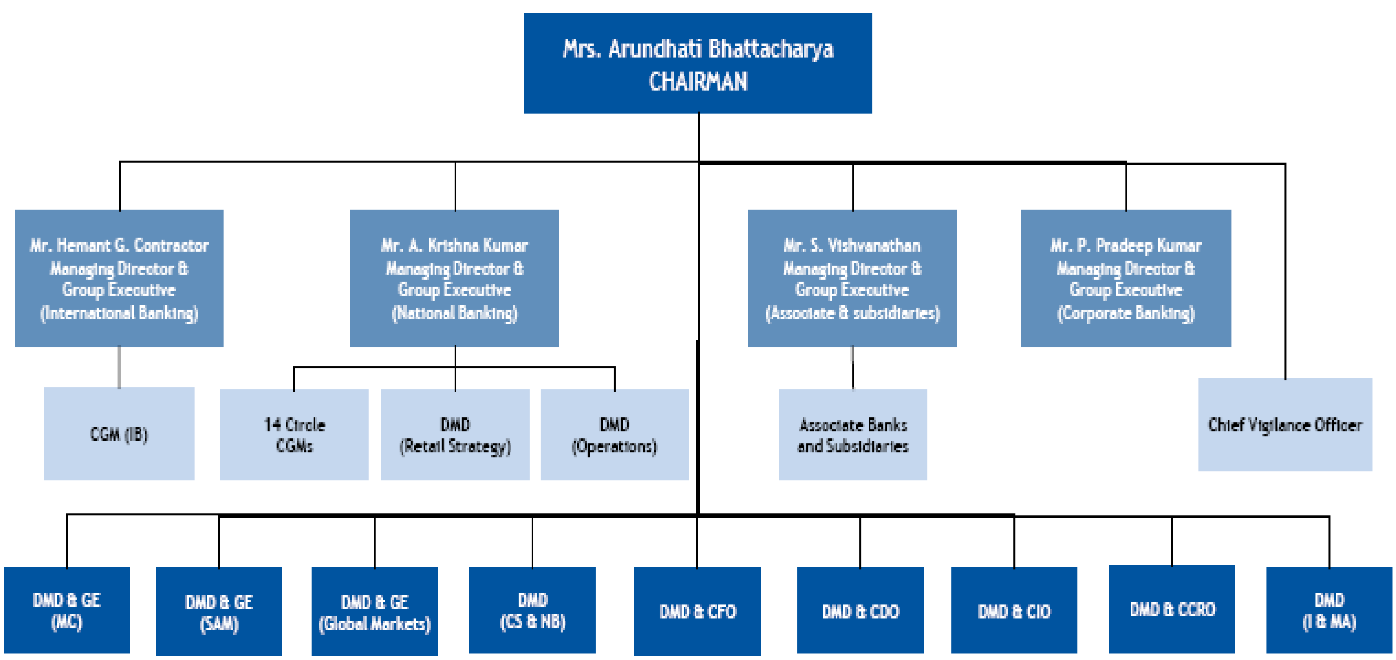
The State Bank of India has been constituted under the SBI Act. In terms of the provisions of the SBI Act, the general superintendence and direction of the affairs and business of the Bank is entrusted to the Central Board constituted as per the provisions of the SBI Act.

The Central Board is headed by the Chairman of the Bank. As of the date of this Placement Document, other than five full-time Directors, i.e. the Chairman and four Managing Directors, there are 12 other Directors, who are also members of the Central Board, including eminent members of academia and the finance and accounting professions. These include 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 is appointed under Section 19(a) and the Managing Directors under Section 19(b) of the SBI Act.

The non-executive directors who are on the Central Board of the Bank as of the date of this Placement Document are:

- four directors elected under Section 19(c) of the SBI Act by the shareholders;
- one director nominated under Section 19(ca) of the SBI Act by the Government;
- one director nominated under Section 19(cb) of the SBI Act by the Government;
- four directors nominated under Section 19(d) of the SBI Act by the Government;
- one director (who is an official from the Government) nominated under Section 19(e) of the SBI Act by the Government; and
- one director (who is an official from the RBI) nominated under Section 19(f) of the SBI Act by the Government on the recommendation of the RBI.

The following chart illustrates the management structure of the Bank:



Central Board

The Central Board meets regularly in accordance with requirements of the Bank, with a minimum of six meetings per year. The Central Board held 8 meetings during nine months ended December 31, 2013.

Sr. No.	Name	Designation
1.	Smt Arundhati Bhattacharya	Chairman
2.	Shri Hemant G. Contractor	Managing Director & Group Executive (International Banking)
3.	Shri A. Krishna Kumar	Managing Director & Group Executive (National Banking)
4.	Shri S. Vishvanathan	Managing Director & Group Executive (Associates & Subsidiaries)
5.	Shri. P. Pradeep Kumar	Managing Director & Group Executive (Corporate Banking)
6.	Shri S. Venkatachalam	Director appointed under Section 19(c) of the SBI Act
7.	Shri D. Sundaram	Director appointed under Section 19(c) of the SBI Act
8.	Shri Parthasarathy lyengar	Director appointed under Section 19(c) of the SBI Act
9.	Shri Thomas Mathew	Director appointed under Section 19(c) of the SBI Act
10.	Shri Jyoti Bhushan Mohapatra	Director appointed under Section 19(ca) of the SBI Act
11.	Shri S. K. Mukherjee	Director appointed under Section 19(cb) of the SBI Act
12.	Dr. Rajiv Kumar	Director appointed under Section 19(d) of the SBI Act
13.	Shri Deepak Ishwarbhai Amin	Director appointed under Section 19(d) of the SBI Act
14.	Shri Harichandra Bahadur Singh	Director appointed under Section 19(d) of the SBI Act
15.	Shri Tribhuwan Nath Chaturvedi	Director appointed under Section 19(d) of the SBI Act
16.	Shri Rajiv Takru	Director appointed under Section 19(e) of the SBI Act
17.	Dr. Urjit R. Patel	Director appointed under Section 19(f) of the SBI Act

Brief Profiles

Smt Arundhati Bhattacharya joined the Board on August 2, 2013 and is currently the Chairman of the Bank. Prior to this, she was the Managing Director & the Chief Financial Officer of the Bank. She joined the Bank in the year 1977 and since then has held various assignments spanning Credit, Forex, Treasury, Retail Operations, HR and Investment Banking. She has also had a stint in the Bank's New York office where she was in charge of monitoring branch performance, overseeing external audit and correspondent relations. She was the managing director and the chief executive officer of SBI Capital Markets Limited. In her extensive service in the Bank, she had the opportunity of working in metro, urban and rural areas, crisscrossing the length and breadth of the country. She has handled large corporate credit as well as initiatives like financial inclusion and financing self help group. She was involved in setting up several new compliances/initiatives of the Bank including SBI General Insurance, SBI Macquarie Infrastructure Fund, SBI SG Securities Limited, as well as the launch of new IT Platforms such as Mobile Banking and Financial Planning in the Bank. She holds a master's degree in arts.

Shri Hemant G. Contractor joined the Board on April 7, 2011 and is currently the Managing Director & Group Executive (International Banking). Prior to this appointment he was deputy managing director & the chief financial officer. He has extensive experience in Treasury, Credit and Corporate Banking, besides overseas experience in Bahrain. He joined the Bank as a probationary officer in 1974. He was earlier posted as deputy managing director & the group executive (Corporate Banking) and the chief general manager, Chandigarh Circle. He holds a bachelor's degree in arts (economics) and is an associate of the Chartered Institute of Bankers, London.

Shri A. Krishna Kumar joined the Board on April 7, 2011 and is currently the Managing Director & Group Executive (National Banking). Prior to this appointment he was deputy managing director (Information Technology). He has expertise in the areas of Credit, Operations and IT, besides overseas experience at Chicago, USA. He joined the Bank as a probationary officer in 1975. He earlier worked as chief general manager (Mid Corporate) and chief general manager, Patna circle. He holds a bachelor's degree in arts with honors.

Shri S. Vishvanathan joined the Board on October 9, 2012 and is currently the Managing Director & Group Executive (Associates & Subsidiaries). He has earlier worked as managing director & chief executive officer, SBI Capital Market

Limited and chief general manager, North East circle. He has extensive experience in Operations, Credit and Treasury, besides overseas experience at New York. He joined the Bank as a probationary officer in 1976. He holds masters' degrees in science (physics) and in business administration. He also holds the CAIIB certification from the Indian Institute of Banking & Finance and a certificate in international banking.

Shri. P. Pradeep Kumar joined the Board on December 27, 2013 and is currently the Managing Director & Group Executive (Corporate Banking). He joined the Bank as a probationary officer in 1976. Prior to this appointment he was managing director, State Bank of Travancore, deputy managing director & group executive (Global Markets) and deputy managing director (Information Technology). He has expertise in the areas of Operations, Credit, Treasury and IT, besides overseas experience at New York, USA. He holds a master's degree in science (statistics).

Shri S. Venkatachalam is a Director re-elected by the shareholders of the Bank under Section 19(c) of the SBI Act, w.e.f. June 25, 2011, for a period of three years. He was employed with Citigroup and Citibank NA India Organisation in the senior management Cadre for a period of 31 years in various capacities. He is a fellow member of the Institute of Chartered Accountants of India.

Shri D. Sundaram is a Director re-elected by the shareholders of the Bank under Section 19(c) of the SBI Act, w.e.f June 25, 2011, for a period of three years. He is vice chairman and managing director of TVS Capital Funds Limited. He is a professionally qualified Accountant (FICWA) and carries a rich experience in the area of Finance and Accounting. He held many important positions in Hindustan Unilever Limited group as vice-chairman and chief financial officer, corporate accountant, commercial manager and treasurer, finance member, TOMCO Integration Team, and finance director, Brooke Bond Lipton India Limited. He had also held various positions in Unilever Limited, London as commercial officer for Africa and Middle East and senior vice president - Finance, Central and Middle East Group. He is a fellow member of the Institute of Cost and Works Accountants of India and has completed an Advanced Management Programme.

Shri Parthasarathy Iyengar is a Director elected by the shareholders of the Bank under Section 19(c) of the SBI Act, w.e.f. June 25, 2011, for a period of three years. He has more than 25 years of experience in the field of Information Technology in USA and India. He is vice president and distinguished analyst in Gartner, a world renowned IT research and advisory services entity and currently its regional research director in India. He holds masters' degrees in engineering and in management (Management Information Systems).

Shri Thomas Mathew is a Director elected by the shareholders of the Bank under Section 19(c) of the SBI Act, w.e.f. January 13, 2013, for a period of approximately seventeen months. He has experience of more than 35 years in statutory/internal audit of domestic and multinational companies. He is a fellow member of the Institute of Chartered Accountants of India.

Shri Jyoti Bhushan Mohapatra is a workmen employee Director nominated by the Central Government under Section 19(ca) of the SBI Act, w.e.f. November 21, 2011. He holds a bachelor's degree in science.

Shri S. K. Mukherjee is an officer employee Director nominated by the Central Government under Section 19(cb) of the SBI Act, w.e.f. October 4, 2012. He holds a bachelor's degree in science.

Dr. Rajiv Kumar is a Director re-nominated by the Central Government under Section 19(d) of the SBI Act, w.e.f. August 6, 2012, for a period of three years. Dr. Kumar is a renowned economist, with earlier stints in Federation of Indian Chambers of Commerce and Industry (director general), Indian Council for Research on International Economic Relations (chief executive officer) and Asian Development Bank. Dr. Kumar is currently a senior fellow at Centre for Policy Research, New Delhi. Dr. Kumar holds a doctorate degree in philosophy.

Shri Deepak Ishwarbhai Amin is a Director nominated by the Central Government under Section 19(d) of the SBI Act, w.e.f. January 24, 2012, for a period of three years. Shri Amin is the co-founder and chief executive officer of Covelix, Inc, a Seattle and India based international software consulting (acquired by Emtec Inc). Prior to this, Shri Amin was the founder and chief executive officer of vJungle, Inc, a web services software infrastructure company, which was acquired by Streamserve, Inc. Shri Amin also worked at Microsoft for many years as a lead engineer in Microsoft Windows Networking teams and was a senior engineer in the original Internet Explorer browser team at Microsoft, USA. Shri Amin holds a bachelor's degree in technology (Computer Science & Engineering) and a master's degree in science (Computer Science).

Shri Harichandra Bahadur Singh is a Director nominated by the Central Government under Section 19(d) of the SBI Act, w.e.f. September 24, 2012, for a period of three years. Shri Singh has exposure to agriculture, rural economy & SME business. He was director on Punjab & Sind Bank during the period December 24, 2008 to December 8, 2010. He holds a bachelor's degree in science.

Shri Rajiv Takru is a Director nominated by the Central Government under Section 19(e) of the SBI Act, w.e.f. February 4, 2013. Shri Rajiv Takru is secretary, Financial Services, Ministry of Finance, Government of India. He holds a bachelor's degree in mechanical engineering. He is a member of Indian Administrative Service.

Dr. Urjit R. Patel is a Director nominated by the Central Government under Section 19(f) of the SBI Act, w.e.f. February 6, 2013. Dr. Urjit R. Patel is deputy governor, Reserve Bank of India. He holds a doctorate degree in economics.

Shri Tribhuwan Nath Chaturvedi, is a Director nominated by the Central Government under Section 19(d) of the SBI Act, w.e.f August 29, 2013 for a period of three years. He is a senior partner in T. N. Chaturvedi & Co., Chartered Accountants, New Delhi. He has wide experience and expertise in the area of Finance & Accounts, Taxation and Corporate Laws. He earlier served as a shareholder director on the board of Punjab National Bank for a period of three years (i.e. from December 27, 2008 to December 26, 2011). He is a fellow member of the Institute of Chartered Accountants of India.

Central Management Committee

CENMAC is a body consisting of the Chairman, the four Managing Directors and all Deputy Managing Directors of the Bank who are the key managerial personnel 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.

Sr. No.	Name	Designation
1.	Smt Arundhati Bhattacharya	Chairman
2.	Shri Hemant G. Contractor	Managing Director & Group Executive (International Banking)
3.	Shri A. Krishna Kumar	Managing Director & Group Executive (National Banking)
4.	Shri S. Vishvanathan	Managing Director & Group Executive (Associates & Subsidiaries)
5.	Shri P. Pradeep Kumar	Managing Director & Group Executive (Corporate Banking)
6.	Shri R. Venkatachalam	Deputy Managing Director & Chief Credit and Risk Officer
7.	Smt Soundara Kumar	Deputy Managing Director & Group Executive (Stressed Assets Management)
8.	Shri R. K. Saraf	Deputy Managing Director & Chief Financial Officer
9.	Shri Balakrishna V. Chaubal	Deputy Managing Director & Group Executive (Global Markets)
10.	Shri Sushil Kumar Mishra	Deputy Managing Director & Corporate Strategies and New Businesses
11.	Shri V. Murali	Deputy Managing Director (Inspection & Management Audit)
12.	Shri Narayanan Jambunathan	Deputy Managing Director & Chief Information Officer
13.	Shri N. Krishnamachari	Deputy Managing Director & Group Executive (Mid Corporate)
14.	Shri Parveen Kumar Malhotra	Deputy Managing Director (Operations), National Banking Group
15.	Dr. J. N. Misra	Deputy Managing Director & Corporate Development Officer

Brief Profiles of personnel other than the Directors on the Central Board

Shri R. Venkatachalam is the Deputy Managing Director & Chief Credit and Risk Officer. He joined the Bank in 1974 and became a probationary officer in 1977. Prior to his current assignment he was a deputy managing director of the Bank and headed the Mid Corporate Group, the Stressed Asset Management Group and the Rural Business Group. Prior to that he served as chief general manager, (National Banking Group) and deputy general manager (Mid Corporate Group). He holds a bachelor's degree in science with honors.

Smt. Soundara Kumar is the Deputy Managing Director & Group Executive (Stressed Assets Management). She joined the Bank as a probationary officer in 1975. Prior to her current assignment she was chief general manager, Bangalore Circle. She also served as managing director, State Bank of Indore. Prior to that she also served as chief general manager, Small & Medium Enterprises at Corporate Centre, Mumbai. She holds a bachelor's degree in science.

Shri R. K. Saraf is the Deputy Managing Director & Chief Financial Officer. He joined the Bank in 1975. His previous assignments include positions such as was chief general manager, senior vice president (Trade Finance) at SBI Frankfurt and senior vice president (Bancassurance) at SBI Life Insurance Company Limited. He holds a master's degree in physics and a diploma in financial management. He is a fellow member of the Insurance Institute of India and also holds the CAIIB certification from the Indian Institute of Banking & Finance.

Shri Balakrishna V. Chaubal is the Deputy Managing Director & Group Executive (Global Markets). He joined the Bank as a probationary officer in 1976. Prior to his current assignment he was chief general manager (Stressed Assets Management) at Corporate Centre, Mumbai. He also served as chief general manager, Lucknow Circle and as general manager, Network - I, Lucknow Circle. He holds a master's degree in science (physics) and the CAIIB certification from the Indian Institute of Banking & Finance.

Shri Sushil Kumar Mishra is the Deputy Managing Director & Corporate Strategies and New Businesses. He joined the Bank as a probationary officer in 1976. Prior to his current assignment he was deputy managing director & chief information officer at Corporate Centre, Navi Mumbai. He also served as chief general manager, Bhopal Circle, chief general manager, Government Business Unit, New Delhi and general manager, Marketing and Cross Selling, National Banking Group, Mumbai. He holds a bachelor's degree in arts with honors and a post graduate diploma in business management.

Shri V. Murali is the Deputy Managing Director (Inspection & Management Audit). He joined the Bank in 1977. He holds a master's degree in science and the CAIIB certification from the Indian Institute of Banking & Finance.

Shri Narayanan Jambunathan is the Deputy Managing Director & Chief Information Officer. He joined the Bank as a probationary officer in 1978. He holds a master's degree in science (statistics).

Shri N. Krishnamachari is the Deputy Managing Director & Group Executive (Mid Corporate). He joined the Bank in 1978. Prior to his current assignment he was deputy managing director (Retail & Strategy - National Banking Group) at Corporate Centre, Mumbai. He holds a master's degree in commerce and the CAIIB certification from the Indian Institute of Banking & Finance.

Shri Parveen Kumar Malhotra is the Deputy Managing Director (Operations), National Banking Group. He joined the Bank in 1978. He holds a bachelor's degree in science and a master's degree in financial management.

Dr. J. N. Misra is the Deputy Managing Director & Corporate Development Officer. He joined the Bank as a probationary officer in 1979. He holds a doctorate in physics.

Committees

Under the terms of provision of the SBI Act, SBI General Regulations, the Equity Listing Agreements and relevant regulatory guidelines, the Central Board has established nine committees of Directors: (1) Executive Committee of the Central Board, (2) Audit Committee, (3) Shareholders' and Investors' Grievance Committee, (4) Risk Management Committee, (5) Special Committee of Directors for Monitoring Large Value Frauds (₹ 10 million and above), (6) Customer Service Committee, (7) IT Strategy Committee, (8) Remuneration Committee and (9) Board Committee to Monitor Recovery. The Bank is in compliance with Clause 49 of the Equity Listing Agreement relating to corporate governance. The constitution of the various committees and their main functions are given below:

Executive Committee of the Central Board

The ECCB has been constituted pursuant to Section 30 of the SBI Act. The SBI General Regulations 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 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 the ECCB meetings are held. The ECCB meetings are held once every week.

Audit Committee of the Central Board

The ACB operates under the RBI guidelines and complies with the provisions of Clause 49 of the Equity Listing Agreement to the extent that such provisions do not violate the directives and guidelines issued by the RBI. It has eight members, including two full time directors, two official directors (nominees of the GoI and the RBI), and four non-official, non-executive directors. Meetings of the ACB are chaired by a non-executive chartered accountant director. The ACB was constituted on July 27, 1994 and was last reconstituted on October 31, 2013. As of the date of this Placement Document, the ACB consists of Shri S. Venkatachalam (chairman), Shri. Hemant G. Contractor, Shri. A. Krishna Kumar, Shri D. Sundaram, Shri Thomas Mathew, Dr. Rajiv Kumar, Shri Rajiv Takru and Dr. Urjit R. Patel.

The ACB provides direction to and oversees the operation of the "total audit function" of the Bank. "Total audit function" comprises the organization, implementation and quality control of internal audits and inspections within the Bank, all follow-up action necessary in connection with the statutory external and/or internal audit of the Bank and compliance with RBI inspections. The ACB appoints statutory auditors of the Bank and reviews their performance from time to time. The ACB reviews the Bank's financial, risk management, and information systems audits and accounting policies and systems to ensure greater transparency. The ACB reviews the internal inspection and audit 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 focuses on the following:

- KYC-AML guidelines;
- major areas of housekeeping; and
- compliance with Clause 49 of the Equity Listing Agreement and other guidelines issued by SEBI from time to time.

The ACB reviews the status of implementation of the recommendation of the Ghosh Committee on Frauds and Malpractices in banks. A majority of the recommendations of the committee have been implemented by the Bank for the six month ended September 30, 2013. Further, the ACB also reviews the status of implementation of the recommendation of the Jilani committee to review the internal control and inspection/audit in banks. All the recommendations of the committee have been implemented for the six month ended September 30, 2013, except the recommendation of not rating for inspection of any head office department/administrative/controlling offices, where the Bank believes that the rating of the offices amongst others, is being carried out on a risk based approach and is in accordance with the applicable RBI guidelines.

The ACB follows up on all the issues raised in the RBI's annual financial inspection reports under Section 35 of the Banking Regulation Act and long form audit reports of the statutory auditors and other internal audit reports. It interacts with external auditors before the finalisation of the Bank's quarterly and annual financial accounts and reports. For the nine months ended December 31, 2013, the ACB held six meetings to review various matters connected with internal control systems and procedures and other aspects as required under RBI guidelines.

Risk Management Committee of the Central Board

The Central Board approved the constitution of the Risk Management Committee of the Central 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 RMCB was last reconstituted on October 31, 2013. As of the date of this Placement Document, the RMCB consists of Shri. Hemant G. Contractor (chairman), Shri. A. Krishna Kumar, Shri S. Venkatachalam, Shri D. Sundaram, Shri Thomas Mathew, Dr. Rajiv Kumar, Shri Deepak Ishwarbhai Amin and Shri Tribhuwan Nath Chaturvedi. The RMCB meets a minimum of four times a year, once in each quarter. The RMCB held three meetings during the nine months ended December 31, 2013.

Shareholders'/Investors' Grievance Committee of the Central Board

Pursuant to Clause 49 of the Equity Listing Agreement with the Stock Exchanges, the SGCB was formed on January 30, 2001 to look into shareholders' and investors' complaints regarding such issues as transfer of shares, non-receipt of annual report and non-receipt of interest on bonds or declared dividends. The SGCB was last reconstituted on October 31, 2013. As of the date of this Placement Document, the SGCB consists of Shri S. Venkatachalam (chairman), Shri A.

Krishna Kumar, Shri S. Vishvanathan, Shri Thomas Mathew, Shri Harichandra Bahadur Singh and Dr. Rajiv Kumar. The SGCB held three meetings during the nine months ended December 31, 2013.

Special Committee of Directors for Monitoring of Large Value Frauds (₹10 million and above)

The Special Committee for monitoring of Large Value Frauds (₹ 10 million and above) 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 October 31, 2013. As of the date of this Placement Document, the committee consists of Shri. A. Krishna Kumar (chairman), Shri S. Vishvanathan, Shri Harichandra Bahadur Singh, Shri Parthasarathy Iyengar, Shri Thomas Mathew, Shri Deepak Ishwarbhai Amin, Shri S. Venkatachalam and Dr. Rajiv Kumar. The committee met three times during the nine months ended December 31, 2013.

Customer Service Committee of the Central 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 customers. The committee was last reconstituted on October 31, 2013. As of the date of this Placement Document, the committee consists of Shri. Hemant G. Contractor (chairman), Shri A. Krishna Kumar, Shri S. Venkatachalam, Shri Thomas Mathew, Shri Harichandra Bahadur Singh, Shri Jyoti Bhushan Mohapatra, Shri S. K. Mukherjee and Shri Tribhuwan Nath Chaturvedi. The Customer Service Committee met three times during the nine months ended December 31, 2013.

IT Strategy Committee of the Central 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 has played a strategic role in promoting Bank's technology initiatives. Based on RBI guidelines received during the year, the committee has been renamed IT Strategy Committee of the Board. The IT Strategy 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 represent 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).

As of the date of this Placement Document, the committee consists of Shri D. Sundaram (chairman), Shri. Hemant G. Contractor, Shri A. Krishna Kumar, Shri S. Venkatachalam, Shri Parthasarathy Iyengar and Shri Deepak Ishwarbhai Amin. The committee met three times during the nine months ended December 31, 2013.

Remuneration Committee of the Central Board

The Remuneration Committee was constituted on March 22, 2007, for evaluating the performance of whole time directors of the Bank in connection with the payment of incentives, as per the scheme advised by Government of India in March 2007. This committee was last reconstituted on October 31, 2013. As of the date of this Placement Document, the Remuneration Committee consists of Shri S. Venkatachalam (chairman), Shri Rajiv Takru, Dr. Urjit R. Patel and Shri D. Sundaram. This committee reviewed and recommended payment of incentives to whole time directors for fiscal year 2013. As the committee meets once a year, it has not held a meeting during the nine months ended December 31, 2013.

Board Committee to Monitor Recovery

Pursuant to Government advice, the Board established a board-level committee to monitor recovery on December 20, 2012 for oversight and recovery of loans and advances. As of the date of this Placement Document, the committee consists of Smt Arundhati Bhattacharya, Shri Hemant G. Contractor, Shri A. Krishna Kumar, Shri S. Vishvanathan, Shri. P. Pradeep Kumar and Shri Rajiv Takru. The committee met on March 14, 2013 and reviewed the NPA management and the top twenty NPA accounts of the Bank. This committee has not met during the nine months ended December 31, 2013.

Appointment and Remuneration of the Chairman, Managing Directors and other Directors

With respect to compensation for members of the Board, Sitting Fees are paid as decided by the Government. As of March 31, 2013, fees payable for Central Board meetings are ₹ 10,000 per meeting and for other board-level committees are ₹ 5,000 per meeting.

The Chairman and Managing Directors of the Bank are appointed by the Government, in consultation with the RBI. Their salaries are determined by the Government. A minimum of nine directors (including a maximum of four managing 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 the 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 the Equity Shares by the Directors of the Bank as of December 31, 2013:

Name of the Director	Number of Equity Shares held
Smt Arundhati Bhattacharya	200
Shri Hemant G. Contractor	446
Shri A. Krishna Kumar	69
Shri S. Vishvanathan	654
Shri P. Pradeep Kumar	325
Shri S. Venkatachalam	500
Shri D. Sundaram	2,640
Shri Parthasarathy lyengar	500
Shri Thomas Mathew	500
Shri Jyoti Bhushan Mohapatra	60
Shri S. K. Mukherjee	80
Dr. Rajiv Kumar	Nil
Shri Deepak Ishwarbhai Amin	Nil
Shri Harichandra Bahadur Singh	Nil
Shri Tribhuwan Nath Chaturvedi	200
Shri Rajiv Takru	Nil
Dr. Urjit R. Patel	Nil

PRINCIPAL SHAREHOLDERS

Shareholding Pattern

The shareholding pattern of the Bank as of December 31, 2013 is as follows:

Sr. No.	Category of Shareholder	No. of Shareholders	Total No. of shares	No. of shares held in Dematerialised Form	Total No. of shareholding as a % of Total No. of shares		Shares pledged or otherwise encumbered	
					As a % of (A+B)	As a % of (A+B+C)	No. of shares	As a % of total No. of shares
(A)	**SHAREHOLDING OF PROMOTER AND PROMOTER GROUP**							
(1)	**Indian**							
A	Individual/Hindu Undivided Family	-	-	-	-	-	-	-
B	Central Government/ State Governments	1	426,241,140	426,241,140	63.86	62.31	0	0.00
C	Bodies Corporate	-	-	-	-	-	-	-
D	Financial Institutions / Banks	-	-	-	-	-	-	-
E	Any Others (Specify)	-	-	-	-	-	-	-
	Sub Total A(1)	**1**	**426,241,140**	**426,241,140**	**63.86**	**62.31**	**0**	**0.00**
(2)	**Foreign**							
a	Individual (Non resident Individuals / Foreign individuals)	-	-	-	-	-	-	-
b	Bodies Corporate	-	-	-	-	-	-	-
c	Institutions	-	-	-	-	-	-	-
d	Qualified Foreign Investor	-	-	-	-	-	-	-
e	Any Others (Specify)	-	-	-	-	-	-	-
	Sub Total A(2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Total shareholding of Promoter and Promoter Group (A)= (A)(1) +(A)(2)	**1**	**426,241,140**	**426,241,140**	**63.86**	**62.31**	**0**	**0.00**
(B)	**Public Shareholding**							
(1)	**Institutions**							
a	Mutual Funds/ UTI	75	19,833,324	19,804,544	2.97	2.90	0	0.00
b	Financial Institutions / Banks	53	1,672,321	1,659,931	0.25	0.25	0	0.00
c	Central Government/ State Governments	7	195,316	73,358	0.03	0.03	0	0.00
d	Venture Capital Funds	-	-	-	-	-	-	-
e	Insurance Companies	8	100,798,210	100,797,010	15.10	14.74	0	0.00
f	Foreign Institutional Investors	508	60,405,501	60,302,476	9.05	8.83	0	0.00
g	Foreign Venture Capital Investors	-	-	-	-	-	-	-
h	Qualified Foreign Investor	1	8,000	8,000	0.00	0.00	0	0.00
i	Any Others (Specify)	-	-	-	-	-	-	-
	Sub Total B(1)	**652**	**182,912,672**	**182,645,319**	**27.40**	**26.74**	**0**	**0.00**
(2)	**Non-Institutions**							
a	Bodies Corporate	3,969	12,461,997	12,388,029	1.87	1.82	0	0.00
b	**Individuals**							
(i)	Individual Shareholders holding Nominal Share Capital upto ₹ 1 lakh	840,541	41,499,695	31,825,251	6.21	6.07	0	0.00

Sr. No.	Category of Shareholder	No. of Shareholders	Total No. of shares	No. of shares held in Dematerialised Form	Total No. of shareholding as a % of Total No. of shares		Shares pledged or otherwise encumbered	
					As a % of (A+B)	As a % of (A+B+C)	No. of shares	As a % of total No. of shares
(ii)	Individual Shareholders holding Nominal Share Capital in excess of ₹1 lakh	46	1,271,069	1,271,069	0.19	0.19	0	0.00
c	**Any Others (Specify)**	**10,019**	**3,122,942**	**3,076,847**	**0.47**	**0.46**	**0**	**0.00**
	Non Resident Indians	9,580	1,208,546	1,191,093	0.18	0.18	0	0.00
	Trusts	142	750,309	722,067	0.11	0.11	0	0.00
	Overseas Corporate Bodies	3	1,000	600	0.00	0.00	0	0.00
	Foreign Nationals	6	333	333	0.00	0.00	0	0.00
	Foreign Corporate Bodies	8	793,466	793,466	0.12	0.12	0	0.00
	Clearing Members	280	369,288	369,288	0.06	0.05	0	0.00
	Sub Total B(2)	**854,575**	**58,355,703**	**48,561,196**	**8.74**	**8.53**	**0**	**0.00**
	Total Public Shareholding (B)	**855,227**	**241,268,375**	**231,206,515**	**36.15**	**35.27**	**0**	**0.00**
	Total (A) + (B)	**855,228**	**667, 509,515**	**657,447,655**	**100.00**	**97.58**	**0**	**0.00**
(C)	**Shares held by Custodians and against which Depository Receipts have been issued**	-	-	-	-	-	-	-
1	**Promoter and Promoter Group**	-	-	-	-	-	-	-
2	**Public**	**1**	**16,524,456**	**16,524,456**	**0.00**	**2.42**	**0**	**0.00**
	Sub Total (C)	**1**	**16,524,456**	**16,524,456**	**0.00**	**2.42**	**0**	**0.00**
	Total (A) + (B) + (C)	**855,229**	**684,033,971**	**673,972,111**	**100.00**	**100.00**	**0**	**0.00**

Shareholding of securities of persons belonging to the category "Promoter".

The following table sets out the details of Equity Shares held by the Promoter as of December 31, 2013*

Sl. No.	Name of the Shareholder	Details of Shares held		Encumbered Shares			Details of Warrants		Details of Convertible Securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
		No. of shares held	As a % of total no. of equity shares outstanding as of December 31, 2013	No. of shares held	As a %	As a % of total no. of equity shares outstanding as of December 31, 2013	No. of warrants held	As a % total number of warrants of the same class	No. of convertible securities	As a % total number of convertible securities of the same class	
(I)	(II)	(III)	(IV)	(V)	(VI) = (V) / (III) x 100	(VII)	(VIII)	(IX)	(X)	(XI)	(XII)

Sl. No.	Name of the Shareholder	Details of Shares held		Encumbered Shares			Details of Warrants		Details of Convertible Securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
		No. of shares held	As a % of total no. of equity shares outstanding as of December 31, 2013	No. of shares held	As a %	As a % of total no. of equity shares outstanding as of December 31, 2013	No. of warrants held	As a % total number of warrants of the same class	No. of convertible securities	As a % total number of convertible securities of the same class	
(I)	(II)	(III)	(IV)	(V)	(VI) = (V) / (III) x 100	(VII)	(VIII)	(IX)	(X)	(XI)	(XII)
Promoter											
1.	President of India	426,241,140	62.31	0	0.00	0.00	0	0.00	0	0.00	0.00
Total		**426,241,140**	**62.31**	**0**	**0.00**	**0.00**	**0**	**0.00**	**0**	**0.00**	**0.00**

*Pursuant to the resolution(s) passed by the Central Board on October 30, 2013, the ECCB on November 28, 2013, December 12, 2013 and January 2, 2014 and the shareholders of the Bank on December 30, 2013, the Bank made a preferential allotment of 11,218,685 Equity Shares at a price of ₹ 1,782.74 per Equity Share to the President of India, acting through the Ministry of Finance, Government of India on January 4, 2013. Consequently, the shareholding of the President of India in the Bank as on date of this Placement Document is 437,459,925 Equity Shares aggregating to 62.92% of the paid-up equity share capital of the Bank.

Shareholding of securities belonging to the category "Public" and holding more than 1% of the total number of Equity Shares as of December 31, 2013.

Sr. No.	Name of the Shareholder	No. of shares held	As a % of total no. of equity shares outstanding as of December 31, 2013	Details of Warrants		Details of Convertible Securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
				No. of warrants held	As a % total number of warrants of the same class	No. of convertible securities	As a % total number of convertible securities of the same class	
1.	Life Insurance Corporation of India	93,841,556	13.72	0	0.00	0	0.00	13.72
2.	HDFC Trustee Company Limited	10,098,486	1.48	0	0.00	0	0.00	1.48
Total		**103,940,042**	**15.20**	**0**	**0.00**	**0**	**0.00**	**15.20**

Details of Depositary Receipts as of December 31, 2013.

Sr. No.	Type of Outstanding Depositary Receipt(s)	No. of Outstanding Depositary Receipts	No. of shares underlying the Outstanding Depositary Receipts	Shares underlying Outstanding Depositary Receipts as % of total no. of shares
1.	GDR	8,262,228	16,524,456	2.42
Total		**8,262,228**	**16,524,456**	**2.42**

For restrictions on the shareholding of the Bank by foreign entities see, "*Regulations and Policies - Ownership Restrictions*".

REGULATIONS AND POLICIES

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 section 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.

Our Statutory Framework

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. The Bank is a scheduled commercial bank as per the provisions of the RBI Act. Additionally, the RBI periodically issues guidelines, regulations, policies, notifications, press releases and circulars, which the Bank is required to follow. The RBI supervises the Bank's compliance with these guidelines.

The State Bank of India Act, 1955

The Bank has been constituted under the SBI Act to facilitate the execution of public policies related to banking and finance, such as the large-scale extension of banking facilities throughout the country, with particular emphasis on the extension of such facilities in rural and semi-urban areas. Under the SBI Act, the 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 to 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, one director each from the employees of the Bank who are workmen as well as who are not workmen to be appointed by Government as well as other nominee directors appointed by the Government from among persons having special knowledge of the working of cooperative institutions and of, rural economy or experience in commerce, industry, banking and finance director to be nominated by Government and director possessing necessary experience in matters to regulation or supervision of commercial banks to be nominated by Government on the recommendation of the RBI.

According to the SBI Act, the Bank must act as an agent of the RBI if so required by the RBI. Further, the accounts of the Bank must be audited by external statutory auditors appointed by the Bank with the previous approval of the RBI. If the Government desires, it may appoint 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 effect 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. 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 authorised share capital of the Bank is increased to ₹ 50 billion, divided into 5 billion fully paid up shares of ₹ 10 each;

(c) the Government's minimum required shareholding of the Bank's issued capital is reduced from 55% to 51%;

(d) the Central Board may increase the issued capital by issue of bonus shares to existing equity shareholders in such manner as the Government may, after consultation with the RBI, direct;

(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 or in the public interest or in the interests of the Bank or its depositors;

(i) the Government may supersede the Central Board in certain cases on the recommendation of the RBI, for a period not exceeding 6 months which may be extended provided that the total period shall not exceed 12 months and may appoint an administrator for such period as it may determine;

(j) the Bank may accept instalment 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, if not claimed or paid within 30 days from the date of declaration of dividend, to the 'unpaid dividend account' within 7 days from the date of expiry of the said period of 30 days and thereafter to the 'Investor Education and Protection Fund' if it remains unpaid or unclaimed for a period of 7 years from the date of transfer to the unpaid dividend account.

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 62.3% as of December 31, 2013. The SBI Act provides that the Government shall not hold less than 51.00% 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 current 62.9% ownership of the Bank's share capital has increased from 59.4% ownership as of December 31, 2011 as a result of three preferential allotments of equity shares of ₹ 79.0 billion (including premium), of ₹ 30.0 billion (including premium) and of ₹ 20.0 billion (including premium) in March 2012, March 2013 and January 2014, respectively. See "*Principal Shareholders*".

Statutory powers of the Government over the State Bank of India

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 authorised 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 "*Regulations and Policies - The State Bank of India Act, 1955*".

The SBI Act and the regulations thereunder provide the Government and the RBI with certain additional rights which may be used to influence the affairs of the 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 wherever the SBI Act provides for such consultation as well as nominees of the Government. Further, the Government also nominates a director, on the recommendation of the 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 *"Regulations and Policies - The RBI and its Regulations*".

The Government and the RBI as regulators

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 "*Regulations and Policies - The RBI and its Regulations*".

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. The banking companies are bound to comply with all such directions from the RBI.

The Bank is a body corporate under the SBI Act. 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 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 State Bank of India (Subsidiary Banks) Act, 1959

The State Bank of India (Subsidiary Banks) Act, 1959 (the "**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 SBI (Subsidiary Banks) Act is amended periodically to reflect the state of the subsidiary banks after any mergers or acquisitions conducted by the Bank. For instance, it was amended in 2011 by the State Bank of India (Subsidiary Banks) Amendment Act, 2011 to omit certain provisions relating to the State Bank of Indore given the merger of the State Bank of Indore with the Bank. Similarly, pursuant to the acquisition of the business of State Bank of Saurashtra by the Bank, the SBI (Subsidiary Banks) Act was also amended in 2009 by the State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009, which also repealed the State Bank of Saurashtra Act, 1950.

Shortly after the transfer of ownership of the Bank from the RBI to the Government in 2007, the State Bank of India (Subsidiary Banks Laws) Amendment Bill, 2009 was introduced in the Indian Parliament and was passed by both houses of parliament as the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (the "**2011 Amendment Act**"). The 2011 Amendment Act amended the SBI (Subsidiary Banks) Act to confer power on the Government, instead of the RBI but only after consultation with the RBI, to approve, amongst others, the following actions:

(i) increasing or reducing of the authorized capital of subsidiary banks;
(ii) fixing the issued capital of subsidiary banks;
(iii) raising issued capital by preferential allotment, private placement, public issue, or rights issue;
(iv) issuing bonus shares to existing equity shareholders;
(v) superseding the board of directors of subsidiary banks on the recommendation of the RBI, and appointing an administrator and a committee to assist the administrator;
(vi) nominating an official of the Bank or subsidiary bank as the chairman of the board of a subsidiary bank;
(vii) appointing Managing Directors and fixing their terms of office, salary and allowances; and

(viii) removing Managing Directors from office.

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, 2013 lays down the framework for banks' investments in companies which are not subsidiaries.

Regulatory Reporting and Examination Procedures

The RBI is empowered under the Banking Regulation Act to inspect a bank. 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 various aspects. The RBI also conducts periodical on-site inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years. The RBI also conducts on-site supervision of selected branches with respect to their general operations and foreign exchange related transactions.

Maintenance of Records

The Banking Regulation Act specifically requires banks to maintain books and records in a particular manner and file the same with the Registrar of Companies on a periodic basis. The provisions for production of documents and availability of records for inspection by shareholders as stipulated under the Companies Act, 1956 and the rules thereunder would apply to the Bank as in the case of any company. The "KYC / AML Guidelines" framed by the RBI also provide for certain records to be maintained for a minimum period of ten years from the cessation of relationship with the client.

Regulations Relating to the Opening of Branches

The opening of new branches and shifting of existing branches of banks is governed by 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.

As per the "Master Circular on Branch Authorization" dated July 1, 2013, banks are required to obtain licenses from the RBI to open or shift its branches. As per the RBI circular dated October 21, 2013, domestic scheduled commercial banks (other than RRBs) are permitted to open branches in Tier- 1 to Tier 6 centres without harming the need to take permission from RBI in each case subject to reporting. From September 2005 the process of giving authorization to individual branches was replaced by a system of aggregated approvals on an annual basis. Permission of the RBI is not required for installation of on-site ATMs. Further since June 2009 RBI has permitted installation of off-site ATMs at centers identified by banks, without the need for permission from the RBI in each case.

Subsequently, with the objective of further liberalising and rationalising the branch authorisation policy, the RBI pursuant to its circulars dated September 19, 2013 and September 21, 2013, permitted domestic scheduled commercial banks excluding regional rural banks to open branches in Tier 1 to Tier 6 cities without the need for permission from the RBI in each case, subject to reporting and the following conditions:

a) at least 25 percent of the total number of branches opened during the financial year (excluding entitlement for branches in Tier 1 centres given by way of incentive), must be opened in unbanked rural (Tier 5 and Tier 6) centres, i.e. centres which do not have a brick and mortar structure of any scheduled commercial bank for customer based banking transactions; and

b) the total number of branches opened in Tier 1 centres during the financial year (excluding entitlement for branches in Tier 1 centres given by way of incentive) cannot exceed the total number of branches opened in Tier 2 to 6 centres and all centres in the North Eastern States and Sikkim.

Capital adequacy requirements

RBI has issued guidelines based on the Basel III reforms on capital regulation on May 2, 2012, to the extent applicable to banks operating in India. The Basel III capital regulation has been implemented from April 1, 2013 in India. Banks have to comply with the regulatory limits and minima as prescribed under Basel III capital regulations, on an ongoing basis. The below table summarizes the capital requirements under Basel III guidelines for banks in India:

Sr. No.	Regulatory Capital	As % of Risk Weighted Assets
(i)	Minimum Common Equity Tier I Ratio	5.5%
(ii)	Capital Conservation Buffer (comprised of Common Equity)	2.5%
(iii)	Minimum Common Equity Tier I Ratio plus Capital Conservation Buffer [(i)+(ii)]	8.0%
(iv)	Additional Tier I Capital	1.5%
(v)	Minimum Tier I Capital Ratio [(i) +(iv)]	7.0%
(vi)	Tier II Capital	2.0%
(vii)	Minimum Total Capital Ratio (MTC) [(v)+(vi)]	9.0%
(viii)	Minimum Total Capital Ratio plus Capital Conservation Buffer [(vii)+(ii)]	11.5%

To ensure smooth transition to Basel III, appropriate transitional arrangements have been provided for meeting the minimum Basel III capital ratios, full regulatory adjustments to the components of capital etc. Consequently, Basel III capital regulations would be fully implemented as on March 31, 2018. In view of the gradual phase-in of regulatory adjustments to the common equity component of Tier I capital under Basel III, certain specific prescriptions of Basel II capital adequacy framework (e.g. rules relating to deductions from regulatory capital, risk weighting of investments in other financial entities etc.) will also continue to apply till March 31, 2017 on the remainder of regulatory adjustments not treated in terms of Basel III rules.The phase-in arrangements for capital requirements for banks operating in India are indicated in the following table:

Minimum capital ratios (as % of risk weighted assets)	April 1, 2013	March 31, 2014	March31 ,2015	March 31, 2016	March31 ,2017	March 31, 2018
Minimum Common Equity Tier I (CET1)	4.5%	5.0%	5.5%	5.5%	5.5%	5.5%
Capital conservation buffer (CCB)	-	-	0.625%	1.25%	1.875%	2.5%
Minimum CET1+ CCB	4.5%	5.0%	6.125%	6.75%	7.375%	8.0%
Minimum Tier I capital	6.0%	6.5%	7.%	7.0%	7.0%	7.0%
Minimum Total Capital*	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Minimum Total Capital +CCB	9.0%	9.0%	9.625%	10.25%	10.875%	11.5%
Phase-in of all deductions from CET1# (in %)	20	40	60	80	100	100

* The difference between the minimum total capital requirement of 9% and the Tier I requirement can be met with Tier II and higher forms of capital.

The same transition approach will apply to deductions from additional Tier I and Tier II capital.

A bank shall comply with the capital adequacy ratio requirements at two levels:

(a) the consolidated (group) level - capital adequacy ratio requirements, which measure the capital adequacy of a bank based on its capital strength and risk profile after consolidating the assets and liabilities of its subsidiaries / joint ventures / associates etc. except those engaged in insurance and any non-financial activities; and

(b) the standalone level - capital adequacy ratio requirements, which measure the capital adequacy of a bank based on its standalone capital strength and risk profile.

The overseas operations of a bank through its branches will be covered in both the above scenarios.

Prudential norms on income recognition, asset classification and provisioning pertaining to advances ("Prudential Norms")

The principal features of the RBI guidelines 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 installment of principal or interest thereon remains overdue for two crop seasons for short duration crops; (v) the installment of principal or interest thereon remains overdue for one crop season for long duration crops; (vi) 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 (vii) 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 on the date of the balance sheet or the credits are not adequate 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.

The RBI, pursuant to its "Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances" ("**Prudential Norms**") issued on July 1, 2013, has classified NPAs as (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets. These guidelines specify provisioning requirements specific to the classification of the assets.

In July 2005, the RBI issued guidelines on sales and purchases of NPAs between banks, financial institutions and NBFCs. These guidelines require that the board of directors of a bank must establish a policy for purchases and sales of NPAs. An asset must have been classified as non-performing for at least two years by the seller bank to be eligible for sale. In October 2007, the RBI issued guidelines regarding valuation of NPAs being put up for sale. Further, the RBI has advised banks to maintain provisioning coverage ratio of at least 70%.

The RBI has also issued a separate set of prudential guidelines on restructuring of advances by banks in relation to the norms/conditions, which must be fulfilled in order to maintain the category of the restructured account as a 'standard asset'. The earlier guidelines issued by the RBI on restructuring of advances specified that "standard" advances should be re-classified as "sub-standard" immediately on restructuring. Post August 2008 the RBI has issued a series of circulars on special regulatory treatment on restructuring of advances by banks. The RBI has specified that during the pendency of the application for restructuring of the advance, the usual asset classification norms continue to apply. However, as an incentive for quick implementation of the package, if the approved package is implemented by the bank as per the specified time schedule (within 120 days from the date of approval under the corporate debt restructuring ("**CDR**") mechanism or within 90 days from the date of receipt of application by the bank in cases other than those restructured under the CDR mechanism), the asset classification status may be restored to the position which existed when the reference was made to the CDR cell in respect of cases covered under the CDR mechanism or when the restructuring application was received by the bank in non-CDR cases. This special regulatory treatment is not applicable to consumer and personal advances, advances classified as capital market exposures and advances classified as commercial real estate exposures.

Corporate debt restructuring mechanism ("CDR system")

The institutional mechanism for restructuring has been set up through establishment of the CDR system in 2001. It is a joint forum of all banks and financial institutions and operates as a non-judicial body. The CDR system operates on the principle of super-majority amongst the participating banks and financial institutions for a particular advance. The Bank has signed the inter-se agreement (amongst the banks and financial institutions) and is accordingly a member of the CDR system. The Prudential Norms as mentioned above equally apply to the accounts restructured under the CDR system.

Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (“SARFAESI Act”)

The SARFAESI Act provides for the enforcement of security interest without the intervention of the courts. Under the provisions of the Act, a secured creditor can recover dues from its borrowers by taking any of the measures as provided therein. 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, agricultural land 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 SARFAESI Act in relation to the assets secured, such secured creditor may approach the Debt Recovery Tribunal or the relevant court for the recovery of the balance amounts.

The SARFAESI Act also provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The financial assets can be sold to asset reconstruction companies in accordance with the extant guidelines and prudential norms issues by the RBI. The 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. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through or pay through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

Priority sector lending

The RBI, pursuant to its “Master Circular on Priority Sector Lending - Targets and Classification” issued on July 1, 2013, has set out the broad policy in relation to priority sector lending. In accordance with this circular, the priority sectors for all scheduled banks include (i) agriculture; (ii) MISE; (iii) education; (iv) housing and (v) export credit and (vi) others. Under the RBI guidelines, the priority sector lending targets are linked to adjusted net bank credit (net bank credit plus investments made by banks in non-statutory liquidity bonds included in the HTM category and not taking in account the recapitalization bonds floated by the Government) or credit equivalent amount of off balance sheet exposure, whichever is higher, as of March 31 of the previous year.

Exposure norms

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the RBI has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all companies in a single group (or sponsor group). The RBI has prescribed exposure ceiling for a single borrower as 15% of capital funds and group exposure limit as 40% of capital funds. Relaxations are permitted in exceptional circumstances and lending to infrastructure sector. The total exposure to a single NBFC has been limited to 10% of the bank’s capital funds while exposure to non-banking asset finance company has been restricted to 15% of the bank’s capital funds. The limit may be increased to 15% and 20%, respectively, provided that the excess exposure is on account of funds lent by the NBFC to the infrastructure sector.

The aggregate exposure of a bank to the capital markets in all forms (both fund based and non-fund based) should not exceed 40% of its net worth, on both standalone and consolidated basis as of March 31 of the previous year.

Short-selling of Government securities

As per the “Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks” dated July 1, 2013, issued by the RBI, banks and primary dealers are allowed to undertake short sale of Government dated securities, subject to the short position being covered within a maximum period of three months, including the day of trade. Further, such short positions shall be covered only by outright purchase of an equivalent amount of the same security.

Regulations relating to Making Loans

The provisions of the Banking Regulation Act govern the advancing of loans by banks in India. The RBI issues directions covering the lending activities of banks. Some of the major guidelines of the RBI, which are now in effect, are as follows:

- The RBI has prescribed norms for banks lending to non-bank financial companies and the financing of public sector disinvestment.

- RBI introduced the "base rate" in place of the BPLR with effect from July 1, 2010. The base rate shall include all those elements of the lending rates that are common across all the categories of borrowers. For loans sanctioned up to June 30, 2010, BPLR would be applicable. However, for those loans sanctioned up to June 30, 2010 which come up for renewal from July 1, 2010 onwards, base rate would be applicable.

- Section 21A of the Banking Regulation Act provides that the rate of interest charged by a bank shall not be reopened by any court on the ground that the rate of interest charged by a bank is excessive. The Banking Regulation Act provides for protection to banks for interest rates charged by them.

Regulations relating to interest rates on Rupee deposits held in domestic, Ordinary Non-Resident ("NRO") and Non-Resident (External) ("NRE") accounts

As per the master circular on "Interest Rates on Rupee Deposits held in Domestic, Ordinary Non-Resident (NRO) and Non-Resident (External) (NRE) Accounts", dated July 1, 2013, the RBI has permitted banks to independently determine their interest rates on savings and term deposits (minimum period of 7 days) under domestic/NRO accounts. Banks are also free to determine interest rates for savings deposits and term deposits of maturity of one year and above under NRE deposit accounts. However, interest rates offered by banks on NRO and NRE deposits cannot be higher than those offered by them on comparable domestic rupee deposits.

Regulations relating to Know Your Customer ("KYC") and anti-money laundering

The RBI has issued guidelines on KYC, AML, and combating financing of terrorism and obligation of banks under the 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 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.

The RBI issued a master circular on July 1, 2013 prescribing the guidelines for KYC and anti-money laundering procedures. With effect from April 1, 2012, banks are not permitted to make payment of cheques/ drafts/pay orders/banker's cheques bearing that date or any subsequent date, if they are presented beyond the period of three months from the date of such instrument. Further, banks are required to frame their KYC policies incorporating (i) customer acceptance policy, (ii) customer identification procedures (including the allotment of unique customer identification code for existing customers by March 31, 2014), (iii) monitoring of transactions and (iv) risk management.

Regulations relating to maintenance of statutory reserves

A bank is required to maintain, on a daily basis, CRR, which is a specified percentage of its NDTL, excluding interbank deposits, by way of a balance in a current account with the RBI. At present the required CRR is 4.25%. The RBI does not pay any interest on CRR balances. As per the RBI circular dated July 23, 2013 on change in daily minimum cash reserve maintenance requirement, RBI had increased the requirement of minimum daily CRR balance maintenance to

99%. Further, as per the RBI circular dated September 20, 2013 the minimum daily maintenance of CRR was reduced from 99% to 95%. The RBI may impose penal interest at the rate of 3% above the bank rate on the amount by which the reserve falls short of the CRR required to be maintained on a particular day and if the shortfall continues further the penal interest charged shall be increased to a rate of 5% above the bank rate in respect of each subsequent day during which the default continues.

In addition to the CRR, a bank is required to maintain SLR, a specified percentage of its NDTL by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, pursuant to Section 24 of the Banking Regulation Act. At present, the RBI requires banks to maintain SLR of 23%. Further, in December 2011, the RBI has permitted banks to avail funds from the RBI on an overnight basis, under the MSF, against their excess SLR holdings.

Additionally, they can also avail themselves of funds, on an overnight basis below the stipulated SLR, up to 1% of their respective NDTL outstanding at the end of the second preceding fortnight.

Regulations relating to authorized dealers for 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. All branches should monitor all non-resident accounts to prevent money laundering. The RBI master circular on External Commercial Borrowings and Trade Credits, dated July 1, 2013, states that no financial intermediary, including banks, will be permitted to raise external commercial borrowings or provide guarantees in favor of overseas lenders for external commercial borrowings.

The RBI master circular on Risk Management and Interbank Dealings, dated July 1, 2013, states that all categories of overseas foreign currency borrowings of banks, including existing external commercial borrowings and loans or overdrafts from their head office, overseas branches and correspondents and overdrafts in nostro accounts (not adjusted within five days), shall not exceed 50% of their unimpaired Tier I capital or U.S$ 10.00 million (or its equivalent), whichever is higher. Overseas borrowings for the purpose of financing export credit, capital funds raised/augmented by the issue of innovative perpetual debt instruments and debt capital instruments in foreign currency, subordinated debt placed by head offices of foreign banks with their branches in India as Tier II capital and any other overseas borrowings with the specific approval of the RBI would continue to be outside the limit of 50%.

Secrecy obligations

A bank's obligations relating to maintaining secrecy arise out of Section 13 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (for public sector banks specifically) and common law principles governing its relationship with its customers. Subject to certain exceptions, a bank cannot disclose any information to third parties. The RBI may, in public interest, publish the information obtained from the bank.

Ownership restrictions

In terms of the Consolidated FDI Policy effective from April 5, 2013 (the "**FDI Policy**") and the RBI Master Circular on Foreign Investment in India, effective from July 1, 2013, the total foreign ownership in a public sector bank cannot exceed 20% of its paid-up equity share capital, this includes investment under the portfolio investment scheme as well. Further, the Banking Companies Act requires that shareholding of GoI in all corresponding new banks, including the Bank, at all times be a minimum of 51%. Further, not more than 20% of the shareholding of all corresponding new banks, including the Bank, can be held by foreign entities. Raising of further capital is permitted under the Banking Companies Act subject consulting the RBI and obtaining the prior approval of the GoI.

The Banking Ombudsman Scheme, 2006

The Banking Ombudsman Scheme, 2006 provides the extent and scope of the authority and functions of the Banking Ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances and other specified matters. On February 3, 2009, the said scheme was amended to provide for revised procedures for redressal of grievances by a complainant under the scheme.

Regulations governing International Operations

The Bank's international operations are governed by regulations in the countries in which the Bank has a presence.

Restrictions on payment of dividends

Eligibility Criteria for declaration of dividend

The Bank can declare dividends only if its meets the requirements as laid down in the RBI circular dated May 4, 2005 on Declaration of dividends by banks:

The Bank should have:

1. CRAR of at least 9 % for preceding two completed years and the accounting year for which it proposes to declare dividend; and

2. Net NPA less than 7 %.

In case the Bank does not meet the above CRAR norm, but has a CRAR of at least 9 % for the accounting year for which it proposes to declare dividend, it would be eligible to declare dividend provided its Net NPA ratio is less than 5%.

1. The Bank should comply with the provisions of Sections 15 and 17 of the Banking Regulation Act,

2. The Bank should comply with the prevailing regulations/guidelines issued by RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to Statutory Reserves etc.

3. The proposed dividend should be payable out of the current year‘s profit.

4. The Reserve Bank should not have placed any explicit restrictions on the bank for declaration of dividends.

As per the letter dated April 13, 2010, the Ministry of Finance has directed all public sector banks, including the Bank, to pay a minimum of 20% of their equity or 20% of their post-tax profits, whichever is higher for the financial year 2010.

Recent developments

Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012

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.

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, IRDA, Pension Fund Regulatory and Development Authority and Forward Markets Commission, 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.

ISSUE PROCEDURE

Below is a summary, intended to provide a general outline of the procedures for the bidding, application, payment, Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below, and investors are presumed to have apprised themselves of the same from the Bank or the Book Running Lead Managers.

The investors are advised to inform themselves of any restrictions or limitations that may be applicable to them and are required to consult their respective advisers in this regard. Investors that apply in the Issue will be required to confirm and will be deemed to have represented to the Bank, the Book Running Lead Managers and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. The Bank and the Book Running Lead Managers and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares. See "Selling Restrictions" and "Eligibility and Transfer Restrictions".

Qualified Institutions Placement

The Issue is being made to QIBs in reliance upon Chapter VIII of the SEBI Regulations through the mechanism of qualified institutions placement. Under Chapter VIII of the SEBI Regulations, a listed issuer in India may issue eligible securities including equity shares / nonconvertible debt instruments along with warrants and convertible securities (other than warrants) to QIBs, provided, *inter alia*, that:

- a special resolution approving the qualified institutions placement has been passed by its shareholders. Such special resolution must specify (a) that the allotment of the Equity Shares is proposed to be made pursuant to the qualified institutions placement, and (b) the relevant date;

- equity shares of the same class of such issuer, which are proposed to be allotted through the qualified institutions placement or pursuant to conversion or exchange of eligible securities, are listed on a stock exchange in India that has nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the above-mentioned special resolution; and

- such issuer complies with the minimum public shareholding requirements set out in SCRR.

At least 10% of the Equity Shares issued to QIBs must be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other QIBs. A QIB has been specifically defined under Regulation 2(1)(zd) of the SEBI Regulations.

Investors are not allowed to withdraw their Bids after the closure of the Issue.

Additionally, there is a minimum pricing requirement under the SEBI Regulations. The issue price of the equity shares issued pursuant to the QIP shall not be less than the average of the weekly high and low of the closing prices of the issuer's equity shares of the same class quoted on the stock exchange during the two weeks preceding the relevant date. However, a discount of up to 5% of the floor price is permitted in accordance with the provisions of the SEBI Regulations.

The "relevant date" refers to the date of the meeting in which the board of directors or the committee of directors duly authorized by the board of the issuer decides to open the proposed issue and the "stock exchange" means any of the recognized stock exchanges in India in which the equity shares of the same class of the issuer are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

Securities must be allotted within 12 months from the date of the shareholders' resolution approving the Issue. The securities issued pursuant to a QIP must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the SEBI Regulations. The placement document is a private document provided to not more than 49 investors through serially numbered copies and is required to be placed on the website of the concerned stock exchange and of the issuer with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors.

The Issue was authorised and approved by the Central Board, the ECCB and the shareholders of the Bank on October 30, 2013, November 28, 2013 and December 30, 2013, respectively. The Government of India has, pursuant to its letters dated December 9, 2013 and January 1, 2014, authorized the Issue. The RBI has, pursuant to its letters dated December 2, 2013 and December 24, 2013, authorized the Issue.

The Bank has applied for and received the in principle approvals each dated January 24, 2013 and January 24, 2014 from the BSE and the NSE, respectively, under Clause 24 (a) of its Equity Listing Agreements for the listing of the Equity Shares on the BSE and the NSE. The Bank has filed a copy of the Preliminary Placement Document and this Placement Document with the Stock Exchanges.

For this Issue an invitation or offer may not be made to more than 49 persons.

The minimum number of allottees for each qualified institutions placement shall not be less than:

- two, where the issue size is less than or equal to ₹ 2.5 billion; and

- five, where the issue size is greater than ₹ 2.5 billion.

No single allottee shall be allotted more than 50% of the issue size. QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee.

In terms of Regulation 89 of the SEBI Regulations, the aggregate of the proposed qualified institutions placement and all previous qualified institutions placements made in the same fiscal year shall not exceed five times the net worth of the Bank as per its audited balance sheet of the previous Fiscal. The Bank has furnished a copy of the Preliminary Placement Document and this Placement Document to each Stock Exchange on which its Equity Shares are listed.

Equity Shares allotted to a QIB pursuant to the Issue shall not be sold for a period of one year from the date of allotment, except on the floor of the BSE and the NSE. Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

The Equity Shares offered hereby 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 and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be Qualified Institutional Buyers (as defined in Rule 144A under the Securities Act) pursuant to Section 4(a)(2) under the Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. For a description of certain restrictions on transfer of the Equity Shares, see “*Transfer Restrictions*”.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Issue Procedure

1. The Bank and the Book Running Lead Managers shall circulate serially numbered copies of the Preliminary Placement Document and the Application Form, either in electronic or physical form, to not more than 49 QIBs.

2. The list of QIBs to whom the Application Form is delivered shall be determined by the Book Running Lead Managers in consultation with the Bank. **Unless a serially numbered Preliminary Placement Document along with the Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person.

3. QIBs may submit an Application Form, including any revisions thereof, during the Bid/Issue Period to the Book Running Lead Managers.

4. QIBs will be required to indicate the following in the Application Form:

a. a representation that it is either (i) outside the United States acquiring the Equity Shares in an offshore transaction under Regulation S, or (ii) an institutional investor in the United States that is a "qualified institutional buyer" as defined in Rule 144A, and it has agreed to certain other representations set forth in the Application Form;

b. name of the QIB to whom the Equity Shares are to be Allotted;

c. number of the Equity Shares Bid for;

d. price at which they are agreeable to subscribe for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit an Application Form at "Cut-off Price", which shall be any price as may be determined by the Bank in consultation with the Book Running Lead Managers at or above the Floor Price (net of such discount offered in accordance with Regulation 85 of the SEBI Regulations); and

e. details of the depository accounts to which the Equity Shares should be credited.

Note: Each sub-account of an FII, other than a sub-account which is a foreign corporate or a foreign individual, will be considered as an individual QIB and separate Application Forms would be required from each such sub-account for submitting the Application Forms. FIIs or sub-accounts of FIIs are required to indicate the SEBI FII/ sub-account registration number in the Application Form. The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.

5. Once a duly completed Application Form is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid/Issue Closing Date. The Bid/Issue Closing Date shall be notified to the BSE and the NSE and the QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

6. Upon receipt of the Application Form, the Bank, after closure of the Issue, shall determine the final terms, including the Issue Price and the number of the Equity Shares to be issued pursuant to the Issue in consultation with the Book Running Lead Managers. Upon determination of the Issue Price and the QIBs to whom Allocation shall be made, the Book Running Lead Managers on behalf of the Bank will send the CANs, along with serially numbered Placement Document, to the QIBs who have been Allocated the Equity Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the QIB to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details such as the number of the Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-in Date as applicable to the respective QIB. **Please note that the Allocation will be at the absolute discretion of the Bank and will be based on the recommendation of the Book Running Lead Managers.**

7. Pursuant to receiving a CAN, each QIB shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to the Bank's designated bank account by the Pay-in Date as specified in the CAN sent to the respective QIBs.

8. Upon receipt of the application monies from the QIBs, the Bank shall Allot the Equity Shares as per the details in the CAN sent to the QIBs. The Bank shall not Allot the Equity Shares to more than 49 QIBs. The Bank will intimate to the BSE and the NSE the details of the Allotment and apply for approvals of the Equity Shares for listing on the BSE and the NSE prior to crediting the Equity Shares into the Depository Participant accounts of the QIBs.

9. After receipt of the listing approval from the BSE and the NSE, the Bank shall credit the Equity Shares into the Depository Participant accounts of the respective QIBs.

10. The Bank shall then apply for the trading permissions from the BSE and the NSE.

11. The Equity Shares that have been credited to the Depository Participant accounts of the QIBs shall be eligible for trading on the BSE and the NSE only upon the receipt of final listing and trading approvals from the BSE and the NSE. Upon receipt of the final listing and trading approval from the BSE and the NSE, the Bank shall inform the QIBs who have received an Allotment of the receipt of such approval. The Bank and the Book Running Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final listing and trading permissions from the BSE and the NSE or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the BSE and the NSE are also placed on their respective websites. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the BSE and the NSE or the Bank.

Qualified Institutional Buyers

Only QIBs as defined in Regulation 2(1)(zd) of the SEBI Regulations, and not otherwise excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations are eligible to invest in the Issue. Under Regulation 86(1)(b) of the SEBI Regulations, no Allotment shall be made, either directly or indirectly, to any QIB who is a promoter or any person related to the Promoter. Currently, the definition of a QIB includes:

1. Mutual funds, venture capital funds and foreign venture capital investors registered with SEBI;
2. AIFs;
3. Foreign Portfolio Investors other than Category III foreign portfolio investors;
4. Public financial institutions as defined in Section 2 (72) of the Companies Act, 2013;
5. Scheduled commercial banks;
6. Multilateral and bilateral development financial institutions;
7. State industrial development corporations;
8. Insurance companies registered with IRDA;
9. Provident funds with minimum corpus of ₹ 2.5 billion;
10. Pension funds with minimum corpus of ₹ 2.5 billion;
11. National Investment Fund set up by Government of India;
12. Insurance funds set up and managed by army, navy or air force of the Union of India; and
13. Insurance funds set up and managed by the Department of Posts, India.

Foreign Portfolio Investors are permitted to participate in the Issue subject to compliance with all applicable laws and such that the shareholding of the Foreign Portfolio Investors does not exceed specified limits as prescribed under applicable laws in this regard.

In terms of the SEBI (FPI) Regulations, purchase of equity shares of each company by a single FPI or an investor group shall be below 10% of the total issued capital of such company.

In terms of the SEBI (FPI) Regulations, any FII who holds a valid certificate of registration shall be deemed to be an FPI, till the expiry of the block of three years for which fees have been paid as per the SEBI FII Regulations.

The issue of the Equity Shares to a single FII (together with any Equity Shares already held by the FII) should not exceed 10% of the post-Issue paid up capital of the Bank. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment (together with any Equity Shares already held) on behalf of each subaccount shall not exceed 10% of total issued capital of the the Bank.

Allotments made to FVCIs and VCFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively.

Non-resident QIBs can participate in the Issue under Schedule 1 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.

Under Regulation 86(1)(b) of the SEBI Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being the Bank's Promoter or any person related to the Bank's Promoter. QIBs which have all or any of the following rights shall be deemed to be persons related to the Bank's Promoter:

1. rights under a shareholders' agreement or voting agreement entered into with the Bank's Promoter or persons related to the Bank's Promoter;

2. veto rights; or

3. a right to appoint any nominee director on the Central Board.

Provided, however, that a QIB which does not hold any of the Equity Shares and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to a Promoter.

The Bank and the Book Running Lead Managers are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Further, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Code.

A minimum of 10% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other QIBs.

Note: *Affiliates or associates of the Book Running Lead Managers who are QIBs may participate in the Issue in compliance with applicable laws.*

No person holding shares in a banking company shall, in respect of any shares held by him, exercise voting rights on poll in excess of 10% of the total voting rights of all the shareholders of the banking company. Provided that the RBI may, increase such ceiling on voting rights from 10% to 26%, in a phased manner.

Application Process

Application Form

QIBs shall only use the serially numbered Application Forms supplied by the Book Running Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of the Preliminary Placement Document.

By making a Bid (including the revision thereof) for the Equity Shares through Application Forms, the QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under "*Notice to Investors - Representations by Investors*", "*Selling Restrictions*" and "*Eligibility and Transfer Restrictions*":

1. The QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the SEBI Regulations and not excluded under Regulation 86 of the SEBI Regulations, has a valid and existing registration under applicable laws of India and is eligible to participate in the Issue;

2. The QIB confirms that it is not a Promoter and is not a person related to the Promoter, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter or promoter group or person related to the Promoter;

3. The QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to the Promoter, no veto rights or right to appoint any nominee director on the Central Board other than that acquired in the capacity of a lender not holding any Equity Shares, which shall not be deemed to be a person related to the Promoter;

4. The QIB has no right to withdraw its Bid after the Bid/Issue Closing Date;

5. The QIB confirms that if the Equity Shares are Allotted through the Issue, it shall not, for a period of one year from Allotment, sell such the Equity Shares otherwise than on the floor of the BSE and the NSE;

6. The QIB confirms that the QIB is eligible to apply and hold the Equity Shares so Allotted and together with any Equity Shares held by the QIB prior to the Issue. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;

7. The QIB confirms that the Application Form would not result in triggering a tender offer under the Takeover Code;

8. The QIB confirms that to the best of its knowledge and belief, together with other QIBs in the Issue that belong to the same group or are under common control, the Allotment to the QIB shall not exceed 50% of the Issue Size. For the purposes of this statement:

    a. The expression "belongs to the same group" shall derive meaning from the concept of "companies under the same group" as provided in sub-section (11) of Section 372 of the Companies Act, 1956;

    b. "Control" shall have the same meaning as is assigned to it under clause (e) of sub-regulation (1) of Regulation 2 of the Takeover Code.

9. The QIB confirms that it shall not undertake any trade in the Equity Shares credited into the beneficiary account maintained with the Depository Participant by the QIBs until such time that the final listing and trading approvals for the Equity Shares are issued by the BSE and the NSE.

The QIB acknowledges, represents and agrees that its total Holding in the paid-up share capital of the Bank, when aggregated together with any existing Holding and/or Holding of any of its "relative" or "associated enterprises" (as defined under Section 92A of the IT Act), does not exceed 5% of the total paid-up share capital of the Bank, unless it is an existing shareholder who already holds 5% or more of the underlying paid up share capital of the Bank pursuant to the acknowledgment of the RBI, provided that its Holding does not, without the further acknowledgment of the RBI, exceed its existing Holding after Allotment.

QIBS MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD FOR THIS PURPOSE, ELIGIBLE SUB ACCOUNTS OF AN FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by a QIB shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for its share of the Allotment (as indicated by the CAN) and becomes a binding contract on the QIB upon issuance of the CAN by us in favour of the QIB.

Submission of Application Form

All Application Forms must be duly completed with information including the name of the QIB, the price and the number of the Equity Shares applied for. The Application Form shall be submitted to the Book Running Lead Managers either through electronic form or through physical delivery at the following address:

Citigroup Global Markets India Private Limited	**Deutsche Equities India Private Limited**	**DSP Merrill Lynch Limited**	**HSBC Securities and Capital Markets (India) Private Limited**	**J.P. Morgan India Private Limited**	**SBI Capital Markets Limited**	**UBS Securities India Private Limited**
1202, 12th Floor, First International Financial Centre, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051 India Tel: +91 22 6175 9817 Fax: +91 22 6175 6366 Email: project.landmark@citi.com Contact Person: Mr. Shashank Pandey	The Capital, 14th Floor, C-70, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051 India Tel: +91 22 7180 4444 Fax: +91 22 7180 4199 Email: project.landmark@list.db.com Contact Person: Mr. Viren Jairath	8th Floor, Mafatlal Center, Nariman Point, Mumbai 400 021 India Tel: +91 22 6632 8142 Fax: +91 22 2282 5103 Email: dg.in_prj_landmark@baml.com Contact Person: Ms. Kamna Sahni	52/60, Mahatma Gandhi Road, Fort, Mumbai 400 001 India Tel: +91 22 2268 5555 Fax: +91 22 2263 1984 Email: projectlandmark@hsbc.co.in Contact Person: Mr. Mayank Jain	J.P. Morgan Tower, Off CST Road, Kalina, Santacruz (E), Mumbai - 400098 India Tel: +91 22 6157 3000 Fax: +91 22 6157 3911 Email: landmark_jpm@jpmorgan.com Contact Person: Mr. Ranjan Sharma	202, Maker Tower 'E', Cuffe Parade, Mumbai - 400005 India Tel: +91 22 2217 8300 Fax: +91 22 2218 8332 Email: sbiqip@sbicaps.com Contact Person: Mr. Harsh Soni	2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (E), Mumbai - 400051 India Tel: +91 22 6155 6000 Fax: +91 22 6155 6292 Email: OL-CCS+Landmark@ubs.com Contact Person: Mr. Ankur Aggarwal

The Book Running Lead Managers shall not be required to provide any written acknowledgement of the same.

PAN

Each QIB must mention its Permanent Account Number ("PAN") allotted under the IT Act. A copy of each QIB's PAN card is required to be submitted with the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. QIBs should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Pricing and Allocation

Build up of the book

The QIBs shall submit their Bids (including the revision of bids) for the Equity Shares within the Bid/Issue Period to Book Running Lead Managers and cannot be withdrawn after the Bid/Issue Closing Date.

Price discovery, terms and allocation

The Bank, in consultation with the Book Running Lead Managers, shall determine the Issue Price which shall be at or above the Floor Price (net of such discount offered in accordance with Regulation 85 of the SEBI Regulations).

After finalization of the Issue Price, the Bank has updated the Preliminary Placement Document with the Issue details and has filed the same with the Stock Exchanges as this Placement Document.

Method of Allocation

The Bank shall determine the Allocation in consultation with the Book Running Lead Managers on a discretionary basis and in compliance with Chapter VIII of the SEBI Regulations.

Bids received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF THE BANK IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF THE EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF THE BANK IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER THE BANK NOR THE BOOK RUNNING LEAD MANAGERS ARE OBLIGED TO ASSIGN ANY REASON FOR ANY SUCH NON-ALLOCATION.

CAN

Based on the Application Forms received, the Bank, in consultation with the Book Running Lead Managers, in their sole and absolute discretion, decide the QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of such the Equity Shares by the Pay-in Date in their respective names shall be notified to such QIBs. Additionally, the CAN will include details of the relevant Escrow Account for transfer of funds if done electronically, address where the application money needs to be sent, Pay-in Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective QIB's account, as applicable to the respective QIBs ("**Designated Date**").

The QIBs, who have been allotted Equity Shares would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the CAN to the QIBs shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the Book Running Lead Managers and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

Bank Account for Payment of Application Money

The Bank has opened the Escrow Account with State Bank of India, Capital Market Branch, Mumbai, acting as the Escrow Collection Bank in terms of the arrangement among the Bank, the Book Running Lead Managers and the Escrow Collection Bank. The QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-in Date as mentioned in the respective CAN.

If the payment is not made favouring the Escrow Account within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

In case of cancellations or default by the QIBs, the Bank and the Book Running Lead Managers have the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion, subject to the compliance with the requirement of ensuring that the Application Forms are sent to not more than 49 QIBs.

Payment Instructions

The payment of application money shall be made by the QIBs in the name of the Escrow Account as per the payment instructions provided in the CAN.

Payments are to be made only through electronic fund transfer.

Note: Payments through cheques are liable rejected.

Closing Date and Allotment of the Equity Shares

The Bank will endeavor to complete the Allotment of Equity Shares by the probable Closing Date for those QIBs who have paid subscription money as stipulated in the respective CANs. The Equity Shares will not be Allotted unless the QIBs pay the Issue Price to the Escrow Account as stated above.

In accordance with the SEBI Regulations, the Equity Shares will be issued and Allotment shall be made only in dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act, 2013 and the Depositories Act.

The Bank, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment of the Equity Shares, the Bank will apply for final listing and trading approvals from the BSE and the NSE. In the event of any delay in the Allotment or credit of the Equity Shares, or receipt of listing or trading approvals or cancellation of the Issue, no interest or penalty would be payable by us or the Book Running Lead Managers.

After finalisation of the Issue Price, the Bank has updated the Preliminary Placement Document with the Issue details and has filed the same with the Stock Exchanges as this Placement Document. Pursuant to a circular dated March 5, 2010 issued by SEBI, the BSE and the NSE are required to make available on their websites the details of those allottees in Issue who have been allotted more than 5% of the securities offered, i.e. names of the allottees and number of securities allotted to each of them, pre and post Issue shareholding pattern of the Bank in the format specified in Clause 35 of the Equity Listing Agreements along with this Placement Document.

In the event that the Bank is unable to issue and allot the Equity Shares offered in the Issue or on cancellation of the Issue, the money received from QIBs shall be refunded.

Other Instructions

Right to Reject Applications

The Bank, in consultation with the Book Running Lead Managers, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of the Bank and the Book Running Lead Managers in relation to the rejection of Bids shall be final and binding.

Equity Shares in Dematerialized form with NSDL or CDSL

The Allotment of the Equity Shares shall be only in dematerialized form (i.e., not in physical certificates but represented by the statement issued through the electronic mode).

A QIB applying for the Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The BSE and the NSE have electronic connectivity with NSDL and CDSL.

The trading of the Equity Shares would be in dematerialized form only for all QIBs in the respective demat segment of the BSE and the NSE.

The Bank will not be responsible or liable for the delay in the credit of the Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on part of the QIBs.

PLACEMENT

Placement Agreement

The Book Running Lead Managers have entered into a placement agreement with the Bank dated January 28, 2014 (the "**Placement Agreement**"), pursuant to which the Book Running Lead Managers have agreed to manage the Issue and procure subscriptions for the Equity Shares on a reasonable efforts basis.

The Placement Agreement contains customary representations, warranties and indemnities from the Bank and the Book Running Lead Managers, and it is subject to termination in accordance with the terms contained therein.

This Placement Document has not been, and will not be, registered as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than QIBs. No assurance can be given on liquidity or sustainability of trading market for the Equity Shares (including the Equity Shares) post the Issue.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on the BSE and the NSE. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

In connection with the Issue, the Book Running Lead Managers (or their affiliates) may, for their own accounts, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Book Running Lead Managers may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions.

The Book Running Lead Managers and their affiliates may engage in transactions with and perform services for the Bank and its subsidiaries, group companies or affiliates in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with the Bank and its subsidiaries, group companies or affiliates, for which they have received compensation and may in the future receive compensation.

Lock-up

The Bank will not, for a period of 180 days from the date of this Placement Document, without the prior written consent of the Book Running Lead Managers, (A) directly or indirectly, issue, offer, lend, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing, (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for the Equity Shares or publicly announce an intention to enter into any such transaction, whether any such swap or transaction is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise, or (C) deposit Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe for or purchase Equity Shares in depositary receipt facilities or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or a deposit of Equity Shares in any depositary receipt facility, or publicly announce any intention to enter into any transaction. The foregoing sentence shall not apply to: (i) any issuance, sale, transfer or disposition of Equity Shares by the Bank to the extent such issuance, sale, transfer or disposition is required by Indian law, including, any direction by the Government of India; (ii) any issuance of Equity Shares by the Bank to the Promoter; (iii) any issuance of Equity Shares by the Bank in terms of any employee stock options scheme or any employee stock purchase scheme; and (iv) the Issue.

The Equity Shares held by the Promoter shall not be subject to any lock-up, pursuant to the Placement Agreement.

SELLING RESTRICTIONS

The distribution of this Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorized or permitted.

GENERAL

No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction, or the possession, circulation or distribution of this Placement Document or any other material relating to the Bank or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI Regulations. Each purchaser of the Equity Shares in the Issue will be required to make, or be deemed to have made, as applicable, the acknowledgments and agreements as described under "*Eligibility and Transfer Restrictions*".

REPUBLIC OF INDIA

This Placement Document may not be distributed directly or indirectly in India or to residents of India and any Equity Shares may not be offered or sold directly or indirectly in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to eligible and not exceeding 49 QIBs and is not an offer to the public. This Placement Document is neither a public issue nor a prospectus under the Companies Act or an advertisement and should not be circulated to any person other than to whom the offer is made. This Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India.

UNITED STATES

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in either case, pursuant to an effective registration statement or in accordance with an applicable exemption from the registration requirements of the Securities Act. Accordingly, the Equity Shares are being offered and sold only (1) in the United States to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) pursuant to the exemption from the registration requirements of the Securities Act afforded by Section 4(a)(2) of the Securities Act and (2) outside the United States in offshore transactions in reliance upon Regulation S.

Each purchaser of the Equity Shares will be deemed to have made the representations, agreements and acknowledgements as described under "*Transfer Restrictions*".

EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), an offer to the public of any Equity Shares which are the subject of the Issue contemplated by this Placement Document may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Equity Shares may be made at any time under the following exemptions under the Prospective Directive, if they have been implemented in that Relevant Member State:

1. to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities,

2. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Book Running Lead Managers nominated by the Issuer for any such offer; or

3. in any other circumstances failing which Article 3(2) of the Prospectus Directive,

provided that no such offer of the Equity Shares shall result in a requirement for the publication by the Bank or any Book Running Lead Managers or the initial purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an “offer to the public” in relation to any securities 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 any securities to be offered so as to enable an investor to decide to purchase any securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU and includes any relevant implementing measure in each Relevant Member State.

UNITED KINGDOM

Each of the Book Running Lead Managers has represented and agreed that:

1. 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 in connection with the issue or sale of any Equity Shares in circumstances in which section 21(1) of FSMA does not apply to the Bank; and

2. it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom.

HONG KONG

The contents of this Placement Document have not been reviewed by any regulatory authority in Hong Kong. Prospective investors are advised to exercise caution in relation to the Issue. If prospective investors are in any doubt about any of the contents of this Placement Document, they should obtain independent professional advice. Please note that (1) Equity Shares may not be offered or sold in Hong Kong by means of this or any other document other than to professional investors within the meaning of Part I of Schedule 1 to the Securities and Futures Ordinance of Hong Kong (Cap. 571) (SFO) and any rules made thereunder, or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance of Hong Kong (Cap. 32) (CO) or which do not constitute an offer or invitation to the public for the purposes of the CO or the SFO, and (2) no person shall issue, or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to Equity Shares which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to such professional investors.

JAPAN

The Equity Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended; the “**FIEL**”) The Book Running Lead Managers have represented and agreed that they will not offer or sell any Equity Shares, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

SINGAPORE

This Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “**Securities and Futures Act**”). Accordingly, the Equity Shares may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Placement Document or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Equity Shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act who has subscribed for or purchased shares, namely a person who is:

1. a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

2. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 of the Securities and Futures Act except:

a. to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act;

b. where no consideration is given for the transfer; or

c. by operation of law.

ELIGIBILITY AND TRANSFER RESTRICTIONS

Due to the following restrictions, investors are advised to consult legal counsel prior to purchasing Equity Shares or making any resale, pledge or transfer of the Equity Shares.

Purchasers are not permitted to sell the Equity Shares Allotted pursuant to the Issue, for a period of one year from the date of Allotment, except on the BSE or the NSE. Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements. Additional transfer restrictions applicable to the Equity Shares are listed below.

U.S. TRANSFER RESTRICTIONS

The Equity Shares 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 and applicable state securities laws.

Each purchaser of the Equity Shares in the United States is deemed to have represented, agreed and acknowledged as follows:

- It (A) is a "qualified institutional buyer" (as defined in Rule 144A) and (B) is aware that the sale of the Equity Shares to it is being made in reliance on an exemption under the Securities Act.

- It is acquiring the Equity Shares for its own account or for the account of one or more eligible U.S. investors (i.e., "qualified institutional buyers", as defined above), each of which is acquiring beneficial interests in the Equity Shares for its own account.

- It understands that the Equity Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Equity Shares have not been and will not be registered under the Securities Act and that if in the future it decides to offer, resell, pledge or otherwise transfer any of the Equity Shares, such Equity Shares may be offered, resold, pledged or otherwise transferred in compliance with the Securities Act and other applicable securities laws only outside the United States in a transaction complying with the provisions of Rule 903 or Rule 904 of Regulation S or in a transaction otherwise exempt from the registration requirements of the Securities Act.

- It understands and agrees that if it decides to offer, resell, pledge or otherwise transfer any of the Equity Shares in accordance with the restrictions set forth herein, it shall obtain from the transferee a representation letter in substantially the same form as the representations in this section. Such a letter will not be required for a non-prearranged transaction executed on the BSE Limited or the National Stock Exchange of India Limited or any other recognized stock exchange where the Equity Shares are listed.

- It will deliver to the Bank an exit letter upon the resale of the Equity Shares purchased in the Issue stating that the Equity Shares were sold in compliance with the above restriction.

- It will notify the executing broker and any other agent involved in any resale of the Equity Shares of the forgoing restrictions applicable to the Equity Shares and instruct such broker or agent to abide by such restrictions.

- It acknowledges that if at any time its representations cease to be true, it agrees to resell the Equity Shares at the Bank's request.

- It is a sophisticated investor and has such knowledge and experience in financial, business and investments as to be capable of evaluating the merits and risks of the investment in the Equity Shares. It is experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions. It and any accounts for which it is subscribing to the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to the Bank or any of the Book Running Lead Managers for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in its or their circumstances, financial or otherwise, which may cause or require any sale or distribution by it or them of all or any part of the

Equity Shares. It acknowledges that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. It is seeking to subscribe to the Equity Shares in this Issue for its own investment and not with a view to distribution.

- It has been provided access to the Preliminary Placement Document and this Placement Document which it has read in its entirety.

- It agrees to indemnify and hold the Bank and each of the Book Running Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations and warranties. It will not hold any of the Bank or the Book Running Lead Managers liable with respect to its investment in the Equity Shares. It agrees that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares.

- Where it is subscribing to the Equity Shares for one or more managed accounts, it represents and warrants that it is authorized in writing, by each such managed account to subscribe to the Equity Shares for each managed account and to make (and it hereby makes) the acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "it" to include such accounts.

- It acknowledges that the Bank and the Book Running Lead Managers and their respective affiliates 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 is no longer accurate, it will promptly notify the Bank and the Book Running Lead Managers.

Each purchaser of the Equity Shares outside the United States is deemed to have represented, agreed and acknowledged as follows:

- It is authorized to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations.

- It acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Equity Shares are being issued in reliance upon Regulation S and such Equity Shares have not been and will not be registered under the Securities Act.

- It certifies that either (A) it is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and is located outside the United States (within the meaning of Regulation S) or (B) it is a broker-dealer acting on behalf of its customer and its customer has confirmed to it that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, and (ii) such customer is not located outside the United States (within the meaning of Regulation S).

- It is aware of the restrictions of the offer, sale and resale of the Equity Shares pursuant to Regulation S.

- The Equity Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S.

- It understands that the Equity Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Equity Shares have not been and will not be registered under the Securities Act and that if in the future it decides to offer, resell, pledge or otherwise transfer any of the Equity Shares, such Equity Shares may be offered, resold, pledged or otherwise transferred in compliance with the Securities Act and other applicable securities laws only outside the United States in a transaction complying with the provisions of Rule 903 or Rule 904 of Regulation S or in a transaction otherwise exempt from the registration requirements of the Securities Act.

- It is a sophisticated investor and has such knowledge and experience in financial, business and investments as to be capable of evaluating the merits and risks of the investment in the Equity Shares. It is experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions. It and any accounts for which it is subscribing to the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to the Bank or any of the Book Running Lead Managers for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in its or their circumstances, financial or otherwise, which may cause or require any sale or distribution by it or them of all or any part of the Equity Shares. It acknowledges that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. It is seeking to subscribe to the Equity Shares in this Issue for its own investment and not with a view to distribution.

- It has been provided access to the Preliminary Placement Document and this Placement Document which it has read in its entirety.

- It agrees to indemnify and hold the Bank and each of the Book Running Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations and warranties. It will not hold any of the Bank or the Book Running Lead Mangers liable with respect to its investment in the Equity Shares. It agrees that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares.

- Where it is subscribing to the Equity Shares for one or more managed accounts, it represents and warrants that it is authorized in writing, by each such managed account to subscribe to the Equity Shares for each managed account and to make (and it hereby makes) the acknowledgements and agreements herein for and on behalf of each such account, reading the reference to “it” to include such accounts.

- It acknowledges that the Bank and the Book Running Lead Managers and their respective affiliates 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 is no longer accurate, it will promptly notify the Bank and the Book Running Lead Managers.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from SEBI, the BSE and the NSE, and has not been prepared or independently verified by us, the Book Running Lead Managers, or any of its respective affiliates or advisers.

The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai. The BSE and the NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

Stock Exchange Regulation

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government of India acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act, 1956 ("**SCRA**") and the Securities Contracts (Regulation) Rules, 1957 ("**SCRR**"). On June 20, 2012, SEBI, in exercise of its powers under the SCRA and the Securities and Exchange Board of India Act, 1992 (the "**SEBI Act**"), notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 ("**SCR (SECC) Rules**"), which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalization requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Rules along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner in which contracts are entered into and enforced between members of the stock exchanges.

The SEBI Act, under which SEBI was established by the Government of India, granted powers to SEBI to promote, develop and regulate the Indian securities markets, including stock exchanges and other financial intermediaries in the capital markets, to protect the interests of investors, to promote and monitor self-regulatory organisations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. SEBI has also issued regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buyback of securities, delisting of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, Mutual Funds, FIIs, credit rating agencies and other capital market participants.

Listing

The listing of securities on recognized stock exchanges in India is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines issued by SEBI and the Equity Listing Agreements. Under the SCRA and the SCRR, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach by a listed company of its obligations under such Equity Listing Agreements or for any other reason, subject to such company receiving prior notice of such intent of the stock exchange and upon granting of a hearing in the matter. In the event that a suspension of a company's securities continues for a period in excess of 90 days, the company may appeal to the Securities Appellate Tribunal against the suspension. SEBI has the power to vary or veto a stock exchange decision in this regard. SEBI also has the power to amend such Equity Listing Agreements and the bye-laws of stock exchanges in India.

Delisting of Securities

SEBI has, pursuant to a notification dated June 10, 2009, notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, in relation to the voluntary and compulsory delisting of securities from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Minimum Level of Public Shareholding

All listed companies (except public sector undertakings) are required to ensure that their minimum level of public shareholding remains at or above 25%. Companies whose public shareholding was lower than 25% as of June 4, 2010 are required to increase public float to 25% by June 3, 2013. Where the public shareholding in a listed company falls below 25% at any time, such company is required to bring the public shareholding to 25% within a maximum period of twelve months from the date of such fall in the manner specified by SEBI.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the S&P CNX NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

Recognized stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

BSE

The BSE is one of the stock exchanges in India on which the Equity Shares are listed. Established in 1875, it is the first stock exchange in India to have obtained permanent recognition in 1956 from the Government of India under the SCRA. The BSE Sensitive Index or Sensex consists of listed shares of 30 companies. As of December 31, 2013, the BSE had 1,373 members, comprising 206 individual members, 1,136 Indian companies and 31 FIIs. Only a member of the BSE has the right to trade in the stocks listed on the BSE. As of December 31, 2013 there were 5,294 listed companies trading on the BSE (excluding permitted companies). The estimated market capitalisation of stocks trading on the BSE was ₹ 70,44,257.84 billion as of December 31, 2013. In December 2013, the average daily equity turnover on the BSE was ₹ 20.75 billion. As of December 31, 2013, the BSE had 15,199 trader work stations spread over 199 cities. *(Source: www.bseindia.com)*

NSE

The NSE was established by financial institutions and banks to provide nationwide on-line satellite-linked, screen-based trading facilities to market makers, to provide electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. Deliveries for trades executed "on-market" are exchanged through the National Securities Clearing Corporation Limited. After recognition as a stock exchange under the SCRA in April 1993, the NSE commenced operations in the wholesale debt market segment in June 1994 and operations in the derivatives segment in June 2000.

The average daily turnover for December 2013 was ₹ 109.91 billion. The NSE launched the NSE 50 index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996. As of December 31, 2013 the NSE had 1,679 companies listed. The market capitalisation of stocks trading on the NSE was approximately ₹ 68,841.67 billion as of December 31, 2013. The NSE has a wide network in major metropolitan cities and has a screen based trading and a central monitoring system. *(Source: www.nseindia.com)*

Trading Hours

Trading on both the BSE and the NSE normally occurs Monday through Friday, between 9:15 a.m. and 3:30 p.m. The BSE and the NSE are closed on public holidays. Recently, the stock exchanges have been permitted to set their own trading hours (in cash and derivative segments) subject to the condition that (i) the trading hours are between 9 a.m. and 5 p.m.; and (ii) the stock exchange has in place risk management system and infrastructure commensurate to the trading hours.

Internet-Based Securities Trading and Services

SEBI approved internet trading in January 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. This permits clients throughout the country to trade using brokers' internet trading systems. Stock brokers interested in providing this service are required to apply for permission to the relevant stock exchange and to comply with certain minimum conditions stipulated by SEBI and other applicable laws. NSE became the first exchange to grant approval to its members for providing Internet-based trading services. Internet trading is possible on both the 'equities' as well as the 'derivatives' segments of the NSE.

Trading Procedure

In order to facilitate smooth transactions, the BSE replaced its open outcry system with BSE On-line Trading (BOLT) facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothing settlement cycles and improving efficiency in back-office work. NSE also provides on-line trading facilities through a fully automated screen based trading system called 'National Exchange for Automated Trading' (NEAT), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

Takeover Code

Disclosure and mandatory open offer obligations for listed Indian companies under Indian law are governed by the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("**Takeover Code**") which provides specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the Takeover Code will apply to any acquisition of the company's shares/voting rights/control. The Takeover Code prescribes certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the Takeover Code mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The Takeover Code also provides for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (the "**SEBI Insider Trading Regulations**") have been notified by SEBI to prohibit and penalize insider trading in India. An insider is, *inter alia*, prohibited from dealing in the securities of a listed company when in possession of unpublished price sensitive information.

The SEBI Insider Trading Regulations also provide disclosure obligations for shareholders holding more than a pre-defined percentage, and directors and officers, with respect to their shareholding in the company, and the changes therein. The definition of "insider" includes any person who has received or has had access to unpublished price sensitive information in relation to securities of a company or any person reasonably expected to have access to unpublished price sensitive information in relation to securities of a company and who is or was connected with the company or is deemed to have been connected with the company.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfers in book-entry form. Further, SEBI framed regulations in relation to, *inter alia*, the formation and registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term 'securities', as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange.

DESCRIPTION OF THE EQUITY SHARES

Set forth below are certain provisions relating to the Bank's share capital and the Equity Shares, including brief summaries of certain provisions of the SBI Act and the SBI General Regulations. The Bank follows the RBI Dividend Circular in relation to declaration of dividends.

General

The authorized share capital of the Bank is ₹ 50,000,000,000 divided into 5,000,000,000 Equity Shares of ₹ 10 each.

The Equity Shares are listed on the BSE, the NSE, the MSE, the CSE, the DSE and the ASE.

Kinds of share capital

There are two types of share capital: preference share capital and equity share capital. Preference share capital of the Bank which fulfills both the following conditions:

(i) as respects dividends, it carries a preferential right to be paid a fixed amount or an amount calculated at fixed rate, which may be either free of or subject to income tax; and

(ii) as respect capital, it carries or will carry, on winding up to repayment of capital, a preferential right to be repaid the amount of the capital paid up or deemed to have been paid up, whether or not there is preferential right to the payment of either or both of the following amounts, namely (a) any money remaining unpaid, in respect of the amounts specified by the Central Board with the previous consent of the Central Government; and/or (b) any fixed premium or premium on any fixed scale, specified by the Central Board with the previous consent of the Central Government and subject to SEBI Regulations.

Equity share capital means all share capital which is not preference share capital.

Capital

The issued capital of the Bank on the appointed day, (i.e. May 8, 1955, the date on which the SBI Act came into force) was ₹ 56,250,000 divided into 562,500 equity shares of face value of ₹ 100 each, stand allotted to the RBI in lieu of the shares of the imperial Bank. Subsequently the Shares held by the RBI was transferred to Government of India on 29/06/2007. The Bank may raise its capital by public issue or preferential allotment or private placements of both equity and preference shares, in accordance with the guidelines of SEBI, in this regard, provided that the Central Government shall, at all times, hold not less than fifty-one percent of the issued capital of the Bank. For raising capital by public issue or preferential allotment or private placement of preference shares, the extent of issue of each class of such preference shares (whether perpetual or irredeemable or redeemable) and the terms and conditions subject to which each class of such preference shares that may be issued by the Bank is required to be determined in accordance with the guidelines framed by the RBI. The proposal has to be submitted to the RBI to take into account the views of the RBI before finalizing the proposal and the final proposal has to be thereafter submitted to the Central Government for its sanction. The raising of further capital by the Bank should be in accordance with the sanction granted by the Central Government. Also, the Central Board may from time to time increase, with the previous approval of the RBI and the Central Government, whether by public issue or rights issue or preferential allotment or private placement, in accordance with the procedure as may be prescribed, the issued capital by the issue of equity or preference shares. The Bank may accept the money, in respect of shares, towards increase in issued capital in installments, make calls, forfeit unpaid shares and re issue them in a prescribed manner.

Register of Shareholders

The Bank is required to keep, maintain and update share register of its shareholders, the particulars required to be entered in the share register shall be maintained in the form of data stored in magnetic/optical/magneto-optical media by way diskettes, floppies, cartridges or otherwise in computers to be maintained at such location as may be decided from time to time by the Chairman or Managing Director or any other official not below the rank of a Chief General Manager designated in this behalf by the Chairman in accordance with its own regulation (i.e. the State Bank of India Act, 1955). The register of the beneficial owners is maintained by a depository under Section 11 of the Depositories Act, 1996 and will be deemed to be the register for, such shareholders.

Share Certificate

Each share certificate in respect of shares of the Bank is required to bear share certificate number, a distinctive number, the number of shares in respect of which it is issued and the name of the shareholder to whom it is issued and the name of the shareholder to whom it is issued and should be in such form as may be specified by the Central Board or its executive committee. Every share certificate should be issued under the common seal of the Bank in pursuance of a resolution of the Central Board and it should be signed by two persons duly authorized by the Bank. The signature of the two authorized persons may be printed, engraved, lithographed or impressed by such other mechanical process as the Central Board may direct. No share certificate is valid unless and until it is so signed. Share certificate so signed will be valid and binding notwithstanding that, before the issue thereof, any person whose signature appears thereon may have ceased to be a person authorized to sign share certificates on the behalf of the Bank. The shares are also held in demat form.

Issue of Share Certificates

Under the provisions of the SBI general Regulation, a shareholder who has been registered as a shareholder shall be entitled to one certificate for each fifty shares or multiples thereof registered in his name on any one occasion and one additional share certificate for the number of shares in excess thereof but less than fifty. Further, if the number of shares to be registered is less than fifty, one certificate shall be issued for all the shares. Further, in the case of shares held jointly by several persons, delivery of the relative certificate or certificates to one of such joint holders shall be sufficient delivery to all, and a receipt signed by any one of the jointholders shall effectually bind all the joint holders.

Transfer of Shares

The shares of the Bank are freely transferable. The shareholders of the Bank can transfer its shares by an instrument of transfer in the form provided under the SBI General Regulations or in such other form as may be approved by the Bank from time to time.

Call on shares

The Central Board may, from time to time, make such calls as it thinks fit upon the shareholders in respect of all moneys remaining unpaid on the shares held by them, which are by the conditions of allotment not made payable at fixed times, and each shareholder is required to pay the amount of every call so made on him to the person and at the time and place appointed by the Central Board. However, before the time for payment of such call, the Central Board may by notice in writing to the shareholders revoke the same. The time fixed for the payment of any call to all or any of the shareholders may be extended at the discretion of the Central Board, but no shareholder is entitled to such extension as a matter of right.

No shareholder is entitled to receive any dividend or to exercise any right of a shareholder until he has paid all calls for the time being due and payable on every share held by him, whether singly or jointly with any person, together with interest and expenses, as may be levied or charged.

Forfeiture of shares

The Bank can forfeit the shares, if the calls on such shares are unpaid. Any share so forfeited will be deemed to be the property of the Bank and may be sold, re-allocated or otherwise disposed of to any person upon such terms and in such manner as the Central Board may decide.

Meeting of Shareholders

There are two types of general meetings of shareholders: general meetings and special general meetings. For convening an annual general meeting, a notice signed by the Chairman or the Managing Director in its absence, should be published at least 28 (twenty-eight) clear days before the meeting in not less than two daily newspapers having wide circulation in India. Every such notice is required to state the time, date and place of such meeting, and also the business that should be transacted at that meeting.

A special general meeting of shareholders can be convened by the Chairman or in its absence by the Managing Director of the Bank, if so directed by the Central Board, or on a requisition for such a meeting having been received either from the Central Government or from other shareholders holding shares, carrying, in the aggregate, not less than twenty percent of the total voting rights of all the shareholders. The requisition should state the purpose for which Special general meeting is required to be convened, but may consist of several documents in like form each signed by one or more of the requisitionists. The time, date and place of a general meeting shall be decided by the Central Board, provided that a special general meeting convened on requisition by other shareholders will be convened not later than three months of the receipt of the requisition.

No business can be transacted at any meeting of the shareholders unless a quorum of at least five shareholders consisting the central government represented by a duly authorised person and four other shareholders entitled to vote at such meeting in person or by proxy or by duly authorized representatives is present at the commencement of such business, and if within fifteen minutes from the time appointed for the meeting a quorum is not present the chairman may dissolve the meeting or adjourn it to the same day in the following week at the same time and place, and if at such adjourned meeting a quorum is not present, the shareholders who are present in person or by proxy or by duly authorised representative or by a duly authorised person shall form a quorum.

If there is a demand for a poll, it is to be taken either at once or at such time and place and either by open voting or by ballot as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded

Election of Directors

A director, under sub-section (1) of Regulation 37 of the SBI General Regulations, is to be elected by the shareholders on the register, other than the Central Government, from amongst themselves in the general meeting of the Bank. Where an election of a director is to be held at any general meeting, the notice thereof should be included in the notice convening the meeting. Every such notice should specify the number of directors to be elected and the particulars of vacancies in respect of which the election is to be held.

Voting rights of Shareholders

The SBI Act provides that no shareholder other than the Central 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. Each shareholder who has been registered as a shareholder for a period of not less than three months prior to the date of a general meeting shall, at such meeting, have one vote for each fifty shares held by him or it.

Further, subject to the provisions of the SBI General Regulations, a declaration by the chairman of a general meeting that a resolution has been carried or rejected thereat upon a show of hands by those shareholders present who are entitled to vote on the resolution shall be conclusive, and an entry to that effect in the book of proceedings of the Bank shall be sufficient evidence of that fact, without proof of the number or proportion of the votes recorded in favor of, or against, such resolution, unless immediately on such declaration a poll be demanded in writing on behalf of the Central Government or by at least four other shareholders present and entitled to vote at the meeting. If a poll be duly demanded, it shall be taken either at once or at such time and place and either by open voting or by ballot as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. At such, poll, voting shall be either in person or by proxy or by duly authorised representative, and the shareholders shall exercise the voting right. The decision of the chairman of the meeting as to the qualification of any person to vote, and also in the case of a poll, as to number of votes any person is competent to exercise shall be final.

RBI DIVIDEND CIRCULAR

Declaration of Dividend

As per the RBI Dividend Circular, the Bank can declare dividends only if the Bank has a (i) CRAR of at least 9% for the preceding two completed years and the accounting year for which it proposes to declare a dividend; and (ii) net NPA less than 7%. In case the Bank does not meet the said CRAR norm, but has a CRAR of at least 9 % for the accounting year for which it proposes to declare dividend, it would be eligible to declare dividend provided its net NPA ratio is less than 5%.

As per the letter dated April 13, 2010, the Ministry of Finance has directed all public sector banks, including the Bank, to pay a minimum of 20% of their equity or 20% of their post-tax profits, whichever is higher for the financial year 2010.

The Bank is required to comply with certain provisions of the Banking Regulation Act, and the prevailing regulations/guidelines issued by RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to statutory reserves. The proposed dividend should be paid out of the current year's profit. Also, the RBI should not have placed any explicit restrictions on the Bank for declaration of dividends. 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.

TAXATION

The information provided below sets out the possible tax benefits available to the shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of the Equity Shares, under the current tax laws presently in force in India. Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of any shareholder to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfill. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant and advisors with respect to the tax implications of an investment in the Equity Shares, particularly in view of certain recently enacted legislation which may not have a direct legal precedent or may have a different interpretation on the benefits which can be availed

Investors should note that a draft of the Direct Tax Code Bill has been placed before the Indian Parliament which has been referred to Parliamentary Standing Committee. The said committee has suggested major modifications which are under consideration of Ministry of Finance. If that law comes into effect, there could be an impact on the tax provisions mentioned below.

The law stated below is as per the Income tax Act, 1961 as amended by the Finance Act, 2013.

I. INCOME-TAX ACT, 1961

A. TAX BENEFIT TO THE BANK

1. Income by way of interest, premium on redemption or other payment on notified securities, bonds, certificates issued by the Central Government is exempt from tax under Section 10(15) as per conditions specified in the concerned notification.

2. Dividends from domestic companies earned by the Bank are exempt from tax in accordance with and subject to the provisions of Section 10 (34) read with Section 115-O. However, as per Section 94(7), losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt. Also, no credit can be claimed in respect of the Dividend Distribution Tax paid by the Company.

3. Income earned by the Bank from investment in units of mutual fund specified under Section 10(23D) or income received in respect of units from the administrator of the specified undertaking or income received in respect of units from a specified company is exempt from tax under Section 10(35). However, as per Section 94(7), losses arising from the sale/ redemption of units purchased within three months prior to the record date (for entitlement to receive income) and sold within nine months from the record date, will be disallowed to the extent such loss does not exceed the amount of income claimed exempt. Under Section 94(8), losses arising from sale/ transfer of units of mutual funds specified under section 10(23D) or of Unit Trust of India, where such units are purchased within three months prior to the record date, additional units are allotted without payment based on holdings on such date and all or any units initially purchased are sold within nine months from the record date while continuing to hold all or any additional units, will be ignored for computing chargeable income. Such loss ignored will be considered as the cost of acquisition of the additional units held on the date of sale/transfer.

4. Section 14A provides that any expenditure incurred in relation to exempt income is not allowable as deduction in computing total income. In case the tax officer is not satisfied with the correctness of the claim of the taxpayer or in case the taxpayer contends that no expenditure have been incurred towards earning exempt income, disallowance under section 14A shall be computed as per Rule 8D of the Income-tax Rules, 1962.

5. Any income realized from the sale/ transfer of capital assets (including equity shares in a company or units of equity oriented mutual funds) held by the Bank as part of its stock-in-trade would be included in the income computed under the head "profits and gains of business or profession" as per the provisions of the Act.

6. Under Section 36(1)(vii), any bad debt or part thereof written off as irrecoverable in the accounts of the Bank is allowable as a deduction. The deduction of bad debts is limited to the amount, by which such bad debts or part

thereof, exceeds the credit balance in the provision for bad and doubtful debts account made under Section36(1)(viia).

7. Under Section 36(1)(viia),a deduction is allowable in respect of any provision made for bad and doubtful debts, by an amount not exceeding 7.5% of total income (computed before making any deduction under this Clause and Chapter VIA) and an amount not exceeding 10% of the aggregate average advances made by rural branches of the Bank.

8. Under Section 36(1)(xv), securities transaction tax paid by a taxpayer in respect of taxable securities transactions entered into in the course of its business, would be allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head “Profits and gains of business or profession”.

9. Interest income on certain categories of bad and doubtful debts, as specified in Rule 6EA of the Income tax Rules, 1962, is chargeable to tax only in the year of receipt or credit to the profit & loss account of the Bank whichever is earlier, in accordance with the provisions of Section 43D.

10. As per provisions of Section 72, the Bank is entitled to carry forward business losses that cannot be set off against permitted sources of income in the relevant assessment year, for a period of 8 consecutive assessment years immediately succeeding the assessment year when the losses were first computed, and set off such losses against income chargeable under the head “Profits and gains from business or profession” in such assessment year. The set off is permissible even if the business in which the loss was sustained is not carried on in the year of set off.

11. Under Section 74, short-term capital loss suffered during the year is allowed to be carried forward and set-off against short-term as well as long-term capital gains of a subsequent year. Such loss is permitted to be carried forward for eight years immediately succeeding the year in which such loss arises, for claiming set-off against subsequent years’ short-term as well as long term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ long-term capital gains.

B. STATEMENT OF GENERAL DIRECT TAX BENEFITS AVAILABLE TO THE RESIDENTSHAREHOLDERS (PUBLIC SECTOR ENTERPRISES, MUTUAL FUNDS AND DOMESTICINSURANCE COMPANIES IN INDIA) AND FOREIGN INSTITUTIONAL INVESTORS (FIIs)

B.1. To Resident Shareholders

(Scheduled Commercial Banks, public financial institutions, state industrial development corporations, others)

1. The gains/losses, arising from sale of shares will assume the character of Capital Gains or Business Income depending on the nature of holding in the hands of the shareholder and various other factors. Taxability of income on regular trading of securities will depend on facts and circumstances of each case.

2. Dividends earned on shares of the Bank are exempt from tax in accordance with andsubject to the provisions of section 10(34) read with section 115-O of the Act. However, as per section 94(7) of the Act, losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

3. Long term capital gain, as defined under section 2(29B) of the Act, arising on sale of Banks share is fully exempt from tax in accordance with the provision of section 10(38) of the Act where the sale is made on or after October 1, 2004 on a recognized stock exchange and transaction is chargeable to securities transaction tax. However, such income by way of Long Term Capital gain shall be taken into account in computing the Book Profit and Income tax payable under Section 115JB.

4. Section 14A of the Act restricts claim for deduction of expenses incurred in relationto incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn tax exempt income is not tax deductible expenditure.

5. Under section 36(1)(xv) of the Act, securities transaction tax paid by a shareholder in respect of taxable securities transactions entered into in the course of its business, would be allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head profit and gains of business or profession.

6. Under Section 54EC and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under Section 10(38)) arising on transfer of Bank's shares would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued on or after April 1, 2007 by:

   (a) National Highways Authority of India constituted under Section 3 of The National Highways Authority of India Act, 1988; or
   (b) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

   The investment in the long term specified assets is eligible for such deduction to the extent of Rs.5 million during a financial year.
   If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain, However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion.

   However in case of companies, such exempt capital gains cannot be reduced from "book profits" under Section 115JB and the company will be required to pay Minimum Alternate Tax at 18.5% (plus applicable surcharge and education cess) on such book profits if 18.5% of 'book profits" is higher than tax liability under normal provisions of the Act.

7. Under Section 74, a short-term capital loss can be set off against capital gain, whether short-term or long term. To the extent that the loss is not absorbed in the year of transfer, it would be carried forward for eight subsequent years. Long-term loss arising from a transfer of a capital asset can only be set off against long-term capital gain. The excess/ balance loss, if any, can be carried forward for eight years for claiming set off against subsequent years' long-term capital gains. Long term capital loss on sale of listed equity shares in respect of which STT has been paid is not allowed to be set- off and carried forward since the gains in respect of such shares is exempt under section 10(38).

8. Under section 111A of the Act, Short term capital gains on the transfer of equity shares, where the shares are held for a period of not more than 12 months would be taxed at 15% (plus applicable surcharge and education cess), where the sale is made on or after October 1, 2004 on a recognized stock exchange and the transaction is chargeable to securities transaction tax. In all other cases, the short term capital gains would be taxed at the normal rates of tax (plus applicable surcharge and education cess). Cost indexation benefits would not be available in computing tax on short term capital gain.

9. Under section 112 of the Act, long-term capital gains are subject to tax at a rate of 20% (plus applicable surcharge and cess) after indexation, as provided in the second proviso to section 48 of the Act. However, in case of listed securities or units, the amount of such tax could be limited to 10% (plus applicable surcharge and cess), without indexation, at the option of the shareholder in cases where securities transaction tax is not levied.

B.2. To the Resident Mutual Fund

Under Section 10(23D), exemption is available in respect of all income (including capital gains arising on transfer of shares of the Bank) earned by a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or such other mutual fund set up by a public- sector bank or a public financial institution or authorized by the Reserve Bank of India and subject to the conditions as the Central Government may specify by notification.

B.3. To the Domestic Insurance Company

Taxation of insurance companies is governed by Section 44 of the Act which provides a special regime for taxation of insurance companies. The section states that notwithstanding anything to the contrary contained in the provisions of this Act relating to computation of income chargeable under the head "income from house property", "capital gains" or "income from other sources" or in section 199 or in sections 28 to 43B, the profits and gains of any business of insurance, including a mutual insurance company or by a co-operative society shall be computed in accordance with the rules contained in the First Schedule.

Taxation of life insurance business in India governed by section 115B, section 44 and the First Schedule of the Income Tax Act, 1961. "Profit and gains of the life insurance business" is taken as "annual average of the surplus or deficit disclosed by the actuarial valuation" excluding "from it any surplus or deficit included therein which was made in any earlier inter-valuation period."

Provisions of computation of Minimum Alternative Tax under section 115JB of the Act are not applicable to Life Insurance Companies.

Profits and gains of business of general insurance companies is computed based on the profit and loss account prepared in accordance with the provisions of the Insurance Act, 1938 and the IRDA Act, 1999 subject to the following adjustments:

1. Additions of the amounts which are not admissible under the provisions of section 30 to 43B
2. Any gains or loss on realization of investments shall be added or deducted, if such gain or loss is not credited or debited to the profit and loss account
3. Any provision for diminution in the value of investments debited to profit and loss account shall be added back
4. Amount carried to reserve for unexpired risk shall be allowed as a deduction as prescribed in rule 6E of the Income Tax Rules, 1962.

Tax rate: For Life Insurance Companies: 12.5% on profits from life insurance business and 30% on other than life insurance business income as increased by surcharge and education cess. The tax authorities may contend that income from investments made by life insurance companies is not income from life insurance business but income from other sources and hence should be charged to tax @ 30% (plus surcharge and education cess as applicable). Therefore, the matter is litigative in nature.

For general insurance companies: 30% of profits as increased by surcharge and education cess.

B.4. Provident Fund and Pension Fund

Under section 10(25) of the Act, any income received by trustees on behalf of a recognized provident fund and a recognized superannuation fund is exempt from tax.

B.5. Venture Capital Fund or Venture Capital Company (VCC or VCF):

Income of a VCF or VCC from investments in a Venture Capital Undertaking is exempt under section 10(23FB) of the Act.

Any income received by a person out of investment in venture capital fund or venture capital company shall be chargeable to income tax in the same manner as if it were income received by such person had he made investment in the venture capital undertaking directly. The income paid by VCF or VCC shall be deemed to be of the same nature and in the same proportion in the hands of the person receiving it as it had been received by or had accrued or arisen to VCF or VCC as the case may be. The income accruing or arising to a VCF of VCC shall be deemed to be accruing or arising to a person during a previous year shall be deemed to have been paid to a person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income.

C. Non-Resident Shareholders

C.1. Multi-lateral and bilateral development financial institutions

Generally, Multilateral and bilateral development financial institutions may be exempt from taxation in India on the capital gains arising on the sale of shares of the bank depending on the applicable Statute and Acts passed in India. For e.g., world bank, IBRD, IFC, etc. In case they are not specifically exempt from tax then the provisions as applicable for capital gains to a non-resident FII as they should be registered as FII should apply to these institutions.

C.2. Foreign Institutional Investors (FIIs)

1. Dividends earned on shares of the Bank are exempt from tax in accordance with and subject to the provisions of Section 10(34) read with Section 115-O.

2. As per Section 115AD, FIIs will be taxed at:
   a) 10% (plus applicable surcharge and Education cess) on long-term capital gains, where STT is not payable on the transfer of the shares.
   b) 15% (plus applicable surcharge and Education cess) on short-term capital gains arising on the sale of the shares of the Indian company which is subject to STT.
   c) 30% (plus applicable surcharge and Education cess) on short-term capital gains arising on the sale of the shares of the Indian Company which is not subject to STT.

3. As per Section 10(38), Long-term capital gains on sale of equity share of a company listed on recognized stock exchange which is held for a period of more than twelve months, would not be taxable, provided STT has been paid on the sale transaction.

4. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in the Bank and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of the amount of income-tax calculated on such short term capital gains at the rate of 15% and the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.

The FII eligible to avail DTAA benefits shall obtain TRC from the Government of the Country of its residence or specified territory containing the prescribed particulars which has been notified by the CBDT through insertion of Rule 21AB in the Income Tax Rules, 1962.

C.3. Foreign Venture Capital Investor:

1. Income of a FVCI from investments in a Venture Capital Undertaking/ Companies is exempt under section 10(23FB) of the Act.

2. Any income received by a person out of investment in venture capital fund or venture capital company shall be chargeable to income tax in the same manner as if it were income received by such person had he made investment in the venture capital undertaking directly. The income paid by VCF or VCC shall be deemed to be of the same nature and in the same proportion in the hands of the person receiving it as it had been received by or had accrued or arisen to VCF or VCC as the case may be. The income accruing or arising to a VCF of VCC shall be deemed to be accruing or arising to a person during a previous year shall be deemed to have been paid to a person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income.

   The FVCI eligible to avail DTAA benefits shall obtain TRC from the Government of the Country of its residence or specified territory containing the prescribed particulars which has been notified by the CBDT through insertion of Rule 21AB in the Income Tax Rules, 1962

II. Wealth Tax Act, 1957

Shares are not treated as assets within the meaning of Section 2(ea) of the Wealth-tax Act, 1957. Accordingly, shares purchased in the issue are not liable to Wealth-tax in the hands of the shareholders

III. Securities Transaction Tax (STT):

1. For Purchaser: The transaction for purchase of equity shares entered into on a recognized stock exchange and settled by actual delivery or transfer is liable to STT @ 0.1%.

2. For Seller: The transaction for sale of equity shares entered into on a recognized stock exchange and settled by actual delivery or transfer is liable to STT @ 0.1%. The transaction for sale of equity shares entered into on a recognized stock exchange and not settled by actual delivery or transfer is liable to STT @ 0.025%.

Note:

1. **The above statement of possible tax benefits sets out the provisions of the direct tax law in a summary manner only and is not a complete analysis or list of all potential tax consequences of the purchase, ownership and disposal of shares.**

2. **The above statement covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefit under any other law.**

3. **No assurance is given that the Revenue authorities / Courts will concur with the view expressed herein. Our view is based on the existing provisions of law and its interpretation which is subject to change from time to time. We do not assume responsibility to update our view consequent to such changes.**

4. **The foregoing does not purport to be a complete analysis of the potential tax considerations relating to the Issue, and should not be construed as tax advice/opinion. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of the Equity Shares, including the applicability of the local tax laws or non-tax laws, any changes in applicable tax laws and any pending or proposed laws or regulations.**

U.S. FEDERAL INCOME TAX CONSIDERATIONS

TO COMPLY WITH INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS PLACEMENT DOCUMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY PROSPECTIVE INVESTORS, FOR THE PURPOSES OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE UNITED STATES INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE BANK OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a general description of certain material United States federal income tax consequences to U.S. Holders and Non-U.S. Holders (as defined below) under present law of an investment in the Equity Shares. This summary applies only to investors that hold the Equity Shares as capital assets (generally, property held for investment). This discussion is based on the tax laws of the United States as in effect on the date of this Placement Document and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this Placement Document, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not address alternative minimum tax considerations or state, local, non-United States or other tax laws, or the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- certain financial institutions;
- insurance companies;
- dealers in stocks, securities, currencies or notional principal contracts;
- U.S. expatriates and former long-term residents of the United States;
- regulated investment companies and real estate investment trusts;
- tax-exempt entities;
- U.S. Holders that have a functional currency other than the U.S. dollar;
- persons holding an Equity Share as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of the Bank's voting stock;
- persons who acquired Equity Shares pursuant to the exercise of any employee share option or otherwise as consideration; or
- persons holding Equity Shares through partnerships or other pass-through entities.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE UNITED STATES FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE AND LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF EQUITY SHARES.

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Equity Shares that is for United States federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to United States federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions of the trust, or (2) has a valid election in effect under the applicable U.S. Treasury regulations to be treated as a U.S. person.

A "**Non-U.S. Holder**" is a beneficial owner of Equity Shares that is not a U.S. Holder. If you are a partner in a partnership, or other entity taxable as a partnership for United States federal income tax purposes, that holds Equity Shares, your tax treatment generally will depend on your status and the activities of the partnership.

U.S. Holders

Taxation of Distributions on the Equity Shares

Subject to the PFIC rules discussed below, the gross amount of distributions to you with respect to the Equity Shares generally will be included in your gross income in the year received as foreign source ordinary dividend income, but only to the extent that the distribution is paid out of the Bank's current or accumulated earnings and profits (as determined under United States federal income tax principles). To the extent that the amount of the distribution exceeds the Bank's current and accumulated earnings and profits, it will be treated first as a tax-free return of your tax basis in your Equity Shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. However, the Bank does not intend to calculate its earnings and profits under United States federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

Subject to applicable limitations, with respect to non-corporate U.S. Holders (including individual U.S. Holders), dividends may constitute "qualified dividend income" that is taxed at the lower applicable capital gains rate provided that (1) the Bank is not a PFIC (as discussed below) for either the taxable year in which the dividend is paid or the preceding taxable year, (2) such dividend is paid on Equity Shares that have been held by you for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date, and (3) the Bank is eligible for the benefits of the Convention Between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**US-India Treaty**"). The Bank expects to be eligible for the benefits of the US-India Treaty. Further, the Bank does not believe it was a PFIC for the taxable year ending March 31, 2013 and does not expect to be a PFIC for the current year or any future years. Non-corporate U.S. Holders are strongly urged to consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to the Equity Shares.

The amount of any distribution paid by the Bank in a currency other than U.S. dollars (a "**foreign currency**") will be equal to the U.S. dollar value of such foreign currency on the date such distribution is received by the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars at that time. If the foreign currency so received is converted into U.S. dollars on the date or receipt, a U.S. Holder generally will not recognize foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Gain or loss, if any, realized on the subsequent sale or other disposition of such foreign currency will generally be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

For foreign tax credit purposes, dividends distributed with respect to Equity Shares will generally constitute "passive category income" but could, in the case of certain U.S. Holders, constitute "general category income". A U.S. Holder will not be able to claim a U.S. foreign tax credit for Indian taxes for which the Bank is liable and must pay with respect to distributions on Equity Shares. The rules relating to the determination of the U.S. foreign tax credit are complex and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit would be available in their particular circumstances.

Taxation of a Disposition of Equity Shares

Subject to the PFIC rules discussed below, you generally will recognize capital gain or loss on any sale or other taxable disposition of an Equity Share equal to the difference between the U.S. dollar value of the amount realized for the Equity Share and your tax basis (in U.S. dollars) in the Equity Share. If you are a non-corporate U.S. Holder (including an individual U.S. Holder) who has held the Equity Share for more than one year, capital gain on a disposition of the Equity Share generally will be eligible for reduced federal income tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

Because gains on a disposition of an Equity Share generally will be treated as U.S. source, the use of foreign tax credits relating to any Indian income tax imposed upon gains in respect of Equity Shares may be limited. U.S. Holders should consult their tax advisors regarding the application of Indian taxes to a disposition of an Equity Share and their ability to credit an Indian tax against their United States federal income tax liability.

A U.S. Holder that receives foreign currency from the sale or disposition of Equity Shares generally will realize an amount equal to the U.S. dollar value of such foreign currency on the date of sale or disposition or, if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the Equity Shares are treated as being traded on an "established securities market" for this purpose, the settlement date. If the Equity Shares are so treated and the foreign currency received is converted into U.S. dollars on the settlement date, a cash basis or electing accrual basis U.S. Holder will not recognize foreign currency gain or loss on the conversion. If the foreign currency received is not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the settlement date. Gain or loss, if any, realized on the subsequent conversion or other disposition of such foreign currency will generally be U.S. source ordinary income or loss.

Passive Foreign Investment Company

In general, a non-U.S. corporation is considered to be a passive foreign investment company, or a PFIC, for any taxable year if either:

- at least 75% of its gross income is passive income, or
- at least 50% of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income.

Passive income for these purposes generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions. The Bank will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock.

Proposed U.S. Treasury regulations provide that income derived in the active conduct of a banking business is not treated as passive income. The determination of whether income is derived in the active conduct of a banking business is based on the regulatory status of the issuer under local laws, the activities of the issuer performed in the ordinary course of a banking business (including lending, accepting deposits and depositing money in other banks) and the proportion of gross income derived from activities that are "bona fide" banking activities for U.S. federal income tax purposes and securities activities performed in the ordinary course of business (including selling debt instuments to clients in a dealer capacity).

Although not free from doubt, based in part on the proposed U.S. Treasury regulations with respect to banks (which are not yet finalized), the Bank does not expect to be a PFIC for its taxable year ending March 31, 2013. However, the determination of whether the Bank is a PFIC is a factual determination made annually after the end of each taxable year, and there can be no assurance that the Bank will not be considered a PFIC in the current taxable year or any future taxable year because, among other reasons, (i) the composition of the Bank's income and assets will vary over time, (ii) there can be no assurance that the proposed treasury regulations will be finalized in their current form, and (iii) the manner of the application of the proposed treasury regulations and other relevant rules is uncertain in several respects. Furthermore, the Bank's PFIC status may depend on the market price of its Equity Shares, which may fluctuate considerably. **PROSPECTIVE PURCHASERS ARE URGED TO CONSULT YOUR TAX ADVISORS REGARDING THE BANK'S POSSIBLE STATUS AS A PFIC.**

If the Bank is a PFIC for any taxable year during which you hold Equity Shares, you will be subject to special tax rules with respect to any "excess distribution" that you receive and any gain you realize from a sale or other disposition (including a pledge) of the Equity Shares, unless you make a "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the Equity Shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the Equity Shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which the Bank became a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or "excess distribution" cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the Equity Shares cannot be treated as capital, even if you hold the Equity Shares as capital assets.

If the Bank is a PFIC for any year during which you hold Equity Shares, the Bank generally will continue to be treated as a PFIC with respect to you for all succeeding years during which you hold Equity Shares, regardless of whether the Bank continues to meet the income or asset test described above.

In addition, if the Bank is treated as a PFIC, to the extent any of its direct or indirect subsidiaries are also PFICs, you may be deemed to own shares in such subsidiaries and you may be subject to the adverse PFIC tax consequences with respect to the shares of such subsidiaries that you would be deemed to own.

Qualified electing fund election

To mitigate the application of the PFIC rules discussed above, a U.S. Holder may make an election to treat the Bank as a qualified electing fund ("**QEF**") for U.S. federal income tax purposes. To make a QEF election, the Bank must provide U.S. Holders with information compiled according to U.S. federal income tax principles. The Bank does not currently intend to prepare or provide the information that would enable you to make a QEF election.

Mark-to-market election

A U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock to elect out of the tax treatment discussed above, although it is possible the mark-to-market election may not apply or be available with respect to the shares in the Bank's subsidiaries to the extent they are PFICs that you may be deemed to own if the Bank is treated as a PFIC, as discussed above. If you make a valid mark-to-market election for the Equity Shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the Equity Shares as of the close of your taxable year over your adjusted basis in such Equity Shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the Equity Shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the Equity Shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Equity Shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the Equity Shares, as well as to any loss realized on the actual sale or disposition of the Equity Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such Equity Shares. Your basis in the Equity Shares will be adjusted to reflect any such income or loss amounts. If you make such an election, the tax rules that apply to distributions by corporations that are not PFICs generally would apply to distributions by the Bank, except that the lower applicable capital gains rate with respect to qualified dividend income (discussed above) would not apply.

The mark-to-market election is available only for "marketable stock", which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable U.S. Treasury regulations. Under applicable U.S. Treasury regulations, a "qualified exchange" includes a foreign exchange that is regulated by a governmental authority in the jurisdiction in which the exchange is located and in respect of which certain other requirements are met. U.S. Holders of Equity Shares should consult their own tax advisors as to whether the Equity Shares would qualify for the mark-to-market election.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISOR REGARDING THE APPLICATION OF THE PFIC RULES TO THEIR INVESTMENT IN EQUITY SHARES, AND THE AVAILABILITY AND ADVISABILITY OF ANY ELECTIONS.

Non-U.S. Holders

A Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any distributions made on the Equity Shares or gain from the sale, redemption or other disposition of the Equity Shares unless: (i) that distribution and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States; or (ii) in the case of any gain realized on the sale or exchange of an Equity Share by an individual Non-U.S. Holder, that Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

Information Reporting and Backup Withholding

Dividend payments with respect to Equity Shares and proceeds from the sale, exchange or redemption of Equity Shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not US Holders in order to avoid the application of such information reporting requirements and backup withholding.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your United States federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

U.S. Holders that hold Equity Shares in any year in which the Bank is a PFIC, may be required to file Internal Revenue Service Form 8621 regarding distributions received on the Equity Shares and any gain realized on the disposition of the Equity Shares. In addition, U.S. Holders may be required to file additional information with respect to their ownership of Equity Shares.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA. The Bank is classified as an FFI.

The new withholding regime will be phased in beginning July 1, 2014 for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than January 1, 2017.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

If the Bank and other FFIs in its group do not become Participating FFIs, Reporting FIs, or are not treated as exempt from or in deemed compliance with FATCA, the Bank and other FFIs in its group may be subject to FATCA Withholding on payments received from U.S. sources and Participating FFIs. Any such withholding imposed on the Bank or other FFIs in its group may have a material adverse effect on the group's business, prospects, results of operations and financial position.

If the Bank becomes a Participating FFI under FATCA, the Bank and financial institutions through which payments on the Equity Shares are made may be required to withhold FATCA Withholding if any FFI through or to which payment on such Equity Shares is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA.

If an amount in respect of FATCA Withholding were to be deducted or withheld from any payments, neither the Bank nor any other person will pay additional amounts as a result of the deduction or withholding.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to payments they may receive in connection with the Equity Shares.

INDEPENDENT ACCOUNTANTS

The Bank's audited consolidated and unconsolidated financial statements for fiscal years 2011, 2012 and 2013, and the unaudited limited reviewed consolidated and unconsolidated financial results for the six months ended September 30, 2013, have been included in this Placement Document. The Bank's financial statements are prepared in accordance with Indian GAAP as applicable to banks, guidelines issued by the RBI from time to time and practices generally prevailing in the banking industry in India. The Bank's financial statements included in this Placement Document were audited or reviewed, as the case may be, by a rotation of auditors appointed by RBI. The independent auditors have issued standard audit opinions or review reports, as the case may be, on these financial statements and interim financial results. For details of these auditors, see "*General Information*".

LEGAL PROCEEDINGS

Other than as mentioned below, there have been no proceedings initiated against the Bank which, if adversely determined, might have a material adverse effect on the Bank's financial condition or results of operations. However, the Bank is involved in legal proceedings including taxation related proceedings, before various courts and other forums in the ordinary course of business and its usual course of banking.

1. Jyoti Harshad Mehta, (the "**Appellant**"), the legal heir of Harshad S. Mehta, has filed four civil appeals bearing nos. 9338 of 2010, 9342 of 2010, 3284 of 2011 and 3286 of 2011 against the Bank and others, before the Supreme Court of India claiming, *inter alia*, an amount aggregating to ₹ 14.34 billion from the Bank, which was awarded to the Bank vide orders passed by the Special Court constituted under the Special Court (Trial of Offences Relating to Transactions in Securities) Act, 1992, (the "**Special Court**") in connection with claims by the Bank of diversion of funds through the accounts held by Harshad Mehta. The Appellant vide the aforementioned civil suits has alleged *inter alia* that the Bank has (i) made false claims and concealed evidence to deceive the Special Court to obtain decrees in favour of the Bank; (ii) failed to disclose that the Bank had extended a routing facility to Harshad S. Mehta; and (iii) that the Bank and others have deceived the Special Court by acting in collusion with one another. The Bank and the Appellant have filed their respective statements of case with the Supreme Court of India on November 26, 2013 and November 29, 2013, respectively. The matter is pending hearing and final disposal.

2. From the service tax authorities, the Bank has received 15 show cause notices during the quarter ended September 30, 2012 involving an amount aggregating to ₹ 1.20 billion and 27 show cause notices during the quarter ended December 31, 2012 involving an amount aggregating to ₹ 1.04 billion. The aforementioned show cause notices are in connection with computation of commission and exchange amount, non-payment of commission received in respect of government transaction, interest on overdraft, cash credit and bills discounting, service tax on nostro, syndication, foreclosure and commitment charges and forex remuneration amongst others. The Bank has replied to each of the aforementioned show cause notices. The matters are pending hearing and final disposal.

3. The Bank has filed suits against the income tax departments before the Bombay High Court, the Income Tax Appellate Tribunal, Mumbai and the Commissioner of Income Tax (Appeals), Mumbai, against the orders passed by the income tax authorities. The aforementioned suits filed by the Bank are in connection with (i) taxability of *inter alia* interest on accrual/due basis, (ii) disallowance of expenses relating to exempt income under Section 14 A of the IT Act, (iii) broken period interest, (iv) provision towards pension, (vi) depreciation of securities, (vi) write-off on non-rural branch advances, (vii) non-taxability of recovery of bad debts and (viii) non-addition of the provision for standard assets and on restructured assets in computing minimum alternate tax, amongst others, for the assessment years ranging from 1984-1985 to 2011-12, (both inclusive) wherein the net unprovided for tax liability aggregates to an amount of ₹ 33.0 billion. The matters are pending hearing and final disposal.

4. The DCIT and the Assistant Commissioner of Income Tax, Circle 2 (2), Mumbai, have filed five appeals and two appeals respectively, before the Income Tax Appellate Tribunal, Mumbai, against the Bank in connection with the assessment orders passed by the Commissioner of Income Tax (Appeals) II, Mumbai, (the "**CIT (A)**") and the Commissioner of Income Tax (Appeals) - 5, Mumbai, for assessment under Section 143 (3) of the IT Act, for the assessment years commencing from 1997-1998 to 2004-2005, (both inclusive, excluding 1998-1999), involving an amount aggregating to ₹ 20.90 billion in connection with *inter alia*, the disallowances permitted under the IT Act, broken period interest, taxation of interest on securities or due basis and deductions under Section 80M of the IT Act. The matters are pending hearing and final disposal.

5. The DCIT has filed an appeal before the Bombay High Court, against the Bank on March 18, 2013, in connection with the order passed by the Income Tax Appellate Tribunal, Mumbai, (the "**ITAT**"), on October 12, 2012, (the "**Order**"), involving an amount aggregating to ₹ 1.65 billion in connection with the claim of depreciation made by the Bank for assessment of its taxable income. The Order was passed by the ITAT on appeal by the Bank against the order of the CIT (A), passed in favour of the assessing officer's order for the assessment under Section 143 (3) of the IT Act, for the assessment year 2001-2002. The matter is pending hearing and final disposal.

6. Samsuddin Chhataria and others, (collectively, the "**Plaintiffs**"), have filed a Special Civil Suit bearing no. 39 of 2010 before the Court of Principal Senior Civil Judge, Bhavnagar, (the "**Suit**"), against a consortium of banks including the Bank, (the "**Defendants**") alleging *inter alia*, a shortfall in the disbursement of working capital and a contractual breach by certain defendants including the Bank, resulting into failure of a project. The Plaintiffs vide the Suit have prayed that a decree be passed against the Defendants for an amount aggregating to ₹ 2.47 billion along with interest at the rate of 12% p.a. from the date of the Suit till realization The Bank amongst others, has filed its written statement praying that the suit be dismissed as the same is time barred and without proper jurisdiction. The matter is pending hearing and final disposal.

GENERAL INFORMATION

1. In 1921, three banks, i.e. the Bank of Bengal, the Bank of Bombay and the Bank of Madras were merged by an act of the legislature to form the Imperial Bank of India. Thereafter, on July 1, 1955, the Imperial Bank of India was nationalised and the Bank was incorporated as a body corporate under the SBI Act.

2. The central office of the Bank is located at Corporate Centre, State Bank Bhavan (Shares & Bonds Department, 14th Floor), Madame Cama Road, Mumbai - 400021, Maharashtra, India.

3. The Bank's outstanding Equity Shares are listed on the BSE, the NSE, the MSE, the CSE, the DSE and the ASE.

4. The Bank has applied for in-principle approvals to list the Equity Shares on the BSE and the NSE and have obtained in-principle approvals in terms of Clause 24(a) of the Equity Listing Agreements, for the listing of the Equity Shares on the BSE and the NSE.

5. The Issue was authorised and approved by the Central Board, the ECCB and the shareholders of the Bank on October 30, 2013, November 28, 2013 and December 30, 2013, respectively.

6. The Bank has obtained the necessary consents, approvals and authorizations required in connection with the Issue, including the approvals from the Government of India dated December 9, 2013 and January 1, 2014 and the RBI dated December 2, 2013 and December 24, 2013.

7. Pursuant to the resolution(s) passed by the Central Board on October 30, 2013, the ECCB on November 28, 2013, December 12, 2013 and January 2, 2014 and the shareholders of the Bank on December 30, 2013, the Bank made a preferential allotment of 11,218,685 Equity Shares at a price of ₹ 1,782.74 per Equity Share to the President of India, acting through the Ministry of Finance, Government of India.

8. Pursuant to a resolution passed by the ECCB on January 2, 2014, the Bank has alloted 20,000 unsecured non convertible debentures of face value of ₹ 1 million per debenture aggregating to ₹ 20 billion by way of private placement for a tenure of 120 months with an annually payable coupon of 9.69%.

9. Except as disclosed in this Placement Document, there are no significant changes in the financial or trading position of the Bank since September 30, 2013, the date of the latest Financial Statements.

10. Except as disclosed in this Placement Document, there are no material litigation or arbitration proceedings against or affecting the Bank or its assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of the Issue of the Equity Shares.

11. The Bank's unaudited consolidated financial results for the six months ended September 30, 2013, have been reviewed by S. Venkatram & Co., Chartered Accountants. The Bank's unaudited unconsolidated financial results for the six months ended September 30, 2013, have been reviewed by Todi Tulsyan & Co., Chartered Accountants, Singhi & Co., Chartered Accountants, SCM Associates, Chartered Accountants, S. Venkatram & Co., Chartered Accountants, Sriramamurthy & Co., Chartered Accountants, T. R. Chadha & Co., Chartered Accountants, S. N. Nanda & Co., Chartered Accountants, V. Soundararajan & Co., Chartered Accountants, K. B. Sharma & Co., Chartered Accountants, Add & Associates, Chartered Accountants, Dhamija Sukhija & Co., Chartered Accountants, Prakash & Santosh, Chartered Accountants, V. P. Aditya & Co., Chartered Accountants and S. Jaykishan, Chartered Accountants. The Bank's consolidated financial statements for fiscal year 2013, have been audited by Todi Tulsyan & Co., Chartered Accountants. The Bank's unconsolidated financial statements for fiscal year 2013, have been audited by Todi Tulsyan & Co., Chartered Accountants, Singhi & Co., Chartered Accountants, SCM Associates, Chartered Accountants, S. Venkatram & Co., Chartered Accountants, Sriramamurthy & Co., Chartered Accountants, T. R. Chadha & Co., Chartered Accountants, S. N. Nanda & Co., Chartered Accountants, V. Soundararajan & Co., Chartered Accountants, K. B. Sharma & Co., Chartered Accountants, Add & Associates, Chartered Accountants, Dhamija Sukhija & Co., Chartered Accountants, Prakash & Santosh, Chartered Accountants, V. P. Aditya & Co., Chartered Accountants and S. Jaykishan, Chartered Accountants. The Bank's consolidated financial statements for fiscal year 2012, have been audited by Kalyaniwalla & Mistry, Chartered Accountants. The Bank's unconsolidated financial statements for fiscal year 2012, have been audited by Kalyaniwalla & Mistry, Chartered Accountants, B. M. Chatrath & Co., Chartered Accountants, K. K. Soni & Co., Chartered Accountants, Essveeyar, Chartered Accountants, Venugopal & Chenoy, Chartered Accountants, K. G. Somani & Co., Chartered Accountants, K. C.

Mehta & Co., Chartered Accountants, Dagliya & Co., Chartered Accountants, M. Verma & Associates, Chartered Accountants, Krishnamoorthy & Krishnamoorthy, Chartered Accountants, Todi Tulsyan & Co., Chartered Accountants, Singhi & Co., Chartered Accountants, SCM Associates, Chartered Accountants and SBA & Company, Chartered Accountants. The Bank's consolidated financial statements for fiscal year 2011, have been audited by Kalyaniwalla & Mistry, Chartered Accountants. The Bank's unconsolidated financial statements for fiscal year 2011, have been audited by Kalyaniwalla & Mistry, Chartered Accountants, B. M. Chatrath & Co., Chartered Accountants, K. K. Soni & Co., Chartered Accountants, Essveeyar, Chartered Accountants, Venugopal & Chenoy, Chartered Accountants, K. G. Somani & Co., Chartered Accountants, K. C. Mehta & Co., Chartered Accountants, Dagliya & Co., Chartered Accountants, M. Verma & Associates, Chartered Accountants, Krishnamoorthy & Krishnamoorthy, Chartered Accountants, Todi Tulsyan & Co., Chartered Accountants, R. K. J. K. Khanna & Co., Chartered Accountants, Raj Bordia & Co., Chartered Accountants and SBA & Company, Chartered Accountants. The Financial Statements of the Bank have been included in this Placement Document.

12. The Bank confirms that it is in compliance with the minimum public shareholding requirements as specified under the SCRR and required under the terms of the Equity Listing Agreements with the Stock Exchanges.

13. The Floor Price for the Issue is ₹ 1,629.35 per Equity Share on January 28, 2014, as the Relevant Date. The Floor price has been calculated as per Regulation 85 of the SEBI Regulations.

14. The Bank has offered a discount of 3.95% on the Floor Price in terms of Regulation 85 of the SEBI Regulations.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The Financial Statements of the Bank included in this Placement Document have been prepared in accordance with the accounting policies followed by the Bank which conform to Generally Accepted Accounting Principles in India and RBI Guidelines as applicable to the Bank. The following are significant differences between Indian GAAP and U.S. GAAP, limited to those differences that are relevant to the Bank's financial statements. However, they should not be construed as being exhaustive, and no attempt has been made to identify possible future differences between Indian GAAP and U.S. GAAP as a result of prescribed changes in accounting standards or to identify future differences that may affect the Bank's financial statements as a result of transactions or events that may occur in the future. In certain respects, the financial statements of the Bank reflect adjustments made in accordance with applicable statutory requirements and regulatory guidelines, and accounting practices in India, which change from time to time and may have been applied prospectively. As a result, the periods covered by the financial statements of the Bank and the Bank's results on a period-by-period basis may not be directly comparable.

Indian GAAP	U.S. GAAP
Changes in accounting policies	***Changes in accounting policies***
Impact of adjustments resulting from the change to be shown in the income statement of the period in which the change is made except as specified in certain standards, where the change resulting from adoption of such standards has to be shown by an adjustment to opening retained earnings.	Retrospective application requiring the entity to adjust each affected component of equity for the earliest period presented and comparative income statement presented, except where impracticable to do so. Amount of adjustment relating to prior periods is adjusted against the opening balance of retained earnings of the earliest year presented. Transition provisions are generally specified in new standards and may be different.
Property, plant and equipment	***Property, plant and equipment***
Use of historical cost or revalued amounts is permitted. Revaluation of an entire class of assets or of a selection of assets is required to be carried out on a systematic basis.	Upward revaluation is not permitted. Downward valuations are required when future undiscounted cash flows are less than the carrying value of the asset.
Depreciation	***Depreciation***
The Indian Companies Act provides minimum rates of depreciation. If management's estimate of useful life of a fixed asset is shorter than depreciation rates as per the Companies Act, depreciation is provided at higher rate based on management's estimate of useful life.	Allocated on a systematic basis to each accounting period over the economic useful life of the asset, reflecting the pattern in which the entity consumes the asset's benefits.
Depreciation on revaluation portion can be recouped out of revaluation reserve.	Upward revaluation is not permitted.
Unrealized gains/losses on investments	***Unrealized gains/losses on investments***
All investments are categorized into "Held to Maturity," "Available for Sale" and "Held for Trading." "Held to Maturity" securities are carried at their acquisition cost or at amortized cost if acquired at a premium over the face value. "Available for Sale" and "Held for Trading" securities are valued periodically as per RBI guidelines. Net depreciation, if any, within each category of investments is recognized in the profit and loss account. The net appreciation, if any, under each classification is ignored.	Investments are categorized into "Held to Maturity," "Available for Sale" or "Trading" based on management's intent and ability. While 'Trading' and "Available for Sale" securities are valued at fair value, "Held to Maturity" securities are valued at cost, adjusted for amortization of premiums and accretion of discount. The unrealized gains and losses on "Trading" securities are taken to the income statement, while those of "Available for Sale" securities are reported as a separate component of stockholders' equity, net of applicable taxes, until realized.

Indian GAAP	U.S. GAAP
Amortization of premium/discount on the purchase of investments	***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."	Premium/discount is amortized on all categories of investment other than trading securities.
Allowances for credit losses	***Allowances for credit losses***
All credit exposures are classified as per RBI guidelines, into performing assets and NPAs. Further, non-performing assets are classified into substandard, doubtful and loss assets for provisioning based on the criteria stipulated by the RBI. Provisions are made in accordance with RBI guidelines. In addition to the above provision, for restructured assets, a provision is made in accordance with the guidelines issued by the RBI, which require that a provision equal to the diminution in the fair value of the advance (difference between the fair value of the loan before and after restructuring) be made at the time of restructuring. In addition to the specific provisioning made on NPAs, the Bank maintains general provisions to cover potential credit losses of standard assets in accordance with RBI guidelines.	Loans are tested for impairment and placed on a non-accrual basis (i.e., interest income is not accrued) when based on current information and events, management estimates that the collection of outstanding interest and principal amounts are doubtful. The impairment of a loan is measured based on the present value of the expected future cash flows discounted at the loan's effective interest rate, or at the observable market price of the loan, or at the fair value of the collateral if the loan is collateral dependent. The impairment is recognized if the measured value is less than the recorded investment in the impaired loan.
Loan origination fees/costs	***Loan origination fees/costs***
Loan origination fees are recognized upfront on their becoming due. Loan origination costs are taken to the profit and loss account in the year in which accrued/incurred.	Non-refundable loan origination fees (net of direct loan origination costs) are deferred and recognized as an adjustment to yield over the life of the loan. The adjustment is made using the effective interest method, based on the contractual terms of the loan.
Derivatives	***Derivatives***
Derivative transactions comprise swaps and options. Swaps and options are disclosed as off balance sheet exposures. The swaps/options are bifurcated as trading or hedge transaction. Trading swaps/options are revalued at the balance sheet date with the resulting unrealized gain/loss being recognized in the profit and loss account and is included in other assets or other liabilities. Hedged swaps/options are accounted for on an accrual basis.	All derivatives are required to be recognized as assets or liabilities on the balance sheet and measured at fair value with changes in fair value being recognized in earnings. Fair values are based on quoted market prices or, absent quoted market prices, based on valuation techniques which may take into account available current market and contractual prices of similar instruments as well as the time value underlying the positions.
In the absence of clear guidance on hedge accounting under the current accounting framework, AS 30 and AS 31 guidance regarding derivative accounting can be early adopted. . Adoption of AS 30 and 31 is not mandatory since they have not been notified by the Ministry of Corporate Affairs.	If a derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge' s change in fair value is either offset against the change in fair value of the hedged asset, liability or firm commitment through income or held in equity until the hedge item is recognized in income. The ineffective portion of a hedge is immediately recognized in income.
Revenue Recognition	***Revenue Recognition***
Revenue is recognized on accrual basis when there is no uncertainty as to its ultimate collection. Realized gains on investments under HTM category are recognized in the profit and loss account and subsequently appropriated to	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

Indian GAAP	U.S. GAAP
capital reserve account in accordance with RBI guidelines.	fixed or determinable and, collectability is reasonably assured. Realized gains on investments under HTM category are recognized in the profit and loss account.
Employee Benefits	***Employee Benefits***
AS 15 (Revised) (mandatory with effect from December 7, 2006) requires the use of projected unit credit method to determine benefit obligation. All actuarial gains and losses have to be recognized immediately in profit and loss account.	Obligation for defined benefit plans must be measured using projected unit credit method. Actuarial gains and losses can either be recorded in the period incurred within the statement of operation or defer through the use of corridor approach (or any systematic method that results in faster recognition than corridor approach).
Taxation	***Taxation***
Income tax comprises the current tax (i.e., amount of tax for the period determined in accordance with the Income Tax Act, 1961 and the rules framed thereunder) and the deferred tax charge or credit reflecting the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date.	Income taxes are accounted for as per the provisions of ASC 740, Accounting for Income Taxes. ASC 740 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 only to the extent there is reasonable certainty that the assets can be realized in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as of each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realized.	Deferred tax assets are recognized subject to a valuation allowance based upon management's judgment as to whether it is considered more likely than not that the asset will be realized.
Employee Stock Option Plan	***Employee Stock Option Plan***
As per the guidance note on Accounting for Employee Share-based payments, effective for all share-based grants made after April 1, 2005, employee share-based plans are classified into equity settled, cash settled and employee share-based payments plans with cash alternatives. Any plan falling into the above categories can be accounted for by adopting the fair value method or intrinsic value method as of the grant date. An enterprise using the intrinsic value method is required to make fair value disclosures. Listed companies are also to observe the specific guidance by market regulator (SEBI).	As per ASC 718- Compensation-Stock compensation, employee stock-based compensation plans have to be accounted for using the fair value method.

Indian GAAP	U.S. GAAP
Proposed dividend	***Proposed dividend***
Dividend proposed after the Balance Sheet date for the year/period then ended is required to be recognized as a liability on the Balance Sheet date.	The declaration of a cash dividend is a non-adjusting event. Dividends are recorded when they are approved by the shareholders.
Accounting for subsidiaries and affiliates	***Accounting for subsidiaries and affiliates***
Consolidation of subsidiaries is required when ownership is controlled, directly or indirectly, of more than one-half of the voting power or the composition of the board of directors is controlled with the objective of obtaining economic benefits from activities. Investments in associates should be accounted for under the equity method.	Consolidation of subsidiaries is required where directly or indirectly, more than 50% of the voting rights are held or control is exercised. Entities where 20% to 50% of the voting rights are held and/or significant influence can be exercised are to be accounted for under the equity method, and the pro rata share of their income (loss) is included in income. Variable Interest Entities should be consolidated where the Bank is determined to be the primary beneficiary under ASC 810- Consolidation.

FINANCIAL STATEMENTS

Consolidated Limited Review Financial Results

Financial Statements

of

STATE BANK OF INDIA

For the Year Ended 31st March 2013

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 as at 31st March 2013, which comprises the Balance Sheet as at March 31, 2013, 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 Office, **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) **7480** Indian Branches audited by other auditors;
   iii) **53** Foreign Branches audited by the local auditors; and

   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 Reserve Bank of India.

   Also incorporated in the Balance Sheet and the Statement of Profit and Loss are the returns from **8170** Indian Branches and other accounting units which have not been subjected to audit. These unaudited branches account for **5.38**% of advances, **19.47**% of deposits, **6.25%** of interest income and **16.91**% of interest expenses.

Management's Responsibility for the Financial Statements

2. The management is responsible for the preparation of these financial statements 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 includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

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 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 risk of material misstatement of the financial statements, whether due to 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. 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 significant accounting policies and 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 2013 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.

Matter of Emphasis

7. Without qualifying our opinion, we draw attention to :
   a) Notes 18.8 – para 13 of Schedule 18 : 'Notes to Accounts' regarding deferment of gratuity liability of the bank to the extent of Rs.200 crores pursuant to the exemption granted by the Reserve Bank of India to the public sector banks from application of the provisions of Accounting Standard (AS) 15, Employee Benefits vide its circular no.DBOD.BP.BC/80/21.04.01.018/2010-11 dated February 9, 2011.

   b) Notes 18.8 – para 16 of Schedule 18 : During the year, the Bank has made specific provisions of Rs.706.26 crores for certain Non-performing domestic advances to provide for estimated actual loss in collectible amounts.

Report on Other Legal and Regulatory Requirements

8. The Balance Sheet and the Profit and Loss Account have been drawn up in Form "A" and "B" respectively of the Third Schedule to the Banking Regulation Act 1949, 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 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 applicable accounting standards.

STATUTORY CENTRAL AUDITORS

For Todi Tulsyan & Co.
Chartered Accountants

Sushil Kumar Tulsyan
Partner : M.No. 075899
Firm Regn. No. 002180 C

For Singhi & Co.
Chartered Accountants

Rajiv Singhi
Partner : M.No.053518
Firm Regn. No.302049 E

For SCM Associates
Chartered Accountants

S K Jhunjhunwala
Partner : M.No. 055639
Firm Regn. No. 314173 E

For S Venkatram & Co.
Chartered Accountants

G Narayanaswamy
Partner : M.No. 002161
Firm Regn. No.004656 S

For Sriramamurthy & Co.
Chartered Accountants

M Poorna Chander Rao
Partner : M.No.02713
Firm Regn. No.003032 S

For T R Chadha & Co.
Chartered Accountants

Vikas Kumar
Partner : M.No. 075363
Firm Regn. No.006711 N

For S N Nanda & Co.
Chartered Accountants

S N Nanda
Partner : M.No. 005909
Firm Regn. No.000685 N

For V Soundararajan & Co.
Chartered Accountants

V S Sukumar
Partner : M.No. 018203
Firm Regn. No.003943 S

For K B Sharma & Co.
Chartered Accountants

Munish Jain
Partner : M No.094750
Firm Regn. No. 002318 N

For Add & Associates
Chartered Accountants

Nimai Kumar Das
Partner: M.No. 051309
Firm Regn. No.308064 E

For Dhamija Sukhija & Co.
Chartered Accountants

Reena Sukhija
Partner: M.No.081977
Firm Regn. No.000369 N

For Prakash & Santosh
Chartered Accountants

Santosh Kumar Gupta
Partner : M No.016304
Firm Regn. No. 000454 C

For V P Aditya & Co.
Chartered Accountants

V P Aditya
Partner : M No.006387
Firm Regn. No.000542 C

For S Jaykishan
Chartered Accountants

Sunirmal Chatterjee
Partner : M.No. 017361
Firm Regn. No.309005 E

Place : Kolkata
Date : 23rd May 2013

STATE BANK OF INDIA

BALANCE SHEET AS ON 31ST MARCH 2013

(000s omitted)

	SCHEDULE NO.	As on 31.03.2013 (Current Year) Rs.	As on 31.03.2012 (Previous Year) Rs.
CAPITAL AND LIABILITIES			
Capital	1	684,03,40	671,04,48
Reserves & Surplus	2	98199,65,14	83280,16,10
Deposits	3	1202739,57,43	1043647,36,23
Borrowings	4	169182,71,36	127005,56,80
Other Liabilities and Provisions	5	95455,06,70	80915,09,46
TOTAL		**1566261,04,03**	**1335519,23,07**
ASSETS			
Cash and Balances with Reserve Bank of India	6	65830,41,04	54075,93,86
Balances with Banks and money at call and short notice	7	48989,75,41	43087,22,63
Investments	8	350927,27,16	312197,61,03
Advances	9	1045616,55,31	867578,89,01
Fixed Assets	10	7005,02,22	5466,54,92
Other Assets	11	47892,02,89	53113,01,62
TOTAL		**1566261,04,03**	**1335519,23,07**
Contingent Liabilities	12	926378,90,86	832605,33,43
Bills for Collection	--	66639,54,09	66959,85,00
Significant Accounting Policies	17		
Notes to Accounts	18		

STATE BANK OF INDIA

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2013

(000s omitted)

	SCHEDULE NO.	Year ended 31.03.2013 (Current Year)	Year ended 31.03.2012 (Previous Year)
		Rs.	Rs.
I. INCOME			
Interest earned	13	119657,09,90	106521,45,34
Other Income	14	16034,84,33	14351,44,57
TOTAL		**135691,94,23**	**120872,89,91**
II. EXPENDITURE			
Interest expended	15	75325,79,65	63230,36,87
Operating expenses	16	29284,42,23	26068,99,21
Provisions and contingencies		16976,73,86	19866,24,97
TOTAL		**121586,95,74**	**109165,61,05**
III. PROFIT			
Net Profit for the year		14104,98,49	11707,28,86
Profit brought forward		33,93	33,93
Profit balance of e-SBI Commercial & International Bank Ltd. transferred on amalgamation		-	5,71,15
TOTAL		**14105,32,42**	**11713,33,94**
APPROPRIATIONS			
Transfer to Statutory Reserve		4417,86,08	3516,97,72
Transfer to Capital Reserve		19,16,96	14,37,69
Transfer to Revenue and other Reserves		6453,26,04	5536,49,60
Proposed Dividend		2838,74,09	2348,65,69
Tax on Dividend		375,95,32	296,49,31
Balance carried over to Balance Sheet		33,93	33,93
TOTAL		**14105,32,42**	**11713,33,94**
Basic Earnings per Share		Rs. 210.06	Rs. 184.31
Diluted Earnings per Share		Rs. 210.06	Rs. 184.31
Significant Accounting Policies	17		
Notes to Accounts	18		

STATE BANK OF INDIA
Cash Flow Statement for the year ended March 31, 2013

Rs. in '000s

Particulars		Year ended March 31, 2013	Year ended March 31, 2012
Cash flow from operating activities			
Net Profit before Taxes		**19950,89,77**	**18483,30,60**
Adjustments for :			
Depreciation on Fixed Assets		1139,60,76	1007,16,87
(Profit)/ Loss on sale of Fixed Assets (Net)		32,71,93	44,14,62
(Profit)/ Loss on sale of Investments (Net)		(1101,91,53)	919,74,24
(Profit)/ Loss on revaluation of Investments (Net)		3,78,17	-
Provision on Non Performing Assets		11367,78,46	11545,85,15
Provision on Standard Assets		749,60,48	978,81,32
Provision for depreciation on Investments		(966,95,17)	683,28,15
Other Provisions		(19,61,18)	(117,71,39)
Dividend from Subsidiaries/ Joint Ventures (Investing Activity)		(715,51,40)	(767,35,15)
Interest on Capital Instruments (Financing Activity)		3614,89,51	3592,20,91
		34055,29,80	**36369,45,32**
Adjustments for :			
Increase/ (Decrease) in Deposits		159092,21,21	109234,76,20
Increase/ (Decrease) in Borrowings other than Capital Instruments		41964,09,55	7044,27,26
(Increase)/ Decrease in Investments other than Investments in Subsidiaries/ Joint Ventures/ Associates		(36660,44,90)	(17331,61,64)
(Increase)/ Decrease in Advances		(189405,44,77)	(122148,07,24)
Increase/ (Decrease) in Other Liabilities & Provisions		12545,72,39	(25031,39,62)
(Increase)/ Decrease in Other Assets		2097,11,12	(7897,23,60)
		23688,54,40	**(19759,83,32)**
Taxes Paid		(2027,31,13)	(8708,75,29)
Net cash generated from/ (used in) operating activities	**(A)**	**21661,23,27**	**(28468,58,61)**
Cash flow from investing activities			
(Increase)/ Decrease in Investments in Subsidiaries/ Joint Ventures/ Associates		(4,12,70)	(705,56,95)
Income earned on such Investments		715,51,40	767,35,15
(Increase)/ Decrease in Fixed Assets		(2710,79,99)	(1710,34,68)
Net cash generated from/ (used in) investing activities	**(B)**	**(1999,41,29)**	**(1648,56,48)**
Cash flow from financing activities			
Proceeds from issue of equity share capital		3000,34,14	7891,30,87
Interest on Capital Instruments		(3614,89,51)	(3592,20,91)
Dividend paid including tax thereon		(2645,16,40)	(2151,43,88)
Net cash generated from/ (used in) financing activities	**(C)**	**(3259,71,77)**	**2147,66,08**
Effect of exchange fluctuation on translation reserve	**(D)**	**1254,89,75**	**2217,09,51**
Net cash and cash equivalents taken over from erstwhile SBICI Bank Limited on amalgamation	**(E)**	**-**	**41,41,22**
Net increase/(decrease) in cash and cash equivalents (A)+(B)+(C)+(D)+(E)		**(17656,99,96)**	**(6054,34,38)**
Cash and cash equivalents at the beginning of the year		**97163,16,49**	**122874,14,77**
Cash and cash equivalents at the end of the year		**114820,16,45**	**97163,16,49**

SCHEDULE 1 - CAPITAL

(000s omitted)

	As on 31.03.2013 (Current Year)	As on 31.03.2012 (Previous Year)
	Rs.	Rs.
Authorised Capital : 500,00,00,000 (Previous Year 500,00,00,000) shares of Rs. 10 each	5000,00,00	5000,00,00
Issued Capital : 68,41,17,046 (Previous Year 67,11,28,349) Equity Shares of Rs. 10 each	684,11,70	671,12,83
Subscribed and Paid-up Capital : 68,40,33,971 (Previous Year 67,10,44,838) Equity Shares of Rs. 10 each [The above includes 1,65,21,526 (Previous Year 1,69,77,498) Equity Shares represented by 82,60,763 (Previous Year 84,88,749) Global Depository Receipts]	684,03,40	671,04,48
TOTAL	**684,03,40**	**671,04,48**

SCHEDULE 2 - RESERVES & SURPLUS

(000s omitted)

		As on 31.03.2013 (Current Year)		As on 31.03.2012 (Previous Year)	
		Rs.		Rs.	
I.	**Statutory Reserves**				
	Opening Balance	36052,85,01		32512,22,28	
	Additions during the year	4417,86,08		3540,62,73	
	Deductions during the year	-		-	
			40470,71,09		**36052,85,01**
II.	**Capital Reserves**				
	Opening Balance	1508,08,79		1493,71,10	
	Additions during the year	19,16,96		14,37,69	
	Deductions during the year	-		-	
			1527,25,75		**1508,08,79**
III.	**Share Premium**				
	Opening Balance	28513,84,58		20658,58,29	
	Additions during the year	2991,08,00		7864,05,01	
	Deductions during the year	3,72,77		8,78,72	
			31501,19,81		**28513,84,58**
IV.	**Foreign Currency Translation Reserve**				
	Opening Balance	2433,48,66		608,73,19	
	Additions during the year	1041,84,73		1824,75,47	
	Deductions during the year	-		-	
			3475,33,39		**2433,48,66**
V.	**Revenue and Other Reserves***				
	Opening Balance	14771,55,13		9077,45,63	
	Additions during the year	6453,26,04		5694,09,50	
	Deductions during the year	-		-	
			21224,81,17		**14771,55,13**
VI.	**Balance of Profit and Loss Account**		**33,93**		**33,93**
	*Note: Revenue and Other Reserves include (i) Rs. 5,00,00 thousand (Previous Year Rs. 5,00,00 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. 4487,00,00 thousand (Previous Year Rs. 3737,00,00 thousand)				
	TOTAL		**98199,65,14**		**83280,16,10**

SCHEDULE 3 - DEPOSITS

(000s omitted)

	As on 31.03.2013 (Current Year)	As on 31.03.2012 (Previous Year)
	Rs.	**Rs.**
A. I. Demand Deposits		
(i) From Banks	7345,35,39	6969,88,04
(ii) From Others	105334,91,78	91480,43,79
II. Savings Bank Deposits	426383,11,88	369156,31,01
III. Term Deposits		
(i) From Banks	27855,66,19	17405,94,82
(ii) From Others	635820,52,19	558634,78,57
TOTAL	**1202739,57,43**	**1043647,36,23**
B I. Deposits of Branches in India	1130136,60,70	982214,07,48
II. Deposits of Branches outside India	72602,96,73	61433,28,75
TOTAL	**1202739,57,43**	**1043647,36,23**

SCHEDULE 4 - BORROWINGS

(000s omitted)

	As on 31.03.2013 (Current Year)		As on 31.03.2012 (Previous Year)	
	Rs.		Rs.	
I. Borrowings in India				
(i) Reserve Bank of India		14476,16,00		
(ii) Other Banks		5648,85,07		5048,10,02
(iii) Other Institutions and Agencies		4894,40,03		3813,97,75
(iv) Capital Instruments :				
a. Innovative Perpetual Debt Instruments (IPDI)	2165,00,00		2165,00,00	
b. Subordinated Debt	34671,39,60	**36836,39,60**	34671,39,60	**36836,39,60**
TOTAL		**61855,80,70**		**45698,47,37**
II. Borrowings outside India				
(i) Borrowings and Refinance outside India		103934,09,41		78127,33,19
(ii) Capital Instruments : Innovative Perpetual Debt Instruments (IPDI)		3392,81,25		3179,76,24
TOTAL		**107326,90,66**		**81307,09,43**
GRAND TOTAL		**169182,71,36**		**127005,56,80**
Secured Borrowings included in I & II above		**5244,20,68**		**4478,39,42**

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(000s omitted)

		As on 31.03.2013 (Current Year)	As on 31.03.2012 (Previous Year)
		Rs.	**Rs.**
I.	Bills payable	19686,48,27	20504,85,88
II.	Inter-office adjustments (Net)	16384,11,49	-
III.	Interest accrued	13333,47,47	10742,54,95
IV.	Deferred Tax Liabilities (Net)	628,91,86	-
IV.	Others (including provisions)	45422,07,61	49667,68,63
	TOTAL	**95455,06,70**	**80915,09,46**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(000s omitted)

		As on 31.03.2013 (Current Year)	As on 31.03.2012 (Previous Year)
		Rs.	**Rs.**
I.	Cash in hand (including foreign currency notes and gold)	11552,19,17	11186,36,07
II.	Balance with Reserve Bank of India		
	(i) In Current Account	54278,21,87	42887,03,55
	(ii) In Other Accounts	-	2,54,24
	TOTAL	**65830,41,04**	**54075,93,86**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE

(000s omitted)

	As on 31.03.2013 (Current Year)	As on 31.03.2012 (Previous Year)
	Rs.	Rs.
I. In India		
(i) Balances with banks		
(a) In Current Accounts	664,07,65	820,02,23
(b) In Other Deposit Accounts	3002,57,75	3811,99,13
(ii) Money at call and short notice		
(a) With banks	7173,00,00	5995,24,93
(b) With other institutions	-	-
TOTAL	**10839,65,40**	**10627,26,29**
II. Outside India		
(i) In Current Accounts	25822,33,16	23650,02,74
(ii) In Other Deposit Accounts	4334,76,89	422,14,68
(iii) Money at call and short notice	7992,99,96	8387,78,92
TOTAL	**38150,10,01**	**32459,96,34**
GRAND TOTAL (I and II)	**48989,75,41**	**43087,22,63**

SCHEDULE 8 - INVESTMENTS

(000s omitted)

	As on 31.03.2013 (Current Year)	As on 31.03.2012 (Previous Year)
	Rs.	Rs.
I. Investments in India in :		
(i) Government Securities	269260,22,00	255833,61,37
(ii) Other approved securities	-	6,14,92
(iii) Shares	3865,81,59	3337,59,99
(iv) Debentures and Bonds	29055,06,45	12999,14,27
(v) Subsidiaries and/ or Joint Ventures (including Associates)	5465,12,53	5460,99,83
(vi) Others (Units of Mutual Funds, Commercial Papers, Priority Sector Deposits etc.)	32608,24,94	23383,46,96
TOTAL	**340254,47,51**	**301020,97,34**
II. Investments outside India in :		
(i) Government Securities (including local authorities)	2860,35,91	1866,27,62
(ii) Subsidiaries and/ or Joint Ventures abroad	1602,78,14	1602,78,14
(iii) Other Investments (Shares, Debentures etc.)	6209,65,60	7707,57,93
TOTAL	**10672,79,65**	**11176,63,69**
GRAND TOTAL (I and II)	**350927,27,16**	**312197,61,03**
III. Investments in India :		
(i) Gross Value of Investments	341173,96,83	302856,15,20
(ii) Less: Aggregate of Provisions / Depreciation	919,49,32	1835,17,86
(iii) Net Investments (vide I above) TOTAL	**340254,47,51**	**301020,97,34**
IV. Investments outside India :		
(i) Gross Value of Investments	10801,98,41	11436,68,18
(ii) Less: Aggregate of Provisions / Depreciation	129,18,76	260,04,49
(iii) Net Investments (vide II above) TOTAL	**10672,79,65**	**11176,63,69**
GRAND TOTAL (III and IV)	**350927,27,16**	**312197,61,03**

SCHEDULE 9 - ADVANCES

(000s omitted)

		As on 31.03.2013 (Current Year)	As on 31.03.2012 (Previous Year)
		Rs.	**Rs.**
A.	I. Bills purchased and discounted	88667,91,97	77138,60,77
	II. Cash credits, overdrafts and loans repayable on demand	465451,77,02	374143,24,94
	III. Term loans	491496,86,32	416297,03,30
	TOTAL	**1045616,55,31**	**867578,89,01**
B.	I. Secured by tangible assets (includes advances against Book Debts)	770342,19,70	624544,52,03
	II. Covered by Bank/ Government Guarantees	93712,47,29	78555,19,05
	III. Unsecured	181561,88,32	164479,17,93
	TOTAL	**1045616,55,31**	**867578,89,01**
C.	**I. Advances in India**		
	(i) Priority Sector	264313,88,71	250176,96,36
	(ii) Public Sector	54670,17,17	54707,32,31
	(iii) Banks	68,76,58	180,37,64
	(iv) Others	559156,10,37	428436,62,60
	TOTAL	**878208,92,83**	**733501,28,91**
	II. Advances outside India		
	(i) Due from banks	**32915,24,62**	**17086,18,01**
	(ii) Due from others		
	(a) Bills purchased and discounted	21216,56,17	21568,46,45
	(b) Syndicated loans	56258,73,66	47400,11,59
	(c) Others	57017,08,03	48022,84,05
	TOTAL	**167407,62,48**	**134077,60,10**
	GRAND TOTAL (C-I & C-II)	**1045616,55,31**	**867578,89,01**

SCHEDULE 10 - FIXED ASSETS

(000s omitted)

		As on 31.03.2013 (Current Year)		As on 31.03.2012 (Previous Year)	
		Rs.		Rs.	
I.	**Premises**				
	At cost as on 31st March of the preceding year	2142,79,28		1791,60,63	
	Additions during the year	676,70,93		357,10,96	
	Deductions during the year	2,75,69		5,92,31	
	Depreciation to date	942,18,45	**1874,56,07**	859,61,78	**1283,17,50**
II.	**Other Fixed Assets (including furniture and fixtures)**				
	At cost as on 31st March of the preceding year	11847,40,39		10595,54,50	
	Additions during the year	2442,55,55		1862,27,87	
	Deductions during the year	671,52,39		610,41,98	
	Depreciation to date	8897,48,54	**4720,95,01**	7996,91,40	**3850,48,99**
III.	**Leased Assets**				
	At cost as on 31st March of the preceding year	802,13,34		802,13,34	
	Additions during the year	-		-	
	Deductions during the year	19,24,24		-	
	Depreciation to date including provision	782,89,10		802,13,34	
		-		-	
	Add: Lease adjustment account	20,27	**20,27**	20,27	**20,27**
IV.	**Assets under Construction (Including Premises)**		**409,30,87**		**332,68,16**
	TOTAL (I, II, III and IV)		**7005,02,22**		**5466,54,92**

SCHEDULE 11 - OTHER ASSETS

(000s omitted)

		As on 31.03.2013 (Current Year)	As on 31.03.2012 (Previous Year)
		Rs.	Rs.
I.	Inter-office adjustments (Net)		1573,93,79
II.	Interest accrued	12090,67,66	11013,85,83
III.	Tax paid in advance / tax deducted at source	5333,66,58	8240,82,75
IV.	Deferred Tax Assets (Net)		180,63,83
V.	Stationery and stamps	97,79,18	98,01,43
VI.	Non-banking assets acquired in satisfaction of claims	4,25,91	4,25,91
VII.	Others	30365,63,56	32001,48,08
	TOTAL	**47892,02,89**	**53113,01,62**

SCHEDULE 12 - CONTINGENT LIABILITIES

(000s omitted)

		As on 31.03.2013 (Current Year)	As on 31.03.2012 (Previous Year)
		Rs.	Rs.
I.	Claims against the bank not acknowledged as debts	958,23,39	930,18,89
II.	Liability for partly paid investments	2,80,00	2,80,00
III.	Liability on account of outstanding forward exchange contracts	471913,15,90	404915,74,76
IV.	Guarantees given on behalf of constituents		
	(a) In India	95428,29,37	86853,33,93
	(b) Outside India	77481,61,57	84072,55,61
V.	Acceptances, endorsements and other obligations	126672,56,77	134540,58,99
VI.	Other items for which the bank is contingently liable	153922,23,86	121290,11,25
	TOTAL	**926378,90,86**	**832605,33,43**

SCHEDULE 13 - INTEREST EARNED

(000s omitted)

		Year ended 31.03.2013 (Current Year)	Year ended 31.03.2012 (Previous Year)
		Rs.	Rs.
I.	Interest / discount on advances / bills	90537,09,93	81077,69,77
II.	Income on investments	27200,63,07	23949,14,17
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	545,13,73	350,47,17
IV.	Others	1374,23,17	1144,14,23
	TOTAL	**119657,09,90**	**106521,45,34**

SCHEDULE 14 - OTHER INCOME

(000s omitted)

		Year ended 31.03.2013 (Current Year)	Year ended 31.03.2012 (Previous Year)
		Rs.	Rs.
I.	Commission, exchange and brokerage	11483,71,60	12090,90,17
II.	Profit / (Loss) on sale of investments (Net)	1101,91,53	(919,74,24)
III.	Profit/ (Loss) on revaluation of investments (Net)	(3,78,17)	-
IV.	Profit / (Loss) on sale of land, buildings and other assets (Net)	(32,71,93)	(44,14,62)
V.	Profit / (Loss) on exchange transactions	1691,61,87	1432,19,47
VI.	Income earned by way of dividends, etc., from subsidiaries/ companies and/ or joint ventures abroad/ in India	715,51,40	767,35,15
VII.	Income from financial lease	55,36	9,68
VIII	Miscellaneous Income	1078,02,67	1024,78,96
	TOTAL	**16034,84,33**	**14351,44,57**

SCHEDULE 15 - INTEREST EXPENDED

(000s omitted)

		Year ended 31.03.2013 (Current Year)	Year ended 31.03.2012 (Previous Year)
		Rs.	Rs.
I.	Interest on deposits	67464,54,74	55644,36,92
II.	Interest on Reserve Bank of India / Inter-bank borrowings	4124,10,58	3885,64,45
III.	Others	3737,14,33	3700,35,50
	TOTAL	**75325,79,65**	**63230,36,87**

SCHEDULE 16 - OPERATING EXPENSES

(000s omitted)

		Year ended 31.03.2013 (Current Year)	Year ended 31.03.2012 (Previous Year)
		Rs.	Rs.
I.	Payments to and provisions for employees	18380,90,24	16974,04,04
II.	Rent, taxes and lighting	2438,83,79	2065,40,88
III.	Printing and stationery	297,01,73	276,48,56
IV.	Advertisement and publicity	384,35,26	206,63,27
V.	(a) Depreciation on Bank's Property (other than Leased Assets)	1139,60,76	1007,16,87
	(b) Depreciation on Leased Assets	-	-
VI.	Directors' fees, allowances and expenses	73,37	48,18
VII.	Auditors' fees and expenses (including branch auditors' fees and expenses)	124,62,60	128,49,52
VIII.	Law charges	133,90,64	117,29,49
IX.	Postages, Telegrams, Telephones, etc.	515,64,34	433,26,05
X.	Repairs and maintenance	393,53,33	373,30,20
XI.	Insurance	1200,71,99	963,46,17
XII.	Other expenditure	4274,54,18	3522,95,98
	TOTAL	**29284,42,23**	**26068,99,21**

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, 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 Reserve Bank of India (RBI), 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 of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the 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. In respect of banks' foreign offices, income is 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 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".

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. 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 and (ii) Commission on Government Business, which is recognised as it accrues.

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.

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)

2.2 **Basis of classification:**

i. Investments that the Bank intends to hold till maturity are classified as Held to Maturity.

ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as Held for Trading.

iii. Investments, which are not classified in the above two categories, are classified as Available for Sale.

iv. An investment is classified as Held to Maturity, Available for Sale or Held for Trading 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 Held to Maturity.

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 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. The transfer of a security amongst the above three categories is accounted for at the least of acquisition cost/book value/market value on the date of transfer, and the depreciation, if any, on such transfer is fully provided for.

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 remaining maturity on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments". Investments in subsidiaries, joint ventures and associates (both in India and abroad) are valued at historical cost except for investments in Regional Rural Banks, which are valued at carrying cost (i.e book value). A provision is made for diminution*,* other than temporary, for each investment individually.

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 is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual securities remains unchanged after marking to market.

vi. Security receipts issued by an asset reconstruction company (ARC) are valued in accordance with the guidelines applicable to non-SLR instruments. Accordingly, in cases where the security receipts issued by the 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 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 case of domestic offices and respective regulators in 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 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 the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer 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 non performing investments are made as per the local regulations or as per the norms of RBI, whichever is higher.

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 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.

3. Loans /Advances and Provisions thereon

3.1 Loans and Advances are classified as performing and non-performing, based on the guidelines issued by 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 for short duration crops, where the instalment of principal or interest remains overdue for two crop seasons;
v. In respect of agricultural advances 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%
- 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 loan accounts 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, classification of loans and advances and_provisions for non performing advances are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

3.5 The sale of NPAs is accounted as per guidelines prescribed by RBI. If the sale is at a price below net book value, the shortfall is debited to the profit and loss account, and in case of sale for a value higher than net book value, the excess provision is retained and utilised to meet the shortfall / loss on sale of other financial assets. Net book value is outstandings as reduced by specific provisions held and ECGC claims received.

3.6 Advances are net of specific loan loss provisions, unrealised interest, ECGC claims received and bills rediscounted.

3.7 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by RBI, which require that the difference between the fair value of the loan before and after restructuring is provided for, in addition to provision for NPAs. The provision for diminution in fair value and interest sacrifice, arising out of the above, is reduced from advances.

3.8 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.

3.9 Amounts recovered against debts written off in earlier years are recognised as revenue.

3.10 In addition to the specific provision on NPAs, general provisions are also made for standard assets 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 Net NPAs.

4. Floating Provisions

The bank has a policy for creation and utilisation of floating provisions separately for advances, investments and general purpose. The quantum of floating provisions to be created *is* assessed at the end of each 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

In addition to the specific provisions held according to the asset classification status, provisions are held 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 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 A/c 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 A/c - 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 have been considered to arrive at Mark to Market value for forex Over the Counter 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 and Depreciation

7.1 Fixed assets are carried at cost less accumulated depreciation.

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 incurred on assets put to use is 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 & ATM	Straight Line Method	33.33% every year
2	Computer software forming an integral part of hardware	Written Down Value Method	60%
3	Computer Software which does not form an integral part of hardware	-	100% depreciated in the year of acquisition
4	Assets given on financial lease upto 31st March 2001	Straight Line Method	At the rate prescribed under the Companies Act, 1956
5	Other fixed assets	Written down value method	At the rate prescribed under the Income-tax Rules, 1962

7.4 In respect of assets acquired during the year for domestic operations, depreciation is charged for half a year in respect of assets used for upto 180 days and for the full year in respect of assets used for more than 180 days, except depreciation on computers and software, which is charged for the full year irrespective of the period for which the asset was put to use.

7.5 Items costing less than Rs. 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.

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

- 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.
- Foreign currency monetary items are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing spot/forward rates.
- Foreign currency non-monetary items, which are carried in terms at historical cost, are reported using the exchange rate at the date of the transaction.
- Contingent liabilities denominated in foreign currency are reported using the FEDAI closing spot rates.
- 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.
- Foreign exchange forward contracts which are not intended for trading and are outstanding at the balance sheet date, are 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.
- 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.
- 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 have been classified as Non-integral Operations and Representative Offices have been classified as Integral Operations.

a. Non-integral Operations:

- 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.

- Income and expenditure of non-integral foreign operations are translated at quarterly average closing rates.
- Exchange differences arising on net investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the net investment.
- 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.

b. **Integral Operations:**

- 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.
- Monetary foreign currency assets and liabilities of integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss is included in the profit and loss account.
- Foreign currency non-monetary items which are carried in terms of historical cost are reported using the exchange rate at the date of the transaction.

11.Employee Benefits:

11.1 Short Term Employee Benefits:

The undiscounted amount of short-term employee benefits, such as medical benefits, casual leave etc. 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 Post Employment 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 recognises 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, 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 and regular payments to vested employees on retirement, 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 statement of 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, 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 recognises 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 statement of profit and loss 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

12.1 Income tax expense is the aggregate amount of current tax and deferred tax. Current taxes are determined in accordance with the provisions of Accounting Standard 22 and tax laws prevailing in India after taking into account taxes of foreign offices, which are based on the tax laws of respective jurisdiction. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

12.2 Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax bases, and carry forward losses. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

12.3 Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future profits.

13.Earning*s* 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 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, it is probable that an 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 Contingent Assets are not recognised in the financial statements.

15.Special Reserves

Revenue and Other Reserves include Special Reserve created under Section 36 (i) (viii) of the Income Tax Act, 1961. The Board of Directors of the Bank has passed a resolution approving creation of the reserve and confirming that it has no intention to make withdrawal from the Special Reserve.

16.Share Issue Expenses

Share issue expenses are charged to the Share Premium Account.

SCHEDULE - 18

NOTES TO ACCOUNTS

18.1 **Capital**

1. **Capital Adequacy Ratio**

(Amount in Rs. Crores)

Sr. No.	Items	As at 31 Mar 2013	As at 31 Mar 2012
(i)	Capital to Risk-weighted Assets Ratio (%) (Basel-I)	11.22%	12.05%
(ii)	Capital to Risk-weighted Assets Ratio - Tier I capital (%) (Basel-I)	8.23%	8.50%
(iii)	Capital to Risk-weighted Assets Ratio - Tier II capital (%) (Basel-I)	2.99%	3.55%
(iv)	Capital to Risk-weighted Assets Ratio (%) (Basel-II)	12.92%	13.86%
(v)	Capital to Risk-weighted Assets Ratio - Tier I capital (%) (Basel-II)	9.49%	9.79%
(vi)	Capital to Risk-weighted Assets Ratio - Tier II capital (%) (Basel-II)	3.43%	4.07%
(vii)	Percentage of the Shareholding of Government of India	62.31%	61.58%
(viii)	Number of Shares held by Government of India	42,62,41,140	41,32,52,443
(ix)	Amount of Subordinated Debt Tier-II capital	34,671.40	34,671.40
(x)	Amount raised by issue of Subordinated Debt Tier-II capital during the year	Nil	Nil
(xi)	Out of which ((ix), above) amount eligible for Upper Tier –II capital	20,016.40	20,016.40
(xii)	Amount raised by issue of IPDI (inclusive of Hybrid Bonds as detailed below) #	5,557.81	5,344.76

\# Includes Rs. 2,000 crores raised during the F.Y. 2009-10, of which Rs. 550 crores invested by SBI Employee Pension Fund, not reckoned for the purpose of Tier I Capital as per RBI instructions.

2. **Share Capital**

a) During the year , the Bank has allotted 129,88,697 shares of Rs. 10/- each for cash at a premium of Rs. 2,302.78 per equity share aggregating to Rs. 3004 crores under Preferential Allotment to GOI. Out of the total subscription of Rs. 3004 crores received from GOI, an amount of Rs. 12.99 crores was transferred to Share Capital Account and Rs. 2991.01 crores to Share Premium Account.

b) The Bank has allotted 436 equity shares of Rs. 10/- each for cash at a premium of Rs. 1,580/- per equity share aggregating to Rs. 6,93,240/- out of shares kept in abeyance under Right Issue – 2008. Out of the total subscription of Rs. 6,93,240/- received, Rs. 4360/- was transferred to Share Capital Account and Rs. 6,88,880/- to Share Premium Account.

c) The Bank has kept in abeyance the allotment of 83,075 (Previous Year 83,511) Equity Shares of Rs. 10/- each issued as a part of Rights issue, since they are subject to title disputes or are subjudice.

d) Expenses in relation to the issue of shares: Rs. 3.73 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:

Rs. In crores

Particulars	Date of Issue	Tenor	Amount	Equivalent Rs. as on 31 Mar 2013	Equivalent Rs. as on 31 Mar 2012
Bond issued under the MTN Programme - 12th series*	15.02.2007	Perpetual Non call 10.25 years	USD 400 million	2,171.40	2,035.07
Bond issued under the MTN Programme - 14th series#	26.06.2007	Perpetual Non call 10 yrs 1day	USD 225 million	1,221.41	1,144.69
Total			USD 625 million	3,392.81	3,179.76

* 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 listed in Singapore stock exchange.

B. Domestic

The details of outstanding domestic IPDIs are as under:-

Rs. 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	14.08.2009	9.10
2	SBI NON CONVERTIBLE PERPETUAL BONDS 2009-10 (Tier I) Series II	1,000	27.01.2010	9.05
3	SBI NON CONVERTIBLE PERPETUAL BONDS 2007-08 SBIN Series VI (Tier I)	165	28.09.2007	10.25
TOTAL		**2,165**		

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	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

Sr. No.	Nature Of Bonds	Principal Amount	Date Of Issue /Date Of Redemption	Rate Of Interest % P.A.	Maturity Period In Months
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
11	SBI NON CONVERTIBLE (Private placement) Bonds 2007-08 (I) (Upper Tier II)	2,523.50	7.06.2007 7.06.2022	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	200.00	15.02.2005	7.20	111

Sr. No.	Nature Of Bonds	Principal Amount	Date Of Issue /Date Of Redemption	Rate Of Interest % P.A.	Maturity Period In Months
	(Private placement) Bonds 2004-05 SBIN (Series I) (Lower Tier II)		15.05.2014		
21	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
22	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
23	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
24	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
25	SBI NON CONVERTIBLE (Private placement) Bonds 2004-05 SBIN (SERIES VII)(Upper Tier II)	250.00	24.03.2009 24.03.2024	9.17	180
26	SBI Public Issue of Lower Tier II Non-Convertible Bonds 2010 (Series I)	133.08	04.11.2010 04.11.2020	9.25	120
27	SBI Public Issue of Lower Tier II Non- Convertible Bonds 2010 (Series II)	866.92	04.11.2010 04.11.2025	9.50	180
28	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
29	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
30	SBI Public Issue of Lower Tier II Non- Convertible Bonds 2011 Retail (Series 4)	3,937.60	16.03.2011 16.03.2021	9.95	180
31	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
TOTAL		**34,671.40**			

18.2. Investments

1. The Details of investments and the movement of provisions held towards depreciation on investments of the Bank are given below:

Rs. In crores

Particulars	As at 31 Mar 2013	As at 31 Mar 2012
1. Value of Investments		
i) Gross value of Investments		
(a) In India	3,41,173.97	3,02,856.15
(b) Outside India	10,801.98	11,436.68
ii) Provisions for Depreciation		
(a) In India	919.49	1,835.18
(b) Outside India	129.19	260.04
iii) Net value of Investments		
(a) In India	3,40,254.48	3,01,020.97
(b) Outside India	10,672.79	11,176.64
2. Movement of provisions held towards depreciation on investments		
i) Opening Balance	2095.22	1,353.47
ii) Add: Addition in the previous year on account of acquisition of e-SBICI Bank Limited	-	5.58
iii) Add: Provisions made during the year	294.21	793.82
iv) Less: Foreign Exchange revaluation adjustment /excess provision / utilisation during the year	79.59	(52.89)
v) Less: Write back of excess provision during the year.	1,261.16	110.54
vi) Closing balance	1,048.68	2095.22

Notes:

a. Investments exclude securities utilised under Liquidity Adjustment Facility (LAF) with RBI Rs. 42,000 crores. (Previous Year Rs. 40,000 crores)

b. Investments amounting to Rs. 6,070.97 crores (Previous Year Rs. 5520.21 Crores) are kept as margin with Clearing Corporation of India Limited/NSCCL/ MCX/ USEIL towards Securities Settlement.

c. During the year the Bank has infused additional capital in the following RRBs:-

Rs. In crores

Regional Rural Banks	Amount
Madhyanchal Gramin Bank	9.14
Mizoram Rural Bank	1.17
Utkal Grameen Bank	16.50
Uttarakhand Gramin Bank	4.95
Total	**31.76**

d. During the year, GE Capital Business Process Management Services Private Limited bought back 13,59,598 shares from the Bank at Rs. 141 per share , the Bank continues to hold 40% (previous year 40 %) stake in the joint venture. The Bank exited from two RRBs as per details given below

Rs. In crores

Name of Entity	Book Value	Sale Value
GE Capital Business Process Management Services Private Limited	1.36	19.17
Samastipur Kshetriya Gramin Bank	24.08	24.08
Vidisha Bhopal Kshetriya Gramin Bank	2.19	2.19
Total	27.63	45.44

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:

Rs. In crores

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as on 31st March 2013
Securities sold under repos				
i. Government securities	- (-)	44,000.00 (47,354.00)	15,910.39 (19,542.23)	42,000.00 (40,000.00)
ii. Corporate debt securities	- (-)	135.30 (198.41)	33.36 (127.59)	- (157.67)
Securities purchased under reverse repos				
i. Government securities	9.02 (-)	12,057.64 (8,500.00)	499.47 (350.14)	20.65 (3,000.00)
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:

Rs. In crores

Sl. No.	Issuer	Amount	Extent of Private Placement	Extent of "Below Investment Grade" Securities *	Extent of "Unrated" Securities *	Extent of "Unlisted" Securities *
(i)	PSUs	12,063.43 (9,176.71)	825.29 (1,200.25)	- (-)	- (-)	19.45 (17.40)
(ii)	FIs	10,803.72 (5,103.90)	2,868.58 (4,325.74)	- (50.37)	- (50.83)	216.20 (50.83)
(iii)	Banks	21,522.63 (10,128.32)	10,386.50 (5,332.96)	- (40.51)	- (49.21)	205.54 (315.40)
(iv)	Private Corporates	13,558.81 (5,016.41)	5,327.61 (1,892.12)	1,345.57 (1,087.51)	504.11 (369.68)	118.62 (184.45)
(v)	Subsidiaries / Joint Ventures **	7,070.77 (7,066.64)	- (-)	- (-)	- (-)	- (-)
(vi)	Others	17,696.21 (21,083.51)	- (-)	- (92.29)	393.23 (1,348.87)	195.14 (50.88)
(vii)	Provision held towards depreciation	1,048.52 (1,217.64)	- (-)	- (189.04)	262.15 (210.76)	- (190.91)
	Total	81,667.05 (56,357.85)	19,407.98 (12,751.07)	1,345.57 (1,081.64)	635.19 (1,607.83)	754.95 (1,955.09)

(Figures in brackets are for Previous Year)

* Investment in Equity, Equity Oriented Mutual Funds, Venture Capital, Rated Assets Backed Securities, Central Government Securities and ARCIL are not segregated under these categories as these are exempt from rating/listing guidelines.

** Investments in Subsidiaries/Joint Ventures have not been segregated into various categories as these are not covered under relevant RBI Guidelines.

Others include an amount of Rs. 13,330.20 crores (Previous Year Rs. 15,942.94) under RIDF Scheme of NABARD.

b) Non Performing Non-SLR Investments

Rs. In crores

Particulars	Current Year	Previous Year
Opening Balance	860.50	328.40
Additions during the year	311.11	588.12
Reductions during the year	129.12	56.02
Closing balance	1,042.49	860.50
Total provisions held	875.28	768.92

18.3. Derivatives

A. Forward Rate Agreements / Interest Rate Swaps

Rs. In crores

Particulars	As at 31 Mar 2013	As at 31 Mar 2012
i) The notional principal of swap agreements	1,60,156.94#	1,34,671.34#
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	4,078.75	3,461.81
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	2,318.49	2,020.59

IRS/FRA amounting to Rs. 10,338.05 crores (Previous Year Rs. 7,600.95 crores) entered with the Bank's own 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

Rs. 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	74,582.00
B	10 Year Government of India Security	Nil	Nil
2	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2013		
A	Interest Rate Futures	Nil	Nil
B	10 Year Government of India Security	Nil	Nil

3	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	N.A.	N.A.
4	Marked-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective".	N.A.	N.A.

C. Credit Default Swaps

Rs. 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 b) cash settled	 Nil Nil	 3 Nil	 Nil Nil	 1 Nil
2.	Amount of protection bought / sold during the year a) of which transactions which are/ may be physically settled b) cash settled	 Nil Nil	 Nil Nil	 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 b) pertaining to previous year(s)' transactions	 Nil Nil	 3 Nil	 Nil Nil	 1 Nil
4.	Net income/ profit (expenditure/ loss) in respect of CDS transactions during year-to-date: a) premium paid / received b) Credit event payments: • made (net of the value of assets realised) • received (net of value of deliverable obligation)	 Nil Nil Nil	 13.19 108.57 Nil	 Nil 50.63 0.25	 25.14 Nil Nil
5.	Outstanding transactions as on March 31: a) No. of Transactions b) Amount of protection	 Nil Nil	 1 54.29	 Nil Nil	 13 546.90
6.	Highest level of outstanding transactions during the year: a) No. of Transactions (as on 1st April) b) Amount of protection (as on 1st April)	 Nil Nil	 13 546.90	 Nil Nil	 24 1045.48

D. Disclosures on Risk Exposure in Derivatives

(A) Qualitative Disclosure

i. The Bank currently deals in over-the-counter (OTC) interest rate and currency derivatives as also in Interest Rate and Currency Futures. 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, exchange traded 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.

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 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 2012-13.

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 Disclosures

Rs. In crores

Particulars	Currency Derivatives		Interest Rate Derivatives	
	Current Year	Previous Year	Current Year	Previous Year
(I) Derivatives (Notional Principal Amount)				
(a) For hedging	8,325.96	4,954.34	64,928.34	47,532.47
(b) For trading*	3,55,442.49$	4,36,623.65 $	95,228.60#	87,138.87 #
(II) Marked to Market Positions				
(a) Asset	1,341.90	941.86	54.67	89.95
(b) Liability	Nil	8.43	Nil	Nil
(III) Credit Exposure	7,592.19	14,158.22	5,218.35	4,792.43
(IV) Likely impact of one percentage change in interest rate (100* PV01)				
(a) on hedging derivatives	(52.68)	76.95	(917.87)	3.15
(b) on trading derivatives	10.95	8.03	(196.69)	18.64
(V) Maximum and Minimum of 100* PV 01 observed during the year				
(a) on hedging -Maximum	Nil	93.68	(159.70)	1,433.18
- Minimum	(77.68)	45.03	(1,126.65)	769.90
(b) on trading – Maximum	15.22	70.78	885.78	(522.47)
- Minimum	(5.29)	(36.75)	(1,108.33)	(840.08)

$ The swaps amounting to Rs. 6,574.73 crores (Previous Year Rs. 7,276.19 crores) entered with the Bank's own foreign offices are not shown here as they are for hedging of FCNB corpus and hence not marked to market.

IRS/FRA amounting to Rs. 10,338.05 crores(Previous Year Rs. 7,600.95 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 - Rs. 4,349.04 crores (Previous Year Rs. 1,260.56 crores) and Interest Rate Derivatives - Rs. 167.53 crores (Previous Year Rs. 159.56 crores)

1. The outstanding notional amount of derivatives done between Global Markets department and International Banking Group department as on 31st March 2013 amounted to Rs. 21,429.35 crores (Previous Year Rs. 16,297.26 crores) and the derivatives done between SBI Foreign Offices as on 31st March 2013 amounted to Rs. 35,082.63 crores (Previous Year Rs. 30,663.90 crores).

2. The outstanding notional amount of interest rate derivatives which are not marked to market where the underlying Assets/Liabilities are not marked to market as on 31st March 2013 amounted to Rs. 80,144.28 crores (Rs. 57,756.33 crores).

3. Credit Default Swap : Outstanding as on 31st March 2013 amounted to Rs. 54.29 crores (Previous Year Rs. 546.90 crores).

18.4. Asset Quality

a) Non-Performing Asset

Rs. In crores

Particulars	As at 31 Mar 2013	As at 31 Mar 2012
i) Net NPAs to Net Advances (%)	2.10%	1.82%
ii) Movement of NPAs (Gross)		
(a) Opening balance	39,676.46	25,326.29
(b) Additions (Fresh NPAs) during the year	31,993.35	24,712.22
Sub-total (I)	71,669.81	50,038.51
(c) Reductions due to upgradations during the year	10,119.35	5,458.36
(d) Reductions due to recoveries (Excluding recoveries made from upgraded accounts)	4,766.30	4,159.35
(e) Reductions due to Write-offs during the year	5594.77	744.34
Sub-total (II)	20,480.42	10,362.05
(f) Closing balance (I-II)	51,189.39	39,676.46
iii) Movement of Net NPAs		
(a) Opening balance	15,818.85	12,346.90
(b) Additions during the year	17,825.95	10,948.96
(c) Reductions during the year	11,688.32	7,477.01
(d) Closing balance	21,956.48	15,818.85
iv) Movement of provisions for NPAs		
(a) Opening balance	23,857.61	12,979.39
(b) Provisions made during the year	14,167.40	13,763.27
(c) Write-off / write-back of excess provisions	8,792.10	2,885.05
(d) Closing balance	29,232.91	23,857.61

Opening and closing balances provision for NPAs include ECGC claims received and held pending adjustment of Rs. 46.32 crores (Previous Year Rs. 25.38 crores) and Rs. 71.12 crores (Previous Year Rs. 46.32 crores) respectively.

b) Restructured Accounts

Rs. In crores

Sl. No.	Type of Restructuring		Under CDR Mechanism (1)					Under SME Debt Restructuring Mechanism (2)				
	Asset Classification / Particulars		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2012 (Opening position)	No. of Borrowers	71	8	15	1	95	1,642	146	226	1	2,015
		Amount outstanding	7,112.82	340.09	946.81	0.18	8,399.90	2,378.45	211.12	64.42	-	2,653.99
		Provision thereon	794.41	17.02	141.36	-	952.79	37.03	16.54	8.23	-	61.80
2	Fresh Restructuring during the current FY	No. of Borrowers	66	4	14	-	84	201	33	31	1	266
		Amount outstanding	9,314.95	252.81	1,539.78	-	11,107.54	2,500.14	324.97	293.95	0.04	3,119.10
		Provision thereon	868.52	34.79	487.89	-	1,391.20	81.43	27.87	11.48	-	120.78
3	Upgradation to restructured standard category during current FY	No. of Borrowers	3	(1)	(2)	-	-	9	(8)	(1)	-	-
		Amount outstanding	155.69	(48.66)	(107.03)	-	-	12.29	(12.29)	-	-	-
		Provision thereon	67.39	(11.30)	(56.09)	-	-	0.01	(0.01)	-	-	-
4	Restructured Standrad 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	(15)	-	-	-	(15)	(1,357)	-	-	-	(1,357)
		Amount outstanding	(738.64)	-	-	-	(738.64)	(221.12)	-	-	-	(221.12)
		Provision thereon	(75.71)	-	-	-	(75.71)	(1.50)	-	-	-	(1.50)
5	Downgradations of restructured accounts during current FY	No. of Borrowers	(10)	2	8	-	-	(41)	9	28	4	-
		Amount outstanding	(813.81)	81.56	732.25	-	-	(315.50)	180.06	135.02	0.42	(0.00)
		Provision thereon	(47.55)	4.47	43.08	-	0.00	(4.02)	(2.22)	6.24	-	-
6	Write-offs of restructured accounts during current FY $	No. of Borrowers	10	3	5	1	19	78	111	151	1	341
		Amount outstanding	116.69	39.36	992.21	0.18	1,148.44	1,788.61	161.13	(31.97)	0.05	1,917.82
		Provision thereon	222.41	5.20	533.34	-	760.95	4.62	(24.74)	(27.36)	-	(47.48)
7	Total Restructured Accounts as on March 31, 2013 (Closing Position)*	No. of Borrowers	105	10	30	-	145	376	69	133	5	583
		Amount outstanding	14,914.32	586.44	2,119.60	-	17,620.36	2,565.65	542.73	525.36	0.41	3,634.15
		Provision thereon	1,384.65	39.78	82.90	-	1,507.33	108.33	66.92	53.31	-	228.56

S.No.	Type of Restructuring		Others (3)					Total (4)				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
	Particulars											
1	Restructured Accounts as on April 1, 2012 (Opening position)	No. of Borrowers	6,112	511	255	4	6,882	7,825	665	496	6	8,992
		Amount outstanding	11,909.60	1,105.01	3,998.70	65.91	17,079.21	21,400.87	1,656.22	5,009.93	66.09	28,133.10
		Provision thereon	204.30	88.36	660.32	60.05	1,013.03	1,035.74	121.92	809.91	60.05	2,027.62
2	Fresh Restructuring during the current FY	No. of Borrowers	2,211	134	88	6	2,439	2,478	171	133	7	2,789
		Amount outstanding	9,609.83	867.38	715.12	0.18	11,192.50	21,424.92	1,445.16	2,548.85	0.22	25,419.14
		Provision thereon	280.31	41.17	55.88	0.07	377.43	1,230.26	103.83	555.25	0.07	1,889.41
3	Upgradation to restructured standard category during current FY	No. of Borrowers	147	(140)	(7)	-	-	159	(149)	(10)	-	-
		Amount outstanding	192.50	(177.37)	(15.13)	-	-	360.48	(238.32)	(122.16)	-	-
		Provision thereon	94.07	(92.04)	(2.03)	-	-	161.47	(103.35)	(58.12)	-	-
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	(2,480)	-	-	-	(2,480)	(3,852)	-	-	-	(3,852)
		Amount outstanding	(2,661.65)	-	-	-	(2,661.65)	(3,621.41)	-	-	-	(3,621.41)
		Provision thereon	(17.08)	-	-	-	(17.08)	(94.29)	-	-	-	(94.29)
5	Downgradations of restructured accounts during current FY	No. of Borrowers	(550)	322	189	39	-	(601)	333	225	43	-
		Amount outstanding	(1,622.59)	639.80	982.23	0.55	-	(2,751.90)	901.42	1,849.50	0.97	(0.00)
		Provision thereon	(64.85)	32.52	32.33	-	-	(116.42)	34.77	81.65	-	0.00
6	Write-offs of restructured accounts during current FY $	No. of Borrowers	277	169	120	2	568	365	283	276	4	928
		Amount outstanding	2,679.99	611.86	447.34	14.54	3,753.72	4,585.29	812.35	1,407.58	14.77	6,819.98
		Provision thereon	10.79	(10.47)	3.90	56.58	60.80	237.82	(30.01)	509.88	56.58	774.27
7	TOTAL Restructured Accounts as on March 31, 2013 (Closing Position)*	No. of Borrowers	5,163	658	405	47	6,273	5,644	737	568	52	7,001
		Amount outstanding	14,747.70	1,822.96	5,233.58	52.10	21,856.34	32,227.67	2,952.13	7,878.54	52.51	43,110.85
		Provision thereon	485.96	80.48	742.60	3.54	1,312.58	1,978.94	187.18	878.81	3.54	3,048.47

*Excluding the Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

$ The Write-off includes figures of closure of accounts and movement in balance amounting to Rs. 6746.71crores.

c) Details of financial assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for Asset Reconstruction

Rs. In crores

Particulars	Current Year	Previous Year
i) No. of Accounts	2	3
ii) Aggregate value (net of provisions) of accounts sold to SC/RC	6.42	4.08
iii) Aggregate consideration	27.11	10.35
iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
v) Aggregate gain / (loss) over net book value	20.69	6.27

d) Details of non-performing financial assets purchased

Rs. 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

e) Details of non-performing financial assets sold

Rs. In crores

Particulars	Current Year	Previous Year
1) No. of Accounts sold	6	9
2) Aggregate outstanding	139.96	35.69
3) Aggregate consideration received	45.84	12.79

f) Provision on Standard Assets

The Provision on Standard Assets held by the Bank as under:

Rs. In crores

Particulars	As at 31 Mar 2013	As at 31 Mar 2012
Provision towards Standard Assets	5,289.58	4,525.88*

* Includes Rs. 0.98 crores transferred from e SBICI Bank Limited.

g) Business Ratios

Particulars	Current Year	Previous Year
i. Interest Income as a percentage to Working Funds	7.76%	8.04%
ii. Non-interest income as a percentage to Working Funds	1.04%	1.08%
iii. Operating Profit as a percentage to Working Funds	2.01%	2.38%
iv. Return on Assets	0.91%	0.88%
v. Business (Deposits plus advances) per employee (Rs. in thousands)	94,389	79,842
vi. Profit per employee (Rs. in thousands)	645.47	531.45

h) Asset Liability Management: Maturity pattern of certain items of assets and liabilities as at 31st March 2013

Rs. 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	44,414.22	22,481.11	22,533.15	24,714.75	49,399.81	88,325.85	1,80,116.77	3,36,798.25	2,24,094.01	2,09,861.65	12,02,739.57
	(24,952.42)	(24,148.78)	(23,163.49)	(17,309.22)	(54,829.96)	(1,00,330.59)	(1,37,776.39)	(3,06,073.55)	(1,78,971.15)	(1,76,091.82)	(10,43,647.36)
Advances	97,506.39	7,028.89	12,010.67	8,620.34	47,231.34	43,115.51	41,753.47	5,02,134.63	1,15,593.50	1,70,621.81	10,45,616.55
	(39,710.85)	(6,386.88)	(17,237.21)	(10,140.95)	(47,080.98)	(38,041.23)	(43,231.60)	(4,08,461.94)	(81,234.24)	(1,76,053.01)	(8,67,578.89)
Investments	120.09	1,557.83	5,113.23	4,313.41	23,300.54	15,973.75	11,899.25	47,102.48	65,736.09	1,75,810.60	3,50,927.27
	(134.68)	(2,447.45)	(80.61)	(3,514.89)	(19,109.04)	(8,664.67)	(11,902.56)	(48,553.21)	(54,935.00)	(1,62,855.50)	(3,12,197.61)
Borrowings	551.20	16,955.79	4,919.76	10,590.92	37,664.35	18,006.82	7,552.70	27,666.70	8,861.34	36,413.13	1,69,182.71
	(688.64)	(13,988.94)	(2,842.08)	(6,748.88)	(21,202.93)	(9,765.70)	(5,107.03)	(12,524.56)	(18,052.01)	(36,084.79)	(1,27,005.56)
Foreign Currency Assets	67,093.43	2,832.10	1,983.54	6,157.46	20,768.87	20,961.05	9,990.15	31,414.37	28,714.05	32,780.73	2,22,695.75
	(26,245.58)	(2,684.58)	(3,873.88)	(6,002.43)	(24,917.46)	(20,344.78)	(13,868.74)	(24,187.50)	(28,022.95)	(23,057.38)	(1,73,205.28)
Foreign Currency Liabilities	19,192.37	12,784.44	6,168.25	14,976.21	35,035.92	24,080.39	24,246.59	40,932.48	16,320.81	4,719.07	1,98,456.53
	(15,576.62)	(11,807.38)	(4,543.24)	(9,168.21)	(30,276.50)	(20,977.29)	(22,645.06)	(23,817.29)	(19,169.38)	(4,002.97)	(1,61,983.94)

(Figures in brackets are as at 31st March 2012)

18.5. Exposures

The Bank is lending to sectors, which are sensitive to asset price fluctuations.

a) Real Estate Sector

Rs. In crores

Particulars	As at 31 Mar 2013	As at 31 Mar 2012
(I) Direct exposure		
i) Residential Mortgages	1,50,165.96	1,25,992.41
- Of which individual housing loans up to Rs. 20 Lakhs	87,575.87	76,980.09
ii) Commercial Real Estate	24,988.44	12,674.38
iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures:	607.12	154.55
a) Residential	601.48	127.64
b) Commercial Real Estate	5.64	26.91
(II) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	7,839.94	5,847.03
Total	1,83,601.46	1,44,668.37

b) Capital Market

Rs. In crores

Particulars	As at 31 Mar 2013	As at 31 Mar 2012
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.	4,193.49	1,912.18
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	6.80
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.	2,008.06	355.42

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.	48.83	168.56
5)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	43.35	541.21
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.	53.79	Nil
7)	Bridge loans to companies against expected equity flows/issues.	Nil	0.02
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.	Nil	Nil
10)	Exposures to Venture Capital Funds (both registered and unregistered)	856.47	586.07
	Total Exposure to Capital Market	**7,209.35**	**3,570.26**

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 and UK, hence provision for the country exposure on USA and UK has been made.

Rs. In crores

Risk Category	Exposure (Net)		Provision held	
	As at 31 Mar 2013	As at 31 Mar 2012	As at 31 Mar 2013	As at 31 Mar 2012
Insignificant	1.90	5.93	Nil	Nil
Very Low	53,957.63	60,691.68	27.11	27.89
Low	11.61	833.76	Nil	Nil
Low Medium	29,021.20	9,782.76	26.25	Nil
Medium	4,110.40	3,541.64	Nil	Nil
High	374.30	2,067.30	Nil	Nil
Very High	2,224.39	1,208.60	Nil	Nil
Restricted	2,323.03	3,965.87	Nil	Nil
Off-Credit	Nil	Nil	Nil	Nil
Total	**92,024.46**	**82,097.54**	**53.36**	**27.89**

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:

Rs. In crores

Name of the Borrower	Exposure Ceiling	Exposure Sanctioned (Peak Level)	Period during which limit exceeded	Outstanding as on 31 Mar 2013
Indian Oil Corporation Limited (IOCL)	29,023.21	33,391.91	June 2012 to February 2013	25,607.52
	29,774.21		March 2013	
Bharat Heavy Electricals Limited (BHEL)	17,413.93	18,651.04	April 2012 to February 2013	15,187.12
	17,864.53		March 2013	

Note :-

Exposure on IOCL and BHEL are within the discretion given to Banks by RBI (additional 5% of capital funds, over prudential limits)

Exposures on all borrower groups were within the prudential norms during the year.

e) Unsecured Advances

Rs. In crores

Particulars	As at 31 Mar 2013	As at 31 Mar 2012
a) Total Unsecured Advances of the bank	1,81,561.88	1,64,479.17
i) Of which amount of advances outstanding against charge over intangible securities such as rights, licences, authority etc.	3,654.02	4,848.24
ii) The estimated value of such intangible securities (as in (i) above).	15,236.41	4,159.48

18.6. Miscellaneous

a) Disclosure of Penalties imposed by RBI

Nil (Previous year Rs. 0.10 crores)

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 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:-

Rs. in crores

	Pension Plans		Gratuity Plan	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Change in the present value of the defined benefit obligation				
Opening defined benefit obligation at 1st April 2012	36,525.68	33,879.30	6,462.82	5,817.19
Liability on merger and acquisition	-	25.03	-	133.25
Current Service Cost	1,071.90	950.40	155.32	178.66
Interest Cost	3,196.00	2,879.74	549.34	494.46
Past Service Cost (Vested Benefit)	-	82.00	-	-
Actuarial losses (gains)	1,044.60	781.46	509.62	367.64
Benefits paid	(41.50)	(1,140.37)	(626.53)	(528.38)
Direct Payment by Bank	(2,232.47)	(931.88)	-	-
Closing defined benefit obligation at 31st March 2013	39,564.21	36,525.68	7,050.57	6,462.82
Change in Plan Assets				
Opening fair value of Plan Assets as at 1st April 2012	27,205.57	16,800.10	5,251.79	4,102.25
Asset transferred on merger and acquisition	-	25.03	-	-
Transfer from other fund	-	-	-	2.16
Expected Return on Plan Assets	2,339.68	1,344.01	451.65	328.18
Contributions by employer	5,094.24	10,046.64	1,409.94	1,315.00
Benefits Paid	(41.50)	(1,140.37)	(626.53)	(528.38)
Actuarial Gains / (Loss) on plan Assets	419.58	130.16	62.46	32.58
Closing fair value of plan assets as at 31st March 2013	35,017.57	27,205.57	6,549.31	5,251.79
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of Funded obligation at 31st March 2013	39,564.21	36,525.68	7,050.57	6,462.82
Fair Value of Plan assets at 31st March 2013	35,017.57	27,205.57	6,549.31	5,251.79
Deficit/(Surplus)	4,546.64	9,320.11	501.26	1,211.03
Unrecognised Past Service Cost (Vested) Closing Balance	-	-	200.00	300.00
Unrecognised Transitional Liability Closing Balance	-	-	-	-
Net Liability/(Asset)	4,546.64	9,320.11	301.26	911.03
Amount Recognised in the Balance Sheet				
Liabilities	39,564.21	36,525.68	7,050.57	6,462.82

	Pension Plans		Gratuity Plan	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Assets	35,017.57	27,205.57	6,549.31	5,251.79
Net Liability / (Asset) recognised in Balance Sheet	4,546.64	9,320.11	501.26	1,211.03
Unrecognised Past Service Cost (Vested) Closing Balance	-	-	200.00	300.00
Unrecognised Transitional Liability Closing Balance	-	-	-	-
Net Liability/(Asset)	4,546.64	9,320.11	301.26	911.03
Net Cost recognised in the profit and loss account				
Current Service Cost	1,071.90	950.40	155.32	178.66
Interest Cost	3,196.00	2,879.74	549.34	494.46
Expected return on plan assets	(2,339.68)	(1,344.01)	(451.65)	(328.18)
Past Service Cost (Amortised) Recognised	-	-	100.00	100.00
Past Service Cost (Vested Benefit) Recognised	-	82.00	-	-
Net actuarial losses (Gain) recognised during the year	625.02	651.30	447.16	335.06
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	2,553.24	3,219.43	800.17	780.00
Reconciliation of expected return and actual return on Plan Assets				
Expected Return on Plan Assets	2,339.68	1,344.01	451.65	328.18
Actuarial Gain/ (loss) on Plan Assets	419.58	130.16	62.46	32.58
Actual Return on Plan Assets	2,759.26	1,474.17	514.11	360.76
Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet				
Opening Net Liability as at 1st April 2012	9,320.11	17,079.20	911.03	1,314.94
Expenses as recognised in profit and loss account	2,553.24	3,219.43	800.17	780.00
Net Liability on merger/ acquisition	-	-	-	131.09
Paid by Bank Directly	(2,232.47)	(931.88)	-	-
Debited to Other Provision	-	-	-	-
Recognised in Reserve	-	-	-	-
Employer's Contribution	(5,094.24)	(10,046.64)	(1,409.94)	(1,315.00)
Net liability/(Asset) recognised in Balance Sheet	4,546.64	9,320.11	301.26	911.03

Investments under Plan Assets of Pension Fund & Gratuity Fund as on 31st March 2013 are as follows:

	Pension Fund	**Gratuity Fund**
Category of Assets	% of Plan Assets	% of Plan Assets
Central Govt. Securities	32.53%	23.86%
State Govt. Securities	22.32%	16.67%
Debt Securities, Money Market Securities and Bank Deposits	41.55%	34.84%
Insurer Managed Funds	-	18.77%
Others	3.60%	5.86%
Total	100.00%	100.00%

Principal actuarial assumptions

Particulars	**Pension Plans**		**Gratuity Plans**	
	Current year	**Previous year**	**Current year**	**Previous year**
Discount Rate	8.50%	8.75%	8.25%	8.50%
Expected Rate of return on Plan Asset	8.60%	8.60%	8.60%	8.60%
Salary Escalation	5.00%	5.00%	5.00%	5.00%

Surplus/ Deficit in the Plan

Gratuity Plan

Amount recognized in the Balance Sheet	**Year ended 31-03-2009**	**Year ended 31-03-2010**	**Year ended 31-03-2011**	**Year ended 31-03-2012**	**Year ended 31-03-2013**
Liability at the end of the year	3,778.18	3,889.14	5,817.19	6,462.82	7,050.57
Fair value of Plan Assets at the end of the year	3,746.73	3,811.28	4,102.25	5,251.79	6,549.31
Difference	31.45	77.86	1,714.94	1,211.03	501.26
Unrecognised Past Service Cost	-	-	400.00	300.00	200.00
Unrecognised Transition Liability	-	-	-	-	-
Amount Recognized in the Balance Sheet	31.45	77.86	1,314.94	911.03	301.26

Experience adjustment

Amount recognized in the Balance Sheet	**Year ended 31-03-2009**	**Year ended 31-03-2010**	**Year ended 31-03-2011**	**Year ended 31-03-2012**	**Year ended 31-03-2013**
On Plan Liability (Gain) /Loss	(90.81)	(0.40)	879.37	367.64	459.56
On Plan Asset (Loss) /Gain	(1.24)	7.89	1.94	32.58	62.46

Surplus/Deficit in the plan

Amount recognized in the Balance Sheet	Pension				
	Year ended 31-03-2009	Year ended 31-03-2010	Year ended 31-03-2011	Year ended 31-03-2012	Year ended 31-03-2013
Liability at the end of the year	19,328.72	21,715.61	33,879.30	36,525.68	39,564.21
Fair value of Plan Assets at the end of the year	13,710.13	14,714.83	16,800.10	27,205.57	35,017.57
Difference	5,618.59	7,000.78	17,079.20	9,320.11	4,546.64
Unrecognised Past Service Cost	-	-	-	-	-
Unrecognised Transition Liability	-	-	-	-	-
Amount Recognized in the Balance Sheet	5,618.59	7,000.78	17,079.20	9,320.11	4,546.64

Experience adjustment

On Plan Liability (Gain) /Loss	905.07	5,252.37	1,188.70	1,677.80	345.90
On Plan Asset (Loss) /Gain	124.74	233.12	282.65	130.16	419.58

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. 2012-13.

The following table sets out the status of Provident Fund as per the actuarial valuation by the independent Actuary appointed by the Bank:-

Rs. in crores

	Provident Fund	
Particulars	**Current Year**	**Previous Year**
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April 2012	19482.46	18151.73
Current Service Cost	529.97	531.83
Interest Cost	1593.27	1492.66
Employee Contribution (including VPF)	654.91	654.49
Actuarial losses/(gains)	784.39	649.98
Benefits paid	(2302.17)	(1998.23)

Particulars	Provident Fund	
	Current Year	Previous Year
Closing defined benefit obligation at 31st March 2013	20742.83	19482.46
Change in Plan Assets		
Opening fair value of Plan Assets as at 1st April 2012	19729.16	18260.73
Expected Return on Plan Assets	1593.27	1492.66
Contributions	1184.88	1186.32
Benefits Paid	(2302.17)	(1998.23)
Actuarial Gains / (Loss) on plan Assets	1018.27	787.68
Closing fair value of plan assets as at 31st March 2013	21223.41	19729.16
Reconciliation of present value of the obligation and fair value of the plan assets		
Present Value of Funded obligation at 31st March 2013	20742.83	19482.46
Fair Value of Plan assets at 31st March 2013	21223.41	19729.16
Deficit/(Surplus)	(480.58)	(246.70)
Net Asset not recognised in Balance Sheet	480.58	246.70
Net Cost recognised in the profit and loss account		
Current Service Cost	529.97	531.83
Interest Cost	1593.27	1492.66
Expected return on plan assets	(1593.27)	(1492.66)
Interest shortfall reversed	-	-
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	529.97	531.83
Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet		
Opening Net Liability as at 1st April 2012	-	-
Expense as above	529.97	531.83
Employer's Contribution	(529.97)	(531.83)
Net Liability/(Asset) Recognized In The Balance Sheet	-	-

Previous year figures are given for representation purpose only.

Investments under Plan Assets of Provident Fund as on 31st March 2013 are as follows:

Category of Assets	Provident Fund
	% of Plan Assets
Central Govt. Securities	38.48%
State Govt. Securities	16.37%
Debt Securities, Money Market Securities and Bank Deposits	40.67%
Insurer Managed Funds	-
Others	4.48%
Total	100.00%

Principal actuarial assumptions

Particulars	Provident Fund	
	Current year	Previous year
Discount Rate	8.50%	8.50%
Guaranteed Return	8.25%	8.25%
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.2012-13, the Bank has contributed Rs 67.73 crores (Previous Year Rs 52.47crores).

iii. Other Long Term Employee Benefits

Amount of Rs. 502.25 Crores (Previous Year Rs. 531.33 Crores) is provided 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:

Rs. in crores

Sr. No.	Long Term Employee Benefits	Current Year	Previous Year
1	Privilege Leave (Encashment) incl. leave encashment at the time of retirement	407.59	375.33
2	Leave Travel and Home Travel Concession (Encashment/Availment)	24.96	44.33
3	Sick Leave	18.17	74.77
4	Silver Jubilee Award	12.24	5.01
5	Resettlement Expenses on Superannuation	1.44	11.70
6	Casual Leave	17.89	14.94
7	Retirement Award	19.96	5.25
	Total	502.25	531.33

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. **<u>Segment Information</u>**

Part A: <u>Primary (Business Segments)</u>

Rs. In crores

Business Segment	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue #	29,467.67	46,453.57	59,427.06	-	1,35,348.30
	(23,874.88)	(42,773.40)	(54,091.69)	-	(1,20,739.97)
Unallocated Revenue #	-	-	-	-	343.64 (132.93)
Total Revenue	-	-	-	-	1,35,691.94
					(1,20,872.90)
Result #	4,782.29	7,315.21	11,215.21	-	23,312.71
	(217.24)	(6,106.12)	(15,619.23)	(-)	(21,942.59)
Unallocated Income(+) / Expenses(-) - net #	-	-	-	-	(-)3361.82
					(-) 3,459.28
Operating Profit #	-	-	-	-	19,950.89
					(18,483.31)
Tax #	-	-	-	-	5845.91
					(6776.02)
Extraordinary Profit #	-	-	-	-	-
	-	-	-	-	-
Net Profit #	-	-	-	-	14,104.98
					(11,707.29)
Other Information:					
Segment Assets *	3,73,583.73	5,82,664.07	5,96,698.77	-	15,52,946.57
	(3,35,016.51)	(4,61,305.84)	(5,28,298.95)		(13,24,621.30)
Unallocated Assets *	-	-	-	-	13,314.47
	-	-	-	-	(10,897.93)
Total Assets*	-	-	-	-	15,66,261.04
	-	-	-	-	(13,35,519.23)
Segment Liabilities *	1,99,998.27	4,91,994.55	7,29,632.90	-	14,21,625.72
	(1,96,222.07)	(3,81,202.21)	(6,28,479.02)		(12,05,903.30)
Unallocated Liabilities*	-	-	-	-	45,751.64
	-	-	-	-	(45,664.73)
Total Liabilities *	-	-	-	-	14,67,377.36
	-	-	-	-	(12,51,568.03)

(Figures in brackets are for previous year)

Part B: **Secondary (Geographic Segments)**

Rs. In crores

	Domestic		Foreign		Total	
	Current Year	**Previous Year**	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Revenue #	1,27,139.47	1,14,080.91	8,208.83	6,659.06	1,35,348.30	1,20,739.97
Result#	20,026.46	19,064.85	3,286.25	2,877.74	23,312.71	21,942.59
Assets *	13,39,476.62	11,55,176.43	2,26,784.42	1,80,342.80	15,66,261.04	13,35,519.23
Liabilities*	12,40,592.94	10,71,225.23	2,26,784.42	1,80,342.80	14,67,377.36	12,51,568.03

For the year ended 31st March 2013

* As at 31st March 2013

During the year, the Bank has further refined the segmental transfer pricing mechanism in order to report more relevant segment results. This change effects the segment results inter se and has no impact on the financials of the bank. The effect of the change on the segment results is not fairly determined.

c) **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 Bank of India LLC, Moscow
5. PT Bank SBI Indonesia
6. Nepal SBI Bank Ltd.

iii. DOMESTIC NON-BANKING SUBSIDIARIES

1. SBI Capital Markets Ltd.
2. SBI DFHI Ltd.
3. SBI Mutual Funds Trustee Company Pvt. Ltd.
4. SBICAP Securities Ltd.
5. SBICAPS Ventures Ltd.
6. SBICAP Trustees 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.

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 Trustees Ltd.
5. SBI Macquarie Infrastructure Management Pvt. Ltd.
6. SBI Macquarie Infrastructure Trustees 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. Kaveri Grameena Bank
4. Chhattisgarh Gramin Bank
5. Deccan Grameena Bank
6. Ellaquai Dehati Bank
7. Meghalaya Rural Bank
8. Krishna Grameena Bank
9. Langpi Dehangi Rural Bank
10. Madhyanchal Gramin Bank
11. Malwa Gramin Bank
12. Mizoram Rural Bank
13. Marudhara Gramin Bank
14. Nagaland Rural Bank
15. Parvatiya Gramin Bank (upto 14.02.2013)
16. Purvanchal Gramin Bank
17. Samastipur Kshetriya Gramin Bank (upto 14.10.2012)
18. Saurashtra Gramin Bank
19. Utkal Grameen Bank
20. Uttarakhand Gramin Bank
21. Vananchal Gramin Bank
22. Vidisha Bhopal Kshetriya Gramin Bank (upto 07.10.2012)

ii. **Others**

1. SBI Home Finance Ltd.
2. The Clearing Corporation of India Ltd.
3. Bank of Bhutan Ltd.

D. Key Management Personnel of the Bank

1. Shri Pratip Chaudhuri, Chairman
2. Shri Hemant G. Contractor Managing Director & Group Executive (International Banking)
3. Shri A. Krishna Kumar, Managing Director & Group Executive (National Banking)
4. Shri Diwakar Gupta, Managing Director & Chief Financial Officer
5. Shri S. Vishvanathan, Managing Director & Group Executive (Associates & Subsidiaries) (from 9.10.2012)

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**

Rs. In crores

Particulars	Associates/ Joint Ventures	Key Management Personnel & their relatives	Total
Transactions during the year			
Interest received	-	-	-
	(0.04)	(-)	(0.04)
Interest paid	1.06	-	1.06
	(1.29)	(-)	(1.29)
Income earned by way of dividend	15.22	-	15.22
	(-)	(-)	(-)
Other Income	17.81	-	17.81
	(-)	(-)	(-)
Other expenditure	-	-	-
	(-)	(-)	(-)
Management contracts	-	0.95	0.95
	(-)	(0.68)	(0.68)
Outstanding as on 31st March			
Payables	154.21	-	154.21
	(127.66)	(-)	(127.66)
Receivables	-	-	-
	(-)	(-)	(-)

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:

Rs. In crores

Particulars	As at 31 Mar 2013	As at 31 Mar 2012
Not later than 1 year	112.44	64.32
Later than 1 year and not later than 5 years	388.60	229.21
Later than 5 years	117.79	66.42
Total	618.83	359.95
Amount of lease payments recognised in the P&L Account for the year.	114.15	60.61

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.

e) Earnings per Share

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 - "Earnings per Share". "Basic earnings" per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

Particulars	Current Year	Previous Year
Basic and diluted		
Number of Equity Shares outstanding at the beginning of the year	67,10,44,838	63,49,98,991
Number of Equity Shares issued during the year	1,29,89,133	3,60,45,847
Number of Equity Shares outstanding at the end of the year	68,40,33,971	67,10,44,838
Weighted average number of equity shares used in computing basic earnings per share	67,14,72,052	63,51,96,258
Weighted average number of shares used in computing diluted earnings per share	67,14,72,052	63,51,96,258
Net profit (Rs. In crores)	14,104.98	11,707.29
Basic earnings per share (Rs.)	210.06	184.31
Diluted earnings per share (Rs.)	210.06	184.31
Nominal value per share (Rs.)	10	10

f) Accounting for Taxes on Income

i. Deferred Tax :-

a. During the year, Rs. 107.97 crores [Previous Year Rs. 455.93 crores debited] has been credited to Profit and Loss Account on account of deferred tax.

b. During the year, the Bank has recognised deferred tax asset on provision for leave encashment, which was hitherto not being done. Accordingly, an amount of Rs. 922.15 crores (including Rs. 783.62 crores relating to period upto 31.03.2012) has been accounted for in the current year.

ii. The Bank has net deferred tax liability of Rs. 628.92 crores (Previous Year net deferred tax asset of Rs. 180.63 Crores), which is included under 'Other Liabilities and Provisions' (Previous Year 'Other Assets'). The breakup of deferred tax assets and liabilities into major items is given below:

Rs. In crores

Particulars	As at 31 Mar 2013	As at 31 Mar 2012
Deferred Tax Assets		
Provision for Defined Benefit Schemes on account of Wage Revision	72.05	Nil
Provision for long term employee Benefits #	2,126.16	1,873.60
Depreciation on Fixed Assets	7.55	Nil
Others	Nil	16.29
Net DTAs on account of Foreign Offices	282.16	180.95
Total	**2,487.92**	**2,070.84**
Deferred Tax Liabilities		
Depreciation on Fixed Assets	Nil	8.16
Interest on securities*	3,116.84	1,882.05
Total	**3,116.84**	**1,890.21**
Net Deferred Tax Assets/(Liabilities)	**(628.92)**	**180.63**

Includes tax credit arising out of provision for leave encashment for employees of Rs 922.15 crores.

* Includes Rs. 917.04 Crores (Previous Year Rs. 536.56 Crores) transferred from Income Tax Account.

g) <u>Investments in Jointly Controlled Entities</u>

Investments include Rs. 38.14 crores (Previous Year Rs. 39.50 crores) representing Bank's interest in the following jointly controlled entities

Sr. No	Name of the Company	Amount Rs. In crores	Country of Residence	Holding %
1	GE Capital Business Process Management Services Pvt. Ltd.	9.44 (10.80)	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. #	0.64 (0.64)	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:

Rs. In crores

Particulars	As at 31 Mar 2013	As at 31 Mar 2012
Liabilities		
Capital & Reserves	125.43	131.68
Deposits	-	-
Borrowings	12.65	6.56
Other Liabilities & Provisions	78.76	61.50
Total	216.84	199.74
Assets		
Cash and Balances with RBI	-	-
Balances with Banks and money at call and short notice	88.31	72.30
Investments	0.48	1.95
Advances	-	-
Fixed Assets	41.22	21.29
Other Assets	86.83	104.20
Total	216.84	199.74
Capital Commitments		-
Other Contingent Liabilities	3.11	0.90
Income		
Interest earned	7.44	6.50
Other income	208.89	170.76
Total	216.33	177.26
Expenditure		
Interest expended	1.37	0.43
Operating expenses	170.56	144.47
Provisions & contingencies	11.63	8.72
Total	183.56	153.62
Profit	**32.77**	**23.64**

h) **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.

i) **a)** **Description of Contingent Liabilities and Contingent Assets**

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.
2	Liability on account of outstanding forward exchange contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-Bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. 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.
3	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.
4	Other items for which the Bank is contingently liable.	The Bank is a party to various taxation matters in respect of which appeals are pending. These are being contested by the Bank and not provided for. Further, the Bank has made commitments to subscribe to shares in the normal course of business.

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.

b) **Movement of provisions against Contingent Liabilities**

Rs. In crores

Particulars	Current Year	Previous Year
Opening balance	256.86	275.10
Additions during the year (Previous Year figures include provision transferred from e SBICI)	68.47	56.33
Reductions during the year	73.96	74.57
Closing balance	251.37	256.86

18.8. Additional Disclosures

1. **Provisions and Contingencies**

Rs. In crores

Particulars	Current Year	Previous Year
Provision for Taxation		
-Current Tax	5,951.06	6,335.37
-Deferred Tax	(107.97)	455.93
-Write Back of Income Tax/ Fringe Benefit Tax	0	(21.28)
-Other Tax	2.82	6.00
Provision for Depreciation on Investments	(966.95)	683.28
Provision for Depreciation made in India on Investments held at Foreign Offices	5.66	(19.58)
Provision on Non-Performing Assets	10,656.97	11,494.10
Provision on Restructured Assets	710.82	51.76
Provision on Standard Assets	749.61	978.81
Other Provisions	(25.28)	(98.14)
Total	**16,976.74**	**19,866.25**

2. **Floating Provisions**

Rs. In crores

Particulars	Current Year	Previous Year
Opening Balance	25.14	23.00
Add: Transferred from e SBICI	-	2.14
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:

Rs. In crores

Particulars	As at 31 Mar 2013	As at 31 Mar 2012
On account of Inter Office reconciliation	0.21	0.01

4. **Status of complaints**

A. **Customer complaints**

Particulars	As at 31 Mar 2013	As at 31 Mar 2012
No. of complaints pending at the beginning of the year	13,414	824
No. of complaints received during the year	18,86,249	4,62,381
No. of complaints redressed during the year	18,66,958	4,49,791
No. of complaints pending at the end of the year	32,705	13,414

B. **Awards passed by the Banking Ombudsman**

Particulars	Current Year	Previous Year
No. of unimplemented Awards at the beginning of the year	21	7
No. of Awards passed by the Banking Ombudsman during the year	159	131
No. of Awards implemented during the year	152	117
No. of unimplemented Awards at the end of the year	28	21

5. With regard to disclosures relating to Micro, Small & Medium Enterprises under the Micro, Small & Medium Enterprises Development Act, 2006, there have been no reported cases of delayed payments or of interest payments due to delay in such payments 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 2013 aggregate to Rs. 477.19 Crores (Previous Year: Rs. 2086.56 Crores). In the Bank's assessment no financial impact is likely to arise.

7. **Provisioning Coverage Ratio:**

The Provisioning to Gross Non-Performing Assets ratio of the Bank as on 31st March 2013 is 66.58% (Previous Year 68.10%).

8. Fees/remuneration received in respect of the bancassurance business in 2012-13

Rs. In crores

Name of Company	Current Year	Previous Year
SBI Life Insurance Co. Ltd.	212.03	156.82
The New India Assurance Co. Ltd.	Nil	0.34
SBI General Insurance Co. Ltd.	29.62	8.83
United India Insurance Co Ltd.	Nil	0.02
Manu Life Financial Limited	1.91	2.08
NTUC	1.06	0.71
TOTAL	**244.62**	**168.80**

9. Concentration of Deposits, Advances Exposures & NPAs

a) Concentration of Deposits

Rs. In crores

Particulars	Current Year	Previous Year
Total Deposits of twenty largest depositors	79,985.27	60,522.62
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	6.65%	5.80%

b) Concentration of Advances

Rs. In crores

Particulars	Current Year	Previous Year
Total Advances to twenty largest barrowers	1,11,717.95	83,199.80
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	10.36%	9.31%

c) Concentration of Exposures

Rs. In crores

Particulars	Current Year	Previous Year
Total Exposure to twenty largest borrowers/customers	2,47,179.38	2,13,774.62
Percentage of Exposures to twenty largest barrowers/customers to Total Exposure of the Bank on borrowers/customers	14.08%	13.97%

d) Concentration of NPAs

Rs. In crores

Particulars	Current Year	Previous Year
Total Exposure to top four NPA accounts	2,797.98	2,931.51

10. Sector –wise NPAs

Sr. No.	Sector	Percentage of NPAs to Total Advances in that sector	
		Current Year	Previous Year
1	Agriculture & allied activities	9.50 %	8.92%
2	Industry (Micro & Small, Medium and Large)	4.37 %	4.12%
3	Services	4.43 %	2.94%
4	Personal Loans	1.98 %	2.92%

11. Overseas Assets, NPAs and Revenue

Rs. In crores

Sr. No.	Particulars	Current Year	Previous Year
1	Total Assets	2,26,784.42	1,80,342.80
2	Total NPAs (Gross)	2,811.27	2,520.46
3	Total Revenue	8,208.83	6,659.06

12. Off-balance Sheet SPVs sponsored

Name of the SPV Sponsored		
	Domestic	Overseas
Current Year	NIL	NIL
Previous Year	NIL	NIL

13. Unamortised Gratuity Liabilities

In accordance with RBI circular no. DBOD.BP.BC.80/21.04.018/2010-11 dated February 9, 2011 the Bank has opted to amortise the additional liability on account of enhancement in Gratuity limit over a period of 5 years beginning with the financial year ended March 31, 2011. Accordingly, the Bank has charged a sum of Rs. 100 crores to the Profit and Loss Account, being the proportionate amount for the financial year ended March 31, 2013. The unrecognised liability of Rs. 200 crore as on March 31, 2013 will be amortised proportionately in accordance with the above circular.

14. Disclosure relating to Securitisation

Rs. 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 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	Nil	Nil

15. Inter Office Accounts

Inter Office Accounts between branches, controlling offices and 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.

16. Specific Provision for NPAs

During the year, the Bank has made specific provisions of Rs. 706.26 crores (previous year Rs. 1350 crores) for certain Non-performing domestic advances to provide for estimated actual loss in collectible amounts.

17. 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. Pending execution of agreement for wage revision, to be effective from 1st November 2012, a provision of Rs. 720 Crores has been made during the year.

Further, the Bank has made an adhoc additional provision of Rs. 225 crores towards Superannuation Schemes and other long term employee benefits, over and above the actuarial valuations.

18. 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.

Financial Statements

of

STATE BANK OF INDIA

For the Year Ended 31st March 2012

REPORT OF THE AUDITORS

To

The President of India,

1. We, the undersigned Auditors of State Bank of India, appointed under Section 41 (1) of the State Bank of India Act, 1955, do hereby report to the Central Government upon the Balance Sheet, Profit and Loss Account and the Cash Flow Statement of the Bank.

2. We have audited the accompanying financial statements of State Bank of India as at 31st March 2012, which comprise the Balance Sheet as at March 31, 2012, Profit & Loss Account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in the said financial statements are the returns of:
   i) The Central Office, fourteen Local Head Offices, Global Markets Group, International Business Group, Corporate Accounts Group (Central), Mid-Corporate Group (Central), Stressed Assets Management Group (Central) and forty two branches audited by us;
   ii) 11060 Indian Branches audited by branch auditors; and
   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 Reserve Bank of India.

   Also incorporated in the Balance Sheet and the Statement of Profit and Loss are the returns from 3811 Indian branches and other accounting units, which have not been subjected to audit. These unaudited branches account for 1.18% of advances, 4.56% of deposits, 1.06% of interest income and 4.89% of interest expenses.

3. The management is responsible for the preparation of these financial statements 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 recognized accounting policies and practices, including the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

4. 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.

5. 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 risk 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. 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.

6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

7. Without qualifying our opinion, we draw attention to:
   a) Note 18 of Schedule 18: 'Notes to Accounts' regarding the additional provision of Rs.1,350 crores in respect of certain non performing domestic advances.

   b) Note 13 of Schedule 18: 'Notes to Accounts' regarding deferment of gratuity liability of the bank to the extent of Rs.300 crores in accordance with RBI circular no.DBOD.BP.BC.80/21.04.018/2010-11 dated February 9, 2011 and the exemption granted by the Reserve Bank of India to the Bank from applicability of provisions of accounting Standard 15: Employee Benefits.

8. 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:
   a) the Balance Sheet, read with the significant accounting policies and 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 2012 in conformity with accounting principles generally accepted in India;

   b) 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

   c) the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

9. 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, 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.

10. Subject to limitations of the audit indicated in paragraphs 2 to 5 above and as required by the SBI 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.

11. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with applicable accounting standards.

In terms of our report of even date

STATUTORY CENTRAL AUDITORS

For Kalyaniwalla & Mistry
Chartered Accountants

Viraf Mehta
Partner :M.No. 32083
Firm Regn. No. 104607 W

For B. M. Chatrath & Co.
Chartered Accountants

S. Krishnan
Partner : M.No. 051626
Firm Regn. No. 301011 E

For K.K. Soni & Co.
Chartered Accountants

K. K. Soni
Partner : M.No. 007737
Firm Regn. No. 000947 N

For Essveeyar,
Chartered Accountants

B. Shanmuganathan
Partner : M.No. 027882
Firm Regn. No.000808 S

For Venugopal & Chenoy
Chartered Accountants

D. V. Jankinath
Partner : M.No. 029505
Firm Regn. No. 004671 S

For K. G. Somani & Co.
Chartered Accountants

Anju Somani
Partner : M.No. 511267
Firm Regn. No. 006591 N

For K. C. Mehta & Co.
Chartered Accountants

Chirag Bakshi
Partner : M.No. 047164
Firm Regn. No. 106237 W

For Dagliya & Co.
Chartered Accountants

P. Manohara Gupta
Partner : M.No. 016444
Firm Regn. No. 000671 S

For M. Verma & Associates
Chartered Accountants

Madan Verma
Partner : M.No. 080939
Firm Regn. No. 501433 C

For Todi Tulsyan & Co.
Chartered Accountants

Sushil Kumar Tulsyan
Partner : M.No. 075899
Firm Regn. No. 002180 C

For Singhi & Co.
Chartered Accountants

Rajiv Singhi
Partner : M.No. 053518
Firm Regn. No. 302049 E

For SCM Associates
Chartered Accountants

P K Bal
Partner : M.No. 055147
Firm Regn. No. 314173 E

For SBA & Company
Chartered Accountants

Ashok Kumar Jain
Partner : M.No. 072262
Firm Regn. No. 004651 C

For Krishnamoorthy & Krishnamoorthy
Chartered Accountants

C. R. Rema
Partner : M.No. 029182
Firm Regn. No. 001488 S

Place: Kolkata
Date: 18th May, 2012

STATE BANK OF INDIA

BALANCE SHEET AS ON 31ST MARCH, 2012

(000s omitted)

CAPITAL AND LIABILITIES	Schedule No.	As on 31.3.2012 (Current year)	As on 31.3.2011 (Previous year)
		Rs.	Rs.
Capital	1	671,04,48	634,99,90
Reserves & Surplus	2	83280,16,10	64351,04,42
Deposits	3	1043647,36,23	933932,81,30
Borrowings	4	127005,56,80	119568,95,50
Other Liabilities & Provisions	5	80915,09,46	105248,38,93
	TOTAL	**1335519,23,07**	**1223736,20,05**

ASSETS	Schedule No.	As on 31.3.2012 (Current year)	As on 31.3.2011 (Previous year)
		Rs.	Rs.
Cash and Balances with Reserve Bank of India	6	54075,93,86	94395,50,20
Balances with Banks and money at call and short notice	7	43087,22,63	28478,64,57
Investments	8	312197,61,03	295600,56,90
Advances	9	867578,89,01	756719,44,80
Fixed Assets	10	5466,54,92	4764,18,93
Other Assets	11	53113,01,62	43777,84,65
	TOTAL	**1335519,23,07**	**1223736,20,05**
Contingent Liabilities	12	Rs. 832605,33,43	Rs. 730484,60,45
Bills for collection	—	Rs. 66959,85,00	Rs. 59904,98,25
Significant Accounting Policies	17		
Notes to Accounts	18		

STATE BANK OF INDIA

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2012

(000s omitted)

		Schedule No.	Year ended 31.3.2012 (Current year)	Year ended 31.3.2011 (Previous year)
			Rs.	Rs.
I.	**INCOME**			
	Interest earned	13	106521,45,34	81394,36,38
	Other Income	14	14351,44,57	15824,59,42
		TOTAL	120872,89,91	97218,95,80
II.	**EXPENDITURE**			
	Interest expended	15	63230,36,87	48867,95,61
	Operating expenses	16	26068,99,21	23015,43,26
	Provisions and contingencies		19866,24,97	17071,05,03
		TOTAL	109165,61,05	88954,43,90
III.	**PROFIT**			
	Net Profit for the year		11707,28,86	8264,51,90
	Profit brought forward		33,93	33,93
	Profit & Loss balance of e-SBI Commercial & International Bank Ltd. transferred on amalgamation		5,71,15	—
		TOTAL	11713,33,94	8264,85,83
	APPROPRIATIONS			
	Transfer to Statutory Reserves		3516,97,72	2479,35,57
	Transfer to Capital Reserves		14,37,69	9,60,89
	Transfer to Revenue and other Reserves		5536,49,60	2729,86,59
	Proposed Dividend		2348,65,69	1904,99,70
	Tax on dividend		296,49,31	246,52,02
	Loss on Amalgamation of State Bank of Indore		—	894,17,13
	Balance carried over to Balance Sheet		33,93	33,93
		TOTAL	11713,33,94	8264,85,83
	Basic Earnings per Share		Rs. 184.31	Rs. 130.16
	Diluted Earnings per Share		Rs. 184.31	Rs. 130.16
	Significant Accounting Policies	17		
	Notes to Accounts	18		

STATE BANK OF INDIA
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

(000s omitted)

Particulars	Year ended 31.3.2012	Year ended 31.3.2011
	Rs.	Rs.
Cash Flow from Operating Activities		
Net Profit before Taxes	18483,30,60	14954,23,12
Adjustments for :		
Depreciation on Fixed Assets	1007,16,87	990,49,52
(Profit)/ Loss on sale of Fixed Assets (Net)	44,14,62	18,51,07
(Profit)/ Loss on sale of Investments (Net)	919,74,24	(925,69,54)
(Profit)/ Loss on revaluation of Investments (Net)	—	4,67,20
Provision on Non Performing Assets	11545,85,15	8792,09,28
Provision on Standard Assets	978,81,32	976,59,50
Provision for Depreciation on Investments	663,70,29	646,75,05
Other Provisions	(98,13,53)	(34,10,01)
Dividend from Subsidiaries/ Joint Ventures (Investing Activity)	(767,35,15)	(827,73,02)
Interest on Capital Instruments (Financing Activity)	3592,20,91	3019,94,33
SUB TOTAL	**36369,45,32**	**27615,76,50**
Adjustments for :		
Increase/ (Decrease) in Deposits	109234,76,20	102711,42,11
Increase/ (Decrease) in Borrowings other than Capital Instruments	7044,27,26	7867,95,93
(Increase) / Decrease in Investments other than Investments in Subsidiaries / Joint Ventures / Associates	(17312,03,78)	9327,22,95
(Increase)/ Decrease in Advances	(122148,07,24)	(112416,78,73)
Increase/ (Decrease) in Other Liabilities & Provisions	(25050,97,48)	13528,05,74
(Increase)/ Decrease in Other Assets	(7897,23,60)	(7832,00,06)
SUB TOTAL	**(19759,83,32)**	**40801,64,44**
Taxes Paid	(8708,75,29)	(6519,37,25)
Net Cash Flow from/ (used in) Operating Activities (A)	**(28468,58,61)**	**34282,27,19**
Cash Flow from Investing Activities		
(Increase)/Decrease in Investments in Subsidiaries/Joint Ventures/Associates	(705,56,95)	(827,24,17)
Income earned on such Investments	767,35,15	827,73,02
Cash paid to the e-SBIn Bank Shareholders on acquisition of State Bank of Indore	—	(27,85)
(Increase)/ Decrease in Fixed Assets	(1710,34,68)	(1245,49,04)
Net Cash used in Investing Activities (B)	**(1648,56,48)**	**(1245,28,04)**
Cash Flow from Financing Activities		
Proceeds from issue of equity Share Capital	7891,30,87	27,68
Issue of Capital Instruments	—	6496,99,60
Interest paid on Capital Instruments	(3592,20,91)	(3019,94,33)
Dividend paid including tax thereon	(2151,43,88)	(1420,22,28)
Net Cash generated from Financing Activities (C)	**2147,66,08**	**2057,10,67**
Effect of Exchange Fluctuation on Translation Reserve (D)	**2217,09,51**	**(54,76,10)**

Net cash and cash equivalents taken over from erstwhile **SBICI Bank Limited on amalgamation (E)**	**41,41,22**	**—**
Net cash and cash equivalents taken over from erstwhile **State Bank of Indore on amalgamation (F)**	**—**	**1646,09,70**
Net increase/(decrease) in cash and cash equivalents (A)+(B)+(C)+(D)+(E)+(F)	(25710,98,28)	36685,43,42
Cash and cash equivalents at the beginning of the year	122874,14,77	86188,71,35
Cash and cash equivalents at the end of the year	97163,16,49	122874,14,77

SCHEDULE 1 — CAPITAL (000s omitted)

	As on 31.3.2012 (Current year)	As on 31.3.2011 (Previous year)
	Rs.	Rs.
Authorised Capital:		
500,00,00,000 (Previous Year 500,00,00,000) shares of Rs. 10/- each	5000,00,00	5000,00,00
Issued Capital:		
67,11,28,349 (Previous Year 63,50,83,106) Equity Shares of Rs. 10/- each	671,12,83	635,08,31
Subscribed and Paid-up Capital:		
67,10,44,838 (Previous year 63,49,98,991) Equity Shares of Rs. 10/- each	671,04,48	634,99,90
[The above includes 1,69,77,498 (Previous Year 1,81,05,360) Equity Shares represented by 84,88,749 (Previous Year 90,52,680) Global Depository Receipts]		
TOTAL	671,04,48	634,99,90

SCHEDULE 2 — RESERVES & SURPLUS (000s omitted)

		As on 31.3.2012 (Current year)		As on 31.3.2011 (Previous year)	
		Rs.	Rs.	Rs.	Rs.
I.	**Statutory Reserves**				
	Opening Balance	32512,22,28		37107,77,7	
	Additions during the year	3540,62,73		3331,85,57	
	Deductions during the year	—		7927,41,00	
			36052,85,01		32512,22,28
II.	**Capital Reserves**				
	Opening Balance	1493,71,10		1381,36,16	
	Additions during the year	14,37,69		112,34,94	
	Deductions during the year	—		—	
			1508,08,79		1493,71,10
III.	**Share Premium**				
	Opening Balance	20658,58,29		20658,30,78	
	Additions during the year	7864,05,01		27,51	
	Deductions during the year	8,78,72		—	
			28513,84,58		20658,58,29
IV.	**Foreign Currency Translation Reserve**				
	Opening Balance	608,73,19		644,95,63	
	Additions during the year	1824,75,47		—	
	Deductions during the year	—		36,22,44	
			2433,48,66		608,73,19
V.	**Revenue and Other Reserves***				
	Opening Balance	9077,45,63		5521,57,39	
	Additions during the year	5694,09,50		3555,88,24	
	Deductions during the year	—		—	
			14771,55,13		9077,45,63
VI.	**Balance of Profit and Loss Account**		33,93		33,93
	*Note: Revenue and Other Reserves include (i)Rs. 5,00,00 thousand (Previous Year Rs. 5,00,00 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. 3737,00,00 thousands (Previous Year Rs. 2337,00,00 thousand)				
	TOTAL		83280,16,10		64351,04,42

SCHEDULE 3 — DEPOSITS (000s omitted)

				As on 31.3.2012 (Current year)	As on 31.3.2011 (Previous year)
				Rs.	Rs.
A.	**I.**	**Demand Deposits**			
		(i) From Banks		6969,88,04	8700,33,65
		(ii) From Others		91480,43,79	122494,98,27
	II.	**Savings Bank Deposits**		369156,31,01	330326,06,46
	III.	**Term Deposits**			
		(i) From Banks		17405,94,82	13539,66,97
		(ii) From Others		558634,78,57	458871,75,95
			TOTAL	1043647,36,23	933932,81,30
B.	I.	Deposits of Branches in India		982214,07,48	887151,77,32
	II.	Deposits of Branches outside India		61433,28,75	46781,03,98
			TOTAL	1043647,36,23	933932,81,30

SCHEDULE 4 — BORROWINGS (000s omitted)

		As on 31.3.2012 (Current year)		As on 31.3.2011 (Previous year)	
		Rs.	Rs.	Rs.	Rs.
I.	**Borrowings in India**				
	(i) Reserve Bank of India		—		1100,00,00
	(ii) Other Banks		5048,10,02		9032,64,26
	(iii) Other Institutions and Agencies		3813,97,75		2368,29,33
	(iv) Capital Instruments				
	(a) Innovative Perpetual Debt Instruments (IPDI)	2165,00,00		2165,00,00	
	(b) Subordinated Debt	34671,39,60		34671,39,60	
			36836,39,60		36836,39,60
	TOTAL		45698,47,37		49337,33,19
II.	**Borrowings outside India**				
	(i) Borrowings and Refinance outside India		78127,33,19		67444,20,11
	(ii) Capital Instruments				
	Innovative Perpetual Debt Instruments (IPDI)		3179,76,24		2787,42,20
	TOTAL		81307,09,43		70231,62,31
	GRAND TOTAL		127005,56,80		119568,95,50
	Secured Borrowings included in I & II above		4478,39,42		5294,47,86

SCHEDULE 5 — OTHER LIABILITIES AND PROVISIONS (000s omitted)

			As on 31.3.2012 (Current year)	As on 31.3.2011 (Previous year)
			Rs.	Rs.
I.	Bills payable		20504,85,88	21703,49,78
II.	Inter-office adjustments (Net)		—	20455,68,73
III.	Interest accrued		10742,54,95	8236,49,71
IV.	Others (including provisions)		49667,68,63	54852,70,71
		TOTAL	80915,09,46	105248,38,93

SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA (000s omitted)

			As on 31.3.2012 (Current year)	As on 31.3.2011 (Previous year)
			Rs.	Rs.
I.	Cash in hand (including foreign currency notes and gold)		11186,36,07	7476,55,39
II.	Balance with Reserve Bank of India			
	(i) In Current Account		42887,03,55	86916,41,66
	(ii) In Other Accounts		2,54,24	2,53,15
		TOTAL	54075,93,86	94395,50,20

SCHEDULE 7 — BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE (000s omitted)

			As on 31.3.2012 (Current year)	As on 31.3.2011 (Previous year)
			Rs.	Rs.
I.	**In India**			
	(i) Balances with banks			
	(a) In Current Accounts		820,02,23	1205,18,63
	(b) In Other Deposit Accounts		3811,99,13	6,41,00
	(ii) Money at call and short notice			
	(a) With banks		5995,24,93	2769,00,00
	(b) With other institutions		—	—
		TOTAL	10627,26,29	3980,59,63
II.	**Outside India**			
	(i) In Current Accounts		23650,02,74	11669,09,70
	(ii) In Other Deposit Accounts		422,14,68	1123,88,29
	(iii) Money at call and short notice		8387,78,92	11705,06,95
	TOTAL		32459,96,34	24498,04,94
	GRAND TOTAL		43087,22,63	28478,64,57

SCHEDULE 8 — INVESTMENTS (000s omitted)

			As on 31.3.2012 (Current year)	As on 31.3.2011 (Previous year)
			Rs.	Rs.
I.	Investments in India in :			
	(i)	Government Securities	255833,61,37	230741,44,69
	(ii)	Other approved securities	6,14,92	423,71,13
	(iii)	Shares	3337,59,99	8864,64,59
	(iv)	Debentures and Bonds	12999,14,27	15134,10,52
	(v)	Subsidiaries and / or Joint Ventures (including Associates)	5460,99,83	4855,42,87
	(vi)	Others (Units of mutual funds, Commercial Papers, priority sector deposits etc.)	23383,46,96	25567,65,78
		TOTAL	301020,97,34	285586,99,58
II.	Investments outside India in :			
	(i)	Government Securities (including local authorities)	1866,27,62	2239,07,88
	(ii)	Subsidiaries and / or Joint Ventures abroad	1602,78,14	1602,78,14
	(iii)	Other Investments (Shares, Debentures etc.)	7707,57,93	6171,71,30
		TOTAL	11176,63,69	10013,57,32
		GRAND TOTAL (I & II)	312197,61,03	295600,56,90
III.	Investments in India :			
	(i)	Gross Value of Investments	302856,15,20	286732,71,79
	(ii)	Less: Aggregate of Provisions / Depreciation	1835,17,86	1145,72,21
	(iii)	Net Investments (vide I above)	301020,97,34	285586,99,58
IV.	Investments outside India :			
	(i)	Gross Value of Investments	11436,68,18	10221,32,43
	(ii)	Less: Aggregate of Provisions / Depreciation	260,04,49	207,75,11
	(iii)	Net Investments (vide II above)	11176,63,69	10013,57,32
		GRAND TOTAL	312197,61,03	295600,56,90

SCHEDULE 9 — ADVANCES

(000s omitted)

			As on 31.3.2012 (Current year)	As on 31.3.2011 (Previous year)
			Rs.	Rs.
A.	(i)	Bills purchased and discounted	77138,60,77	51715,78,19
	(ii)	Cash credits, overdrafts and loans repayable on demand	374143,24,94	339825,33,41
	(iii)	Term loans	416297,03,30	365178,33,20
		TOTAL	867578,89,01	756719,44,80
B.	(i)	Secured by tangible assets (includes advances against Book Debts)	624544,52,03	494604,06,61
	(ii)	Covered by Bank/Government Guarantees	78555,19,05	109096,80,03
	(iii)	Unsecured	164479,17,93	153018,58,16
		TOTAL	867578,89,01	756719,44,80
C.	(I)	Advances in India		
		(i) Priority Sector	250176,96,36	231597,86,67
		(ii) Public Sector	54707,32,31	48924,41,93
		(iii) Banks	180,37,64	454,92,47
		(iv) Others	428436,62,60	367698,25,17
		TOTAL	733501,28,91	648675,46,24
	(II)	Advances outside India		
		(i) Due from banks	17086,18,01	22423,64,94
		(ii) Due from others		
		(a) Bills purchased and discounted	21568,46,45	14796,19,10
		(b) Syndicated loans	47400,11,59	36737,68,12
		(c) Others	48022,84,05	34086,46,40
		TOTAL	134077,60,10	108043,98,56
		GRAND TOTAL (C-I & C-II)	867578,89,01	756719,44,80

SCHEDULE 10 — FIXED ASSETS (000s omitted)

			As on 31.3.2012 (Current year)		As on 31.3.2011 (Previous year)	
			Rs.	Rs.	Rs.	Rs.
A.	**I.**	**Premises**				
		At cost as on 31st March of the preceding year	1791,60,63		1687,67,20	
		Additions during the year	357,10,96		149,42,02	
		Deductions during the year	5,92,31		45,48,59	
		Depreciation to date	859,61,78		781,96,86	
				1283,17,50		1009,63,77
	II.	**Other Fixed Assets (including furniture and fixtures)**				
		At cost as on 31st March of the preceding year	10595,54,50		9233,45,58	
		Additions during the year	1862,27,87		2044,11,71	
		Deductions during the year	610,41,98		682,02,79	
		Depreciation to date	7996,91,40		7173,42,66	
				3850,48,99		3422,11,84
	III.	**Leased Assets**				
		At cost as on 31st March of the preceding year	802,13,34		852,85,15	
		Additions during the year	—		—	
		Deductions during the year	—		50,71,81	
		Depreciation to date including provision	802,13,34		802,13,34	
			—		—	
		Add : Lease adjustment account	(20,27)		(20,27)	
				20,27		20,27
	IV.	**Assets under Construction (Including Premises)**		332,68,16		332,23,05
		TOTAL (I, II, III & IV)		5466,54,92		4764,18,93

SCHEDULE 11 — OTHER ASSETS (000s omitted)

		As on 31.3.2012 (Current year)	As on 31.3.2011 (Previous year)
		Rs.	Rs.
I.	Inter-office adjustments (net)	1573,93,79	—
II.	Interest accrued	11013,85,83	9132,02,77
III.	Tax paid in advance/tax deducted at source	8240,82,75	5848,00,60
IV.	Deferred Tax Assets (Net)	180,63,83	1167,28,24
V.	Stationery and stamps	98,01,43	98,83,00
VI.	Non-banking assets acquired in satisfaction of claims	4,25,91	34,91
VII.	Others	32001,48,08	27531,35,13
	TOTAL	53113,01,62	43777,84,65

SCHEDULE 12 — CONTINGENT LIABILITIES (000s omitted)

		As on 31.3.2012 (Current year)	As on 31.3.2011 (Previous year)
		Rs.	Rs.
I.	Claims against the bank not acknowledged as debts	930,18,89	773,89,36
II.	Liability for partly paid investments	2,80,00	2,80,00
III.	Liability on account of outstanding forward exchange contracts	404915,74,76	339683,99,79
IV.	Guarantees given on behalf of constituents		
	(a) In India	86853,33,93	82657,98,54
	(b) Outside India	84072,55,61	60827,95,78
V.	Acceptances, endorsements and other obligations	134540,58,99	145187,30,78
VI.	Other items for which the bank is contingently liable	121290,11,25	101350,66,20
	TOTAL	832605,33,43	730484,60,45

SCHEDULE 13 — INTEREST ERNED (000s omitted)

		Year ended 31.3.2012 (Current year)	Year ended 31.3.2011 (Previous year)
		Rs.	Rs.
I.	Interest/discount on advances/bills	81077,69,77	59976,00,50
II.	Income on investments	23949,14,17	19826,37,36
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	350,47,17	235,65,89
IV.	Others	1144,14,23	1356,32,63
	TOTAL	106521,45,34	81394,36,38

SCHEDULE 14 — OTHER INCOME (000s omitted)

		Year ended 31.3.2012 (Current year)	Year ended 31.3.2011 (Previous year)
		Rs.	Rs.
I.	Commission, exchange and brokerage	12090,90,17	11563,27,50
II.	Profit / (Loss) on sale of investments (Net)	(919,74,24)	925,69,54
III.	Profit / (Loss) on revaluation of investments (Net)	—	(4,67,20)
IV.	Profit / (Loss) on sale of land, buildings and other assets (Net)	(44,14,62)	(18,51,07)
V.	Profit / (Loss) on exchange transactions	1432,19,47	1464,04,87
VI.	Income earned by way of dividends, etc., from subsidiaries/ companies and/or joint ventures abroad/in India	767,35,15	827,73,02
VII.	Income from financial lease	9,68	1,88,65
VIII.	Miscellaneous income	1024,78,96	1065,14,11
	TOTAL	14351,44,57	15824,59,42

SCHEDULE 15 — INTEREST EXPENDED (000s omitted)

		Year ended 31.3.2012 (Current year)	Year ended 31.3.2011 (Previous year)
		Rs.	Rs.
I.	Interest on deposits	55644,36,92	43234,75,48
II.	Interest on Reserve Bank of India/Inter-bank borrowings	3885,64,45	2561,73,80
III.	Others	3700,35,50	3071,46,33
	TOTAL	63230,36,87	48867,95,61

SCHEDULE 16 — OPERATING EXPENSES (000s omitted)

		Year ended 31.3.2012 (Current year)	Year ended 31.3.2011 (Previous year)
		Rs.	Rs.
I.	Payments to and provisions for employees	16974,04,04	15211,61,87
II.	Rent, taxes and lighting	2065,40,88	1794,48,79
III.	Printing and stationery	276,48,56	255,40,03
IV.	Advertisement and publicity	206,63,27	257,87,61
V.	(a) Depreciation on Bank's Property (Other than Leased Assets)	1007,16,87	990,49,52
	(b) Depreciation on Leased Assets	—	—
VI.	Directors' fees, allowances and expenses	48,18	74,28
VII.	Auditors' fees and expenses (including branch auditors' fees and expenses)	128,49,52	124,28,30
VIII.	Law charges	117,29,49	118,54,59
IX.	Postages, Telegrams, Telephones etc.	433,26,05	363,36,05
X.	Repairs and maintenance	373,30,20	374,24,72
XI.	Insurance	963,46,17	800,91,24
XII.	Other expenditure	3522,95,98	2723,46,26
	TOTAL	26068,99,21	23015,43,26

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, 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 Reserve Bank of India (RBI), 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 of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the 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. In respect of banks' foreign offices, income is 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 case of foreign offices (hereafter collectively referred to as Regulatory Authorities), (ii) interest on application money on investments, (iii) overdue interest on investments and bills discounted, (iv) Income on Rupee Derivatives designated as "Trading".

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. 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 and (ii) Commission on Government Business, which is recognised as it accrues.

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.

2. **Investments**

The transactions in Government Securities are recorded on "Trade Date" up to 31.12.2010 and on "Settlement Date" with effect from 01.01.2011. 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)

2.2 **Basis of classification:**

i. Investments that the Bank intends to hold till maturity are classified as Held to Maturity.
ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as Held for Trading.
iii. Investments, which are not classified in the above two categories, are classified as Available for Sale.
iv. An investment is classified as Held to Maturity, Available for Sale or Held for Trading 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 Held to Maturity.

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 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. The transfer of a security amongst the above three categories is accounted for at the least of acquisition cost/book value/market value on the date of transfer, and the depreciation, if any, on such transfer is fully provided for.
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 remaining maturity on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments". Investments in subsidiaries, joint ventures and associates (both in India and abroad) are valued at historical cost except for investments in Regional Rural Banks, which are valued at carrying cost (i.e book value). A provision is made for diminution*,* other than temporary, for each investment individually.
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 is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual securities remains unchanged after marking to market.
vi. Security receipts issued by an asset reconstruction company (ARC) are valued in accordance with the guidelines applicable to non-SLR instruments. Accordingly, in cases where the security receipts issued by the 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 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 case of domestic offices and respective regulators in 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 Rs.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 the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer 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 non performing investments are made as per the local regulations or as per the norms of RBI, whichever is higher.

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 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.

3. Loans / Advances and Provisions thereon

3.1 Loans and Advances are classified as performing and non-performing, based on the guidelines issued by 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 for short duration crops, where the instalment of principal or interest remains overdue for two crop seasons;
   v. In respect of agricultural advances 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:	iv. A general provision of 15%
	v. 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)
	vi. Unsecured Exposure in respect of infrastructure loan accounts where certain safeguards such as escrow accounts are available - 20%
Doubtful Assets:	
-Secured portion:	iv. Upto one year – 25%
	v. One to three years – 40%
	vi. More than three years – 100%
-Unsecured portion	100%
Loss Assets:	100%

3.4 In respect of foreign offices, classification of loans and advances and provisions for non performing advances are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

3.5 The sale of NPAs is accounted as per guidelines prescribed by RBI. If the sale is at a price below net book value, the shortfall is debited to the profit and loss account, and in case of sale for a value higher than net book value, the excess provision is retained and utilised to meet the shortfall / loss on sale of other financial assets. Net book value is outstandings as reduced by specific provisions held and ECGC claims received.

3.6 Advances are net of specific loan loss provisions, unrealised interest, ECGC claims received and bills rediscounted.

3.7 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by RBI, which require that the difference between the fair value of the loan before and after restructuring is provided for, in addition to provision for NPAs. The provision for diminution in fair value and interest sacrifice, arising out of the above, is reduced from advances.

3.8 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.

3.9 Amounts recovered against debts written off in earlier years are recognised as revenue.

3.10 In addition to the specific provision on NPAs, general provisions are also made for standard assets*.* 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 Net NPAs.

4. Floating Provisions

The bank has a policy for creation and utilisation of floating provisions separately for advances, investments and general purpose. The quantum of floating provisions to be created *is* assessed at the end of each 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

In addition to the specific provisions held according to the asset classification status, provisions are held for individual country exposures (other than the home country). Countries are categorised into seven risk categories namely, insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made as per extant RBI guidelines. If the country exposure (net) of the bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in schedule 5 of the balance sheet under the head “Other liabilities & Provisions – Others”.

6. Derivatives:

6.1 The Bank enters into derivative contracts, such as foreign currency options, interest rate swaps, currency swaps, 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 off setting 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 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 A/c 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 A/c - 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 have been considered to arrive at Mark to Market value for forex Over the Counter 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 and Depreciation

7.1 Fixed assets are carried at cost less accumulated depreciation.

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 incurred on assets put to use is 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 & ATM	Straight Line Method	33.33% every year
2	Computer software forming an integral part of hardware	Written Down Value Method	60%

3	Computer Software which does not form an integral part of hardware	-	100% depreciated in the year of acquisition
4	Assets given on financial lease upto 31st March 2001	Straight Line Method	At the rate prescribed under the Companies Act, 1956
5	Other fixed assets	Written down value method	At the rate prescribed under the Income-tax Rules, 1962

7.4 In respect of assets acquired during the year for domestic operations, depreciation is charged for half a year in respect of assets used for upto 180 days and for the full year in respect of assets used for more than 180 days, except depreciation on computers and software, which is charged for the full year irrespective of the period for which the asset was put to use.

7.5 Items costing less than Rs.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.

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

10.1Foreign 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 in terms at historical cost, are reported using the exchange rate at 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 at the balance sheet date, are 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 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.

iii. Exchange differences arising on net investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the net 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.

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 exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss is included in the profit and loss account.

iii. Foreign currency non-monetary items which are carried in terms of historical cost are reported using the exchange rate at the date of the transaction.

11. Employee Benefits:

11.1 Short Term Employee Benefits:

The undiscounted amount of short-term employee benefits, such as medical benefits, casual leave etc. 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 Post Employment 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 recognises such annual contributions as an expense in the year to which it relates.

b. The bank operates gratuity and pension schemes which are defined benefit plans.

c. The Bank provides for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement, on death while in employment, or on termination of employment, for an amount equivalent to 15 days of 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 annual contributions to a fund administered by trustees based on an independent external actuarial valuation carried out annually.

d. The Bank provides for pension to all eligible employees. The benefit is in the form of monthly payments as per rules and regular payments to vested employees on retirement, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The Bank makes annual 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 to the Fund as may be required to secure payment of the benefits under the pension regulations.

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 statement of 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, 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 recognises such annual contributions and interest as an expense in the year to which they relate.

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 statement of profit and loss 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

12.1 Income tax expense is the aggregate amount of current tax and deferred tax. Current taxes are determined in accordance with the provisions of Accounting Standard 22 and tax laws prevailing in India after taking into account taxes of foreign offices, which are based on the tax laws of respective jurisdiction. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

12.2 Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax bases, and carry forward losses. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

12.3 Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty 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 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, it is probable that an 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 Contingent Assets are not recognised in the financial statements.

15. Special Reserves

Revenue and Other Reserves include Special Reserve created under Section 36 (1) (viii) of the Income Tax Act, 1961. The Board of Directors of the Bank has passed a resolution approving creation of the reserve and confirming that it has no intention to make withdrawal from the Special Reserve.

16. Share Issue Expenses

Share issue expenses are charged to the Share Premium Account.

Schedule - 18
NOTES TO ACCOUNTS

(Amount in Rupees in crores)

18.1 **Capital:**

1. Capital Adequacy Ratio:

Sr. No.	Items	As at 31 Mar 2012	As at 31 Mar 2011
(i)	Capital to Risk-weighted Assets Ratio (%) (Basel-I)	12.05	10.69
(ii)	Capital to Risk-weighted Assets Ratio -Tier I capital (%) (Basel-I)	8.50	6.93
(iii)	Capital to Risk-weighted Assets Ratio -Tier II capital (%)(Basel-I)	3.55	3.76
(iv)	Capital to Risk-weighted Assets Ratio (%) (Basel-II)	13.86	11.98
(v)	Capital to Risk-weighted Assets Ratio -Tier I capital (%) (Basel-II)	9.79	7.77
(vi)	Capital to Risk-weighted Assets Ratio -Tier II capital (%)(Basel-II)	4.07	4.21
(vii)	Percentage of Shareholding of the Government of India	61.58	59.40
(viii)	Number of Shares held by Government of India	41,32,52,443	37,72,07,200
(ix)	Amount of Subordinated Debt Tier-II capital	Rs.34,671.40	Rs.34,671.40
(x)	Amount raised by issue of Subordinated Debt Tier-II capital during the year	NIL	Rs.7,497.00*
(xi)	Out of which ((ix), above) amount eligible for Upper Tier –II capital	Rs.20,016.40	Rs.20,016.40
(xii)	Amount raised by issue of IPDI (inclusive of Hybrid Bonds as detailed below)#	Rs.5,344.76**	Rs.4,952.42**

* a. Includes Rs.1,000 crores of bonds raised by erstwhile State Bank of Indore (SBIN) merged with SBI on 26th August 2010.

b. Includes Rs.6,497 crores raised vide Public Issue of Bonds in October 2010 and February 2011

** Includes Rs.165 crores of Bonds raised by erstwhile State Bank of Indore (e SBIN) merged with SBI on 26th August 2010.

\# Includes Rs.2,000 crores raised during the F.Y. 2009-10, of which Rs.550 crores invested by SBI Employee Pension Fund, not reckoned for the purpose of Tier I Capital as per RBI instructions.

2. Share capital:

a) During the year, the Bank has allotted 3,60,45,243 shares of Rs.10/- each for cash at a premium of Rs.2,181.69 per equity share aggregating to Rs.7,900.00 crores under Preferential Allotment to GOI. Out of the total subscription of Rs.7,900.00 crores received from GOI, an amount of Rs.36.05 crores was transferred to Share Capital Account and Rs.7,863.95 crores to Share Premium Account.

b) The Bank has allotted 604 equity shares of Rs.10/- each for cash at a premium of Rs.1,580/- per equity share aggregating to Rs.9,60,360/- out of shares kept in abeyance under Right Issue - 2008. Out of the total subscription of Rs.9,60,360/- received, Rs.6,040/- was transferred to Share Capital Account and Rs.9,54,320/- to Share Premium Account.

c) The Bank has kept in abeyance the allotment of 83,511 (Previous Year 84,115) Equity Shares of Rs.10/- each issued as a part of Rights issue, since they are subject to title disputes or are subjudice.

d) Expenses in relation to the issue of shares : Rs.8.79 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:

(Rs.in Crores)

Particulars	**Date of Issue**	**Tenor**	**Amount**	**Equivalent as on 31-03-12**	**Equivalent as on 31-03-11**
Bonds issued under the MTN Programme-12th Series*	15.02.2007	Perpetual Non Call 10.25 years	USD 400 million	Rs.2,035.07	Rs.1,783.80
Bonds issued under the MTN Programme-14th Series#	26.06.2007	Perpetual Non Call 10 years 1 day	USD 225 million	Rs.1,144.69	Rs.1,003.62
Total			**USD 625 million**	**Rs.3,179.76**	**Rs.2,787.42**

* 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 listed in Singapore stock exchange.

B. **Domestic**

The details of outstanding domestic IPDIs are as under:-

(Rs. 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	14.08.2009	9.10
2	SBI Non Convertible Perpetual Bonds 2009-10 (Tier I) Series II	1,000	27.01.2010	9.05
3	SBI Non Convertible Perpetual Bonds 2007-08 SBIN Series VI (Tier I)	165	28.09.2007	10.25
	Total	**2,165**		

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 / Dateof 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 I (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
11	SBI NON CONVERTIBLE (Private placement) Bonds 2007-08 (I) (Upper Tier II)	2,523.50	7.06.2007 7.06.2022	10.20	180
12	SBI NON CONVERTIBLE (Private placement) Bonds 2007-08 (I) (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 2004-05 SBIN (Series I) (Lower Tier II)	200.00	15.02.2005 15.05.2014	7.20	111
21	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
22	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
23	SBI NON CONVERTIBLE (Private placement) Bonds 2006-07 SBIN (Series IV) (Upper Tier II)	100.00	29.12.2006 29.12.2021	8.95	120
24	SBI NON CONVERTIBLE (Private placement) Bonds 2006-07 SBIN (Series V) (Upper Tier II)	200.00	22.03.2007 22.03.2022	10.25	120
25	SBI NON CONVERTIBLE (Private placement) Bonds 2004-05 SBIN (SERIES VII)(Upper Tier II)	250.00	24.03.2009 24.03.2024	9.17	180
26	SBI Public Issue of Lower Tier II Non-Convertible Bonds 2010 (Series I)	133.08	04.11.2010 04.11.2020	9.25	120
27	SBI Public Issue of Lower Tier II Non-Convertible Bonds 2010 (Series II)	866.92	04.11.2010 04.11.2025	9.50	180
28	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
29	SBI Public Issue of Lower Tier II Non-Convertible Bonds 2011 Retail (Series 3)	171.68	16.03.2011 16.03.2021	9.3	120
30	SBI Public Issue of Lower Tier II Non-Convertible Bonds 2011 Retail (Series 4)	3,937.60	16.03.2011 16.03.2021	9.95	180
31	SBI Public Issue of Lower Tier II Non-Convertible Bonds 2011 Retail (Series4)	828.32	16.03.2011 16.03.2026	9.45	180
	TOTAL	**34,671.40**			

18.2 Investments

1. The Details of investments and the movement of provisions held towards depreciation on investments of the Bank are given below:

(Rs.in Crores)

Particulars	As at 31-Mar-2012	As at 31-Mar-2011
1. Value of Investments		
i) Gross value of Investments		
(a) In India	3,02,856.15	2,86,732.72
(b) Outside India	11,436.68	10,221.32
ii) Provisions for Depreciation		

(a) In India	1,835.18	1,145.72
(b) Outside India	260.04	207.75
iii) Net value of Investments		
(a) In India	3,01,020.97	2,85,587.00
(b) Outside India	11,176.64	10,013.57
2. Movement of provisions held towards depreciation on investments		
i) Opening Balance	1,353.47	700.72
ii) Add: Addition on account of acquisition of e-SBICI(P.Y. e-SBIn)	5.58	3.77
iii) Add: Provisions made during the year	793.82	670.76
iv) Add: Foreign Exchange revaluation adjustment/excess provision/ utilization during the year	52.89	2.23
v) Less: Write back of excess provision during the year.	110.54	24.01
vi) Closing balance	2,095.22	1,353.47

Notes:

a. Investments exclude securities utilised under Liquidity Adjustment Facility (LAF) with RBI Rs.40,000 crores. (Previous Year Rs.27,000 crores)

b. Investments amounting to Rs.5,520.21 Crores are kept as margin with Clearing Corporation of India Limited/NSCCL/ MCX/ USEIL towards Securities Settlement. In the previous year investments amounting to Rs.11,117 Crores were kept as margin with RBI/Clearing Corporation of India Limited towards Real Time Gross Settlement / Securities Settlement (RTGS/NDS).

c. In terms of RBI Circular DBOD.No.BP.BC.28/21.04.157/2011-12 dated August 11,2011 the Bank had reversed Rs.93.94 crores and Rs.39.00 crores from the Profit & Loss A/c to "Suspense A/c Crystallised Receivables" and "suspense A/c-Profit MTM" respectively on account of derivative contracts.

d. During the year, the Bank has infused additional capital of Rs.585.00 Crores in State Bank of Bikaner & Jaipur towards Right Issue.

e. During the year the Bank has infused additional capital in the following RRBs:-

(Rs.In crores)

Regional Rural Banks	**Amount**
Arunachal Pradesh Rural Bank	4.33
Chhattisgarh Gramin Bank	13.30
Ellaquai Dehati Bank	23.80
Langpi Dehangi Rural Bank	2.10
Nagaland Rural Bank	1.78
Samastipur Kshetriya Gramin Bank	7.88
Utkal Gramya Bank	47.60
Uttaranchal Gramin Bank	5.25
Vananchal Gramin Bank	19.60
Total	**125.64**

f. During the year, the Bank sold 10,20,670 shares (0.64%) in SBI Global Factors Limited for Rs.3.27 crores. (Book Value Rs.5.82 crores)

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:

Rs. In crores

Particulars	Minimum Outstanding during the year	Maximum Outstanding during the year	Daily Average Outstanding during the year	Balance as on 31 March 2012
Securities sold under repos				
i) Government securities	— (—)	47,354.00 (43,500.00)	19,542.23 (7,015.62)	42,000.00 (27,000.00)
ii) Corporate debt securities	— (—)	198.41 (—)	127.59 (—)	157.67 (—)
Securities purchased under reverse repos				
i) Government securities	— (—)	8,500.00 (12,000.00)	350.14 (126.03)	3,150.00 (0.00)
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:

No.	Issuer	Amount	Extent of Private Placement	Extent of Rs.Below Invest-ment Grade' Securities *	Extent of Rs.Unrated' Securities *	Extent of Rs.Unlisted' Securities *
(i)	PSUs	9,176.71 (13,513.06)	1,200.25 (979.87)	— (50.00)	— (—)	17.40 (50.25)
(ii)	FIs	5,103.90 (4,610.16)	4,325.74 (3,540.41)	50.37 (—)	50.83 (0.40)	50.83 (0.41)
(iii)	Banks	10,128.32 (8,952.92)	5,332.96 (4,833.61)	40.51 (66.80)	49.21 (44.37)	315.40 (126.41)
(iv)	Private Corporates	5,016.41 (8,160.26)	1,892.12 (2,744.83)	1,087.51 (22.30)	369.68 (400.81)	184.45 (596.06)
(v)	Subsidiaries / Joint ventures **	7,066.64 (6,461.08)	— (—)	— (—)	— (—)	1,527.04 (1,527.29)
(vi)	Others	21,083.51 (23,543.13)	— (—)	92.29 (139.47)	1,348.87 (19,099.25)	16,257.86 (18,276.04)
(vii)	Provision held towards depreciation	1,217.64 (805.20)	— (—)	189.04 (28.40)	210.76 (109.80)	190.91 (67.02)
	Total	56,357.85	12,751.07	1,081.64	1,607.83	18,162.07
	Previous Year	(64,435.41)	(12,098.72)	(250.17)	(19,435.03)	(20,509.69)

* 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.

Other investments include deposits with NABARD under RIDF Deposit Scheme amounting to Rs.15,942.94 Crores (Previous Year Rs.18,230.00 Crores).

b) Non Performing Non-SLR Investments

Rs. In crores

Particulars	Current Year	Previous Year
Opening Balance	328.4	332.8
Additions during the year	588.12	8.24
Reductions during the year	56.02	12.64
Closing balance	860.5	328.4
Total provisions held	768.92	304.1

18.3 **Derivatives**

a) Forward Rate Agreements / Interest Rate Swaps

Rs. in Crores

	Particulars	As at 31-Mar-12	As at 31-Mar-11
i)	The notional principal of swap agreements	1,34,671.34#	1,05,850.77
ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	3,461.81	1,330.75
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	2,020.59	671.95

IRS/FRA amounting to Rs. 7600.95 crores entered with the Bank's own 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

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	74,582.00	1,26,409.89
	B 10 Year Government of India Security	NIL	2
2	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2012		
	A Interest Rate Futures	Nil	Nil
	B 10 Year Government of India Security	Nil	Nil
3	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	N.A.	N.A.
4	Marked-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective".	N.A.	N.A.

c) Credit default Swaps

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 b) cash settled	Nil Nil	1	Nil	Nil
2	Amount of protection bought / sold during the year a) of which transactions which are/ may be physically settled 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 b) pertaining to previous year(s)' transactions	Nil —	1 Nil	Nil —	Nil —
4	Net income/ profit (expenditure/ loss) in respect of CDS transactions during year-to-date: a) premium paid / received b) Credit event payments: • made (net of the value of assets realised) • received (net of value of deliverable obligation)	Nil b) Rs. 50.63 crores Rs. 0.25 crores	a) Premium Received Rs. 25.14 crores	Nil Received	a) Premium Rs.31.79 crores b) Nil
5	Outstanding transactions as on March 31: a) No. of Transactions b) Amount of protection	Nil	13 Rs.546.90 Crores	Nil	26 Rs. 983.32 Crores
6	Highest level of outstanding transactions during the year: a) No. of Transactions (as on 1st April) b) Amount of protection (as on 1st April)	Nil	24 Rs.1,045.48 Crores	Nil Nil	38 Rs.1,373.53 Crores

D) Disclosures on Risk Exposure in Derivatives

(A) Qualitative Disclosure

i. The Bank currently deals in over-the-counter (OTC) interest rate and currency derivatives as also in Interest Rate and Currency Futures. 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, exchange traded 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, but they have been covered on a back to back basis in inter-bank market.

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 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 Mid-Office and Risk Control (MORC) Department at Treasury, now Market Risk Management Department (MRMD) independently 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 2011-12.

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 Disclosures :

Particulars	Currency Derivatives		Interest Rate Derivatives	
	Current Year	Previous Year	Current Year	Previous Year
(i) Derivatives (Notional Principal Amount)				
a) For hedging	4,954.34	5,902.99	47,532.47	32,263.98
b) For trading**	4,36,623.65$	3,63,233.01$	87,138.87#	73,586.79#
(ii) Marked to Market Positions				
a) Asset	941.86	271.66	89.95	33.74
b) Liability	8.43	—	0.00	3.58
(iii) Credit Exposure	14,158.22	17,143.23	4,792.43	2,393.00
(iv) Likely impact of one percentage change in interest rate (100* PV01)				
a) on hedging derivatives	76.95	114.90	3.15	740.32
b) on trading derivatives	8.03	30.44	18.64	(8.44)
(v) Maximum and Minimum of 100* PV 01 observed during the year				
a) on hedging				
Maximum	93.68	109.35	1,433.18	751.04
Minimum	45.03	35.94	769.90	187.44
b) on trading				
Maximum	70.78	24.49	(522.47)	15.71
Minimum	(36.75)	(17.16)	(840.08)	(46.86)

IRS/FRA amounting to Rs.7,600.95 crores(Previous Year Rs.5,035.67 crores) entered with the Bank's own offices are not shown here as they are for hedging of FCNB corpus and hence not marked to market.

$ The swaps amounting to Rs.7,276.19 crores (Previous Year Rs.6,865.62 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 - Rs.1,260.56 crores and Interest Rate Derivatives - Rs.159.56 crores)

1. The outstanding notional amount of derivatives done between Global Markets department and International Banking Group department as on 31st March 2012 amounted to Rs.16,297.26 crores (Rs.11,901.29 crores) and the derivatives done between SBI Foreign Offices as on 31st March 2012 amounted to Rs.30,663.90 crores (Rs.29,379.83 crores).
2. The outstanding notional amount of interest rate derivatives which are not marked to market where the underlying Assets/Liabilities are not marked to market as on 31st March 2012 amounted to Rs.57,756.33 crores (Rs.45,525.15 crores)
3. Credit Default Swap : Outstanding as on 31st March 2012 amounted to Rs.546.90 crores (Rs.983.32 crores)

18.4 **Asset Quality**

a) Non-Performing Assets (Rs. in Crores)

		Particulars	As at 31-Mar-12	As at 31-Mar-11
i)		Net NPAs to Net Advances (%)	1.82%	1.63%
ii)		Movement of NPAs (Gross)		
	(a)	Opening balance	25,326.29	19,534.89
	(b)	Additions (Fresh NPAs) during the year	24,712.22	18,145.70
		Sub-total (I)	50,038.51	37,680.59
	(c)	Reductions due to upgradations during the year	5,458.36	4,499.10
	(d)	Reductions due to recoveries (Excluding recoveries made from upgraded accounts)	4,159.35	3,848.35
	(e)	Reductions due to Write-offs during the year	744.34	4,006.85
		Sub-total (II)	10,362.05	12,354.30
	f)	Closing balance (I-II)	39,676.46	25,326.29
iii)		Movement of Net NPAs		
	(a)	Opening balance	12,346.90	10,870.17
	(b)	Additions during the year	10,948.96	6,815.83
	(c)	Reductions during the year	7,477.01	5,339.10
	(d)	Closing balance	15,818.85	12,346.90
iv)		Movement of provisions for NPAs		
	(a)	Opening balance	12,979.39	8,664.72
	(b)	Provisions made during the year	13,763.27	11,329.87
	(c)	Write-off / write-back of excess provisions	2,885.05	7,015.20
	(d)	Closing balance	23,857.61	12,979.39

Opening and closing balances include DICGC / ECGC claims received and held pending adjustment of Rs. 25.38 crores (P.Y. Rs. 21.53 crores) and Rs. 46.32 crores (P.Y. Rs. 25.38 crores) respectively.

b) Details of Loan Assets subjected to Restructuring during the period from 1st April 2011 to 31st March 2012

Particulars	Particulars	CDR Mechanism	SME Debt Restructuring	Others	Total
Standard advances restructured	No. of Borrowers	29 (25)	134 (133)	2,159 (10,277)	2,322 (10,435)
	Amount outstanding	3,015.53 (752.37)	568.42 (369.42)	4,810.73 (3,578.37)	8,394.68 (4,700.16)
	Sacrifice (diminution in the fair value)	378.52 (183.70)	10.25 (5.14)	86.41 (272.23)	475.18 (461.07)
Sub standard advances restructured	No. of Borrowers	3 (4)	21 (33)	105 (285)	129 (322)
	Amount outstanding	182.62 (223.21)	73.37 (14.60)	336.43 (567.75)	592.42 (805.56)
	Sacrifice (diminution in the fair value)	22.44 (29.03)	5.25 (1.29)	5.62 (13.57)	33.31 (43.89)
Doubtful advances restructured	No. of Borrowers	1 (-)	41 (17)	27 (20)	69 (37)
	Amount outstanding	41.77 (-)	84.00 (30.05)	158.79 (122.28)	284.56 (152.33)
	Sacrifice (diminution in the fair value)	0.00 (-)	5.65 (0.57)	10.82 (1.08)	16.47 (1.65)
TOTAL	No. of Borrowers	33 (29)	196 (183)	2,291 (10,582)	2,520 (10,794)
	Amount outstanding	3,239.92 (975.58)	725.79 (414.07)	5,305.95 (4,268.40)	9,271.66 (5,658.05)
	Sacrifice (diminution in the fair value)	400.96 (212.73)	21.15 (7.00)	102.85 (286.88)	524.96 (506.61)

(Figures in brackets are for Previous Year)

c) Details of financial assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for Asset Reconstruction

Particulars	Current Year	Previous Year
i) No. of Accounts	3	3
ii)Aggregate value (net of provisions) of accounts sold to SC/RC	4.08	Nil
iii)Aggregate consideration	10.35	26.82
iv)Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
v) Aggregate gain / (loss) over net book value	6.27	26.82

d) Details of non-performing financial assets purchased

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

e) Details of non-performing financial assets sold

Particulars	Current Year	Previous Year
1) No. of Accounts sold	9	4
2) Aggregate outstanding	35.69	103.23
3) Aggregate consideration received	12.79	47.98

f) Provision on Standard Assets

The Provision on Standard Assets held by the Bank in accordance with RBI guidelines is as under:

Particulars	As at 31-Mar-2012	As at 31-Mar-2011
Provision towards Standard Assets	4,296.03**	3,336.08*

*includes Rs. 106.12 crores transferred from eSBIN

** Includes Rs. 0.98 crore transferred from e SBICI Bank Limited.

g) Business Ratios

Particulars	Current Year	Previous Year
i. Interest Income as a percentage to Working Funds	8.04%	6.96%
ii. Non-interest income as a percentage to Working Funds	1.08%	1.35%
iii. Operating Profit as a percentage to Working Funds	2.38%	2.17%
iv. Return on Assets	0.88%	0.71%
v. Business (Deposits plus advances) per employee (Rs. in thousands)	79,842	70,465
vi. Profit per employee (Rs. in thousands)	531.45	384.63

h) Asset Liability Management: Maturity pattern of certain items of assets and liabilities as at 31st March 2012

(Rs. In crores)

	1 day	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	24,952.42 *(24,992.66)*	24,148.78 *(21,696.53)*	23,163.49 *(20,849.71)*	17,309.22 *(15,202.16)*	54,829.96 *(45,801.60)*	1,00,330.59 *(88,669.77)*	1,37,776.39 *(1,20,303.13)*	3,06,073.55 *(2,77,716.71)*	1,78,971.15 *(1,61,534.99)*	1,76,091.82 *(1,57,165.55)*	10,43,647.36 *(9,33,932.81)*
Advances	39,710.85 *(46,944.31)*	6,386.88 *(7,543.86)*	17,237.21 *(25,432.64)*	10,140.95 *(8,835.11)*	47,080.98 *(48,819.28)*	38,041.23 *(31,407.67)*	43,231.60 *(27,303.96)*	4,08,461.94 *(3,54,683.76)*	81,234.24 *(69,728.43)*	1,76,053.01 *(1,36,020.43)*	8,67,578.89 *(7,56,719.45)*
Investments	134.68 *(-)*	2,447.45 *(1,189.00)*	80.61 *(739.57)*	3,514.89 *(2,289.27)*	19,109.04 *(4,201.94)*	8,664.67 *(11,196.27)*	11,902.56 *(6,540.61)*	48,553.21 *(56,742.58)*	54,935.00 *(52,689.05)*	1,62,855.50 *(1,60,012.28)*	3,12,197.61 *(2,95,600.57)*
Borrowings	688.64 *(2,763.15)*	13,988.94 *(10,484.15)*	2,842.08 *(2,953.07)*	6,748.88 *(4,903.26)*	21,202.93 *(17,474.77)*	9,765.70 *(8,776.92)*	5,107.03 *(10,349.74)*	12,524.56 *(5,690.22)*	18,052.01 *(15,204.41)*	36,084.79 *(40,969.26)*	1,27,005.56 *(1,19,568.95)*
Foreign Currency Assets	26,245.58 *(32,391.28)*	2,684.58 *(1,405.38)*	3,873.88 *(2,594.40)*	6,002.43 *(6,150.93)*	24,917.46 *(27,064.10)*	20,344.78 *(16,092.55)*	13,868.74 *(10,475.55)*	24,187.50 *(17,608.64)*	28,022.95 *(20,757.39)*	23,057.38 *(20,783.93)*	1,73,205.28 *(1,55,324.15)*
Foreign Currency Liabilities	15,576.62 (20,911.86)	11,807.38 (7,223.70)	4,543.24 (4,167.90)	9,168.21 (7,406.10)	30,276.50 (23,216.44)	20,977.29 (15,506.06)	22,645.06 (22,613.11)	23,817.29 (15,046.29)	19,169.38 (20,065.97)	4,002.97 (5,527.71)	1,61,983.94 *(1,41,685.14)*

(Figures in brackets are as at 31st March 2011)

18.5 **Exposures**

The Bank is lending to sectors which are sensitive to asset price fluctuations.

a) Real Estate Sector (Rs. In crores)

Particulars	**As at 31-Mar-2012**	**As at 31-Mar-2011**
(I) Direct exposure		
i) Residential Mortgages	1,25,992.41	1,14,199.40
- Of which individual housing loans up to Rs. 20 lac	76,980.09	73,628.78
ii) Commercial Real Estate	12,674.38	14,011.31
iii)Investments in Mortgage Backed Securities (MBS) and other securitised exposures:	154.55	186.73
a) Residential	127.64	164.86
b) Commercial Real Estate	26.90	21.87
(II) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	5,847.03	6,226.05
Total	**1,44,668.37**	**1,34,623.49**

b) Capital Market (Rs. In crores)

	Particulars	**As at 31-Mar-12**	**As at 31-Mar-11**
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.	1,912.18	8,868.34
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.	6.8	10.22
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.	355.42	0.39
4)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/ units of equity oriented mutual funds does not fully cover the advances.	168.56	33.67
5)	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	541.21	773.95
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.	Nil	40.11
7)	Bridge loans to companies against expected equity flows/issues.	0.02	0.01

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 stock brokers for margin trading.	Nil	Nil
10)	Exposures to Venture Capital Funds (both registered and unregistered)	586.07	608.61
Total Exposure to Capital Market		**3,570.26**	**10,335.30**

c) Risk Category wise Country Exposure

As per the extant RBI guidelines, the country where 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 and hence provision for the country exposure on USA has been made.

(Rs. In crores)

Risk Category	Exposure (net) As at 31-Mar-2012	Exposure (net) As at 31-Mar-2011	Provision held As at 31-Mar-2012	Provision held As at 31-Mar-2011
Insignificant	5.93	901.43	Nil	Nil
Very Low	60,691.68	53,241.04	27.89	23.68
Low	833.76	NA	Nil	NA
Low Medium	9,782.76	11252.64	Nil	NA
Medium	3,541.64	NA	Nil	NA
HIgh	2,067.30	1,773.20	Nil	Nil
Very HIgh	1,208.60	2,206.31	Nil	Nil
Restricted	3,965.87	4,098.94	Nil	Nil
Off-Credit	Nil	NA	Nil	NA
Total	**82,097.54**	**73,473.56**	**27.89**	**23.68**

d) Single Borrower and Group Borrower exposure Limits exceeded by the Bank :

The Bank had taken single borrower exposure in excess of the prudential limit in the cases given below :

(Rs. In crores)

Name of the Borrower	**Exposure ceiling**	**Limit Sanctioned (Peak Level)**	**Period during which limit exceeded**	**Outstanding as on 31.03.12**
Reliance Industries Limited	14,779.58 14,783.26	15,214.49 15,358.18	January 2012 February 2012	6,867.32
Indian Oil Corporation Ltd.	24,632.64 24,638.76	28,953.68 28,114.56	April 2011 to January 2012 February 2012 to March 2012	24,374.33
Bharat Heavy Electricals Limited	14,779.58 14,783.23	17,670.00 17,670.00	April 2011 to January 2012 February 2012 to March 2012	13,522.21

e) **Unsecured Advances**

Particulars	As at 31 Mar 2012	As at 31 Mar 2011
a) Total Unsecured Advances of the bank	1,64,479.17	1,53,018.58
i) Of which amount of advances outstanding against charge over intangible securities such as rights, licences, authority etc	4,848.24	795.72
ii) The estimated value of such intangible securities (as in (i) above).	4,159.48	4,114.30

18.6 Miscellaneous

a) **Disclosure of Penalties imposed by RBI**

Rs. 0.10 crore (Previous year - Rs. 0.13 crores)

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 Accounting Standards

a) Employee Benefits

i. Defined Benefit Plans

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:-

(Rs. In crores)

	Pension Plans		Gratuity	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Change in the present value of the defined benefit obligation				
Opening defined benefit obligation at 1st April 2011	33,879.30	21,715.61	5,817.19	3,889.14
Liability on merger and acquisition	25.03	484.00	133.25	120.47
Current Service Cost	950.40	892.28	178.66	144.38
Interest Cost	2,879.74	1,890.02	494.46	303.80
Past Service Cost (Vested Benefit)	82.00	–	–	–
Past Service Cost (Amortised)	–	–	–	425.00
Past Service Cost (Vested Benefit recognised in Reserves)	–	7,927.41	–	–
Past Service Cost (Vested Benefit adjusted from Provisions)	–	1,306.70	–	675.00
Actuarial losses (gains)	781.46	1,188.70	367.64	731.32
Benefits paid	(1,140.37)	(744.75)	(528.38)	(471.92)
Direct Payment by Bank	(931.88)	(780.67)	–	–
Closing defined benefit obligation at 31st March 2012	36,525.68	33,879.30	6,462.82	5,817.19
Change in Plan Assets				
Opening fair value of Plan Assets as at 1st April 2011	16,800.10	14,714.83	4,102.25	3,811.28
Asset transferred on merger and acquisition	25.03	484.00	–	120.47
Transfer from other fund	–	–	2.16	–
Dearness Relief Paid by Bank	–	–	–	–
Expected Return on Plan Assets	1,344.01	1,215.25	328.18	312.28

Contributions by employer	10,046.64	848.12	1,315.00	328.20
Benefits Paid	(1,140.37)	(744.75)	(528.38)	(471.92)
Actuarial Gains / (Loss) on plan Assets	130.16	282.65	32.58	1.94
Closing fair value of plan assets as at 31st March 2012	27,205.57	16,800.10	5,251.79	4,102.25
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of Funded obligation at 31st March 2012	36,525.68	33,879.30	6,462.82	5,817.19
Fair Value of Plan assets at 31st March 2012	27,205.57	16,800.10	5,251.79	4,102.25
Deficit/(Surplus)	9,320.11	17,079.20	1,211.03	1,714.94
Unrecognised Past Service Cost (Vested) Closing Balance	–	–	300.00	400.00
Unrecognised Transitional Liability Closing Balance	–	–	–	–
Net Liability/(Asset)	9,320.11	17,079.20	911.03	1,314.94
Amount Recognised in the Balance Sheet				
Liabilities	36,525.68	33,879.30	6,462.82	5,817.19
Assets	27,205.57	16,800.10	5,251.79	4,102.25
Net Liability / (Asset) recognised in Balance Sheet	9,320.11	17,079.20	1,211.03	1,714.94
Unrecognised Past Service Cost (Vested) Closing Balance	–	–	300.00	400.00
Unrecognised Transitional Liability Closing Balance	–	–	–	–
Net Liability/(Asset)	9,320.11	17,079.20	911.03	1,314.94
Net Cost recognised in the profit and loss account				
Current Service Cost	950.40	892.28	178.66	144.38
Interest Cost	2,879.74	1,890.02	494.46	303.80
Expected return on plan assets	(1,344.01)	(1,215.25)	328.18	(312.28)
Past Service Cost (Amortised) Recognised	–	–	100.00	25.00
Past Service Cost (Vested Benefit) Recognised	82.00	–	–	675.00
Net actuarial losses (Gain) recognized during the year	651.30	906.05	335.06	729.38
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	3,219.43	2,473.10	780.00	1,565.28
Reconciliation of expected return and actual return on Plan Assets				
Expected Return on Plan Assets	1,344.01	1,215.25	328.18	312.28
Actuarial Gain/ (loss) on Plan Assets	130.16	282.65	32.58	1.94
Actual Return on Plan Assets	1,474.17	1,497.90	360.76	314.22

Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet

Opening Net Liability as at 1st April 2011	17,079.20	7,000.78	1,314.94	77.86
Expenses as recognised in profit and loss account	3,219.43	2,473.10	780.00	1,565.28
Net Liability on merger/ acquisition	131.09	–	–	–
Paid by Bank Directly	(931.88)	(780.67)	–	–
Debited to Other Provision	–	1,306.70	–	–
Recognised in Reserve	–	7,927.41	–	–
Employer's Contribution	(10,046.64)	(848.12)	(1,315.00)	(328.20)
Net liability/(Asset) recognised in Balance Sheet	9,320.11	17,079.20	911.03	1,314.94

Investments under Plan Assets of Gratuity Fund & Pension Fund as on 31st March 2012 are as follows:

Category of Assets	**Pension Fund % of Plan Assets**	**Gratuity Fund % of Plan Assets**
Central Govt. Securities	30.34	20.49
State Govt. Securities	22.63	22.30
Corporate Bonds	36.06	32.71
Insurer Managed Funds	0.00	19.25
Others	10.97	5.25
Total	**100.00**	**100.00**

Principal actuarial assumptions

Particulars	**Pension Plans**		**Gratuity Plans**	
	Current Year	**Previous Year**	**Current Year**	**Previous Year**
Discount Rate	8.75%	8.50%	8.50%	8.50%
Expected Rate of return on Plan Asset	8.60%	8.00%	8.60%	8.00%
Salary Escalation	5.00%	5.00%	5.00%	5.00%

Surplus / Deficit in the Plan

		Gratuity Plan		
Amount Recognised in the Balance Sheet	Year ended 31-03-09	Year ended 31-03-10	Year ended 31-03-11	Year ended 31-03-12
Liability at the end of the year	3,778.18	3,889.14	5,817.19	6,462.82
Fair Value of Plan Assets at the end of the year	3,746.73	3,811.28	4,102.25	5,251.79
Difference	31.45	77.86	1,714.94	1,211.03
Unrecognised Past Service Cost	–	–	400.00	300.00
Un recognised Transition Liability	–			
Amount Recognised in the Balance Sheet	**31.45**	**77.86**	**1,314.94**	**911.03**
Experience adjustment				
On Plan Liability (Gain) / Loss	(90.81)	(0.40)	879.37	367.64
On Plan Asset (Loss) / Gain	(1.24)	7.89	1.94	32.58

Surplus /Deficit in the Plan

Amount Recognised in the Balance Sheet	Pension			
	Year ended 31-03-09	Year ended 31-03-10	Year ended 31-03-11	Year ended 31-03-12
Liability at the end of the year	19,328.72	21,715.61	33,879.30	36,525.68
Fair Value of Plan Assets at the end of the year	13,710.13	14,714.83	16,800.10	27,205.57
Difference	5,618.59	7,000.78	17,079.20	9,320.11
Unrecognised Past Service Cost	–	–	–	–
Un recognised Transition Liability	–	–	–	–
Amount Recognised in the Balance Sheet	**5,618.59**	**7,000.78**	**17,079.20**	**9,320.11**
Experience adjustment				
On Plan Liability (Gain)/Loss	905.07	5,252.37	1,188.70	1,677.80
On Plan Asset (Loss) / Gain	124.74	233.12	282.65	130.16

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.

The Board of Directors has, pursuant to approval of Government of India vide letter dated January 25, 2012, amended Rule 10 of SBI Employees' Pension Fund, which earlier restricted contribution to 10% of salary, to permit contribution to the Fund as per actuarial valuation. The notification of the said amendment in the Gazette of India is under process. Consequent thereto, the Bank has transferred Rs.9,518 crores to the SBI Employees Pension Fund Trust from the Special Provision Account, during the year.

ii. Employees' Provident Fund

In terms of the guidance on implementing AS-15 (Revised 2005) issued by the Institute of the Chartered Accountants of India, the Employees Provident Fund set up by the Bank is treated as a defined benefit plan. State Bank of India Provident Fund is not covered under the EPF Act 1952 but is covered under the Provident Fund Act 1925, wherein there is no minimum interest declared, so there will not be any interest guarantee applicable for SBI PF. During the FY 2011-12, the Trust has earned annualized yield of 9.26% whereas the Trust has paid interest to Provident Fund members at 8.25%. Accordingly, no shortfall remains unprovided for and the Trust is having a surplus balance, which is not accounted as an asset in the Banks' books. Accordingly, other related disclosures in respect of Provident Fund have not been made and an amount of Rs.531.83 Crores (Previous Year Rs.854.90 Crores) is recognised as an expense towards the Provident Fund scheme of the Bank included under the head "Payments to and provisions for employees" in Profit and Loss Account.

iii. Defined Contributions

The Bank has implemented a Defined Contribution Pension Scheme (DCPS) applicable to all categories of officers and employees joining the Bank on or after 1st August 2010. The scheme will be managed by NPS trust under the aegis of the Pension Fund Regulatory and Development Authority. Pending the finalisation of the modalities of the scheme and registration of the subscribers with the Central Record Keeping Agency, the contributions of the Bank of Rs.52.47 crores (Previous Year Rs.11.75 crores) has been retained as a deposit with the Bank and earns interest at the same rate as that of the current account of Provident Fund.

iv. Other Long term Employee Benefits

Amount of Rs.531.33 Crores (Previous Year Rs.775.74 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 Employee Benefits during the year:

(Rs. in crores)

Sr. No.	Long Term Employee Benefits	Current Year	Previous Year
1	Privilege Leave (Encashment) incl. leave encashment at the time of retirement	375.33	581.80
2	Leave Travel and Home Travel Concession(Encashment/Availment)	44.33	41.96
3	Sick Leave	74.77	70.09
4	Silver Jubilee Award	5.01	35.03
5	Resettlement Expenses on Superannuation	11.70	(8.74)
6	Casual Leave	14.94	11.20
7	Retirement Award	5.25	44.40
	Total	**531.33**	**775.74**

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)

Rs. In crores

Business Segments	**Treasury**	**Corporate/Wholesale Banking**	**Retail Banking**	**Other Banking Operations**	**Elimination**	**Total**
Revenue #	23,874.88 (21,665.06)	42,773.40 (32,935.11)	54,091.69 (42,062.69)			120,739.97 (96,662.86)
Unallocated Revenue #						132.93 (556.10)
Total Revenue						120,872.90 (97,218.9)
Result #	217.24 ((-)945.27)	6,106.12 (5,496.53)	15,619.23 (12,679.45)			21,942.59 (17,230.71)
Unallocated Income (+) / Expenses(-) - net #						(-) 3,459.28 (-2,276.48)
Operating Profit #						18,483.31 (14,954.23)
Tax #						6776.02 (6,689.71)
Extraordinary Profit #						- -
Net Profit #						11,707.29 (8,264.52)
Other Information :						
Segment Assets *	3,35,016.51 (3,10,524.60)	3,94,421.91 (3,81,320.36)	5,95,182.88 (5,22,699.76)			13,24,624.30 (12,14,544.72)
Unallocated Assets *						10,897.93 (9,191.48)

Total Assets *						13,35,519.23 (12,23,736.20)
Segment Liabilities *	1,96,222.07 (1,62,149.37)	3,81,202.21 (3,67,495.28)	6,28,479.02 (5,85,015.30)			12,05,903.20 (11,14,659.95)
Unallocated Liabilities *						45,664.72 (44,090.21)
Total Liabilities *						12,51,568.02 (11,58,750.16)

(Figures in brackets are for Previous Year)

Part B : Secondary (Geographic Segments)

Rs. In crores

	Domestic		Foreign		Total	
	Current Year	**Previous Year**	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Revenue #	1,14,080.91	91,086.38	6,659.06	5,576.48	120,739.97	96,662.86
Result#	19,064.85	15,250.86	2,877.74	1,979.84	21,942.59	17,230.71
Assets *	11,55,176.43	10,82,387.23	1,80,342.80	1,41,348.97	13,35,519.23	12,23,736.20
Liabilities*	10,71,225.22	10,17,401.19	1,80,342.80	1,41,348.97	12,51,568.02	11,58,750.16

*As at 31st March 2012

#For the year ended 31st March 2012

c) 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
6. SBI Commercial and International Bank Ltd. (up to 28.07.2011).

ii. FOREIGN BANKING SUBSIDIARIES

1. SBI (Mauritius) Ltd.
2. State Bank of India (Canada)
3. State Bank of India (California)
4. Commercial Bank of India LLC, Moscow
5. PT Bank SBI Indonesia
6. Nepal SBI Bank Ltd.

iii. DOMESTIC NON-BANKING SUBSIDIARIES

1. SBI Capital Markets Ltd.
2. SBI DFHI Ltd.
3. SBI Mutual Funds Trustee Company Pvt. Ltd.
4. SBI CAP Securities Ltd.
5. SBI CAPS Ventures Ltd.
6. SBI CAP Trustees Co. Ltd.
7. SBI Cards & 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 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 Trustees Ltd.
5. SBI Macquarie Infrastructure Management Pvt. Ltd.
6. SBI Macquarie Infrastructure Trustees Pvt. Ltd.
7. Oman India Joint Investment Fund – Trustee Company Pvt. Ltd.
8. Oman India Joint Investment Fund – Management Company Pvt. Ltd.

C. ASSOCIATES

i. Regional Rural Banks

1. Andhra Pradesh Grameena Vikas Bank
2. Arunachal Pradesh Rural Bank
3. Cauvery Kalpatharu Grameena Bank
4. Chhattisgarh Gramin Bank
5. Deccan Grameena Bank
6. Ellaquai Dehati Bank
7. Meghalaya Rural Bank (Formerly known as Ka Bank Nongkyndong Ri Khasi Jaintia)
8. Krishna Grameena Bank
9. Langpi Dehangi Rural Bank
10. Madhya Bharat Gramin Bank
11. Malwa Gramin Bank
12. Marwar Ganganagar Bikaner Gramin Bank
13. Mizoram Rural Bank
14. Nagaland Rural Bank
15. Parvatiya Gramin Bank
16. Purvanchal Kshetriya Gramin Bank
17. Samastipur Kshetriya Gramin Bank
18. Saurashtra Gramin Bank
19. Utkal Gramya Bank
20. Uttaranchal Gramin Bank
21. Vananchal Gramin Bank
22. Vidisha Bhopal Kshetriya Gramin Bank

ii. Others

1. SBI Home Finance Ltd.
2. The Clearing Corporation of India Ltd.
3. Bank of Bhutan Ltd.

D. Key Management Personnel of the Bank

1. Shri Pratip Chaudhuri, Chairman (from 07.04.2011)
2. Shri R. Sridharan, Managing Director & Group Executive (A& S) (up to 30.06.2011)
3. Shri Hemant G. Contractor Managing Director & Group Executive (International Banking) (from 07.04.2011)
4. Shri Diwakar Gupta, Managing Director & Chief Financial Officer (from 07.04.2011)
5. Shri A. Krishna Kumar, Managing Director & Group Executive (National Banking) (from 07.04.2011)
6. Shri O. P. Bhatt, Chairman (up to 31.03.2011)
7. Shri S. K. Bhattacharyya, Managing Director (up to 31.10.2010)

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 :

Rs. In crores

Particulars	**Associates/ Joint Ventures**	**Key Management Personnel & their relatives**	**Total**
Transactions during the year 2011-12			
Interest received*	0.04 (-)	- (-)	0.04 (-)
Interest paid*	1.29 (-)	- (-)	1.29 (-)
Income earned by way of dividend*	- (2.80)	- (-)	- (2.80)
Other Income*	- (-)	- (-)	- (-)
Other expenditure*	- (-)	- (-)	- (-)
Management contracts*	- (-)	0.68 (0.60)	0.68 (0.60)
Outstanding as on 31st March 2012			
Payables	127.66 (51.95)	- (0.04)	127.66 (51.99)
Receivables	- (-)	- (-)	- (-)

Figures in brackets are for Previous Year

As at 31st March 2012

* For the year ended 31st March 201

d) Operating Leases*

Premises taken on operating lease are given below:

Particulars	**As at 31 Mar 2012**	**As at 31 Mar 2011**
Not later than 1 year	64.32	40.43
Later than 1 year and not later than 5 years	229.21	92.47
Later than 5 years	66.42	25.21
Total	**359.95**	**158.11**
Amount of lease payments recognised in the P&L Account for the year.	60.61	42.68

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.

e) Earnings per Share

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 - "Earnings per Share". "Basic earnings" per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

Particulars	**Current Year**	**Previous Year**
Basic and diluted		
Number of Equity Shares outstanding at the beginning of the year	63,49,98,991	63,48,82,644
Number of Equity Shares issued during the year	360,45,847	1,16,347
Number of Equity Shares outstanding at the end of the year	67,10,44,838	63,49,98,991
Weighted average number of equity shares used in computing basic earnings per share	63,51,96,258	63,49,52,049
Weighted average number of shares used in computing diluted earnings per share	63,51,96,258	63,49,52,049
Net profit (Rs. In crores)	11,707.29	8,264.52
Basic earnings per share (Rs.)	184.31	130.16
Diluted earnings per share (Rs.)	184.31	130.16
Nominal value per share (Rs.)	10	10

f) **Accounting for Taxes on Income**

i. During the year, Rs.455.93 crores [Previous Year Rs.976.82 crores credited] has been debited to Profit and Loss Account by way of adjustment of deferred tax.

ii. The Bank has outstanding net deferred tax asset of Rs.180.63 crores (Previous Year- Rs.1,167.28 Crores), which is included under Other Assets. The breakup of deferred tax assets (DTA) and liabilities into major items is given below:

Particulars	**As at 31 Mar 2012**	**As at 31 Mar 2011**
Deferred Tax Assets		
Provision for wage revision	Nil	307.90
Provision for long term employee Benefits	1,873.60	1,636.10
Ex-gratia paid under Exit option	Nil	9.41
Others	16.29	35.77
Net DTAs on account of Foreign Offices	180.95	135.71
Total	**2,070.84**	**2,124.89**
Deferred Tax Liabilities		
Depreciation on Fixed Assets	8.16	21.53
Interest on securities	1,882.05*	936.08

Total	1,890.21	957.61	
Net Deferred Tax Assets/(Liabilities)	**180.63**	**1,167.28**	

g) **Investments in Jointly Controlled Entities**

Investments include Rs.39.50 crores (Previous Year Rs.38.96 crores) representing Bank's interest in the following jointly controlled entities

Sr. No.	Name of the Company	Amount Rs. in crores	Country of Residence	Holding %
1	GE Capital Business Process Management Services Pvt. Ltd.	10.80 (10.80)	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. #	0.64 (0.10)	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	**As at 31 Mar 2012**	**As at 31 Mar 2011**
Liabilities		
Capital & Reserves	131.68	110.28
Deposits	–	–
Borrowings	6.56	0.53
Other Liabilities & Provisions	61.50	68.70
Total	**199.74**	**179.51**
Assets		
Cash and Balances with RBI	–	–
Balances with Banks and money at call and short notice	72.30	50.34
Investments	1.95	2.11
Advances	–	–
Fixed Assets	21.29	11.06
Other Assets	104.20	116.00
Total	**199.74**	**179.51**
Capital Commitments	–	–
Other Contingent Liabilities	0.90	0.41

Income		
Interest earned	6.50	3.74
Other income	170.76	118.98
Total	177.26	122.72
Expenditure		
Interest expended	0.43	-
Operating expenses	144.47	105.97
Provisions & contingencies	8.72	5.54
Total	153.62	111.51
Profit	**23.64**	**11.21**

h) 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.

i) Description of Contingent Liabilities and Contingent Assets

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.
2	Liability on account of outstanding forward exchange contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-Bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. 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.
3	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.
4	Other items for which the Bank is contingently liable	The Bank is a party to various taxation matters in respect of which appeals are pending. These are being contested by the Bank and not provided for. Further the Bank has made commitments to subscribe to shares in the normal course of business.

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.

b) Movement of provisions against Contingent Liabilities

Particulars	Current Year	Previous Year
Opening balance	275.10	148.14
Additions during the year (including transferred from e SBICI/e SBIN)	56.33	180.38
Reductions during the year	74.57	53.42
Closing balance	256.86	275.10

18.8 Additional Disclosures

1. Provisions and Contingencies

Rs. In crores

Particulars	Current Year	Previous Year
Provision for Taxation		
– Current Tax	6,335.37	5,709.54
– Deferred Tax	455.93	976.82
– Write Back of Fringe Benefit Tax	(21.28)	–
– Other Tax	6.00	3.35
Provision for Depreciation on Investments	683.28	646.75
Write Back of Provision for Depreciation made in India on Investments held at Foreign Offices	(19.58)	–
Provision on Non-Performing Assets	11,494.10	8,415.44
Provision on Restructured Assets	51.76	376.65
Provision on Standard Assets	978.81	976.60
Other Provisions	(98.14)	(34.10)
Total	**19,866.25**	**17,071.05**

2. Floating Provisions

Rs. In crores

Particulars	Current Year	Previous Year
Opening Balance	23.00	–
Add: Transferred from e SBIN	–	23.00
Add: Transferred from e SBICI	2.14	
Addition during the year	–	–
Draw down during the year	–	–
Closing Balance	25.14	23.00

3. Withdrawal from Reserves

During the year, the Bank has withdrawn following amount from the Reserves: Rs. In crores

Particulars	As at 31 Mar 2012	As at 31 Mar 2011
Pension Liability charged to Reserves as per special dispensation from RBI	–	7,927.41
On account of Inter Office reconciliation	0.01	–

4. Status of complaints

A. Customer complaints

Particulars	As at 31 Mar 2012	As at 31 Mar 2011
No. of complaints pending at the beginning of the year	824	1,275
Addition on account of acquisition of eSBIn	–	70
No. of complaints received during the year	462,381	30,904
No. of complaints redressed during the year	449,791	31,425
No. of complaints pending at the end of the year	13,414	824

B. Awards passed by the Banking Ombudsman

Particulars	Current Year	Previous Year
No. of unimplemented Awards at the beginning of the year	7	4
No. of Awards passed by the Banking Ombudsman during the year	131	86
No. of Awards implemented during the year	117	83
No. of unimplemented Awards at the end of the year	21	7

5. With regard to disclosures relating to Micro, Small & Medium Enterprises under the Micro, Small & Medium Enterprises Development Act, 2006, there have been no reported cases of delayed payments or of interest payments due to delay in such payments 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 2012 aggregate to Rs. 2086.56 Crores (Previous Year: Rs. 1,411.20 Crores). In the Bank's assessment no financial impact is likely to arise.

7. Provisioning Coverage Ratio:

The Provisioning to Gross Non-Performing Assets ratio of the Bank as on31st March 2012 is 68.10% (Previous Year 64.95%).

8. Fees/remuneration received in respect of the bancassurance business in 2011-12

Rs. In crores

Name of Company	Current Year	Previous Year
SBI Life Insurance Co. Ltd.	156.82	210.04
The New India Assurance Co. Ltd.	0.34	7.24
SBI General Insurance Co. Ltd.	8.83	1.14
United India Insurance Co Ltd.	0.02	0.06
Manu Life Financial Limited	2.08	1.74
NTUC	0.71	0.84
TOTAL	**168.46**	**221.06**

9. Concentration of Deposits, Advances, Exposures & NPAs

a) Concentration of Deposits

Rs. In crores

Particulars	Current Year	Previous Year
Total Deposits of twenty largest depositors	60,522.62	40,267.48
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	5.80%	4.31 %

b) Concentration of Advances

Rs. In crores

Particulars	Current Year	Previous Year
Total Advances to twenty largest barrowers	83,199.80	65,236.21
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	9.31%	8.45 %

c) Concentration of Exposures

Rs. In crores

Particulars	Current Year	Previous Year
Total Exposure to twenty largest borrowers/ customers	2,13,774.62	2,07,277.40
Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the Bank on borrowers/customers	13.97%	15.13%

d) Concentration of NPAs

Rs. In crores

Particulars	Current Year	Previous Year
Total Exposure to top four NPA accounts	2,931.51	730.27

10. Sector–wise NPAs

Sr. No.	Sector	Percentage of NPAs to Total Advances in that sector	
		Current Year	Previous Year
1	Agriculture & allied activities	8.92%	6.74%
2	Industry (Micro & small, Medium and Large)	4.12%	2.80%
3	Services	2.94%	2.93%
4	Personal Loans	2.92%	2.54%

11. Overseas Assets, NPAs and Revenue

Rs. In crores

Sr. No.	Particulars	Current Year	Previous Year
1	Total Assets	1,80,342.80	1,41,348.97
2	Total NPAs (Gross)	2,520.46	2,265.91
3	Total Revenue	6,659.06	5,576.48

12. Off-balance Sheet SPVs sponsored

	Name of the SPV Sponsored	
	Domestic	Overseas
Current Year	NIL	NIL
Previous Year	NIL	NIL

13. Unamortised Gratuity Liabilities

In accordance with RBI circular no. DBOD.BP.BC.80/21.04.018/2010-11 dated February 9, 2011 the Bank has opted to amortise the additional liability on account of enhancement in Gratuity limit over a period of 5 years beginning with the financial year ended March 31, 2011. Accordingly the Bank has charged a sum of Rs. 100 crores to the Profit and Loss Account, being the proportionate amount for the financial year ended March 31, 2012. The unpaid liability of Rs.300 crore as on March 31, 2012 will be amortised proportionately in accordance with the above circular.

14. Amalgamation of SBI Commercial and International Bank Limited

Consequent to the notification of the “Acquisition of State Bank of India Commercial and International Bank Ltd Order, 2011” issued by the Government of India, the undertaking of State Bank of India Commercial and International Bank Ltd (SBICI) stands transferred to and vests in State Bank of India (“the Bank”), with effect from July 29, 2011, the effective date. The results for the year ended March 31, 2012 include the results of operations of the erstwhile SBICI for the period from July 29, 2011 to the year end March 31, 2012 and the results of the Bank are not comparable to that extent.

The amalgamation of State Bank of India Commercial and International Bank Ltd (SBICI) with the Bank has been accounted for under the pooling of interest method as prescribed in Accounting Standard 14 “Accounting for Amalgamations”. Pursuant thereto, all assets and liabilities including reserves of SBICI as on the effective date have been transferred and vested in the Bank. The Bank held 100% of the share capital of the SBICI on the effective date, which stands cancelled. No shares were exchanged to effect the amalgamation.

The Assets and Liabilities of e SBICI Bank Limited taken over are as under:-

Rs. In crores

Assets Taken Over	Amount
Cash & Balance with RBI	24.71
Balances with Banks and Money at Call and Short Notice	16.70
Investments	282.46
Advances	257.22
Fixed Assets	43.33
Other Assets	9.72
Total Assets	634.14
Liabilities Taken Over	
Reserve & Surplus	30.22
Deposits	479.79
Borrowings	–
Other Liabilities and Provisions	24.13
Total Liabilities	534.14
Net Assets Taken over	100.00

15. Inter Office Accounts

Inter Office Accounts between branches, controlling offices and 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.

16. Disbursement of Special Balancing Allowance

During the year, Rs. 908 cores of arrears of Special Balancing Allowance was disbursed out of the provision held for Special Balancing Allowance. An amount of Rs. 41.11 crores was written back to the Profit & Loss account during the year ended 31st March 2012, being excess amount of provision held for Special Balancing Allowance.

17. Countercyclical Provisioning Buffer

In accordance with the guidelines issued by RBI vide their circular no. DBOD. No.BP.BC.87/21.04.048/2010-11 dated 21st April, 2011 and the dispensation granted to the Bank, the Bank has made an additional provision of Rs. 1,100.00 crores for the half year ended September 2011 thus achieving the required Countercyclical Provisioning Buffer of Rs. 3,430.00 crores as on September 30, 2011 as per the above circular.

18. Additional Provision for NPAs

During the year, the Bank has voluntarily made an additional provision of Rs. 1,350 crores against certain non performing domestic advances to provide for the estimated loss in collectible amount against such advances.

19. Previous period figures have been regrouped/reclassified, wherever necessary, to conform to current period 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.

Financial Statements

of

STATE BANK OF INDIA

For the Year Ended 31st March 2011

REPORT OF THE AUDITORS

To
The President of India,

1. We, the undersigned Auditors of State Bank of India, appointed under Section 41 (1) of the State Bank of India Act, 1955, do hereby report to the Central Government upon the Balance Sheet, Profit and Loss Account and the Cash Flow Statement of the Bank.

2. We have audited the attached Balance Sheet of State Bank of India as at 31st March 2011, the Profit & Loss Account and the Cash Flow Statement of the Bank for the year ended on that date annexed thereto. Incorporated in the said financial statements are the accounts of:
   i) The Central Office, fourteen Local Head Offices, Corporate Accounts Group (Central), Mid-Corporate Group (Central), Stressed Assets Management Group (Central) and forty two branches audited by us;
   ii) 11374 Indian Branches audited by other auditors;
   iii) 47 Foreign Branches audited by the local auditors; and
   iv) 2817 other Indian Branches and other accounting units, the unaudited returns of which are certified by the Branch Managers. These unaudited branches account for 0.67% of advances, 2.60% of deposits, 0.86% of interest income and 4.16% of interest expenses.

3. The management is responsible for the preparation of these financial statements 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 recognized accounting policies and practices, including the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

4. 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.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depends on the auditor's judgement, including the assessment of the risk 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. 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.

6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

7. Without qualifying our opinion we draw your attention to Note 18.8 of schedule 18 Notes to Accounts to the financial statements regarding

a) deferment of gratuity liability of the bank to the extent of Rs. 400 crores in accordance with RBI circular no. DBOD.BP.BC.80 /21.04.018/2010-11 dated February 9, 2011 and the exemption granted by the Reserve Bank of India to the Bank from applicability of provisions of Accounting Standard (AS) 15, Employee Benefits, and

b) charge of Rs. 7,927.41 crores to Reserves on account of the additional pension cost in respect of earlier years due to wage revision in accordance with the dispensation granted by Reserve Bank of India to the Bank vide their letter number DBOD/BP/ No./16165/21.04.018/2010-11 dated April 18, 2011 and the exemption granted by the Reserve Bank of India to the Bank from applicability of provisions of Accounting Standard (AS) 15, Employee Benefits.

8. 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:
   a) the Balance Sheet, read with the significant accounting policies and 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 2011 in conformity with accounting principles generally accepted in India;

   b) 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

   c) the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

9. 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, 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.

10. Subject to limitations of the audit indicated in paragraph 2 to 5 above and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, and subject also to the limitations of disclosure required therein, 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.

11. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with applicable accounting standards.

STATUTORY CENTRAL AUDITORS

For Kalyaniwalla & Mistry
Chartered Accountants

Viraf Mehta
Partner : M.No. 32083
Firm Regn. No. 104607 W

For B. M. Chatrath & Co.
Chartered Accountants

A. Chatrath
Partner : M.No. 052975
Firm Regn. No. 301011 E

For K.K. Soni & Co.
Chartered Accountants

K. K. Soni
Partner : M.No. 7737
Firm Regn. No. 000947 N

For Essveeyar,
Chartered Accountants

R. Vijayaraghavan
Partner : M.No. 022442
Firm Regn. No.000808 S

For Venugopal & Chenoy
Chartered Accountants

D. V. Jankinath
Partner : M.No. 029505
Firm Regn. No. 004671 S

For K. G. Somani & Co.
Chartered Accountants

Vinod Somani
Partner : M.No. 085277
Firm Regn. No. 006591 N

For K. C. Mehta & Co.
Chartered Accountants

Milin Mehta
Partner : M.No. 038665
Firm Regn. No. 106237 W

For Dagliya & Co.
Chartered Accountants

P. Manohara Gupta
Partner : M.No. 016444
Firm Regn. No. 000671 S

For M. Verma & Associates
Chartered Accountants

Mohender Gandhi
Partner : M.No. 088396
Firm Regn. No. 501433 C

For Todi Tulsyan & Co.
Chartered Accountants

Sushil Kumar Tulsyan
Partner : M.No. 075899
Firm Regn. No. 002180 C

For R. K. J. K. Khanna & Co.
Chartered Accountants

Vipin Bali
Partner : M.No. 083436
Firm Regn. No. 000033 N

For Raj Bordia & Co.
Chartered Accountants

R. S. Bordia
Partner : M.No. 081200
Firm Regn. No. 003293 C

For SBA & Company
Chartered Accountants

B. D. Bhatter
Partner : M.No. 071499
Firm Regn. No. 004651 C

For Krishnamoorthy & Krishnamoorthy
Chartered Accountants

R. Venugopal
Partner : M.No. 202632
Firm Regn. No. 001488 S

Place: Kolkata
Date: 17th May, 2011

BALANCE SHEET OF STATE BANK OF INDIA AS ON 31ST MARCH, 2011 (000s omitted)

CAPITAL AND LIABILITIES		Schedule No.	As on 31.3.2011 (Current year)	As on 31.3.2010 (Previous year)
			Rs.	Rs.
Capital	... ...	1	634,99,90	634,88,26
Reserves & Surplus	... ...	2	64351,04,42	65314,31,60
Deposits	... ...	3	933932,81,30	804116,22,68
Borrowings	... ...	4	119568,95,50	103011,60,11
Other Liabilities & Provisions	... ...	5	105248,38,93	80336,70,40
		TOTAL	1223736,20,05	1053413,73,05

ASSETS		Schedule No.	As on 31.3.2011 (Current year)	As on 31.3.2010 (Previous year)
			Rs.	Rs.
Cash and Balances with Reserve Bank of India	... ...	6	94395,50,20	61290,86,52
Balances with Banks and money at call and short notice		7	28478,64,57	24897,84,83
Investments	... ...	8	295600,56,90	295785,19,87
Advances	... ...	9	756719,44,80	631914,15,20
Fixed Assets	... ...	10	4764,18,93	4412,90,67
Other Assets	... ...	11	43777,84,65	35112,75,96
		TOTAL	1223736,20,05	1053413,73,05
Contingent Liabilities	... ...	12	Rs. 730484,60,45	Rs. 548446,88,53
Bills for collection	... ...	—	Rs. 59904,98,25	Rs. 47922,32,81
Significant Accounting Policies	... ...	17		
Notes to Accounts	... ...	18		

PROFIT AND LOSS ACCOUNT OF STATE BANK OF INDIA FOR THE YEAR ENDED 31ST MARCH, 2011

(000s omitted)

			Schedule No.	Year ended 31.3.2011 (Current year)	Year ended 31.3.2010 (Previous year)
				Rs.	Rs.
I.	**INCOME**				
	Interest earned	... ...	13	81394,36,38	70993,91,75
	Other Income	... ...	14	15824,59,42	14968,15,27
			TOTAL	97218,95,80	85962,07,02
II.	**EXPENDITURE**				
	Interest expended	... ...	15	48867,95,61	47322,47,80
	Operating expenses	... ...	16	23015,43,26	20318,68,00
	Provisions and contingencies	... ...		17071,05,03	9154,85,92
			TOTAL	88954,43,90	76796,01,72
III.	**PROFIT**				
	Net Profit for the year	... ...		8264,51,90	9166,05,30
	Profit brought forward	... ...		33,93	33,93
			TOTAL	8264,85,83	9166,39,23
	APPROPRIATIONS				
	Transfer to Statutory Reserves	... ...		2479,35,57	6381,08,85
	Transfer to Capital Reserves	... ...		9,60,89	114,05,47
	Transfer to Revenue and other Reserves (including transfer to Investment Reserve Account for 2009-10 Rs. 4,05,56 thousand)	... ...		2729,86,59	529,50,65
	Dividend				
	(i) Interim Dividend	... ...		—	634,88,02
	(ii) Final Dividend Proposed	... ...		1904,99,70	1269,76,77
	Tax on dividend	... ...		246,52,02	236,75,54
	Loss on Amalgamation of State Bank of Indore			894,17,13	—
	Balance carried over to Balance Sheet	... ...		33,93	33,93
			TOTAL	8264,85,83	9166,39,23
	Basic Earnings per Share			Rs. 130.16	Rs. 144.37
	Diluted Earnings per Share			Rs. 130.16	Rs. 144.37
	Significant Accounting Policies		17		
	Notes to Accounts	... ...	18		

CASH FLOW STATEMENT OF STATE BANK OF INDIA FOR THE YEAR ENDED 31ST MARCH 2011

(Rs. in thousand)

		Year ended 31.3.2011 Rs.	Year ended 31.3.2010 Rs.
I.	CASH FLOW FROM OPERATING ACTIVITIES	34282,52,20	(11800,11,71)
II.	CASH FLOW FROM INVESTING ACTIVITIES	(1245,53,05)	(1761,52,26)
III.	CASH FLOW FROM FINANCING ACTIVITIES	2057,10,67	(3359,67,05)
IV.	NET CHANGE IN CASH AND CASH EQUIVALENTS	35094,09,82	(16921,31,02)
IV.	CASH AND CASH EQUIVALENTS - OPENING	86188,71,35	104403,79,86
V.	CASH RECEIVED FROM ACQUISITION OF e-SBIN	1646,09,70	_
VI.	EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(54,76,10)	1293,77,49
VII.	CASH AND CASH EQUIVALENTS - CLOSING	122874,14,77	86188,71,35
I.	CASH FLOW FROM OPERATING ACTIVITIES		
	Net Profit before taxes	14954,23,12	13926,09,61
	ADJUSTMENT FOR:		
	Depreciation charge	990,49,52	932,66,37
	(Profit)/Loss on sale of fixed assets (Net)	18,51,07	10,45,62
	(Profit)/Loss on sale of investments (Net)	(925,69,54)	(2116,79,23)
	(Profit)/Loss on revaluation of investments	4,67,20	__
	Provision for NPAs	8792,09,28	5147,85,28
	Provision for Standard Assets	976,59,50	80,05,74
	Depreciation on Investments in India	646,75,05	(968,59,59)
	Provision on other assets	(60,07,27)	86,55,72
	Other Provisions	25,97,26	48,94,44
	Dividend/Earnings from Subsidiaries (Investing activity)	(827,73,02)	(573,48,34)
	Interest paid on Bonds (Financing Activity)	3019,94,33	2538,67,22
		27615,76,50	19112,42,84
	Taxes Paid	(6519,37,25)	(6914,86,75)
	SUB TOTAL	21096,39,25	12197,56,09
	Adjustment for:		
	Increase/(Decrease) in Deposits	102711,42,11	62043,09,88
	Increase/(Decrease) in Borrowings	7867,95,93	17317,56,04
	(Increase)/Decrease in Investments	9327,47,96	(15929,02,70)
	(Increase)/Decrease in Advances	(112416,78,73)	(94558,80,06)
	Increase/(Decrease) in Other Liabilities & Provisions	13528,05,74	2440,12,18
	(Increase)/Decrease in Other Assets	(7832,00,06)	4689,36,86
	NET CASH FROM / (USED IN) OPERATING ACTIVITIES	**34282,52,20**	**(11800,11,71)**
II.	Cash flow from Investing activities		
	(Increase)/Decrease in Investments in Subsidiaries	(827,49,18)	(816,82,66)
	Income earned on such Investments	827,73,02	573,48,34
	Cash paid ot shareholders of eSBIN Bank towards fractional entitlement consiquent to amalgamation	(27,85)	
	(Increase)/Decrease in Fixed Assets	(1245,49,04)	(1518,17,94)
	NET CASH USED IN INVESTING ACTIVITIES	**(1245,53,05)**	**(1761,52,26)**

III.	Cash flow from financing activities		
	Proceeds from issue of Capital	27,68	38,50
	Issue of Subordinated Debts	6496,99,60	2000,00,00
	Interest Paid on Bonds	(3019,94,33)	(2538,67,22)
	Dividends Paid including tax thereon	(1420,22,28)	(2821,38,33)
	NET CASH FROM / (USED IN) FINANCING ACTIVITIES	**2057,10,67**	**(3359,67,05)**
IV.	CASH AND CASH EQUIVALENTS - OPENING		
	Cash in hand (including FC notes & gold)	6841,01,27	4295,51,58
	Balances with Reserve Bank of India	54449,85,25	51250,65,69
	Balances with Banks & Money at Call & Short Notice	24897,84,83	48857,62,59
	TOTAL	**86188,71,35**	**104403,79,86**
V.	CASH AND CASH EQUIVALENTS RECEIVED ON ACCOUNT OF ACQUISITON OF STATE BANK OF INDORE		
	Cash in hand (including FC notes & gold)	189,68,67	__
	Balances with Reserve Bank of India	1424,34,08	__
	Balances with Banks & Money at Call & Short Notice	32,06,95	__
		1646,09,70	**__**
VI.	EXCHANGE FLUCTUATION CASH FLOWS		
	Revaluation of suboridinated bonds	(18,53,66)	(363,88,83)
	Foreign currency translation reserve	(36,22,44)	(929,88,66)
		(54,76,10)	**(1293,77,49)**
VII.	CASH AND CASH EQUIVALENTS - CLOSING		
	Cash in hand (including FC notes & gold)	7476,55,39	6841,01,27
	Balances with Reserve Bank of India	86918,94,81	54449,85,25
	Balances with Banks & Money at Call & Short Notice	28478,64,57	24897,84,83
	TOTAL	**122874,14,77**	**86188,71,35**

SCHEDULE 1 — CAPITAL (000s omitted)

	As on 31.3.2011 (Current year)	As on 31.3.2010 (Previous year)
	Rs.	Rs.
Authorised Capital - 500,00,00,000 (Previous Year 100,00,00,000) shares of Rs. 10/- each	5000,00,00	1000,00,00
Issued Capital		
63,50,83,106 (Previous Year 63,49,68,500) Equity Shares of Rs. 10/- each	635,08,31	634,96,85
Subscribed and Paid-up Capital		
63,49,98,991 (Previous year 63,48,82,644) Equity Shares of Rs. 10/- each [includes 1,81,05,360 (Previous Year 2,24,86,090) Equity Shares represented by 90,52,680 (Previous Year 1,12,43,045) Global Depository Receipts]	634,99,90	634,88,26
Perpetual Non-Cumulative Preference Share (PNCPS)	—	—
TOTAL	634,99,90	634,88,26

SCHEDULE 2 — RESERVES & SURPLUS (000s omitted)

			As on 31.3.2011 (Current year)		As on 31.3.2010 (Previous year)	
			Rs.	Rs.	Rs.	Rs.
I.	**Statutory Reserves**					
	Opening Balance	... ...	37107,77,71		30726,68,86	
	Additions during the year	... ...	3331,85,57		6381,08,85	
	Deductions during the year	... ...	7927,41,00		—	
				32512,22,28		37107,77,71
II.	**Capital Reserves**					
	Opening Balance	... ...	1381,36,16		1267,30,69	
	Additions during the year	... ...	112,34,94		114,05,47	
	Deductions during the year	... ...	—		—	
				1493,71,10		1381,36,16
III.	**Share Premium**					
	Opening Balance	... ...	20658,30,78		20657,92,52	
	Additions during the year	... ...	27,51		38,26	
	Deductions during the year	... ...	—		—	
				20658,58,29		20658,30,78
IV.	**Foreign Currency Translation Reserve**					
	Opening Balance	... ...	644,95,63		1574,84,29	
	Additions during the year	... ...	—		—	
	Deductions during the year	... ...	36,22,44		929,88,66	
				608,73,19		644,95,63
V.	Revenue and Other Reserves*					
	Opening Balance	... ...	5521,57,39		3085,71,33	
	Additions during the year	... ...	3555,88,24		2435,86,06	
	Deductions during the year	... ...	—		—	
				9077,45,63		5521,57,39
VI.	**Balance of Profit and Loss Account**	... ...		33,93		33,93
	* Includes: Rs. 5,00,00 thousand (Previous Year Rs. 5,00,00 thousand) of Integration and Development Fund (maintained under Section 36 of the State Bank of India Act, 1955) and Rs. 467,73,54 thousand (Previous year Rs. 62,17,87 thousand) of Investment Reserve Account					
		TOTAL		64351,04,42		65314,31,60

SCHEDULE 3 — DEPOSITS (000s omitted)

					As on 31.3.2011 (Current year)	As on 31.3.2010 (Previous year)
					Rs.	Rs.
A.	**I.**	**Demand Deposits**				
		(i)	From Banks	... ...	8700,33,65	8904,46,95
		(ii)	From Others	... ...	122494,98,27	113674,96,27
	II.	Savings Bank Deposits		... ...	330326,06,46	257460,29,77
	III.	Term Deposits				
		(i)	**From Banks**	... ...	13539,66,97	14337,83,10
		(ii)	From Others	... ...	458871,75,95	409738,66,59
				TOTAL	933932,81,30	804116,22,68
B.	I.	Deposits of Branches in India		... ...	887151,77,32	764717,48,45
	II.	**Deposits of Branches outside India**		... ...	46781,03,98	39398,74,23
				TOTAL	933932,81,30	804116,22,68

SCHEDULE 4 — BORROWINGS (000s omitted)

				As on 31.3.2011 (Current year)		As on 31.3.2010 (Previous year)	
				Rs.	Rs.	Rs.	Rs.
I.	**Borrowings in India**						
	(i)	Reserve Bank of India	... ...		1100,00,00		—
	(ii)	Other Banks	... ...		9032,64,26		8178,33,58
	(iii)	Other Institutions and Agencies	... ...		2368,29,33		1292,29,56
	(iv)	Capital Instruments					
		(a) Innovative Perpetual Debt Instruments (IPDI)		2165,00,00		2000,00,00	
		(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	... ...	34671,39,60		27174,40,00	
					36836,39,60		29174,40,00
			TOTAL		49337,33,19		38645,03,14

II.	Borrowings outside India				
(i)	Borrowings and Refinance outside India		67444,20,11		61560,61,11
(ii)	Capital Instruments				
(a)	Innovative Perpetual Debt Instruments (IPDI)	2787,42,20		2805,95,86	
(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	—		—	
			2787,42,20		2805,95,86
	TOTAL		70231,62,31		64366,56,97
	GRAND TOTAL		119568,95,50		103011,60,11
	Secured Borrowings included in I & II above		5294,47,86		8333,66,30

SCHEDULE 5 — OTHER LIABILITIES AND PROVISIONS (000s omitted)

		As on 31.3.2011 (Current year) Rs.	As on 31.3.2010 (Previous year) Rs.
I.	**Bills payable**	**21703,49,78**	21098,25,83
II.	Inter-office adjustments (Net)	20455,68,73	11474,83,02
III.	Interest accrued	8236,49,71	6605,19,35
IV.	Deferred Tax Liabilities (Net)	—	—
V.	Others (including provisions)	54852,70,71	41158,42,20
	TOTAL	105248,38,93	80336,70,40

SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA (000s omitted)

			As on 31.3.2011 (Current year)	As on 31.3.2010 (Previous year)
			Rs.	Rs.
I.	Cash in hand (including foreign currency notes and gold)		7476,55,39	6841,01,27
II.	Balance with Reserve Bank of India			
	(i) In Current Account	... ...	86916,41,66	54447,33,22
	(ii) In Other Accounts	... ...	2,53,15	2,52,03
		TOTAL	94395,50,20	61290,86,52

SCHEDULE 7 — BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE (000s omitted)

			As on 31.3.2011 (Current year)	As on 31.3.2010 (Previous year)
			Rs.	Rs.
I.	In India			
	(i) Balances with banks			
	(a) In Current Accounts	... ...	1205,18,63	975,94,08
	(b) In Other Deposit Accounts	... ...	64,100	—
	(ii) Money at call and short notice			
	(a) With banks	... ...	2769,00,00	1180,00,00
	(b) With other institutions	... ...	—	—
		TOTAL	3980,59,63	2155,94,08
II.	Outside India			
	(i) In Current Accounts	... ...	11669,09,70	16209,21,17
	(ii) In Other Deposit Accounts	... ...	1123,88,29	653,10,51
	(iii) Money at call and short notice	... ...	11705,06,95	5879,59,07
		TOTAL	24498,04,94	22741,90,75
		GRAND TOTAL	28478,64,57	24897,84,83

SCHEDULE 8 — INVESTMENTS (000s omitted)

				As on 31.3.2011 (Current year)	As on 31.3.2010 (Previous year)
				Rs.	Rs.
I.	Investments in India in :				
	(i)	Government Securities	... ...	230741,44,69	226706,01,63
	(ii)	Other approved securities	... ...	423,71,13	1035,12,55
	(iii)	Shares	... ...	8864,64,59	7199,37,26
	(iv)	Debentures and Bonds	... ...	15134,10,52	16127,43,16
	(v)	Subsidiaries and / or Joint Ventures (including Associates)	... ...	4855,42,87	4285,60,64
	(vi)	Others (Units of mutual funds, Commercial Papers, priority sector deposits etc.)	... ...	25567,65,78	32210,03,68
			TOTAL	285586,99,58	287563,58,92
II.	Investments outside India in :				
	(i)	Government Securities (including local authorities)	... ...	2239,07,88	2009,51,52
	(ii)	Subsidiaries and / or Joint Ventures abroad	... ...	1603,03,15	1403,69,14
	(iii)	Other Investments (Shares, Debentures etc.)	... ...	6171,46,29	4808,40,29
			TOTAL	10013,57,32	8221,60,95
			GRAND TOTAL (I & II)	295600,56,90	295785,19,87
III.	Investments in India :				
	(i)	Gross Value of Investments	... ...	286732,71,79	288076,72,80
	(ii)	Less: Aggregate of Provisions / Depreciation	... ...	1145,72,21	513,13,88
	(iii)	Net Investments (vide I above)	TOTAL	285586,99,58	287563,58,92
IV.	Investments outside India :				
	(i)	Gross Value of Investments	... ...	10221,32,43	8409,18,88
	(ii)	Less: Aggregate of Provisions / Depreciation	... ...	207,75,11	187,57,93
	(iii)	Net Investments (vide II above)	TOTAL	10013,57,32	8221,60,95
			GRAND TOTAL	295600,56,90	295785,19,87

SCHEDULE 9 — ADVANCES (000s omitted)

				As on 31.3.2011 (Current year)	As on 31.3.2010 (Previous year)
				Rs.	Rs.
A.	(i)	Bills purchased and discounted	... ...	51715,78,19	42774,73,18
	(ii)	Cash credits, overdrafts and loans repayable on demand	... ...	339825,33,41	275150,49,64
	(iii)	Term loans	... ...	365178,33,20	313988,92,38
			TOTAL	756719,44,80	631914,15,20
B.	(i)	Secured by tangible assets (includes advances against Book Debts)	... ...	494604,06,61	410659,89,28
	(ii)	Covered by Bank/Government Guarantees	... ...	109096,80,03	85368,66,82
	(iii)	Unsecured	... ...	153018,58,16	135885,59,10
			TOTAL	756719,44,80	631914,15,20
C.	(I)	Advances in India			
		(i) Priority Sector	... ...	231597,86,67	170568,20,80
		(ii) Public Sector	... ...	48924,41,93	48955,92,33
		(iii) Banks	... ...	454,92,47	265,69,38
		(iv) Others	... ...	367698,25,17	315964,13,69
			TOTAL	648675,46,24	535753,96,20
	(II)	Advances outside India			
		(i) Due from banks	... ...	22423,64,94	15657,17,29
		(ii) Due from others			
		(a) Bills purchased and discounted	... ...	14796,19,10	25294,02,88
		(b) Syndicated loans	... ...	36737,68,12	26475,21,13
		(c) Others	... ...	34086,46,40	28733,77,70
			TOTAL	108043,98,56	96160,19,00
			GRAND TOTAL (C-I & C-II)	756719,44,80	631914,15,20

SCHEDULE 10 — FIXED ASSETS

(000s omitted)

			As on 31.3.2011 (Current year)		As on 31.3.2010 (Previous year)	
			Rs.	Rs.	Rs.	Rs.
A.	**I.**	Premises				
		At cost as on 31st March of the preceding year	1687,67,20		1591,04,02	
		Additions during the year	149,42,02		107,49,29	
		Deductions during the year	45,48,59		10,86,11	
		Depreciation to date	781,96,86		698,36,04	
				1009,63,77		989,31,16
	II.	Other Fixed Assets (including furniture and fixtures)				
		At cost as on 31st March of the preceding year	9233,45,58		7886,53,52	
		Additions during the year	2044,11,71		1430,31,51	
		Deductions during the year	682,02,79		83,39,45	
		Depreciation to date	7173,42,66		6105,24,74	
				3422,11,84		3128,20,84
	III.	Leased Assets				
		At cost as on 31st March of the preceding year	852,85,15		925,48,26	
		Additions during the year	—		—	
		Deductions during the year	50,71,81		72,63,11	
		Depreciation to date including provision	802,13,34		852,85,15	
				—		—
		Less : Lease Adjustment and Provisions	(20,27)		(20,27)	
				20,27		20,27
	IV.	Assets under Construction (Including Premises)		332,23,05		295,18,40
		TOTAL (I, II, III & IV)		4764,18,93		4412,90,67

SCHEDULE 11 — OTHER ASSETS (000s omitted)

			As on 31.3.2011 (Current year)	As on 31.3.2010 (Previous year)
			Rs.	Rs.
I.	Inter-office adjustments (net)	... ...	—	—
II.	Interest accrued	... ...	9132,02,77	7685,00,86
III.	Tax paid in advance/tax deducted at source	... ...	5848,00,60	4391,07,67
IV.	Deferred Tax Assets (Net)	... ...	1167,28,24	2512,08,92
V.	Stationery and stamps	... ...	98,83,00	102,45,17
VI.	Non-banking assets acquired in satisfaction of claims	... ...	34,91	34,91
VII.	Others	... ...	27531,35,13	20421,78,43
		TOTAL	43777,84,65	35112,75,96

SCHEDULE 12 — CONTINGENT LIABILITIES (000s omitted)

			As on 31.3.2011 (Current year)	As on 31.3.2010 (Previous year)
			Rs.	Rs.
I.	Claims against the bank not acknowledged as debts	... ...	773,89,36	655,45,08
II.	Liability for partly paid investments	... ...	2,80,00	2,80,00
III.	Liability on account of outstanding forward exchange contracts		339683,99,79	245031,45,01
IV.	Guarantees given on behalf of constituents			
	(a) In India	... ...	82657,98,54	64479,72,56
	(b) Outside India	... ...	60827,95,78	36521,88,50
V.	Acceptances, endorsements and other obligations	... ...	145187,30,78	118526,71,14
VI.	Other items for which the bank is contingently liable	... ...	101350,66,20	83228,86,24
		TOTAL	730484,60,45	548446,88,53

SCHEDULE 13 — INTEREST ERNED (000s omitted)

			Year ended 31.3.2011 (Current year)	Year ended 31.3.2010 (Previous year)
			Rs.	Rs.
I.	Interest/discount on advances/bills	... ...	59976,00,50	50632,63,88
II.	Income on investments	... ...	19651,37,50	17736,29,62
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	... ...	410,65,75	1511,92,18
IV.	Others	... ...	1356,32,63	1113,06,07
		TOTAL	81394,36,38	70993,91,75

SCHEDULE 14 — OTHER INCOME (000s omitted)

			Year ended 31.3.2011 (Current year)	Year ended 31.3.2010 (Previous year)
			Rs.	Rs.
I.	Commission, exchange and brokerage	... ...	11563,27,50	9640,85,95
II.	Profit / (Loss) on sale of investments (Net)	... ...	925,69,54	2116,79,23
III.	Profit / (Loss) on revaluation of investments (Net)	... ...	(4,67,20)	—
IV.	Profit / (Loss) on sale of land, buildings and other assets (Net)	... ...	(18,51,07)	(10,45,62)
V.	Profit / (Loss) on exchange transactions	... ...	1464,04,87	1587,13,55
VI.	Income earned by way of dividends, etc., from subsidiaries/ companies and/or joint ventures abroad/in India	... ...	827,73,02	573,48,34
VII.	Income from financial lease	... ...	1,88,65	9,18,55
VIII.	Miscellaneous income	... ...	1065,14,11	1051,15,27
		TOTAL	15824,59,42	14968,15,27

SCHEDULE 15 — INTEREST EXPENDED (000s omitted)

			Year ended 31.3.2011 (Current year)	Year ended 31.3.2010 (Previous year)
			Rs.	Rs.
I.	Interest on deposits	... ...	43234,75,48	43334,28,52
II.	Interest on Reserve Bank of India/Inter-bank borrowings	... ...	2561,73,80	1228,04,84
III.	Others	... ...	3071,46,33	2760,14,44
		TOTAL	48867,95,61	47322,47,80

SCHEDULE 16 — OPERATING EXPENSES (000s omitted)

			Year ended 31.3.2011 (Current year)	Year ended 31.3.2010 (Previous year)
			Rs.	Rs.
I.	Payments to and provisions for employees	... ...	14480,16,78	12754,64,57
II.	Rent, taxes and lighting	... ...	1794,48,79	1589,57,49
III.	Printing and stationery	... ...	255,40,03	242,32,41
IV.	Advertisement and publicity	... ...	257,87,61	224,04,52
V.	(a) Depreciation on Bank's Property (Other than Leased Assets)		990,49,52	929,15,51
	(b) Depreciation on Leased Assets	... ...	—	3,50,86
VI.	Directors' fees, allowances and expenses	... ...	74,28	61,13
VII.	Auditors' fees and expenses (including branch auditors' fees and expenses)		124,28,30	111,59,77
VIII.	Law charges	... ...	118,54,59	96,61,93
IX.	Postages, Telegrams, Telephones etc.	... ...	363,36,05	321,58,10
X.	Repairs and maintenance	... ...	374,24,72	327,90,67
XI.	Insurance	... ...	800,91,24	683,83,37
XII.	Other expenditure	... ...	3454,91,35	3033,27,67
		TOTAL	23015,43,26	20318,68,00

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, 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 Reserve Bank of India (RBI), 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 of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the 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. In respect of Bank's foreign offices, income is 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 case of foreign offices (hereafter collectively referred to as Regulatory Authorities), (ii) interest on application money on investments (iii) overdue interest on investments and bills discounted, (iv) Income on Rupee Derivatives designated as "Trading".

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. 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 and (ii) Commission on Government Business, which is recognised as it accrues.

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.

2. **Investments**

The transactions in Government Securities are recorded on “Trade Date” up to 31.12.2010 and on “Settlement Date” with effect from 01.01.2011. 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).

2.2 **Basis of classification:**

i. Investments that the Bank intends to hold till maturity are classified as Held to Maturity.
ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as Held for Trading.
iii. Investments, which are not classified in the above two categories, are classified as Available for Sale.
iv. An investment is classified as Held to Maturity, Available for Sale or Held for Trading 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 Held to Maturity.

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 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. The transfer of a security amongst the above three categories is accounted for at the least of acquisition cost/book value/market value on the date of transfer, and the depreciation, if any, on such transfer is fully provided for.
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 remaining maturity on constant yield basis. Such amortisation of premium is adjusted against income under the head “interest on investments”. Investments in subsidiaries, joint ventures and associates (both in India and abroad) are valued at historical cost except for investments in Regional Rural Banks, which are valued at carrying cost (i.e book value). A provision is made for diminution*,* other than temporary, for each investment individually.
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 is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual securities remains unchanged after marking to market.
vi. Security receipts issued by an asset reconstruction company (ARC) are valued in accordance with the guidelines applicable to non-SLR instruments. Accordingly, in cases where the security receipts issued by the 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 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 case of domestic offices and respective regulators in 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 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 the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer 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 non performing investments are made as per the local regulations or as per the norms of RBI, whichever is higher.

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 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.

3. Loans /Advances and Provisions thereon

3.1 Loans and Advances are classified as performing and non-performing, based on the guidelines issued by 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 for short duration crops, where the instalment of principal or interest remains overdue for two crop seasons;
v. In respect of agricultural advances 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 10%	
	ii. Additional provision of 10% for exposures which are unsecured ab-initio (where realisable value of security is not more than 10 percent ab-initio)	
Doubtful Assets:		
- Secured portion:	i.	Upto one year – 20%
	ii.	One to three years – 30%
	iii.	More than three years – 100%
- Unsecured portion		100%
Loss Assets:		100%

3.4 In respect of foreign offices, provisions for non performing advances are made as per the local regulations or as per the norms of RBI, whichever is higher.

3.5 The sale of NPAs is accounted as per guidelines prescribed by RBI. If the sale is at a price below net book value, the shortfall is debited to the profit and loss account, and in case of sale for a value higher than net book value, the excess provision is retained and utilised to meet the shortfall / loss on sale of other financial assets. Net book value is outstandings as reduced by specific provisions held and ECGC claims received.

3.6 Advances are net of specific loan loss provisions, unrealised interest, ECGC claims received and bills rediscounted.

3.7 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by RBI, which require that the difference between the fair value of the loan before and after restructuring is provided for, in addition to provision for NPAs. The provision for diminution in fair value and interest sacrifice, arising out of the above, is reduced from advances.

3.8 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.

3.9 Amounts recovered against debts written off in earlier years are recognised as revenue.

3.10 In addition to the specific provision on NPAs, general provisions are also made for standard assets. 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 Net NPAs.

4. Floating Provisions

The bank has a policy for creation and utilisation of floating provisions separately for advances, investments and general purpose. The quantum of floating provisions to be created is assessed at the end of each 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

In addition to the specific provisions held according to the asset classification status, provisions are held 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 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.

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 have been considered to arrive at Mark to Market value for forex Over the Counter 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 and Depreciation

7.1 Fixed assets are carried at cost less accumulated depreciation.

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 incurred on assets put to use is 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/ amortization rate
1	Computers & ATM	Straight Line Method	33.33% every year
2	Computer software forming an integral part of hardware	Written Down Value Method	60%
3	Computer software which does not form an integral part of hardware	--	100% depreciated in the year of acquisition
4	Assets given on financial lease upto 31st March 2001	Straight Line Method	At the rate prescribed under the Companies Act, 1956
5	Other fixed assets	Written Down Value Method	At the rate prescribed under the Income Tax Act, 1961

7.4 In respect of assets acquired during the year for domestic operations, depreciation is charged for half a year in respect of assets used for upto 180 days and for the full year in respect of assets used for more than 180 days, except depreciation on computers and software, which is charged for the full year irrespective of the period for which the asset was put to use.

7.5 Items costing less than Rs. 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.

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 in terms at historical cost, are reported using the exchange rate at 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 at the balance sheet date, are 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 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.

iii. Exchange differences arising on net investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the net 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.

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 exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss is included in the profit and loss account.

iii. Foreign currency non-monetary items which are carried in terms of historical cost are reported using the exchange rate at the date of the transaction.

11. Employee Benefits

11.1Short Term Employee Benefits:

The undiscounted amount of short-term employee benefits, such as medical benefits, casual leave etc. 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.

11.2Post Employment 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 trust funds are retained as deposits in the bank. The bank is liable for annual contributions and interest on deposits held by the bank, which is payable at Government specified minimum rate of interest on provident fund balances. The bank recognises such annual contributions and interest as an expense in the year to which they relate.

b. The bank operates gratuity and pension schemes which are defined benefit plans.

c. The Bank provides for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement, 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 lac. Vesting occurs upon completion of five years of service. The Bank makes annual contributions to a fund administered by trustees based on an independent external actuarial valuation carried out annually.

d. The Bank provides for pension to all eligible employees. The benefit is in the form of monthly payments as per rules and regular payments to vested employees on retirement, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The pension liability is reckoned based on an independent actuarial valuation carried out annually. The Bank makes annual contribution to the pension fund at 10% of salary in terms of SBI Pension Fund Rules. The balance is retained in the special provision account to be utilised at the time of settlement.

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 statement of 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. Pending finalisation of the detailed scheme, the employees covered under the scheme contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the Bank. 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 recognises such annual contributions and interest as an expense in the year to which they relate.

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 statement of profit and loss 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

12.1 Income tax expense is the aggregate amount of current tax and deferred tax. Current taxes are determined in accordance with the provisions of Accounting Standard 22 and tax laws prevailing in India after taking into account taxes of foreign offices, which are based on the tax laws of respective jurisdiction. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

12.2 Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax bases, and carry forward losses. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

12.3 Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future profits.

13. Earning*s* 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 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, it is probable that an 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 Contingent Assets are not recognised in the financial statements.

15. Share Issue Expenses

Share issue expenses are charged to the Share Premium Account.

Schedule - 18
NOTES TO ACCOUNTS

(Amount in Rupees in crores)

18.1 **Capital:**

1. Capital Adequacy Ratio:

	Items	**As at 31 Mar 2011**	**As at 31 Mar 2010**
(i)	Capital to Risk-weighted Assets Ratio (%) (Basel-I)	10.69	12.00
(ii)	Capital to Risk-weighted Assets Ratio - Tier I capital (%) (Basel-I)	6.93	8.46
(iii)	Capital to Risk-weighted Assets Ratio - Tier II capital (%)(Basel-I)	3.76	3.54
(iv)	Capital to Risk-weighted Assets Ratio (%) (Basel-II)	11.98	13.39
(v)	Capital to Risk-weighted Assets Ratio - Tier I capital (%) (Basel-II)	7.77	9.45
(vi)	Capital to Risk-weighted Assets Ratio - Tier II capital (%)(Basel-II)	4.21	3.94
(vii)	Percentage of the Shareholding of Government of India	59.40	59.41
(viii)	Number of Shares held by Government of India	37,72,07,200	37,72,07,200
(ix)	Amount of Subordinated Debt Tier-II capital	Rs. 34,671.40	Rs. 27,174.40
(x)	Amount raised by issue of Subordinated Debt Tier-II capital during the year	Rs. 7,497.00*	Nil
(xi)	Out of which ((ix), above) amount eligible for Upper Tier –II capital	Rs. 20,016.40	Rs. 19,466.40
(xii)	Amount raised by issue of IPDI (inclusive of Hybrid Bonds as detailed below)#	Rs. 4952.42**	Rs. 4,805.96

* a. Includes Rs. 1,000 crores of bonds raised by erstwhile State Bank of Indore (SBIN) merged with SBI on 26th August 2010.

b. Incudes Rs. 6,497 crores raised vide Public Issue of Bonds in October 2010 and February 2011.

** Includes Rs. 165 crores of Bonds raised by erstwhile State Bank of Indore (e SBIN) merged with SBI on 26th August 2010.

Includes Rs. 2,000 crores raised during the year 2009-10, of which Rs. 550 crores invested by SBI employee Pension Fund, not reckoned for the purpose of Tier I Capital as per RBI instructions.

2. **Share capital:**

a) During the year, the authorised share capital of the Bank is increased from Rs. 1,000 crores to Rs. 5,000 crores divided into five hundred crores shares of Rs. 10/- each.

b) During the year, the Bank has allotted 1,741 equity shares of Rs. 10/- each for cash at a premium of Rs. 1,580 per equity share aggregating to Rs. 27,68,190 out of 85,856 shares kept in abeyance under Right Issue - 2008. Out of the total subscription of Rs. 27,68,190 received, Rs. 17,410 was transferred to Share Capital Account and Rs. 27,50,780/- to Share Premium Account. Further, 1,14,606 shares of Rs. 10 each were allotted to the share holders of erstwhile State Bank of Indore upon its merger with State Bank of India and Rs. 11,46,060 was transferred to Share Capital Account.

c) The Bank has kept in abeyance the allotment of 84,115 (Previous Year 85,856) Equity Shares of Rs. 10 each issued as a part of Rights issue, since they are subject to title disputes or are subjudice.

3. **Hybrid Bonds:**

The details of bonds issued in foreign currency, which qualify for Hybrid Tier I Capital and outstanding are as under:

Particulars	Date of Issue	Tenor	Amount	Equivalent as on 31-03-11	Equivalent as on 31-03-10
Bonds issued under the MTN Programme- 12th Series*	15.02.2007	Perpetual Non Call 10-25 years	USD 400 Million	Rs. 1,783.80	Rs. 1,795.71
Bonds issued under the MTN Programme- 14th Series#	25.06.2007	Perpetual Non Call 10 years 1 day	USD 225 million	Rs. 1,003.62	Rs. 1,010.25
Total			**USD 625 million**	Rs. **2,787.42**	Rs. **2,805.96**

* 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 listed in Singapore stock exchange.

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	**As at 31-Mar-2011**	**As at 31-Mar-2010**
1. Value of Investments		
i) Gross value of Investments		
(a) In India	2,86,732.72	2,88,076.73
(b) Outside India	10,221.32	8,409.19
ii) Provisions for Depreciation		
(a) In India	1,145.72	513.14
(b) Outside India	207.75	187.58
iii) Net value of Investments		
(a) In India	2,85,587.00	2,87,563.59
(b) Outside India	10,013.57	8,221.61
2. Movement of provisions held towards depreciation on investments		
i) Opening Balance	700.72	1,727.63
ii) Add: Addition on account of acquisition of e-SBS	3.77	—
iii) Add: Provisions made during the year	670.76	359.37
iv) Less: Provisions utilised during the year	(2.23)	38.92
v) Less: Write back of excess provision during the year.	24.01	1,347.36
vi) Closing balance	1,353.47	700.72

Notes:

a. Investments exclude securities utilised under Liquidity Adjustment Facility (LAF) with RBI Rs. 27,000 crores (Previous Year Nil).

b. Investments amounting to Rs. 11,117 crores (Previous Year Rs. 11,000 crores) are kept as margin with RBI/Clearing Corporation of India Limited towards Real Time Gross Settlement / Securities Settlement (RTGS/NDS).

c. Bank sold it's stake in SBI DFHI Limited having book value of Rs. 88.53 crores for a sale price of Rs. 176.96 crores.

d. As per RBI Circular Numbered DBOD No. BP.BC.58/21.04.141/2010-11 dated 4/11/2010, the Bank with effect from 1st January 2011, changed the method of accounting for investments in Government Securities (Gsec) to "Settlement Date Accounting" as against "Trade Date Accounting" previously. As a result the profits from Gsec is less by Rs. 1,60,000 in Financial Year 2010-11.

e. Effective, 1st April 2010, securities sold under agreements to repurchase (Repos) and securities purchased under agreements to resell (Reverse Repos), excluding transactions conducted under Liquidity Adjustment Facility with RBI, are reflected as borrowing and lending transactions respectively in accordance with RBI guidelines under reference RBI/2009-10/356 IDMD/4135/11.08.43/2009-10 dated 23rd March 2010 on Uniform Accounting for Repo/ Reverse Repo Transactions. In the previous period, these transactions were recorded under investments as sale and purchase transactions respectively. This change in accounting has no impact on the profitability of the Bank.

f. During the year, the Bank has infused additional capital of Rs. 612.19 crores in following Subsidiaries/Joint Ventures/Associates:-

Name of the JV/Associate	**Amount**
SBI Cards and Payment Services Pvt. Ltd.	57.00
State Bank of Mysore (Rights Issue)	538.49
SBI Macquarie Infrastructure Management Pvt. Ltd.	16.68
SBI Macquarie Infra. Trustee	0.02
Total	**612.19**

g. During the year, the Bank has infused fresh investment in the following companies :-

Name of the JV/Associate	**Amount**
SBI Payment Services Pvt. Ltd.	2.00
Oman India Joint Investment Fund Management Co. Pvt. Ltd.	2.30
Oman India Joint Investment Fund Trustee Co. Pvt. Ltd.	0.01
Total	**4.31**

2. **Transactions**

The details of securities sold and purchased under repos and reverse repos during the year are given below:

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as on year end
Securities sold under repos	— (—)	— (—)	— (—)	— (—)
i) Government securities	— (—)	43,500.00 (7249.37)	7,015.62 (241.63)	27,000.00 (—)
ii) Corporate debt securities	— (—)	— (—)	— (—)	— (—)
Securities purchased under reverse repos	— (—)	— (—)	— (—)	— (—)
i) Government securities	— (—)	12,000.00 (74,295.69)	126.03 (25,253.38)	0.00 (0.00)
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:

No.	Issuer	Amount	Extent of Private Placement	Extent of Rs.Below Invest-ment Grade' Securities *	Extent of Rs.Unrated' Securities *	Extent of Rs.Unlisted' Securities *
(i)	PSUs	13,513.06 (16,024.10)	979.87 (3,699.26)	50.00 (176.61)	— (—)	50.25 (27.56)
(ii)	FIs	4,610.16 (2,957.68)	3,540.41 (2,204.78)	— (592.59)	0.40 (22.61)	0.41 (874.50)
(iii)	Banks	8,952.92 (14,299.17)	4,833.61 (11,892.98)	66.80 (30.25)	44.37 (56.10)	126.41 (146.14)
(iv)	Private Corporates	8,160.26 (6,483.08)	2,744.83 (1,050.11)	22.30 (23.17)	400.81 (377.31)	596.06 (1,023.60)
(v)	Subsidiaries / Joint ventures **	6,461.33 (5,692.16)	— (—)	— (—)	— (—)	— (—)
(vi)	Others	23,542.88 (23,026.93)	— (392.88)	139.47 (81.94)	19,099.25 (1,079.50)	18,276.04 (561.61)
(vii)	Provision held towards depreciation	805.20 (439.07)	— (—)	28.40 (25.99)	109.80 (79.13)	67.20 (57.47)
	Total	64,435.41	12,098.72	250.17	19,435.03	18,982.15
	Previous Year	(68,044.05)	(19,240.01)	(878.57)	(1,456.39)	(2,575.94)

* Investment in Equity, Equity Oriented Mutual Funds, Venture Capital, Rated Assets Backed Securities, Central Government Securities and pass through certificates have not been segregated under these categories, as these are not covered under relevant RBI Guidelines.

** Investments in Subsidiaries/Joint Ventures have not been segregated into various categories as these are not covered under relevant RBI Guidelines. Other investments include deposits with NABARD under RIDF Deposit Scheme amounting to Rs. 18,230.00 crores (Previous Year Rs. 17,833.89 crores).

b) Non Performing Non-SLR Investments

Particulars	Current Year	Previous Year
Opening Balance	332.80	598.22
Additions during the year	8.24	25.02
Reductions during the year	12.64	290.44
Closing balance	328.40	332.80
Total provisions held	304.10	323.50

18.3 **Derivatives**

a) Forward Rate Agreements / Interest Rate Swaps

Particulars	As at 31-Mar-2011	As at 31-Mar-2010
i) The notional principal of swap agreements	105,850.77	93,984.43
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	1,330.75	1,355.92
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	671.95	266.49

b) Exchange Traded Interest Rate Derivatives

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	1,26,409.89	56,935.76
	B 10 Year Government of India Security	2.00	431.57
2	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2011		
	A Interest Rate Futures	Nil	Nil
	B 10 Year Government of India Security	Nil	Nil
3	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	N.A.	N.A.
4	Marked-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective".	N.A.	N.A.

c) Disclosures on Risk Exposure in Derivatives

(A) Qualitative Disclosure

i. The Bank currently deals in over-the-counter (OTC) interest rate and currency derivatives as also in Interest Rate and Currency Futures. Interest Rate Derivatives dealt by the Bank are rupee interest rate swaps, foreign currency interest rate swaps and forward rate agreements. Currency derivatives dealt with by the Bank are currency swaps, rupee dollar options and cross-currency options. The Bank has also started dealing in Exchange traded options in the current year. 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, but they have been covered on a back to back basis in inter-bank market.

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 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 Mid-Office and Risk Control (MORC) Department at Treasury, now Market Risk Management Department (MRMD) independently 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 2010-11.

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 Disclosures :

Particulars	Currency Derivatives		Interest Rate Derivatives	
	Current Year	Previous Year	Current Year	Previous Year
(i) Derivatives (Notional Principal Amount)				
a) For hedging	5,902.99	4,134.16	32,263.98	18,116.55
b) For trading**	3,63,233.01$	52,802.42	73,586.79#	75,867.88
(ii) Marked to Market Positions				
a) Asset	271.66	89.91	33.74	59.52
b) Liability	—	—	3.58	8.95
(iii) Credit Exposure	17,143.23	6,030.89	2,393.00	2,510.40
(iv) Likely impact of one percentage change in interest rate (100* PV01)				
a) on hedging derivatives	114.90	12.45	740.32	2,104.37
b) on trading derivatives	30.44	171.19	(8.44)	(37.35)
(v) Maximum and Minimum of 100* PV 01 observed during the year				
a) on hedging				
Maximum	109.35	13.39	751.04	2,107.30
Minimum	35.94	0.07	187.44	2,704.05
b) on trading				
Maximum	24.49	187.00	15.71	24.80
Minimum	(17.16)	(0.10)	(46.86)	(83.24)

IRS/FRA amounting to Rs. 5,035.67 crores entered with the Bank's own offices are not shown here as they are for hedging of FCNB corpus and hence not marked to market.

$ The swaps amounting to Rs. 6,865.62 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 the Bank's own offices are not included.

1. The outstanding notional amount of derivatives done between Global Markets department and International Banking Group department as on 31st March 2011 amounted to Rs. 11,901.29 crores and the derivatives done between SBI Foreign Offices as on 31st March 2011 amounted to Rs. 29,379.83 crores.
2. The outstanding notional amount of interest rate derivatives which are not marked to market where the underlying Assets/Liabilities are not marked to market as on 31st March 2011 amounted to Rs. 45,525.15 crores
3. Credit Default Swap : Outstanding as on 31st March 2011 amounted to Rs. 983.30 crores.

4. All Credit Derivatives (CDS, CLN and CDO) were hitherto categorized under Held to Maturity (HTM) category. During the financial year ended 31st March 2011, the entire Credit Derivative portfolio has been re- categorised under Available for Sale (AFS) category and has been marked to market (MTM). MTM loss as on 31st March 2011 amounts to Rs. 184.14 crores which has been fully provided for.

18.4 **Asset Quality**

a) Non-Performing Asset

Particulars	**As at 31-Mar-2011**	**As at 31-Mar-2010**
i) Net NPAs to Net Advances (%)	1.63%	1.72%
ii) Movement of NPAs (Gross)		
(a) Opening balance	19,534.89	15,714.00
(b) Additions (Fresh NPAs) during the year	18,145.70	11,842.84
Sub-total (I)	**37,680.59**	**27,556.84**
(c) Reductions due to upgradations during the year	4,499.10	3,972.37
(d) Reductions due to recoveries (Excluding recoveries made from upgraded accounts)	3,848.35	2,059.10
(e) Reductions due to Write-offs during the year	4,006.85	1,990.48
Sub-total (II)	**12,354.30**	**8,021.95**
(f) Closing balance (I-II)	**25,326.29**	**19,534.89**
iii) Movement of Net NPAs		
(a) Opening balance	10,870.17	9,677.42
(b) Additions during the year	6,815.83	6,135.24
(c) Reductions during the year	5,339.10	4,942.49
(d) Closing balance	12,346.90	10,870.17
iv) Movement of provisions for NPAs		
(a) Opening balance	8,664.72	6,036.58
(b) Provisions made during the year	11,329.87	5,707.61
(c) Write-off / write-back of excess provisions	7,015.20	3,079.47
(d) Closing balance	12,979.39	8,664.72

Opening and closing balances include DICGC / ECGC claims received and held pending adjustment of Rs. 21.53 crores and Rs. 25.38 crores respectively.

b) Provisioning Coverage Ratio:

The Provisioning to Gross Non-Performing Assets ratio of the Bank as on 31st March 2011 is 64.95% (Previous Year 59.23%).

c) Details of Loan Assets subjected to Restructuring during the period from 1st April 2010 to 31st March 2011

Particulars	**Particulars**	**CDR Mechanism**	**SME Debt Restructuring**	**Others**	**Total**
Standard advances restructured	No. of Borrowers	25 (30)	133 (602)	10,277 (3,035)	10,435 (3,667)
	Amount outstanding	752.37 (2,793.14)	369.42 (1,020.53)	3,578.37 (13,043.42)	4,700.16 (16,857.09)
	Sacrifice (diminution in the fair value)	183.70 (340.66)	5.14 (11.71)	272.23 (156.55)	461.07 (508.92)
Sub standard advances restructured	No. of Borrowers	4 (1)	33 (76)	285 (90)	322 (167)

	Amount outstanding	223.21 (72.49)	14.60 (10.47)	567.75 (1,755.44)	805.56 (1,838.40)
	Sacrifice (diminution in the fair value)	29.03 (7.56)	1.29 (0.15)	13.57 (146.05)	43.89 (153.76)
Doubtful advances restructured	No. of Borrowers	- (-)	17 (15)	20 (21)	37 (36)
	Amount outstanding	- (-)	30.05 (9.44)	122.28 (294.30)	152.33 (303.74)
	Sacrifice (diminution in the fair value)	- (-)	0.57 (0.03)	1.08 (12.54)	1.65 (12.57)
TOTAL	No. of Borrowers	29 (31)	183 (693)	10,582 (3,146)	10,794 (3,870)
	Amount outstanding	975.58 (2,865.63)	414.07 (1,040.44)	4,268.40 (15,093.16)	5,658.05 (18,999.23)
	Sacrifice (diminution in the fair value)	212.73 (348.22)	7.00 (11.89)	286.88 (315.14)	506.61 (675.25)

(Figures in brackets are for Previous Year)

d) Details of financial assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for Asset Reconstruction

Particulars	Current Year	Previous Year
i) No. of Accounts	3	3
ii) Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	10.40
iii) Aggregate consideration	26.82	14.00
iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
v) Aggregate gain / (loss) over net book value	26.82	3.60

e) Details of non-performing financial assets purchased

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

f) Details of non-performing financial assets sold

Particulars	Current Year	Previous Year
1) No. of Accounts sold	4	3
2) Aggregate outstanding	103.23	23.84
3) Aggregate consideration received	47.98	14.00

g) Provision on Standard Assets

The Provision on Standard Assets held by the Bank in accordance with RBI guidelines is as under:

Particulars	As at 31-Mar-2011	As at 31-Mar-2010
Provision towards Standard Assets	3,336.08*	2,292.72

*includes Rs. 106.12 crores transferred from eSBIN

h) Business Ratios

Particulars	Current Year	Previous Year
i. Interest Income as a percentage to Working Funds	6.96%	6.80%
ii. Non-interest income as a percentage to Working Funds	1.35%	1.43%
iii. Operating Profit as a percentage to Working Funds	2.17%	1.75%
iv. Return on Assets	0.71%	0.88%
v. Business (Deposits plus advances) per employee (Rs. in thousands)	70,465	63,600
vi. Profit per employee (Rs. in thousands)	384.63	446.03

i) Asset Liability Management: Maturity pattern of certain items of assets and liabilities as at 31st March 2011

	1 day	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	24,992.66 *(19,136.97)*	21,696.53 *(23,515.23)*	20,849.71 *(27,061.73)*	15,202.16 *(20,483.98)*	45,801.60 *(43,403.06)*	88,669.77 *(64,260.77)*	1,20,303.13 *(90,342.06)*	2,77,716.71 *(2,62,985.18)*	1,61,534.99 *(1,35,539.12)*	1,57,165.55 *(1,17,388.13)*	9,33,932.81 *(8,04,116.23)*
Advances	46,944.31 *(43,973.66)*	7,543.86 *(12,572.36)*	25,432.64 *(39,713.35)*	8,835.11 *(8,888.53)*	48,819.28 *(33,914.61)*	31,407.67 *(35,494.45)*	27,303.96 *(27,616.38)*	3,54,683.76 *(2,75,367.66)*	69,728.43 *(59,944.08)*	1,36,020.43 *(94,429.07)*	7,56,719.45 *(6,31,914.15)*
Investments	0.00 *(135.56)*	1,189.00 *(245.22)*	739.57 *(219.57)*	2,289.27 *(2,420.39)*	4,201.94 *(11,445.52)*	11,196.27 *(11,438.82)*	6,540.61 *(10,995.02)*	56,742.58 *(51,770.22)*	52,689.05 *(59,533.46)*	1,60,012.28 *(1,47,581.42)*	2,95,600.57 *(2,95,785.20)*
Borrowings	2,763.15 *(3,569.92)*	10,484.15 *(12,079.20)*	2,953.07 *(2,786.39)*	4,903.26 *(4,802.38)*	17,474.77 *(19,350.31)*	8,776.92 *(10,058.28)*	10,349.74 *(5,485.78)*	5,690.22 *(6,793.20)*	15,204.41 *(5,535.16)*	40,969.26 *(32,550.98)*	1,19,568.95 *(1,03,011.60)*
Foreign Currency Assets	32,391.28 *(30,336.67)*	1,405.38 *(1,154.84)*	2,594.40 *(3,140.20)*	6,150.93 *(6,536.37)*	27,064.10 *(25,802.73)*	16,092.55 *(24,648.61)*	10,475.55 *(9,814.20)*	17,608.64 *(15,229.77)*	20,757.39 *(14,071.49)*	20,783.93 *(11,433.65)*	1,55,324.15 *(1,42,168.53)*
Foreign Currency Liabilities	20,911.86 *(18,796.82)*	7,223.70 *(5,661.65)*	4,167.90 *(3,980.66)*	7,406.10 *(6,970.08)*	23,216.44 *(27,311.98)*	15,506.06 *(20,193.38)*	22,613.11 *(20,468.81)*	15,046.29 *(15,065.98)*	20,065.97 *(9,552.04)*	5,527.71 *(946.74)*	1,41,685.14 *(1,28,948.14)*

(Figures in brackets are as at 31st March 2010)

j) Concentration of Deposits

Particulars	Current Year	Previous Year
Total Deposits of twenty largest depositors	40,267.48	42,087.72
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	4.31 %	5.24%

k) Concentration of Advances

Particulars	Current Year	Previous Year
Total Advances to twenty largest barrowers	65,236.21	1,89,991.50
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	8.45 %	29.68%

l) Concentration of Exposures

Particulars	Current Year	Previous Year
Total Exposure to twenty largest borrowers/customers	2,07,277.40	1,91,017.34
Percentage of Exposures to twenty largest barrowers/ customers to Total Exposure of the Bank on borrowers/customers	17.10%	20.81%

m) Concentration of NPAs

Particulars	Current Year	Previous Year
Total Exposure to top four NPA accounts	730.27	940.61

n) Sector –wise NPAs

Sr. No.	Sector	Percentage of NPAs to Total Advances in that sector	
	Particulars	Current Year	Previous Year
1	Agriculture & allied activities	6.74%	2.60%
2	Industry (Micro & small, Medium and Large)	2.80%	3.89%
3	Services	2.93%	3.91%
4	Personal Loans	2.54%	2.90%

o) Overseas Assets, NPAs and Revenue

Sr. No.	Particulars	Amount	
		Current Year	Previous Year
1	Total Assets	1,41,348.97	1,23,263.30
2	Total NPAs (Gross)	2,265.91	1,698.59
3	Total Revenue	5,576.48	4,717.57

p) Off-balance Sheet SPVs sponsored

Name of the SPV Sponsored		
	Domestic	Overseas
Current Year	NIL	NIL
Previous Year	NIL	NIL

18.5 **Exposures**

The Bank is lending to sectors which are sensitive to asset price fluctuations.

a) Real Estate Sector

Particulars	As at 31-Mar-2011	As at 31-Mar-2010
Direct exposure		
i) Residential Mortgages	1,14,199.40	72,983.57
- Of which individual housing loans up to Rs. 20 lac	73,628.78	47,406.27
ii) Commercial Real Estate	14,011.31	13,440.36
iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures:	186.73	108.91
a) Residential	164.86	96.43
b) Commercial Real Estate	21.87	12.48
Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	6,226.05	592.32
Total	**1,34,623.49**	**87,125.16**

b) Capital Market

	Particulars	As at 31-Mar-2011	As at 31-Mar-2010
1)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	8,868.34	6,771.29
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.	10.22	20.67
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	0.39	1.66
4)	Advances for any other purposes to theextent secured by the collateral security ofshares or convertible bonds or convertibledebentures or units of equity orientedmutual funds i.e. where the primarysecurity other than shares/ convertiblebonds/convertible debentures/ units ofequity oriented mutual funds does notfully cover the advances.	33.67	199.07
5)	Secured and unsecured advances tostockbrokers and guarantees issued onbehalf of stockbrokers and market makers	773.95	442.21
6)	Loans sanctioned to corporates against thesecurity of shares/bonds/debentures orother securities or on clean basis formeeting promoter's contribution to theequity of new companies in anticipationof raising resources.	40.11	14.7
7)	Bridge loans to companies againstexpected equity flows/issues.	0.01	70
8)	Underwriting commitments taken up bythe Banks in respect of primary issue ofshares or convertible bonds or convertibledebentures or units of equity orientedmutual funds.	—	—
9)	Financing to stockbrokers for margin trading.	—	—
10)	Exposures to Venture Capital Funds(both registered and unregistered)	608.61	375.73
	Total Exposure to Capital Market	**10,335.30**	**7,895.33**

c) Country-Risk Categorywise

As per the extant RBI guidelines, the country where 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 and hence provision for the country exposure on USA has been made.

Risk Category	Exposure (net) As at 31-Mar-2011	Provision held As at 31-Mar-2010	As at 31-Mar-2011	As at 31-Mar-2010
Insignificant	901.43	871.65	Nil	Nil
Low	53,241.04	47,689.14	23.68	39.12
Moderate	11,252.64	7,286.76	Nil	Nil
High	1,773.20	4,158.92	Nil	Nil

Very High	2,206.31	2,512.50	Nil	Nil
Restricted / Off-Credit	4,098.94	11.19	Nil	Nil
Total	**73,473.56**	**62,530.16**	**23.68**	**39.12**

d) Single Borrower and Group Borrower exposure limits exceeded by the Bank :

The Bank had taken single borrower exposure in excess of the prudential limit in the cases given below :

Name of the Borrower	Exposure ceiling	Limit Sanctioned (Peak Level)	Period during which limit exceeded	Outstanding as on 31.03.11
Reliance Industries Limited	13,646.26 14,072.02 14,222.02	15,815.48 15,819.86 15,455.80	April 2010 to July 2010 August 2010 to October 2010 November 2010 to February 2011 (within the ceiling on 31st March 2011)	5,645.44
Indian Oil Corporation Ltd.	22,743.77 23,453.37 23,703.37	25,295.90 25,003.97 25,629.76	April 2010 to July 2010 August 2010 to October 2010 November 2010 to March 2011	21,433.80
Bharat Heavy Electricals Limited	13,646.26 14,072.02 14,222.02	16,544.75 16,570.90 16,593.51	April 2010 to July 2010 August 2010 to October 2010 November 2010 to March 2011	12,046.24

e) Unsecured Advances

Particulars	As at 31 Mar 2011	As at 31 Mar 2010
a) Total Unsecured Advances of the bank	1,53,018.58	1,35,885.59
i) Of which amount of advances outstanding against charge over ntangible securities such as rights, licences, authority etc.	795.72	–
ii) The estimated value of such intangible securities (as in (i) above).	4,114.30	–

f) 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 2011 aggregate to Rs. 1,411.20 crores (Previous Year: Rs. 199.16 crores). In the Bank's assessment no financial impact is likely to arise.

18.6 **Miscellaneous**

a) **Withdrawal from Reserves**

During the year, the bank has withdrawn following amount from the Reserves:

Particulars	As at 31-Mar-2011	As at 31-Mar-2010
Pension Liability charged to Reserves as per special dispensation from RBI	7,927.41	Nil

b) **Disclosure of Penalties imposed by RBI**

Rs. 0.13 crore (Previous year - Rs. 1.45 crores)

c) **Status of customer complaints**

Particulars	**As at 31-Mar-2011**	**As at 31-Mar-2010**
No. of complaints pending at the beginning of the year	1,275	1,150
Addition on account of aqusition of eSBIN	70	—
No. of complaints received during the year	30,904	30,735
No. of complaints redressed during the year	31,425	30,610
No. of complaints pending at the end of the year	824	1275

d) **Awards passed by the Banking Ombudsman**

Particulars	**Current Year**	**Previous Year**
No. of unimplemented Awards at the beginning of the year	4	1
No. of Awards passed by the Banking Ombudsman during the year	86	19
No. of Awards implemented during the year	83	16
No. of unimplemented Awards at the end of the year	7	4

e) With regard to disclosures relating to Micro, Small & Medium Enterprises under the Micro, Small & Medium Enterprises Development Act, 2006, there have been no reported cases of delayed payments or of interest payments due to delay in such payments to Micro, Small & Medium Enterprises.

f) **Fees/remuneration received in respect of the bancassurance business in 2010-11**

Name of Company	**Current Year**	**Previous Year**
SBI Life Insurance Co. Ltd.	210.04	212.28
The New India Assurance Co. Ltd.	7.24	11.58
SBI General Insurance Co. Ltd.	1.14	—
United India Insurance Co Ltd.	0.06	—
Manu Life Financial Limited	1.74	—
NTUC	0.84	
TOTAL	221.06	223.86

g) Penalty for Bouncing of SGL forms

No penalty has been levied on the Bank for bouncing of SGL Forms.

18.7 **Employee Benefits**

i. Defined Benefit Plans

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:-

	Pension Plans		**Gratuity**	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Change in the present value of the defined benefit obligation				
Opening defined benefit obligation at 1st April 2010	21,715.61	19,328.72	3,889.14	3,778.18
Liability transferred in on acquisition of State Bank of Indore	484.00	-	120.47	-
Current Service Cost	892.28	869.21	144.38	145.25
Interest Cost	1,890.02	1,564.00	303.80	298.82

Past Service Cost (Amortised)	-	-	425.00	-
Past Service Cost (Vested Benefit recognised in Reserves)	7,927.41	-	-	-
Past Service Cost (Vested Benefit adjusted from Provisions)	1,306.70	-	675.00	-
Actuarial losses (gains)	1,188.70	1,242.37	731.32	(99.38)
Benefits paid	(744.75)	(1,288.69)	(471.92)	(233.73)
Direct Payment by Bank	(780.67)	-	-	-
Closing defined benefit obligation at 31st March 2011	33,879.30	21,715.61	5,817.19	3,889.14
Change in Plan Assets				
Opening fair value of Plan Assets as at 1st April 2010	14,714.83	13,710.13	3,811.28	3,746.73
Asset acquired on acquisition of State Bank of Saurashtra		1,096.81	-	-
Asset acquired on acquisition of State Bank of Indore	484.00	-	120.47	-
Dr Paid by Bank		615.48		-
Expected Return on Plan Assets	1,215.25	-	312.28	290.39
Contributions by employer	848.12	347.98	328.20	-
Benefits Paid	(744.75)	(1,288.69)	(471.92)	(233.73)
Actuarial Gains / (Loss) on plan Assets	282.65	233.12	1.94	7.89
Closing fair value of plan assets as at 31st March 2011	16,800.10	14,714.83	4,102.25	3,811.28
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of Funded obligation at 31st March 2011	33,879.30	21,715.61	5,817.19	3,889.14
Fair Value of Plan assets at 31st March 2011	16,800.10	14,714.83	4,102.25	3,811.28
Deficit/(Surplus)	17,079.20	7,000.78	1,714.94	77.86
Unrecognised Past Service Cost (Vested) Closing Balance	-	-	400.00	-
Unrecognised Transitional Liability Closing Balance	-	-	-	-
Net Liability/(Asset)	17,079.20	7,000.78	1,314.94	77.86
Amount Recognised in the Balance Sheet				
Liabilities	33,879.30	21,715.61	5,817.19	3,889.14
Assets	16,800.10	14,714.83	4,102.25	3,811.28
Net Liability / (Asset) recognised in Balance Sheet	17,079.20	7,000.78	1,714.94	77.86
Unrecognised Past Service Cost (Vested) Closing Balance	-		400.00	-
Unrecognised Transitional Liability Closing Balance	-	-	-	-
Net Liability/(Asset)	17,079.20	7,000.78	1,314.94	77.86
Net Cost recognised in the profit and loss account				
Current Service Cost	892.28	869.21	144.38	145.25
Interest Cost	1,890.02	1,564.00	303.80	298.82
Expected return on plan assets	(1,215.25)	(1,096.81)	(312.28)	(290.39)
Past Service Cost (Amortised) Recognised		-	25.00	-
Past Service Cost (Vested Benefit) Recognised		-	675.00	-
Net actuarial losses (Gain) recognised during the year	906.05	1,009.25	729.38	(107.27)
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	2,473.10	2,345.65	1,565.28	46.41
Reconciliation of expected return and actual return on Plan Assets				
Expected Return on Plan Assets	1,215.25	1,096.81	312.28	290.39
Actuarial Gain/ (loss) on Plan Assets	282.65	233.12	1.94	7.89
Actual Return on Plan Assets	1,497.90	1,329.93	314.22	298.28

Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet

Opening Net Liability as at 1st April 2010	7,000.78	5,618.59	77.86	31.45
Expenses as recognised in profit and loss account	2,473.10	2,345.65	1,565.28	46.41
Liability on account of acquisition of e SBIN	-	-	-	-
Assets on account of acquisition of e SBIN	-	-	-	-
Paid by Bank Directly	(780.67)	(615.48)	-	-
Debited to Other Provision	1,306.70	-	-	-
Recognised in Reserve	7,927.41			
Employer's Contribution	(848.12)	(347.98)	(328.20)	-
Net liability/(Asset) recognised in Balance Sheet	17,079.20	7,000.78	1,314.94	77.86

Investments under Plan Assets of Gratuity Fund & Pension Fund as on 31st March 2011 are as follows:

Category of Assets	Pension Fund % of Plan Assets	Gratuity Fund % of Plan Assets
Central Govt. Securities	23.46	49.81
State Govt. Securities	9.19	-
Corporate Bonds	25.35	29.09
FDR / TDR with Bank	-	-
Bank Deposits	-	-
Insurer Managed Funds	-	19.73
Others	42.00	1.37
Total	**100.00**	**100.00**

Principal actuarial assumptions:

Particulars	**Pension Plans**		**Gratuity Plans**	
	Current Year	**Previous Year**	**Current Year**	**Previous Year**
Discount Rate	8.50%	8.50%	8.50%	8.00%
Expected Rate of return on Plan Asset	8.00%	8.00%	8.00%	8.00%
Salary Escalation	5.00%	5.00%	5.00%	5.00%

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.

ii. Employees' Provident Fund

In terms of the guidance on implementing the AS-15 (Revised 2005) issued by the Institute of the Chartered Accountants of India, the Employees Provident Fund set up by the Bank is treated as a defined benefit plan since the Bank has to meet the specified minimum rate of return. As at the year-end, no shortfall remains unprovided for. Accordingly, other related disclosures in respect of Provident Fund have not been made and an amount of Rs. 854.90 crores (Previous Year Rs. 351.59 crores) is recognised as an expense towards the Provident Fund scheme of the Bank included under the head "Payments to and provisions for employees" in Profit and Loss Account.

iii. Defined Contributions

The Bank contributed Rs. 11.75 crores (previous year Nil) to the New Pension Scheme for all officers /employees joining the Bank on or after 1st August 2010.

iv. Other Long term Employee Benefits

Amount of Rs. 775.74 crores (Previous Year Rs. 151.24 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 Employee Benefits during the year:

Sr. No.	Long Term Employees' Benefits	Current Year	Prevous Year
1	Privilege Leave (Encashment) incl. leave encashment at the time of retirement	581.80	107.54
2	Leave Travel and Home Travel Concession (Encashment/Availment)	41.96	29.14
3	Sick Leave	70.09	12.84
4	Silver Jubilee Award	35.03	2.47
5	Resettlement Expenses on Superannuation	(8.74)	(7.99)
6	Casual Leave	11.20	5.06
7	Retirement Award	44.40	2.18
	Total	**775.74**	**151.24**

18.8 **Provision for Pension**

Consequent to revision in wages in accordance with the Ninth Bipartite Settlement and the proposed amendment to the SBI Pension Fund Rules, the Pension liability of the bank for the year ended March 31, 2011 as determined by the independent actuary amounted to Rs. 11,707 crores. After considering the existing provision of 1,306.70 crores, the additional pension cost in respect of the liabilities of earlier years amounting to Rs. 7,927.41 crores has been charged to Reserves in accordance with the dispensation granted by Reserve Bank of India to the Bank vide the letter number DBOD/BP/No./16165/21.04.018/2010-11 dated 18th April 2011. The pension cost for the year amounting to Rs. 2,473 crores has been charged to the Profit and Loss account. As per the requirements of AS 15 – Employee Benefits, the entire amount of Rs. 10,400.30 crores is required to be charged to Profit and Loss Account. Had such dispensation not been allowed by RBI, the profit of the Bank would have been lower by Rs. 7,927.41 crores pursuant to the application of requirements of AS 15.

18.9 **Gratuity**

Consequent to the enhancement in limit of gratuity payable under the Payment of Gratuity Act, 1972 and revision in wages in accordance with the Ninth Bipartite Settlement, the cost on account of Gratuity liability of the Bank as determined by the independent actuary for the year ended March 31, 2011 amounted to Rs. 1,965 crores. The incremental liability for the year and the increase in liability consequent to revision in wages amounting to Rs. 865 crores and an amount of Rs. 700 crores on account of enhancement in the limit of gratuity, has been charged to the Profit and Loss account. The balance amount of Rs. 400 crores, not already charged to Profit and Loss account during the year, has not been recognised and will be amortised over the next four years in accordance with RBI circular no. DBOD.BP.BC.80 /21.04.018/2010-11 dated 9th February 2011. As per the requirements of AS 15 – Employee Benefits , the entire amount of Rs. 1,965 crores is required to be charged to Profit and Loss Account. Had such circular not been issued by RBI, the profit of the Bank would have been lower by Rs. 400 crores pursuant to the application of requirements of AS 15.

18.10 Segment Reporting:

1. Segment Identification

A) 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:

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.

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) **Other Banking business –** Segments not classified under (a) to (c) above are classified under this primary segment.

B) 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

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 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 Segments	**Treasury**	**Corporate/Wholesale Banking**	**Retail Banking**	**Other Banking Operations**	**Elimination**	**Total**
Revenue #	21,665.06 (22,054.89)	32,935.11 (26,196.28)	42,062.69 (37,158.24)			96,662.86 (85,409.41)
Unallocated Revenue #						556.10 (552.66)
Total Revenue						97,218.96 (85,962.07)
Result #	(-)945.27 (4,666.00)	5,496.53 (4,755.35)	12,679.45 (6,491.25)			17,230.71 (15,912.60)
Unallocated Income (+) / Expenses(-) - net #						-2,276.48 ((-) 1,986.52)
Operating Profit #						14,954.23 (13,926.08)
Tax #						6,689.71 (4,760.03)
Extraordinary Profit #						- -
Net Profit #						8,264.52 (9,166.05)
Other Information :						

Segment Assets *	3,10,524.60 (3,12,395.60)	3,81,320.36 (3,05,469.17)	5,22,699.76 (4,28,690.99)			12,14,544.72 (10,46,555.76)
Unallocated Assets *						9,191.48 (6,857.97)
Total Assets *						12,23,736.20 (10,53,413.73)
Segment Liabilities *	1,62,149.37 (1,65,998.92)	3,67,495.28 (2,94,696.86)	5,85,015.30 (4,91,939.42)			11,14,659.95 (9,52,635.20)
Unallocated Liabilities *						44,090.21 (34,829.33)
Total Liabilities *						11,58,750.16 (9,87,464.53)

(Figures in brackets are for Previous Year)

Part B : Secondary (Geographic Segments)

	Domestic		**Foreign**		**Total**	
	Current Year	**Previous Year**	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Revenue #	91,642.48	81,244.50	5,576.48	4,717.57	97,218.96	85,962.07
Assets *	10,82,387.23	9,30,150.43	1,41,348.97	1,23,263.30	12,23,736.20	10,53,413.73

*As at 31st March 2011

#For the year ended 31st March 2011

18.11 **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 Indore (up to 25.08.2010)
4. State Bank of Mysore
5. State Bank of Patiala
6. State Bank of Travancore
7. SBI Commercial and International Bank Ltd.

ii. FOREIGN BANKING SUBSIDIARIES

1. SBI (Mauritius) Ltd.
2. State Bank of India (Canada)
3. State Bank of India (California)
4. Commercial Bank of India LLC, Moscow
5. PT Bank SBI Indonesia
6. Nepal SBI Bank Ltd.

iii. DOMESTIC NON-BANKING SUBSIDIARIES

1. SBI Capital Markets Ltd.
2. SBI DFHI Ltd.
3. SBI Mutual Funds Trustee Company Pvt. Ltd.
4. SBI CAP Securities Ltd.
5. SBI CAPS Ventures Ltd.
6. SBI CAP Trustees Co. Ltd.
7. SBI Cards & 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 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 Trustees Ltd.
5. SBI Macquarie Infrastructure Management Pvt. Ltd.
6. SBI Macquarie Infrastructure Trustees Pvt. Ltd.
7. Oman India Joint Investment Fund – Trustee Company Pvt. Ltd.
8. Oman India Joint Investment Fund – Management Company Pvt. Ltd.

C. ASSOCIATES

i. Regional Rural Banks

1. Andhra Pradesh Grameena Vikas Bank
2. Arunachal Pradesh Rural Bank
3. Cauvery Kalpatharu Grameena Bank
4. Chhattisgarh Gramin Bank
5. Deccan Grameena Bank
6. Ellaquai Dehati Bank
7. Meghalaya Rural Bank (Formerly known as Ka Bank Nongkyndong Ri Khasi Jaintia)
8. Krishna Grameena Bank
9. Langpi Dehangi Rural Bank
10. Madhya Bharat Gramin Bank
11. Malwa Gramin Bank
12. Marwar Ganganagar Bikaner Gramin Bank
13. Mizoram Rural Bank
14. Nagaland Rural Bank
15. Parvatiya Gramin Bank
16. Purvanchal Kshetriya Gramin Bank
17. Samastipur Kshetriya Gramin Bank
18. Saurashtra Gramin Bank
19. Utkal Gramya Bank
20. Uttaranchal Gramin Bank
21. Vananchal Gramin Bank
22. Vidisha Bhopal Kshetriya Gramin Bank

ii. Others

1. SBI Home Finance Ltd.
2. The Clearing Corporation of India Ltd.
3. Bank of Bhutan Ltd.
4. S. S. Ventures Services Ltd.(up to 15.03.2011)

D. Key Management Personnel of the Bank

1. Shri O. P. Bhatt, Chairman (up to 31.03.2011)
2. Shri S. K. Bhattacharyya, Managing Director (up to 31.10.2010)
3. Shri R. Sridharan, Managing Director

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 are not required to be disclosed in respect of Key Management Personnel and relatives of Key Management Personnel. Other particulars are as under:

1. C-Edge Technologies Ltd.
2. GE Capital Business Process Management Services Pvt. Ltd.
3. Macquarie SBI Infrastructure Management Pte. Ltd.
4. Macquarie SBI Infrastructure Trustees Ltd.
5. SBI Macquarie Infrastructure Management Pvt. Ltd.
6. SBI Macquarie Infrastructure Trustees Pvt. Ltd.
7. Bank of Bhutan Ltd.
8. Oman India Joint Investment Fund – Trustee Company Pvt. Ltd.
9. Oman India Joint Investment Fund – Management Company Pvt. Ltd.

10. SBI Home Finance Ltd.
11. S. S. Ventures Services Ltd (up to 15.03.2011)
12. Shri O. P. Bhatt, Chairman (up to 31.03.2011)
13. Shri S. K. Bhattacharyya, Managing Director (up to 31.10.2010)
14. Shri R. Sridharan, Managing Director

3. Transactions and Balances :

Particulars	Associates/ Joint Ventures	Key Management Personnel & their relatives	Total
Deposits #	51.95 (112.84)	0.04 (-)	51.99 (112.84)
Other Liabilities #	- (-)	- (-)	- (-)
Investments #	42.91 (24.88)	- (-)	42.91 (24.88)
Advances #	- (-)	- (-)	- (-)
Interest received*	- (-)	- (-)	- (-)
Interest paid*	- (4.00)	- (-)	- (4.00)
Income earned by way of dividend*	2.80 (2.88)	- (-)	2.80 (2.88)
Other Income*	- (-)	- (-)	- (-)
Other expenditure*	- (-)	- (-)	- (-)
Management contracts *	- (-)	0.60 (0.63)	0.60 (0.63)

Figures in brackets are for Previous Year

As at 31st March 2011 * For the year ended 31st March 2011

18.12 Leases:

i) Operating Leases*

A. **Premises taken on operating lease are given below:**

Particulars	**As at 31 Mar 2011**	**As at 31 Mar 2010**
Not later than 1 year	40.43	33.11
Later than 1 year and not later than 5 years	92.47	69.74
Later than 5 years	25.21	19.47
Total	158.11	122.32
Amount of lease payments recognised in the P&L Account for the year.	42.68	35.26

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.

18.13 **Earnings per Share**

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 - "Earnings per Share". "Basic earnings" per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

Particulars	Current Year	Previous Year
Basic and diluted		
Weighted average number of equity shares used in computing basic earning per share	63,49,52,049	63,48,80,626
Weighted average number of shares used in computing diluted earning per share	63,49,52,049	63,48,80,626
Net profit (Rs.)	8,264.52	9,166.05
Basic earnings per share (Rs.)	130.16	144.37
Diluted earnings per share (Rs.)	130.16	144.37
Nominal value per share (Rs.)	10	10

18.14 **Accounting for Taxes on Income**

i) Current tax expenditure for the year is net of reversal of excess provision for previous year of Rs. 207.60 crores.

ii) During the year, Rs. 976.82 crores [Previous Year Rs. 1,407.75 crores credited] has been debited to Profit and Loss Account by way of adjustment of deferred tax.

iii) The Bank has outstanding net deferred tax asset of Rs. 1,167.28 crores (Previous Year- Rs. 2,512.09 crores), which is included under Other Assets. The breakup of deferred tax assets (DTA) and liabilities into major items is given below:

Particulars	As at 31 Mar 2011	As at 31 Mar 2010
Deferred Tax Assets		
Provision for wage revision	307.90	1,545.87
Provision for long term employee Benefits	1,636.10	1,158.61
Ex-gratia paid under Exit option	9.41	51.54
Others	35.77	181.71
Net DTAs on account of Foreign Offices	135.71	117.24
Total	2,124.89	3,054.97
Deferred Tax Liabilities		
Depreciation on Fixed Assets	21.53	23.47
Interest on securities	936.08	519.41
Total	957.61	542.88
Net Deferred Tax Assets/(Liabilities)	1,167.28	2,512.09

18.15 **Investments in Jointly Controlled Entities**

Investments include Rs. 38.96 crores (Previous Year Rs. 19.95 crores) representing Bank's interest in the following jointly controlled entities

Sr. No.	Name of the Company	Amount	Country of Residence	Holding %
1	GE Capital Business Process Management Services Pvt. Ltd.	10.80 (10.80)	India	40%
2	C - Edge Technologies Ltd.	4.90 (4.90)	India	49%
3	Maquarie SBI Infra Management Pte. Ltd.	2.25 (2.25)	Singapore	45%

4	SBI Macquarie Infra Management (P) Ltd.	18.57 (1.89)	India	45%
5	SBI Macquarie Infra Trustee (P) Ltd.	0.03 (0.01)	India	45%
6	Macquarie SBI Infra Trustee Ltd. #	0.10 (0.10)	Bermuda	45%
7	Oman India Joint Investment Fund –Trustee Company Pvt. Ltd.	0.01 (-)	India	50%
8	Oman India Joint Investment Fund – Management Company Pvt. Ltd.	2.30 (-)	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	**As at 31 Mar 2011**	**As at 31 Mar 2010**
Liabilities		
Capital & Reserves	110.28	79.91
Deposits	-	-
Borrowings	0.53	0.40
Other Liabilities & Provisions	68.70	62.92
Total	179.51	143.23
Assets		
Cash and Balances with RBI	-	0.06
Balances with Banks and money at call and short notice	50.34	28.77
Investments	2.11	1.62
Advances	-	-
Fixed Assets	11.06	9.92
Other Assets	116.00	102.86
Total	179.51	143.23
Capital Commitments	-	-
Other Contingent Liabilities	0.41	-
Income		
Interest earned	3.74	3.60
Other income	118.98	78.49
Total	122.72	82.09
Expenditure		
Interest expended	-	-
Operating expenses	105.97	69.73
Provisions & contingencies	5.54	6.27
Total	111.51	76.00
Profit	**11.21**	**6.09**

18.16 **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.

18.17 **Provisions, Contingent Liabilities & Contingent Assets**

a) Break-up of Provisions

Particulars	**Current Year**	**Previous Year**
Provision for Taxation		
-Current Tax	5,709.54	6,166.62
-Deferred Tax	976.82	(1,407.75)
-Other Tax	3.35	1.16
Provision for Depreciation on Investments	646.75	(987.99)
Provision on Non-Performing Assets	8,415.44	4,622.33
Provision on Restructured Assets	376.65	525.53
Provision on Standard Assets	976.60	80.06
Other Provisions	(34.10)	154.90
Total	17,071.05	9,154.86

18.18 **Floating Provisions**

Particulars	**Current Year**	**Previous Year**
Opening Balance	-	-
Add: Transferred from e-SBIN	23.00	-
Addition during the year	-	-
Draw down during the year	-	-
Closing Balance	23.00	-

18.19 **a) Description of Contingent Liabilities and Contingent Assets**

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.
2	Liability on account of outstanding forward exchange contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-Bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. 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.
3	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.
4	Other items for which the Bank is contingently liable	The Bank is a party to various taxation matters in respect of which appeals are pending. These are being contested by the Bank and not provided for. Further, the Bank has made commitments to subscribe to shares in the normal course of business.

b) 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.

c) Movement of provisions against Contingent Liabilities

Particulars	Current Year	Previous Year
Opening balance	148.14	85.54
Add: Transferred from e SBIN	11.81	0
Additions during the year	168.57	77.69
Reductions during the year	53.42	15.09
Closing balance	275.10	148.14

18.20 **Amalgamation of State Bank of Indore**

Consequent to the notification of the "Acquisition of State Bank of Indore Order, 2010" issued by the Government of India, the undertaking of State Bank of Indore stands transferred to and vests in State Bank of India("the Bank"), with effect from 26th August 2010, the effective date. The results for the year include the result of operations of the erstwhile State Bank of Indore (eSBIN) for the period from 26th August 2010 to the year end and the results of the Bank are not comparable to that extent.

The amalgamation of State Bank of Indore with the Bank has been accounted for under the pooling of interest method as prescribed in Accounting Standard 14 "Accounting for Amalgamations". Pursuant thereto, all assets and liabilities of State Bank of Indore as on the effective date have been transferred and vested in the Bank and in consideration thereof 1,14,606 fully paid equity shares of Rs. 10/- each of the Bank have been issued and allotted and Rs. 27,85,099/- paid in cash towards fractional entitlements to the non transferee bank shareholders in ratio of 34 equity shares for every 100 shares held . The Bank held 98.05% of the share capital of the State Bank of Indore on effective date which stands cancelled and the difference between the value of net identifiable assets acquired and the consideration amounting to Rs. 0.33 crore is credited to General Reserve.

The Assets and Liabilities of eSBIN taken over are as under:-

Assets Taken Over	Amount
Cash & Balance with RBI	1,614.03
Balances with Banks and Money at Call and Short Notice	32.07
Investments	8,101.61
Advances	21,180.60
Fixed Assets	114.80
Other Assets	929.85
Debit Balance in Profit and Loss Account	894.17
Total Assets	32,867.13
Liabilities Taken Over	
Reserve & Surplus	1,780.91
Deposits	27,105.17
Borrowings	2,210.94
Other Liabilities and Provisions	1,708.86
Total Liabilities	32,805.88
Net Assets Taken over	61.25
Less:	
Value of Investment of in e-SBIN in books of SBI	60.53
1,14,606 Shares of face value of Rs 10 each	0.11
Cash in lieu of fractional entitlement of shares	0.28
Net Amount Transferred to General Reserve	0.33

18.21 **Inter Office Accounts**

Inter Office Accounts between branches, controlling offices and 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.

18.22 **Wage Agreement Implementation**

During the year, the disbursement of arrears of wages was finalized in accordance with the ninth Bipartite Settlement. An amount of Rs. 974.29 crores was written back to the Profit & Loss account during the year ended 31st March 2011, being excess amount of provision for wage revision and an amount of Rs. 168.98 crores was provided during the year for 'Special Balancing Allowance.'

18.23 **Interest Not Collected and Unrealised Interest of Previous Year**

The balances/provisions held as Interest Not Collected and Unrealised Interest of Previous Year for NPAs aggregating Rs. 1,618.02 crores have been reversed to the individual borrower accounts as stipulated by Reserve bank of India. Consequently, the advances and provisions as at 31st March 2011 are lower by Rs. 1,618.02 crores.

18.24 **Countercyclical Provisioning Buffer**

During the nine month period ended 31st December 2010, the Bank had made higher provision for NPAs over and above the prescribed IRAC norms to achieve the PCR as per RBI dispensation. During the quarter ended 31st March 2011, pursuant to the revised guidelines issued by RBI vide their circular no. DBOD. No. BP.BC.87/21.04.048/2010-11 dated 21st April 2011, the Bank has created countercyclical provisioning buffer of Rs. 2,330.00 crores till 31st March 2011 as against Rs. 3,430 crores, shortfall of which is to be met by 30th September 2011.

18.25 In accordance with RBI approval, the Bank has credited Rs. 42.90 crores to Profit & Loss Account, being the outstanding credit entries in Draft Payable Account which were 10 years or more old as on 30th September 2010, of this amount of Rs. 28.65 crores (net of taxes) has been utilised for additional provision for Provisioning Coverage Ratio.

18.26 During the year, the Bank has contributed Rs. 92.00 crores (previous year Rs. 92.00 crores) to SBI Retired Employees' Medical Benefit Trust.

18.27 Previous period figures have been regrouped/reclassified, wherever necessary, to conform to current period 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.

Consolidated Financial Statements

of

State Bank Group

For the Year Ended 31st March 2013

INDEPENDENT AUDITOR'S REPORT

To
The Board of Directors,
State Bank of India

1. We have audited the accompanying consolidated financial statements of State Bank of India ("the Bank") and its subsidiaries, associates and joint ventures ("the Group") which comprise the consolidated Balance Sheet as at March 31, 2013, and 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. Incorporated in these consolidated financial statements are the:
   i. Audited accounts of the Bank audited by 14 (fourteen) Joint Auditors including us,
   ii. Audited accounts of 27 (twenty seven) subsidiaries, 24 (twenty four) Associates and 8 (Eight) joint ventures audited by other auditors,
   iii. Unaudited accounts of 1 (one) subsidiary and 1 (one) associate.

2. We have jointly audited the financial statement of the Bank along with 13 other joint auditors, whose financial statements reflect total assets of Rs. 15,66,261 crore as at March 31, 2013, and total revenue of Rs. 1,35,692 crore and net cash inflows amounting to Rs. 17,657 crore for the year then ended.
3. We did not audit the financial statements of its Subsidiaries, Associates and Joint Ventures whose financial statements reflects total assets of Rs. 5,81,754 crore as at March 31, 2013, and total revenue of Rs. 67,029 crore and net cash outflows amounting to Rs. 2480 crore for the year then ended. 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. The unaudited financial statements of 1 (one) subsidiary and 1 (one) associate, whose financial statements reflect total assets of Rs. 3,427 crore as at March 31, 2013, total revenue of Rs. 157 crore and net cash outflows amounting to Rs. 47 crore for the year then ended have been consolidated on the basis of management certified financial statements.

Management's Responsibility for the Financial Statements

5. 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 requirement 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" prescribed by the Institute of Chartered Accountants of India and the requirements of Reserve Bank of India.This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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 bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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.
8. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

9. Based on our audit and on consideration of the reports of other auditors on separate financial statements, the unaudited financial statements and the other financial information of the components, 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, 2013;
   (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.

Matter of Emphasis

10. Without qualifying our opinion, we draw attention to :

    Notes 3.1.5.1 and 3.1.5.2 regarding deferment of gratuity and pension liabilities of the Bank and its domestic subsidiaries to the extent of Rs. 422.43 crores and Rs. 720.40 crores respectively pursuant to the exemption granted by the Reserve Bank of India to the public sector banks from of application of the provisions of Accounting Standard (AS) 15, Employee Benefits vide its circular no. DBOD. BP.BC/80/21.04.018/2010-11.

For TODI TULSYAN & CO.
Chartered Accountants
Firm Regn. No. 002180C

(Sushil Kumar Tulsyan)
Partner
M. No.075899

Place : Kolkata
Dated: 23rd May, 2013

State Bank of India (Consolidated)

Balance Sheet as on 31st March 2013

(000s omitted)

	Sch.No.	As on 31st March 2013 (Current Year)	As on 31st March 2012 (Previous Year)
		Rs.	Rs.
CAPITAL AND LIABILITIES			
Capital	1	684,03,40	671,04,48
Reserves & Surplus	2	124348,98,77	105558,96,85
Minority Interest		4253,86,10	3725,66,87
Deposits	3	1627402,61,19	1414689,40,11
Borrowings	4	203723,19,69	157991,35,95
Other Liabilities and Provisions	5	172745,64,53	147319,72,65
TOTAL		2133158,33,68	1829956,16,91
ASSETS			
Cash and Balances with Reserve Bank of India	6	89574,03,11	79199,20,61
Balance with banks and money at call & short notice	7	55653,69,49	48391,62,24
Investments	8	519393,19,04	460949,13,77
Advances	9	1392608,03,33	1163670,20,54
Fixed Assets	10	9369,92,56	7407,96,51
Other Assets	11	66559,46,15	70338,03,24
TOTAL		2133158,33,68	1829956,16,91

Contingent Liabilities	12	1056488,59,99	937155,49,74
Bills for Collection		80201,66,95	80410,04,83
Significant Accounting Policies	17		
Notes on Accounts	18		

State Bank of India (Consolidated)

Profit and Loss Account for the year ended 31st March 2013

(000s omitted)

	Sch.No	Year ended 31st March 2013 (Current Year) Rs.	Year ended 31st March 2012 (Previous Year) Rs.
I. INCOME			
Interest earned	13	167978,13,78	147197,38,72
Other Income	14	32581,69,88	29691,58,30
TOTAL		200559,83,66	176888,97,02
II. EXPENDITURE			
Interest expended	15	106817,91,29	89319,55,28
Operating expenses	16	52819,79,73	46856,03,30
Provisions and contingencies		22599,13,28	24883,93,33
TOTAL		182236,84,30	161059,51,91
III. PROFIT			
Net Profit for the year (before adjustment for Share in Profit of Associates and Minority Interest)		18322,99,36	15829,45,11
Add: Share in Profit of Associates		231,67,78	143,85,41
Less: Minority Interest		638,44,03	630,20,56
Net Profit for the Group		17916,23,11	15343,09,96
Balance Brought forward		892,74,17	522,92,29
Amount available for Appropriation		18808,97,28	15866,02,25
APPROPRIATIONS			
Transfer to Statutory Reserves		5371,44,24	4454,61,65
Transfer to Other Reserves		8695,52,63	7781,54,57
Proposed Dividend		2838,74,09	2348,65,69
Tax on Dividend		480,72,38	388,46,17
Balance carried over to Balance Sheet		1422,53,94	892,74,17
TOTAL		18808,97,28	15866,02,25
Basic Earnings per Share		Rs. 266.82	Rs. 241.55
Diluted Earnings per Share		Rs. 266.82	Rs. 241.55
Significant Accounting Policies	17		
Notes on Accounts	18		

State Bank of India (Consolidated)

Cash flow statement for the year ended 31st March 2013

(000s omitted)

PARTICULARS		Year ended 31.03.2013 Rs.	Year ended 31.03.2012 Rs.
Cash flow from operating activities			
Net Profit before taxes		25475,05,21	23982,59,19
Adjustments for :			
Depreciation on Fixed Assets		1577,49,23	1371,60,74
(Profit)/Loss on sale of Fixed Assets (Net)		40,53,82	47,01,40
(Profit)/Loss on sale of Investments (Net)		(2861,82,55)	583,26,05
(Profit)/Loss on revaluation of Investments (Net)		(594,91,28)	1369,65,79
Provision on Non Performing Assets		14906,55,70	14209,97,61
Provision on Standard Assets		1090,70,76	1304,75,75
Provision for Depreciation on Investments		(950,11,72)	875,18,08
Other Provisions		(6,83,56)	(145,47,34)
Dividend/Earnings from Associates (Investing Activity)		(244,54,53)	(146,14,16)
Interest on Capital Instruments (Financing Activity)		4706,74,29	4584,94,51
Deferred Revenue Expenditure written off during the year		78,86,98	12,85,34
SUB TOTAL		**43217,72,35**	**48050,22,96**
Adjustments for :			
Increase/(Decrease) in Deposits		212713,21,08	159126,91,68
Increase/(Decrease) in Borrowings		45485,85,12	13953,09,73
(Increase)/Decrease in Investments		(53953,40,34)	(44585,14,78)
(Increase)/Decrease in Advances		(243844,38,49)	(171478,63,02)
Increase/(Decrease) in Other Liabilities & Provisions		24278,85,49	(16803,43,81)
(Increase)/Decrease in Other Assets		642,31,59	(7659,12,12)
SUB TOTAL		**28540,16,80**	**(19396,09,36)**
Taxes Paid		(4442,36,90)	(10718,04,52)
Net cash flow from operating activities	(A)	**24097,79,90**	**(30114,13,88)**
Cash flow from investing activities			
(Increase)/Decrease in Investments in Associates		(83,79,38)	(125,64,00)
Income earned on such investments		244,54,53	146,14,16
(Increase)/Decrease in Fixed Assets		(3579,99,11)	(2339,75,41)
Net Cash generated from investing activities	(B)	**(3419,23,96)**	**(2319,25,25)**
Cashflow from financing activities			
Proceeds from issue of equity share capital		3000,34,14	7891,30,87
Issue of Capital Instruments		75,13,60	1175,15,60
Repayment of Capital Instruments		(42,20,00)	-
Interest paid on Capital Instruments		(4706,74,29)	(4584,94,51)
Dividends paid including tax thereon		(2645,16,40)	(2151,43,88)

Dividends tax paid by subsidiaries		(104,90,81)	(121,23,54)
Net Cash generated from financing activities	(C)	**(4423,53,76)**	**2208,84,54**
Effect of exchange fluctuation on translation reserve	(D)	**1381,87,57**	**2487,91,96**
Net increse / (decrease) in cash and cash equivalents (A)+(B)+(C)+(D)		**17636,89,75**	**(27736,62,63)**
Cash and Cash equivalents at the beginning of the year		**127590,82,85**	**155327,45,48**
Cash and Cash equivalents at the end of the year		**145227,72,60**	**127590,82,85**

SCHEDULE 1 - CAPITAL

(000s omitted)

	As on 31st March 2013 (Current Year)	As on 31st March 2012 (Previous Year)
	Rs.	Rs.
Authorised Capital 500,00,00,000 (Previous Year 500,00,00,000) equity shares of Rs. 10/- each	5000,00,00	5000,00,00
Issued Capital 68,41,17,046 (Previous Year 67,11,28,349) equity shares of Rs. 10/- each	684,11,70	671,12,83
Subscribed and Paid up Capital 68,40,33,971 (Previous Year 67,10,44,838) equity shares of Rs. 10/-each The above includes 1,65,21,526 (Previous Year 1,69,77,498) equity shares represented by 82,60,763 (Previous Year 84,88,749) Global Depository Receipts	684,03,40	671,04,48
TOTAL	**684,03,40**	**671,04,48**

SCHEDULE 2 - RESERVES & SURPLUS

(000s omitted)

	As on 31st March 2013 (Current Year)		As on 31st March 2012 (Previous Year)	
	Rs.		*Rs.*	
I. Statutory Reserves				
Opening Balance	43449,97,27		38996,30,40	
Additions during the year	5371,47,28		4453,66,87	
Deductions during the year		48821,44,55	-	43449,97,27
II. Capital Reserves #				
Opening Balance	2125,44,35		2092,59,31	
Additions during the year	87,62,49		32,85,04	
Deductions during the year		2213,06,84	-	2125,44,35
III. Share Premium				
Opening Balance	28513,84,58		20658,58,29	
Additions during the year	2991,08,00		7864,05,01	
Deductions during the year	3,72,77	31501,19,81	8,78,72	28513,84,58
IV. Foreign Currency Translation Reserves				
Opening Balance	2845,50,56		749,92,64	
Additions during the year	1168,82,55		2095,57,92	
Deductions during the year		4014,33,11	-	2845,50,56
V. Revenue and Other Reserves				
Opening Balance	27731,45,92		19815,92,40	
Additions during the year ##	8682,21,22		7935,25,66	
Deductions during the year	37,26,62	36376,40,52	19,72,14	27731,45,92
VI. Balance in Profit and Loss Account		1422,53,94		892,74,17
Total		**124348,98,77**		**105558,96,85**

includes Capital Reserve on consolidation Rs. 139,23,28 thousand (Previous Year Rs. 139,23,28 thousand)
net of consolidation adjustments

SCHEDULE 3 - DEPOSITS

(000s omitted)

	As on 31st March 2013 (Current Year)	As on 31st March 2012 (Previous Year)
	Rs.	*Rs.*
A. I. Demand Deposits		
(i) From Banks	8201,96,41	7598,17,42
(ii) From Others	127793,49,18	111357,83,08
II. Savings Bank Deposits	527129,94,19	456632,72,25
III. Term Deposits		
(i) From Banks	29356,76,95	18580,69,73
(ii) From Others	934920,44,46	820519,97,63
Total	**1627402,61,19**	**1414689,40,11**
B. (i) Deposits of Branches in India	1540656,01,05	1341224,25,26
(ii) Deposits of Branches outside India	86746,60,14	73465,14,85
Total	**1627402,61,19**	**1414689,40,11**

SCHEDULE 4 - BORROWINGS

(000s omitted)

	As on 31st March 2013 (Current Year)	As on 31st March 2012 (Previous Year)
	Rs.	*Rs.*
I. Borrowings in India		
(i) Reserve Bank of India	16415,66,00	1522,00,00
(ii) Other Banks	8434,78,11	6693,68,11
(iii) Other Institutions and Agencies	17642,03,89	14357,75,23
(iv) Innovative Perpetual Debt Instruments(IPDI)	3890,00,00	3890,00,00
(v) Subordinated Debts & Bonds	45009,61,20	45004,57,10
Total	**91392,09,20**	**71468,00,44**
II. Borrowings outside India		
(i) Borrowing and Refinance outside india	108875,45,24	83305,85,87
(ii) Innovative Perpetual Debt Instruments(IPDI)	3392,81,25	3179,76,24
(iii) Subordinated Debts & Bonds	62,84,00	37,73,40
Total	**112331,10,49**	**86523,35,51**
Grand Total (I & II)	**203723,19,69**	**157991,35,95**
Secured Borrowings included in I & II above	**12570,33,58**	**5991,39,23**

SCHEDULE 5 - OTHER LIABILITIES & PROVISIONS

(000s omitted)

	As on 31st March 2013 (Current Year)	As on 31st March 2012 (Previous Year)
	Rs.	*Rs.*
I. Bills payable	24393,64,28	25164,68,38
II. Inter Bank Adjustments (net)	167,13,54	229,12,23
III.Inter Office adjustments (net)	16384,11,49	-
IV. Interest accrued	17778,02,18	15050,35,95
V. Deferred Tax Liabilities (net)	719,09,59	325,36,91
VI. Liabilities relating to Policyholders in Insurance Business	50216,61,30	44920,85,73
VII. Others (including provisions)	63087,02,15	61629,33,45
Total	**172745,64,53**	**147319,72,65**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(000s omitted)

	As on 31st March 2013 (Current Year)	As on 31st March 2012 (Previous Year)
	Rs.	*Rs.*
I. Cash in hand (including foreign currency notes and gold)	13569,34,83	13082,01,93
II. Balances with Reserve Bank of India		
(i) In Current Account	76004,68,28	66114,64,44
(ii) In Other Accounts	-	2,54,24
Total	**89574,03,11**	**79199,20,61**

SCHEDULE 7 - BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE

(000s omitted)

	As on 31st March 2013 (Current Year)	As on 31st March 2012 (Previous Year)
	Rs.	*Rs.*
I. In India		
(i) Balances with banks		
(a) In Current Account	700,22,10	866,16,03
(b) In Other Deposit Accounts	6059,57,08	6765,69,55
(ii) Money at call and short notice		
(a) With banks	7211,71,57	5805,48,81
(b) With Other Institutions	700,00,00	331,69,00
TOTAL	**14671,50,75**	**13769,03,39**
II. Outside India		
(i) In Current Account	27157,14,31	24580,04,34
(ii) In Other Deposit Accounts	5345,93,68	1843,99,10
(iii) Money at call and short notice	8479,10,75	8198,55,41
TOTAL	**40982,18,74**	**34622,58,85**
GRAND TOTAL (I and II)	**55653,69,49**	**48391,62,24**

SCHEDULE 8 - INVESTMENTS

(000s omitted)

	As on 31st March 2013 (Current Year)	As on 31st March 2012 (Previous Year)
	Rs.	*Rs.*
I. Investments in India in		
(i) Government Securities	391862,07,81	360054,56,37
(ii) Other Approved Securities	2871,56,85	2089,18,54
(iii) Shares	24444,08,86	24834,64,64
(iv) Debentures and Bonds	40324,26,62	23517,79,87
(v) Associates	1572,37,89	1265,46,97
(vi) Others (Units of Mutual Funds, Commercial Papers, Priority Sector Depsits etc.)	46995,29,59	37449,90,11
TOTAL	**508069,67,62**	**449211,56,50**
II. Investments outside India in		
(i) Government Securities (including local authorities)	4569,61,80	3531,20,41
(ii) Associates	70,69,84	62,13,60
(iii) Other Investments (Shares, Debentures, etc.)	6683,19,78	8144,23,26
TOTAL	**11323,51,42**	**11737,57,27**
GRAND TOTAL (I and II)	**519393,19,04**	**460949,13,77**
III. Investments in India in		
(i) Gross Value of Investments	509328,18,84	451425,98,03
(ii) Less: Aggregate of Provisions / Depreciation	1258,51,22	2214,41,53
(iii) Net Investments (vide I above)	**508069,67,62**	**449211,56,50**
IV. Investments outside India in		
(i) Gross Value of Investments	11463,00,51	12012,89,05
(ii) Less: Aggregate of Provisions / Depreciation	139,49,09	275,31,78
(iii) Net Investments (vide II above)	**11323,51,42**	**11737,57,27**
GRAND TOTAL (III and IV)	**519393,19,04**	**460949,13,77**

SCHEDULE 9 - ADVANCES

(000s omitted)

	As on 31st March 2013 (Current Year)	As on 31st March 2012 (Previous Year)
	Rs.	*Rs.*
A.(i) Bills purchased and discounted	102044,39,37	90893,63,64
(ii) Cash Credits,Overdrafts and Loans Repayable on demand	615349,13,44	498481,20,77
(iii) Term Loans	675214,50,52	574295,36,13
TOTAL	**1392608,03,33**	**1163670,20,54**
B.(i) Secured by tangible assets (includes advances against Book Debts)	1071886,44,08	875465,18,10
(ii) Covered by Bank / Government Guarantees	100582,82,89	86332,96,33
(iii) Unsecured	220138,76,36	201872,06,11
TOTAL	**1392608,03,33**	**1163670,20,54**
C.(I) Advances in India		
(i) Priority Sector	375962,79,00	345780,06,73
(ii) Public Sector	73636,90,26	72039,51,04
(iii) Banks	892,64,87	339,58,80
(iv) Others	765498,22,60	602723,48,35
TOTAL	**1215990,56,73**	**1020882,64,92**
(II) Advances outside India		
(i) Due from banks	32972,34,89	17171,70,50
(ii) Due from others		
(a) Bills purchased and discounted	21229,56,72	21623,37,73
(b) Syndicated loans	58531,61,40	49339,16,18
(c) Others	63883,93,59	54653,31,21
TOTAL	**176617,46,60**	**142787,55,62**
GRAND TOTAL [C (I). and C (II)]	**1392608,03,33**	**1163670,20,54**

SCHEDULE 10 - FIXED ASSETS

(000s omitted)

	As on 31st March 2013 (Current Year)		As on 31st March 2012 (Previous Year)	
	Rs.		*Rs.*	
I. Premises				
At cost as on 31st March of the preceding year	3055,37,69		2606,31,69	
Additions during the year	743,84,48		454,98,31	
Deductions during the year	3,35,64		5,92,31	
Depreciation to date	1177,73,85	2618,12,68	1051,76,21	2003,61,48
II. Other Fixed Assets (including furniture and fixtures)				
At cost as on 31st March of the preceding year	15646,57,73		14029,96,46	
Additions during the year	3064,44,93		2346,63,13	
Deductions during the year	839,14,39		730,01,86	
Depreciation to date	11819,45,62	6052,42,65	10639,67,34	5006,90,39
III. Leased Assets				
At cost as on 31st March of the preceding year	917,80,50		906,97,74	
Additions during the year	12,30,01		11,02,75	
Deductions during the year	20,03,83		,19,99	
Depreciation to date (including provisions)	882,62,21		897,15,52	
	27,44,47		20,64,98	
Less : Lease Adjustment Account	4,50,18	22,94,29	4,50,18	16,14,80
IV. Assets under Construction		676,42,94		381,29,84
TOTAL		**9369,92,56**		**7407,96,51**

SCHEDULE 11 - OTHER ASSETS

(000s omitted)

	As on 31st March 2013 (Current Year)	As on 31st March 2012 (Previous Year)
	Rs.	*Rs.*
(i) Inter Office adjustments (net)	1335,13,92	3110,81,70
(ii) Interest accrued	16750,54,58	15121,66,38
(iii) Tax paid in advance / tax deducted at source	7246,74,38	9931,41,36
(iv) Stationery and Stamps	125,23,07	128,70,95
(v) Non-banking assets acquired in satisfaction of claims	29,58,53	33,81,06
(vi) Deferred tax assets (net)	594,29,46	534,45,70
(vii)Others #	40477,92,21	41477,16,09
TOTAL	**66559,46,15**	**70338,03,24**

Includes Goodwill on consolidation Rs. 728,55,26 thousand (P.Y. Rs. 728,64,93 thousand)

SCHEDULE 12 - CONTINGENT LIABILITIES

(000s omitted)

	As on 31st March 2013 (Current Year)	As on 31st March 2012 (Previous Year)
	Rs.	*Rs.*
I. Claims against the group not acknowledged as debts	1571,76,13	1344,28,80
II. Liability for partly paid investments	6,13,51	10,69,90
III. Liability on account of outstanding forward exchange contracts	548862,16,67	460108,59,30
IV. Guarantees given on behalf of constituents		
(a) In India	117565,83,83	105767,34,48
(b) Outside India	81047,16,27	85203,17,43
V. Acceptances, endorsements and other obligations	149889,00,38	160401,48,34
VI. Other items for which the group are contingently liable	157546,53,20	124319,91,49
TOTAL	**1056488,59,99**	**937155,49,74**
Bills for collection	**80201,66,95**	**80410,04,83**

SCHEDULE 13 - INTEREST EARNED

(000s omitted)

	Year Ended 31st March 2013 (Current Year)	Year ended 31st March 2012 (Previous Year)
	Rs.	*Rs.*
I. Interest / discount on advances/ bills	126442,17,69	111341,45,56
II. Income on Investments	38703,23,15	33705,20,92
III.Interest on balances with Reserve Bank of India and other inter-bank funds	1338,70,42	776,25,90
IV. Others	1494,02,52	1374,46,34
TOTAL	**167978,13,78**	**147197,38,72**

SCHEDULE 14 - OTHER INCOME

(000s omitted)

	Year Ended 31st March 2013 (Current Year)	Year ended 31st March 2012 (Previous Year)
	Rs.	*Rs.*
I. Commission, exchange and brokerage	13861,89,39	14532,36,72
II. Profit /(Loss) on sale of investments (Net)	2861,82,55	(583,26,05)
III.Profit /(Loss) on revaluation of investments (Net)	594,91,28	(1369,65,79)
IV. Profit /(Loss) on sale of land, building and other assets including leased assets (net)	(40,53,82)	(47,01,40)
V. Profit /(Loss) on exchange transactions (Net)	2011,12,49	1688,26,70
VI. Dividends from Associates in India/ abroad	12,86,75	2,28,75
VII.Income from Financial Lease	,61,25	,15,10
VIII.Credit Card membership/ service fees	400,66,84	268,98,68
IX. Insurance Premium Income (net)	10415,77,26	12985,11,49
X. Miscellaneous Income	2462,55,89	2214,34,10
TOTAL	**32581,69,88**	**29691,58,30**

SCHEDULE 15 - INTEREST EXPENDED

(000s omitted)

	Year Ended 31st March 2013 (Current Year)	Year ended 31st March 2012 (Previous Year)
	Rs.	*Rs.*
I. Interest on Deposits	96302,48,84	79345,57,40
II. Interest on Reserve Bank of India/ Inter-bank borrowings	4736,59,97	4427,60,44
III.Others	5778,82,48	5546,37,44
TOTAL	**106817,91,29**	**89319,55,28**

SCHEDULE 16 - OPERATING EXPENSES

(000s omitted)

	Year Ended 31st March 2013 (Current Year)	Year ended 31st March 2012 (Previous Year)
	Rs.	*Rs.*
I. Payments to and provisions for employees	24401,09,07	22084,02,73
II. Rent, taxes and lighting	3252,70,34	2822,38,95
III. Printing & Stationery	419,33,83	380,08,52
IV. Advertisement and publicity	643,67,08	342,66,27
V. (a) Depreciation on Leased Assets	4,66,19	1,84,61
(b) Depreciation on Fixed Assets (other than Leased Assets)	1572,83,04	1369,76,13
VI. Directors' fees, allowances and expenses	7,55,97	5,86,33
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	186,76,13	197,98,41
VIII.Law charges	248,83,62	211,69,70
IX. Postages, Telegrams, Telephones, etc.	682,63,85	539,09,80
X. Repairs and maintenance	530,12,53	489,96,18
XI. Insurance	1596,69,48	1271,89,18
XII. Amortization of deferred revenue expenditure	78,86,98	12,85,34
XIII. Other Operating Expenses relating to Credit Card Operations	319,08,12	333,44,65
XIV. Other Operating Expenses relating to Insurance Business	13450,63,98	12444,91,93
XV. Other Expenditure	5424,29,52	4347,54,57
TOTAL	**52819,79,73**	**46856,03,30**

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, unless otherwise stated and conform in all material aspect to Generally Accepted Accounting Principles (GAAP) in India, which comprise applicable statutory provisions, regulatory norms/guidelines prescribed by Reserve Bank of India (RBI), Insurance Regulatory and Development Authority (IRDA), Pension Fund Regulatory and Development Authority (PFRDA), Companies Act, 1956, 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 of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

C. Basis of Consolidation:

1. Consolidated financial statements of the Group **(comprising of 28 subsidiaries, 8 Joint Ventures and 25 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" of 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" of 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. In respect of foreign offices/entities, income is 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 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".

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. 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 and (ii) Commission on Government Business, which is recognised as it accrues.

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 **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 transactions and includes stamp duty and 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, and investments made by the company in the respective scheme) and are in conformity with the limits specified under SEBI (Mutual Funds) Regulations, 1996.
b. Portfolio Advisory Service and Portfolio Management Service 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 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. Scheme Expenses: 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.

Credit Card Operations:

a. Joining membership fee and first annual fee is 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. Interest & Subvention Income are recognised over the tenure of loans.
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, decided by the company. Processing charges are recognised as income only when there is reasonable certainty of its receipt after execution of documents.

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. Uncollected premium from lapsed policies is not recognised as income until such policies are revived.
b. 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.
c. Premium ceded on reinsurance is accounted in accordance with the terms of the treaty or in-principle arrangement with the Re-Insurer.
d. 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. Surrender 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.

e. 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.

f. **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 the IRDA and the relevant Guidance Notes issued by the Institute of Actuaries of India are also compiled with.
The liability in respect of non-linked business has been calculated by using prospective gross premium valuation method. 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) prevailing at the valuation date.

General Insurance:

a. 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 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. 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 such as commission, policy issue expenses etc. are costs that are primarily related to the acquisition of new and renewal insurance contracts and are expensed in the period in which they are incurred.

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.

Custodial & related 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 fees is recognized at specified 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.

Mutual Fund Trustee Operation:

Trusteeship fees / management fees are recognised on an accrual basis in accordance with the respective terms of contract 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)

2.2 **Basis of classification:**

i) Investments that the Bank intends to hold till maturity are classified as Held to Maturity.
ii) Investments that are held principally for resale within 90 days from the date of purchase are classified as Held for Trading.
iii) Investments, which are not classified in the above two categories, are classified as Available for Sale.
iv) An investment is classified as Held to Maturity, Available for Sale or Held for Trading 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) The transfer of a security amongst the above three categories is accounted for at the least of acquisition cost/book value/market value on the date of transfer, and the depreciation, if any, on such transfer is fully provided for.
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 remaining maturity on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments". Investments in Regional Rural Banks (RRBs) are valued at equity cost determined in accordance with AS 23 of the ICAI.A provision is made for diminution, other than temporary, for each investment individually.

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 is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual securities remains unchanged after marking to market.

vi) Security receipts issued by an asset reconstruction company (ARC) are valued in accordance with the guidelines applicable to non-SLR instruments. Accordingly, in cases where the security receipts issued by the 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 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 case of domestic offices/entities and respective regulators in 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 the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer 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 non performing investments are made as per the local regulations or as per the norms of RBI, whichever is higher.

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 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, and various other circulars or notifications issued by IRDA in this context from time to time.

(i) Valuation of investment pertaining to non-linked life business and general insurance business: -

- All debt securities, including government securities are stated at historical cost, subject to amoritsation.
- Listed equity shares are measured at fair value on the Balance Sheet date. For the purpose of determining fair value, the lower of the last quoted closing price at the National Stock Exchange of India Limited ('NSE') or Bombay Stock Exchange Limited, Mumbai ('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.

  Unrealized gains or losses arising due to changes in the fair value of listed equity shares and mutual fund units 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 one year or less 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 shares are measured at fair value on the Balance Sheet date. For the purpose of determining fair value, the last quoted closing price at the National Stock Exchange of India Limited ('NSE') is considered. In case the equity shares are not listed on NSE, then they are valued at last quoted closing price on BSE.

- 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 shares 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 issued by 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 for short duration crops, where the instalment of principal or interest remains overdue for two crop seasons;

v) In respect of agricultural advances 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:	A general provision of 15% 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) Unsecured Exposure in respect of infrastructure loan accounts where certain safeguards such as escrow accounts are available – 20%
Doubtful Assets:	
-Secured portion:	Upto one year – 25% One to three years – 40% More than three years – 100%
-Unsecured portion	100%
Loss Assets:	100%

3.4 In respect of foreign Offices, classification of loans and advances and provisions for non performing advances are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

3.5 The sale of NPAs is accounted as per guidelines prescribed by RBI. If the sale is at a price below net book value, the shortfall is debited to the profit and loss account, and in case of sale for a value higher than net book value, the excess provision is retained and utilised to meet the shortfall / loss on sale of other financial assets. Net book value is outstanding as reduced by specific provisions held and ECGC claims received.

3.6 Advances are net of specific loan loss provisions, unrealised interest, ECGC claims received and bills rediscounted.

3.7 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by RBI, which require that the difference between the fair value of the loan before and after restructuring is provided for, in addition to provision for NPAs. The provision for diminution in fair value and interest sacrifice, arising out of the above, is reduced from advances.

3.8 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.

3.9 Amounts recovered against debts written off in earlier years are recognised as revenue.

3.10 In addition to the specific provision on NPAs, general provisions are also made for standard assets. 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 Net NPAs.

4. **Floating Provision**

The bank has a policy for creation and utilisation of floating provisions separately for advances, investments and general purpose. The quantum of floating provisions to be created is assessed at the end of each 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 held 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 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 A/c - 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 A/c - 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 have been considered to arrive at Mark to Market value for forex Over the Counter 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 and Depreciation**

7.1 Fixed assets are carried at cost less accumulated depreciation.

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 incurred on assets put to use is 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 & ATM	Straight Line Method	33.33% every year
2	Computer software forming an integral part of hardware	Written Down Value Method	60%
3	Computer Software which does not form an integral part of hardware	-	100% depreciated in the year of acquisition
4	Assets given on financial lease upto 31st March 2001	Straight Line Method	At the rate prescribed under the Companies Act 1956
5	Other fixed assets	Written down value method	At the rate prescribed under the Income-tax Rules 1962

7.4 In respect of assets acquired during the year for domestic operations, depreciation is charged for half a year in respect of assets used for upto 180 days and for the full year in respect of assets used for more than 180 days, except depreciation on computers and software, which is charged for the full year irrespective of the period for which the asset was put to use.

7.5 Items costing less than Rs. 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.

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**

- 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.

- Foreign currency monetary items are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing spot/forward rates.
- Foreign currency non-monetary items, which are carried in terms at historical cost, are reported using the exchange rate at the date of the transaction.
- Contingent liabilities denominated in foreign currency are reported using the FEDAI closing spot rates.
- 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 or Loss account.
- Foreign exchange forward contracts which are not intended for trading and are outstanding at the balance sheet date, are 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.
- 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.
- 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 have been classified as Non-integral Operations and Representative Offices have been classified as Integral Operations.

a.) Non-integral Operations:

- 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.
- Income and expenditure of non-integral foreign operations are translated at quarterly average closing rates.
- Exchange differences arising on net investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the net investment.
- 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.

b.) Integral Operations:

- 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.
- Monetary foreign currency assets and liabilities of integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss is included in the profit and loss account.
- Foreign currency non-monetary items which are carried in terms of historical cost are reported using the exchange rate at the date of the transaction.

11. Employee Benefits:

11.1 **Short Term Employee Benefits:**

The undiscounted amount of short-term employee benefits, such as medical benefits, casual leave etc. 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 **Post Employment Benefits:**

Defined Benefit Plan

The bank operates Provident Fund scheme. All eligible employees are entitled to receive benefits under the Provident Fund scheme. The bank contributes monthly at a determined rate. These contributions are remitted to a trust established for this purpose and are charged to Profit and Loss Account. The bank is liable for annual contributions and interests, which is payable at minimum specified rate of interest. The bank recognises such annual contributions and interest as an expense in the year to which they relate.

The group entities operate separate gratuity and pension schemes, which are defined benefit plans.

The group entities provide for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement, 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 ceiling in terms of service rules. Vesting occurs upon completion of five years of service. The Bank makes annual contributions to a fund administered by trustees based on an independent external actuarial valuation carried out annually.

Some group entities provide for pension to all eligible employees. The benefit is in the form of monthly payments as per rules and regular payments to vested employees on retirement, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The entities make annual contributions to funds administered by trustees based on an independent external actuarial valuation carried out annually.

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 statement of profit and loss and are not deferred.

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. Pending finalisation of the detailed scheme, the employees covered under the scheme contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the Bank. 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 recognises such annual contributions and interest as an expense in the year to which they relate.

Other Long Term Employee benefits:

All eligible employees of the group are eligible for compensated absences, silver jubilee award, leave travel concession, retirement award and resettlement allowance. The costs of such long term employee benefits are internally funded by the group entities.

The cost of providing other long term benefits is determined using the projected unit credit method with actuarial valuations being carried out at each balance sheet date. Past service cost is immediately recognised in the statement of 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

12.1 Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax charge. Current taxes are determined in accordance with the provisions of Accounting Standard 22 and tax laws prevailing in India after taking into account taxes of foreign offices/entities, which are based on the tax laws of respective jurisdiction. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

12.2 Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax bases, and carry forward losses. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

12.3 Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future profits.

12.4 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. Earning 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 (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, it is probable that an 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

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

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 Contingent Assets are not recognised in the financial statements.

15. Share Issue Expenses

Share issue expenses are charged to the Share Premium Account.

SCHEDULE 18
NOTES TO ACCOUNTS:

(Amount in Rupees in Crores)

1. **List of Subsidiaries/Joint Ventures/Associates considered for preparation of consolidated financial statements:**

   1.1 The 28 Subsidiaries, 8 Joint Ventures and 25 Associates including 22 Regional Rural Banks from/upto respective dates of merger/exit 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

E. A) Subsidiaries:

			Group's Stake (%)	
S. No.	**Name of the Subsidiary**	**Country of incorporation**	**Current Year**	**Previous Year**
1)	State Bank of Bikaner & Jaipur	India	75.07	75.07
2)	State Bank of Hyderabad	India	100	100
3)	State Bank of Mysore	India	92.33	92.33
4)	State Bank of Patiala	India	100	100
5)	State Bank of Travancore	India	75.01	75.01
6)	SBI Capital Markets Ltd.	India	100	100
7)	SBICAP Securities Ltd.	India	100	100
8)	SBICAP Trustee Company Ltd.	India	100	100
9)	SBICAPS Ventures Ltd.	India	100	100
10)	SBI DFHI Ltd.	India	71.56	71.56
11)	SBI Mutual Fund Trustee Company Pvt Ltd.	India	100	100
12)	SBI Global Factors Ltd.	India	86.18	86.18
13)	SBI Pension Funds Pvt Ltd.	India	92.6	98.15
14)	SBI –SG Global Securities Services Pvt. Ltd. @	India	65	65
15)	SBI General Insurance Company Ltd. @	India	74	74
16)	SBI Payment Services Pvt. Ltd.	India	100	100
17)	State Bank of India (Canada)	Canada	100	100
18)	State Bank of India (California)	USA	100	100
19)	SBI (Mauritius) Ltd.	Mauritius	93.4	93.4
20)	PT Bank SBI Indonesia	Indonesia	76	76
21)	SBICAP (UK) Ltd.	U.K.	100	100
22)	SBI Cards and Payment Services Pvt. Ltd. @	India	60	60
23)	SBI Funds Management Pvt. Ltd. @	India	63	63
24)	SBI Life Insurance Company Ltd. @	India	74	74
25)	Commercial Bank of India Llc. , Moscow @	Russia	60	60
26)	Nepal SBI Bank Ltd.	Nepal	55.28	55.05
27)	SBI Funds Management (International) Private Ltd. @	Mauritius	63	63
28)	SBICAP (Singapore) Ltd.	Singapore	100	100

@ 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:

			Group's Stake (%)	
S. No.	**Name of the Joint Venture**	**Country of Incorporation**	**Current Year**	**Previous Year**
1)	C - Edge Technologies Ltd.	India	49	49
2)	GE Capital Business Process Management Services Pvt Ltd.	India	40	40
3)	SBI Macquarie Infrastructure Management Pvt. Ltd.	India	45	45
4)	SBI Macquarie Infrastructure Trustee Pvt. Ltd.	India	45	45
5)	Macquarie SBI Infrastructure Management Pte. Ltd.	Singapore	45	45
6)	Macquarie SBI Infrastructure Trustee Ltd.	Bermuda	45	45
7)	Oman India Joint Investment Fund – Management Company Pvt. Ltd.	India	50	50
8)	Oman India Joint Investment Fund – Trustee Company Pvt. Ltd.	India	50	50

C) Associates:

			Group's Stake (%)	
S. No.	**Name of the Associate**	**Country of Incorporation**	**Current Year**	**Previous Year**
1)	Andhra Pradesh Grameena Vikas Bank	India	35	35
2)	Arunachal Pradesh Rural Bank	India	35	35
3)	Chhattisgarh Gramin Bank	India	35	35
4)	Ellaquai Dehati Bank	India	35	35
5)	Meghalaya Rural Bank	India	35	35
6)	Krishna Grameena Bank	India	35	35
7)	Langpi Dehangi Rural Bank	India	35	35
8)	Madhyanchal Gramin Bank	India	35	35
9)	Mizoram Rural Bank	India	35	35
10)	Nagaland Rural Bank	India	35	35
11)	Parvatiya Gramin Bank (upto 14.02.2013)	India	35	35
12)	Purvanchal Gramin Bank	India	35	35
13	Samastipur Kshetriya Gramin Bank (upto 14.10.2012)	India	35	35
14)	Utkal Grameen Bank	India	35	35
15)	Uttarakhand Gramin Bank	India	35	35
16)	Vananchal Gramin Bank	India	35	35
17)	Saurashtra Gramin Bank	India	35	35
18)	Vidisha Bhopal Kshetriya Gramin Bank (upto 07.10.2012)	India	35	35

19)	Marudhara Gramin Bank	India	26.27	26.27
20)	Deccan Grameena Bank	India	35	35
21)	Kaveri Grameena Bank	India	32.32	32.32
22)	Malwa Gramin Bank	India	35	35
23)	The Clearing Corporation of India Ltd.	India	29.22	29.22
24)	Bank of Bhutan Ltd.	Bhutan	20	20
25)	SBI Home Finance Ltd.	India	25.05	25.05

a. SBI Capital Markets Ltd., a wholly owned subsidiary of SBI, has infused additional equity capital in SBICAP Securities Ltd. and SBICAP (Singapore) Ltd., step-down subsidiaries of SBI, of Rs. 25.00 crores and Rs. 7.51 crores respectively.

b. SBI Capital Markets Ltd. and SBI Funds Management Pvt. Ltd., subsidiaries of SBI, have invested an additional amount of Rs. 5 crores each in SBI Pension Funds Pvt. Ltd. and no further investment is made by SBI. Hence, the Group's stake in SBI Pension Funds Pvt. Ltd. has reduced from 98.15% to 92.60%.

c. GE Capital Business Process Management Services Pvt. Ltd., a joint venture of SBI, has given a buyback offer for 13,59,598 equity shares to SBI at the rate of Rs. 141/- per share in proportion of SBI's holding (40%) .

d. During the year, SBI and domestic banking subsidiaries has infused the following additional capital in the Regional Rural Bank (RRBs) sponsored by them :-

Rs. In crores

Regional Rural Banks	Amount
Mizoram Rural Bank	1.17
Madhyanchal Gramin Bank	9.14
Utkal Grameen Bank	16.50
Uttarakhand Gramin Bank	4.95
Marudhara Gramin Bank	23.45
Kaveri Grameena Bank	8.50
Total	**63.71**

e. During the year, SBI has off-loaded its stake in three RRBs as per details given below:-

Rs. In crores

Regional Rural Banks	Book Value	Sales Value
Samastipur Kshetriya Gramin Bank	24.08	24.08
Vidisha Bhopal Kshetriya Gramin Bank	2.19	2.19
Parvatiya Gramin Bank	1.32	1.32*
Total	**27.59**	**27.59**

*Amount yet to be received as on March 31, 2013.

f. In accordance with notifications issued by Govt. of India, the following amalgamations have taken place in between the Regional Rural Banks (RRBs) sponsored by SBI & its domestic banking subsidiaries, and RRBs sponsored by other banks :-

The details of amalgamation of RRBs, where the transferee RRBs are sponsored by SBI and its domestic banking subsidiaries, are as below:-

Sr. No.	Name of transferor RRBs	Sponsor Bank of transferor RRBs	New Name after Amalgamation of RRBs	Sponsor Bank of transferee RRBs	Effective Date of Amalgamation
1	Madhya Bharat Gramin Bank	State Bank of India	Madhyanchal Gramin Bank	State Bank of India	1st November 2012
	Sharda Gramin Bank	Allahabad Bank			
	Rewa Sidhi Gramin Bank	Union Bank of India			
2	Uttaranchal Gramin Bank	State Bank of India	Uttarakhand Gramin Bank	State Bank of India	1st November 2012
	Nainital Almora Kshetriya Gramin Bank	Bank of Baroda			
3	Utkal Gramya Bank	State Bank of India	Utkal Grameen Bank	State Bank of India	1st November 2012
	Rushikulya Gramya Bank	Andhra Bank			
4	Cauvery Kalpatharu Grameena Bank	State Bank of Mysore	Kaveri Grameena Bank	State Bank of Mysore	1st November 2012
	Chikmagalur Kodagu Grameena Bank	Corporation Bank			
	Visveshvaraya Grameena Bank	Vijaya Bank			
5	MGB Gramin Bank	State Bank of Bikaner and Jaipur	Marudhara Gramin Bank	State Bank of Bikaner and Jaipur	25th February 2013
	Jaipur Thar Gramin Bank	UCO Bank			

The details of amalgamation of RRBs where the transferee RRBs are not sponsored by SBI and its domestic banking subsidiaries, are as below:-

Sr. No.	Name of transferor RRBs	Sponsor Bank of transferor RRBs	New Name after Amalgamation of RRBs	Sponsor Bank of transferee RRBs	Effective Date of Amalgamation
1	Vidisha Bhopal Kshetriya Gramin Bank	State Bank of India	Central Madhya Pradesh Gramin Bank	Central Bank of India	8th October 2012
	Satpura Narmada Kshetriya Gramin Bank	Central Bank of India			
	Mahakaushal Kshetriya Gramin Bank	UCO Bank			
2	Samastipur Kshetriya Gramin Bank	State Bank of India	Bihar Gramin Bank	UCO Bank	15th October 2012
	Bihar Kshetriya Gramin Bank	UCO Bank			
3	Parvatiya Gramin Bank	State Bank of India	Himachal Pradesh Gramin Bank	Punjab National Bank	15th February 2013
	Himachal Gramin Bank	Punjab National Bank			

1.2 The winding up petition of SBI Home Finance Ltd., an associate of SBI, was filed with the Kolkata High Court on September 23, 2008. The Hon'ble Court has passed an order on March 31, 2009 giving direction for winding up of the company.

1.3 Bank of Bhutan Ltd., an associate of SBI follows accounting year (Gregorian Calendar Year) different from that of the parent. Accordingly, the financial statements of the associate are made as of December 31, 2012.

2. Share capital:

2.1 During the year, SBI has allotted 1,29,88,697 shares of Rs. 10/- each for cash at a premium of Rs. 2,302.78 per equity share aggregating to Rs. 3,004/- crores under Preferential Allotment to GOI. Out of the total subscription of Rs. 3,004/- crores received from GOI, an amount of Rs. 12.99 crores was transferred to Share Capital Account and Rs. 2,991.01 crores to Share Premium Account.

2.2 SBI has allotted 436 equity shares of Rs. 10/- each for cash at a premium of Rs. 1,580/- per equity share aggregating to Rs. 6,93,240/- out of shares kept in abeyance under Right Issue – 2008. Out of the total subscription of Rs. 6,93,240/- received, Rs. 4,360/- was transferred to Share Capital Account and Rs. 6,88,880/- to Share Premium Account.

2.3 SBI has kept in abeyance the allotment of 83,075 (Previous Year 83,511) Equity Shares of Rs. 10/- each issued as a part of Rights issue, since they are subject to title disputes or are subjudice.

2.4 Expenses in relation to the issue of shares of Rs. 3.73 crores debited to Share Premium Account.

3. Employee Benefits

3.1.1 Defined Benefit Plans

3.1.1.1 The following table sets out the status of the Defined Benefit Pension Plan and Gratuity Plan as required under AS 15 (Revised 2005):-

Rs. in crores

Particulars	Pension Plans		Gratuity Plan	
	Current Year	Previous Year	Current Year	Previous Year
Change in the present value of the defined benefit obligation				
Opening defined benefit obligation at 1st April 2012	45,956.37	41,829.01	8,514.31	7,657.28
Liability on merger and acquisition	Nil	25.03	Nil	131.09
Current Service Cost	1,501.20	1,372.84	322.54	323.20
Interest Cost	4,002.80	3,589.99	722.16	655.56
Past Service Cost (Vested Benefit)	Nil	82.00	Nil	Nil
Actuarial losses / (gains)	1,438.89	1,545.71	524.97	421.85
Benefits paid	(556.85)	(1,556.33)	(796.75)	(674.67)
Direct Payment by SBI	(2232.47)	(931.88)	Nil	Nil
Closing defined benefit obligation at 31st March 2013	**50,109.94**	**45,956.37**	**9,287.23**	**8,514.31**
Change in Plan Assets				
Opening fair value of plan assets at 1st April 2012	35,877.71	22,890.06	7,153.07	5,427.96
Assets transferred on merger and acquisition	Nil	25.03	Nil	2.16
Expected Return on Plan assets	3,082.04	1,947.08	608.73	462.84
Contributions by employer	5,737.17	11,797.59	1,547.54	1,770.95
Benefits Paid	(556.85)	(1,556.33)	(796.75)	(674.67)
Actuarial Gains / (Losses) on plan assets	575.26	774.28	82.66	163.83

Particulars	Pension Plans		Gratuity Plan	
	Current Year	Previous Year	Current Year	Previous Year
Closing fair value of plan assets at 31st March 2013	**44,715.33**	**35,877.71**	**8,595.25**	**7,153.07**
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of Funded obligation at 31st March 2013	50,109.94	45,956.37	9,287.23	8,514.31
Fair Value of Plan assets at 31st March 2013	44,715.33	35,877.71	8,595.25	7,153.07
Deficit/(Surplus)	5,394.61	10,078.66	691.98	1,361.24
Unrecognised Past Service Cost (Vested) Closing Balance	374.19	424.49	303.18	442.42
Net Liability/(Asset)	**5,020.42**	**9,654.17**	**388.80**	**918.82**
Amount Recognised in the Balance Sheet				
Liabilities	50,109.94	45,956.37	9,287.23	8,514.31
Assets	44,715.33	35,877.71	8,595.25	7,153.07
Net Liability / (Asset) recognised in Balance Sheet	5,394.61	10,078.66	691.98	1,361.24
Unrecognised Past Service Cost (Vested) Closing Balance	374.19	424.49	303.18	442.42
Net Liability/ (Asset)	**5,020.42**	**9,654.17**	**388.80**	**918.82**
Net Cost recognised in the profit and loss account				
Current Service Cost	1,501.20	1,372.84	322.54	323.20
Interest Cost	4,002.80	3,589.99	722.16	655.56
Expected return on plan assets	(3,082.04)	(1,947.08)	(608.73)	(462.84)
Past Service Cost (Amortised) Recognised	187.10	151.91	151.59	136.53
Past Service Cost (Vested Benefits) Recognised	Nil	82.00	Nil	Nil
Excess Provision of Earlier Years reversed	Nil	(32.71)	Nil	Nil
Net Actuarial Losses / (Gains) recognised during the year	863.63	771.43	442.31	258.02
Total costs of defined benefit plans included in Schedule 16 “Payments to and provisions for employees”	**3,472.69**	**3,988.38**	**1,029.87**	**910.47**
Reconciliation of expected return and actual return on Plan Assets				
Expected Return on Plan Assets	3,082.04	1,947.08	608.73	462.84
Actuarial Gains/ (Losses) on Plan Assets	575.26	774.28	82.66	163.83
Actual Return on Plan Assets	**3,657.30**	**2,721.36**	**691.39**	**626.67**
Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet				
Opening Net Liability as at 1st April 2012	9,233.55	17,953.63	854.05	1,600.54
Expenses as recognised in profit and loss account	3,472.69	3,988.38	1,029.87	910.47
Net Liability on merger and acquisition	Nil	Nil	Nil	128.93
Paid by SBI Directly	(2,232.47)	(931.88)	Nil	Nil
Employer’s Contribution	(5,737.17)	(11,797.59)	(1,547.54)	(1,770.95)
Past Service Cost	283.82	21.01	52.42	(14.94)
Net liability/(Asset) recognised in Balance Sheet	**5,020.42**	**9,233.55**	**388.80**	**854.05**

Investments under Plan Assets of Gratuity Fund & Pension Fund as on March 31, 2013 are as follows:

	Pension Fund	**Gratuity Fund**
Category of Assets	**% of Plan Assets**	**% of Plan Assets**
Central Govt. Securities	31.78 %	23.93 %
State Govt. Securities	22.10 %	15.50 %
Debt Securities, Money Market Securities and Bank Deposits	41.49 %	35.95 %
Insurer Managed Funds	0.32 %	18.35 %
Others	4.31 %	6.27 %
Total	**100.00 %**	**100.00 %**

Principal actuarial assumptions;

Particulars	**Pension Plans**		**Gratuity Plans**	
	Current year	**Previous year**	**Current year**	**Previous year**
Discount Rate	8.06% to 8.50%	8.25% to 9%	8.24% to 8.50%	8.25% to 8.75%
Expected Rate of return on Plan Asset	7.50% to 9.00%	7.50% to 8.60%	7.50% to 8.75%	7.50% to 8.60%
Salary Escalation	3.50% to 5.60%	3% to 6%	3.50% to 5.60%	3% to 6%

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 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, there is “Nil” liability, hence no provision is made in F.Y. 2012-13.

The following table sets out the status of Provident Fund as per the actuarial valuation by the independent Actuary appointed by SBI:-

Rs. in crores

	Provident Fund	
Particulars	**Current Year**	**Previous Year**
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April 2012	19482.46	18151.73
Current Service Cost	529.97	531.83
Interest Cost	1593.27	1492.66
Employee Contribution (including VPF)	654.91	654.49
Actuarial losses/(gains)	784.39	649.98
Benefits paid	(2302.17)	(1998.23)
Closing defined benefit obligation at 31st March 2013	20742.83	19482.46
Change in Plan Assets		
Opening fair value of Plan Assets as at 1st April 2012	19729.16	18260.73

	Provident Fund	
Particulars	**Current Year**	**Previous Year**
Expected Return on Plan Assets	1593.27	1492.66
Contributions	1184.88	1186.32
Benefits Paid	(2302.17)	(1998.23)
Actuarial Gains / (Loss) on plan Assets	1018.27	787.68
Closing fair value of plan assets as at 31st March 2013	21223.41	19729.16
Reconciliation of present value of the obligation and fair value of the plan assets		
Present Value of Funded obligation at 31st March 2013	20742.83	19482.46
Fair Value of Plan assets at 31st March 2013	21223.41	19729.16
Deficit/(Surplus)	(480.58)	(246.70)
Net Asset not recognised in Balance Sheet	480.58	246.70
Net Cost recognised in the profit and loss account		
Current Service Cost	529.97	531.83
Interest Cost	1593.27	1492.66
Expected return on plan assets	(1593.27)	(1492.66)
Interest shortfall reversed	-	-
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	529.97	531.83
Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet		
Opening Net Liability as at 1st April 2012	-	-
Expense as above	529.97	531.83
Employer's Contribution	(529.97)	(531.83)
Net Liability/(Asset) Recognized In The Balance Sheet	-	-

Previous year figures are given for representation purpose only.

Investments under Plan Assets of Provident Fund as on March 31, 2013 are as follows:

	Provident Fund
Category of Assets	**% of Plan Assets**
Central Govt. Securities	38.48%
State Govt. Securities	16.37%
Debt Securities, Money Market Securities and Bank Deposits	40.67%
Insurer Managed Funds	-
Others	4.48%
Total	100.00%

Principal actuarial assumptions;

Particulars	**Provident Fund**	
	Current year	**Previous year**
Discount Rate	8.50%	8.50%
Guaranteed Return	8.25%	8.25%
Attrition Rate	2.00%	2.00%

3.1.2 Defined Contribution Plans

3.1.2.1 Employees Provident Fund

An amount of Rs. 26.68 crores (Previous Year Rs. 27.22 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.

3.1.2.2 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 (comprising State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore) 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 Rs. 98.97 crores (Previous Year Rs. 60.86 crores) has been contributed in the scheme.

3.1.3 Other Long term Employee Benefits

Amount of Rs. 885.98 crores (Previous Year Rs. 644.60 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;

Rs. in crores

Sl. No.	Long Term Employees' Benefits	Current Year	Previous Year
1	Privilege Leave (Encashment) incl. leave encashment at the time of retirement	704.49	455.89
2	Leave Travel and Home Travel Concession (Encashment/Availment)	79.03	54.90
3	Sick Leave	14.64	92.93
4	Silver Jubilee Award	43.79	6.41
5	Resettlement Expenses on Superannuation	5.51	13.92
6	Casual Leave	17.89	15.19
7	Retirement Award	20.63	5.36
	Total	**885.98**	**644.60**

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.

3.1.5 Unamortised Pension & Gratuity Liabilities

3.1.5.1 Gratuity

In accordance with RBI circular No. DBOD.BP.BC.80/21.04.018/2010-11 dated February 9, 2011, SBI and its domestic banking subsidiaries have opted to amortise the additional liability on account of enhancement in Gratuity limit over a period of 5 years beginning with the financial year ended March 31, 2011. Accordingly, a sum of Rs. 212.23 crores has been charged to Profit & Loss Account, being the proportionate amount for the year ended March 31, 2013. The unamortized liability of Rs. 422.43 crores as on March 31, 2013 will be amortized proportionately in accordance with the above circular.

3.1.5.2 Pension

The domestic banking subsidiaries have charged an amount of Rs. 360.47 crores to Profit & Loss Account for the year ended March 31, 2013 towards the pension option given in financial year ended March 31, 2011 to employees who had not opted for the pension scheme earlier, being amortized over 5 years beginning from the year ended March 31, 2011. The balance amount of Rs. 720.40 crores will be charged proportionately as per the directions contained in the said circular.

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:

Rs. in crores

Business Segment	Treasury	Corporate / Wholesale Banking	Retail Banking	Insurance Business	Other Banking Operations	Elimination	TOTAL
Revenue	33,722.31 (31,780.04)	65,688.06 (56,017.05)	82,613.11 (72,593.56)	15,264.65 (13,932.27)	2,798.89 (2,350.39)		2,00,087.02 (1,76,673.31)
Unallocated Revenue							472.81 (215.66)
Total Revenue							2,00,559.83 (1,76,888.97)
Result	3,909.10 (-622.73)	10,440.31 (9,336.06)	14,161.86 (18,598.40)	560.15 (528.14)	900.09 (814.59)		29,971.51 (28,654.46)
Unallocated Income(+)/Expenses(–) net							-4,089.70 (-4,185.51)
Operating Profit (PBT)							25,881.81 (24,468.95)
Taxes							7,558.82 (8,639.50)
Extraordinary Profit/Loss							-

							(-)
Net Profit before share in profit in Associates and Minority Interest							18,322.99 (15,829.45)
Add: Share in Profit in Associates							231.68 (143.85)
Less: Minority Interest							638.44 (630.20)
Net Profit for the Group							17,916.23 (15,343.10)
Other Information:							
Segment Assets	4,78,747.98 (4,55,509.50)	8,16,405.69 (6,45,797.28)	7,52,700.48 (6,53,360.45)	54,933.15 (48,967.47)	10,473.87 (9,058.01)		21,13,261.17 (18,12,692.71)
Unallocated Assets							19,897.17 (17,263.46)
Total Assets							21,33,158.34 (18,29,956.17)
Segment Liabilities	2,72,060.80 (256921.38)	6,69,288.50 (506927.45)	9,45,349.61 (849091.39)	51,845.39 (46312.21)	7,158.38 (6157.75)		19,45,702.68 (16,65,410.18)
Unallocated Liabilities							62,422.64 (58,315.98)
Total Liabilities							20,08,125.32 (17,23,726.16)

PART B: SECONDARY (GEOGRAPHIC) SEGMENTS

Rs. in crores

	Domestic Operations	Foreign Operations	TOTAL
Revenue	1,91,233.82 (1,69,182.00)	9,326.01 (7,706.97)	2,00,559.83 (1,76,888.97)
Results	26,485.50 (25,570.72)	3,486.01 (3,083.74)	29,971.51 (28,654.46)
Assets	18,86,124.68 (16,31,595.81)	2,47,033.66 (1,98,360.36)	21,33,158.34 (18,29,956.17)
Liabilities	17,63,888.25 (15,27,911.77)	2,44,237.07 (1,95,814.39)	20,08,125.32 (17,23,726.16)

i) Income/Expenses are for the whole year. Assets/Liabilities are as at March 31, 2013.

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 Gramin Bank
4. Deccan Grameena Bank
5. Ellaquai Dehati Bank
6. Kaveri Grameena Bank
7. Krishna Grameena Bank
8. Langpi Dehangi Rural Bank
9. Madhyanchal Gramin Bank
10. Malwa Gramin Bank
11. Marudhra Gramin Bank
12. Meghalaya Rural Bank
13. Mizoram Rural Bank
14. Nagaland Rural Bank
15. Parvatiya Gramin Bank (upto 14.02.2013)
16. Purvanchal Gramin Bank
17. Samastipur Kshetriya Gramin Bank (upto 14.10.2012)
18. Saurashtra Gramin Bank
19. Utkal Grameen Bank
20. Uttarakhand Gramin Bank
21. Vananchal Gramin Bank
22. Vidisha Bhopal Kshetriya Gramin Bank (upto 07.10.2012)

ii) Others

23. The Clearing Corporation of India Ltd.
24. Bank of Bhutan Ltd.
25. SBI Home Finance Ltd.

C) Key Management Personnel of the Bank:

1. Shri Pratip Chaudhuri, Chairman
2. Shri Hemant G. Contractor, Managing Director & Group Executive (International Banking)
3. Shri A. Krishna Kumar, Managing Director & Group Executive (National Banking)
4. Shri Diwakar Gupta, Managing Director & Chief Financial Officer
5. Shri S. Vishvanathan, Managing Director & Group Executive (Associates & Subsidiaries) (from October 09, 2012)

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:

Rs. in crores

Particulars	Associates/ Joint Ventures	Key Management Personnel & their relatives	Total
Transactions during the year 2012-13			
Interest received $	- (0.04)	- (-)	- (0.04)
Interest paid $	1.06 (1.29)	- (-)	1.06 (1.29)
Income earned by way of Dividend $	15.22 (-)	- (-)	15.22 (-)
Other Income $	21.24 (12.15)	- (-)	21.24 (12.15)
Other Expenditure $	231.22 (177.87)	- (-)	231.22 (177.87)
Management Contract $	227.98 (156.04)	0.95 (0.68)	228.93 (156.72)
Outstanding as on 31st March 2013			
Payables			
Deposit#	150.03 (126.54)	- (-)	150.03 (126.54)
Other Liabilities#	13.16 (5.58)	- (-)	13.16 (5.58)
Receivables			
Investments#	41.55 (42.91)	- (-)	41.55 (42.91)
Advances #	- (-)	- (-)	- (-)
Other Assets #	0.18 (14.70)	- (-)	0.18 (14.70)

(Figures in brackets pertain to previous year)

Balances as at 31st March

$Transactions for the year

These are no material significant related party transactions during the year.

3.4 Leases:

F. Finance Leases

Assets taken on Financial Leases on or after April 01, 2001: The details of financial leases are given below:

Rs. in crores

Particulars	Current Year	Previous Year
Total Minimum lease payments outstanding		
Less than 1 year	4.69	2.58
1 to 5 years	12.73	7.19

5 years and above	-	-
Total	**17.42**	**9.77**
Interest Cost payable		
Less than 1 year	1.51	0.22
1 to 5 years	2.16	0.16
5 years and above	-	-
Total	**3.67**	**0.38**
Present value of minimum lease payments payable		
Less than 1 year	3.18	1.82
1 to 5 years	10.57	6.08
5 years and above	-	-
Total	**13.75**	**7.90**

Operating Lease*

Premises taken on operating lease are given below:

Rs. in crores

Particulars	Current Year	Previous Year
Not later than 1 year	192.38	137.94
Later than 1 year and not later than 5 years	575.01	412.14
Later than 5 years	171.25	104.01
Total	**938.64**	**654.09**
Amount of lease payments recognised in the P&L Account for the year.	211.24	139.16

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.

3.5 Earnings per Share:

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 - "Earnings per Share". "Basic earnings" per share is computed by dividing consolidated net profit after tax (other than minority) by the weighted average number of equity shares outstanding during the year.

Particulars	Current Year	Previous Year
Basic and diluted		
Number of Equity Shares outstanding at the beginning of the year	67,10,44,838	63,49,98,991
Number of Equity Shares issued during the year	1,29,89,133	3,60,45,847
Number of Equity Shares outstanding at the end of the year	68,40,33,971	67,10,44,838
Weighted average number of equity shares used in computing basic earning per share	67,14,72,052	63,51,96,258
Weighted average number of shares used in computing diluted	67,14,72,052	63,51,96,258

earning per share		
Net profit (Other than minority) (Rs. in crores)	17,916.23	15,343.10
Basic earnings per share (Rs.)	266.82	241.55
Diluted earnings per share (Rs.)	266.82	241.55
Nominal value per share (Rs.)	10.00	10.00

3.6 Accounting for taxes on Income

i) During the year, Rs. 701.09 crores has been credited [Previous Year Rs. 691.65 crores has been debited] to Profit and Loss Account by way of adjustment of deferred tax.

ii) The break up of deferred tax assets and liabilities into major items is given below:

Rs. in crores

Particulars	As at 31-Mar-2013	As at 31-Mar-2012
Deferred Tax Assets		
Provision for Defined Benefit Schemes on account of Wage Revision	128.03	-
Provision for long term employee Benefits #	2474.34	2187.55
Depreciation on Fixed Assets	16.31	36.35
Provision for non performing assets	362.78	128.01
Others	588.12	618.87
Total	**3569.58**	**2970.78**
Deferred Tax Liabilities		
Depreciation on Fixed Assets	14.01	16.12
Interest on securities	3257.14	2008.95
Others	423.23	736.62
Total	**3694.38**	**2761.69**
Net Deferred Tax Assets/(Liabilities)	**(124.80)**	**209.09**

This includes Rs. 922.15 crores being deferred tax credit arising out of provision for leave encashment for employees of SBI (Including Rs. 783.62 cr. relating to period upto March 31, 2012) which SBI has booked in the current year.

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

a) Break up of provisions

Rs. in crores

	Particulars	Current Year	Previous Year
a)	Provision for Taxation		
	- Current Tax	8,258.02	7,959.87
	- Deferred Tax	(701.09)	691.65
	- Fringe Benefit Tax	(34.06)	(20.41)
	- Other Taxes	35.96	8.39
b)	Provision on Non-Performing Assets	13,443.45	14,040.08
c)	Provision on Restructured Assets	1,463.11	169.90

d)	Provision on Standard Assets	1,090.71	1,304.76
e)	Provision for Depreciation on Investments	(950.12)	875.18
f)	Other Provisions	(6.85)	(145.48)
	Total	**22,599.13**	**24,883.94**

(Figures in brackets indicate credit)

b) Floating provisions:

in crores

	Particulars	Current Year	Previous Year
a)	Opening Balance	479.22	479.21
b)	Addition during the year	-	0.01
c)	Draw down during the year	-	-
d)	**Closing balance**	**479.22**	**479.22**

c) Description of contingent liabilities and contingent assets:

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.
2	Liability on account of outstanding forward exchange contracts	The Group enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. 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.
3	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.
4	Other items for which the Group is contingently liable	The Group is a party to various taxation matters in respect of which appeals are pending. These are being contested by the Group and not provided for. Further the Group has made commitments to subscribe to shares in the normal course of business.

d) 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.

e) **Movement of provisions against contingent liabilities**

Rs. in crores

		Current Year	Previous Year
a)	Opening Balance	477.23	456.05
b)	Additions during the year	92.81	99.24
c)	Reductions during the year	79.83	78.06
d)	Closing balance	**490.21**	**477.23**

4 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 the accounting policy followed by the banks. The investments of insurance subsidiaries constitute approximate 9.33% (Previous Year 9.42%) of the total investments as on March 31, 2013.

5 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.

6 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.

7 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. Pending execution of agreement for wage revision, to be effective from November 01, 2012, SBI and its domestic banking subsidiaries have made a provision of Rs. 960.53 crores during the year.

Further, SBI has made an adhoc additional provision of Rs. 225 crores towards Superannuation Schemes and other long term employee benefits, over and above the actuarial valuations.

8 Previous year's figures have been regrouped/reclassified, wherever necessary, to conform to current period classification. In cases where disclosures have been made for first time in terms of RBI guidelines/Accounting Standards, previous year figures have not been mentioned.

Consolidated Financial Statements

of

State Bank Group

For the Year Ended 31st March 2012

AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS,
STATE BANK OF INDIA

1. We have examined the attached Consolidated Balance Sheet of State Bank of India (the Bank), its subsidiaries, associates and joint ventures (the Group) as at March 31, 2012, and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended in which are incorporated the :
   i. Audited accounts of the Bank audited by 14 (fourteen) Joint Auditors including us,
   ii. SBI Commercial and International Ltd, a subsidiary up to July 28, 2011, the closing financial statements of which for the period up to the date of acquisition namely, July 28, 2011 have been audited by us for the purpose of the acquisition.
   iii. Audited accounts of 27 (twenty seven) subsidiaries, 24 (twenty four) Associates and 8 (Eight) joint ventures audited by other auditors,
   iv. Unaudited accounts of 1 (one) subsidiary and 1 (one) associate.

   These Consolidated financial statements are the responsibility of the Bank's management and have been prepared by the management on the basis of the separate financial statements and information of the different entities in the Group. Our responsibility is to express an opinion on these financial statements based on our audit of the consolidated statements.

2. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material aspects in accordance with identified reporting framework and free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. We have jointly audited the financial statement of the Bank along with 13 other joint auditors, whose financial statements reflect total assets of Rs.1,335,519 crores as at March 31, 2012, and total revenue of Rs.120,873 crores and net cash outflows amounting to Rs.25,711 crores for the year then ended.

4. We did not audit the financial statements of its Subsidiaries, Associates and Joint Ventures whose financial statements reflects total assets of Rs.508,262 crores as at March 31, 2012, and total revenue of Rs.57,646 crores and net cash flows amounting to Rs.1,385 crores for the year then ended. 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.

5. The unaudited financial statements of 1 (one) subsidiary and 1 (one) associate, whose financial statements reflect total assets of Rs.3,880 crores as at March 31, 2012, total revenue of Rs.194 crores and net cash flows amounting to Rs.1,157 crores for the year then ended have been consolidated on the basis of management certified financial statements.

6. We report that the consolidated financial statements have been prepared by the Bank's management in accordance with the requirement 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" prescribed by the Institute of Chartered Accountants of India and the requirements of Reserve Bank of India.

7. Without qualifying our opinion, we draw your attention to the following notes in Schedule 18 "Notes to Accounts" :
   a. Notes 3.1.6.1 and 3.1.6.2 regarding deferment of gratuity and pension liabilities of the Bank and its domestic subsidiaries to the extent of Rs.643.66 crores and Rs.1,080.87 crores respectively in accordance with RBI circular no. DBOD.BP.BC.80 /21.04.018/2010-11 dated February 9, 2011 and the exemption granted by the Reserve Bank of India from applicability of provisions of Accounting Standard (AS) 15, Employee Benefits.
   b. Note 6 regarding write back of Deferred Tax Liability provision in respect of Special Reserve in a domestic banking subsidiary resulting in an increase in net profit by Rs.60.04 crores.
   c. Notes 5.b and 5.c regarding payment of interest in a domestic subsidiary amounting to Rs.23.91 crores on delayed payment of service tax and writing back of excess provision of service tax accruals amounting to Rs.10.50 crores.

8. Based on our audit and on consideration of the reports of other auditors on separate financial statements, the unaudited financial statements and the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that 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 Consolidated Balance Sheet on the state of affairs of the Group as at March 31, 2012;
   b. In the case of 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.

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

Viraf R. Mehta
Partner
Membership No. : 32083
Firm Registration No. 104607W

Place : Kolkata
Dated : 18th May 2012

STATE BANK OF INDIA (CONSOLIDATED) BALANCE SHEET AS ON 31ST MARCH 2012 (000s omitted)

CAPITAL AND LIABILITIES	**Schedule No.**	**As on 31.3.2012 (Current Year)**	**As on 31.3.2011 (Previous Year)**
		Rs.	Rs.
Capital	1	671,04,48	634,99,90
Reserves & Surplus	2	105558,96,85	82836,25,33
Minority Interest		3725,66,87	2977,16,78
Deposits	3	1414689,40,11	1255562,48,44
Borrowings	4	157991,35,95	142470,76,57
Other Liabilities and Provisions	5	147319,72,65	163416,58,03
	TOTAL	1829956,16,91	1647898,25,05

ASSETS	**Schedule No.**	**As on 31.3.2012 (Current Year)**	**As on 31.3.2011 (Previous Year)**
		Rs.	Rs.
Cash and Balances with Reserve Bank of India	6	79199,20,61	119349,83,40
Balances with banks and money at call and short notice	7	48391,62,24	35977,62,08
Investments	8	460949,13,77	419066,44,91
Advances	9	1163670,20,54	1006401,55,13
Fixed Assets	10	7407,96,51	6486,83,24
Other Assets	11	70338,03,24	60615,96,29
	TOTAL	1829956,16,91	1647898,25,05
Contingent Liabilities	12	937155,49,74	852755,36,14
Bills for Collection		80410,04,83	68865,69,84
Significant Accounting Policies	17		
Notes on Accounts	18		

STATE BANK OF INDIA (CONSOLIDATED) PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2012

(000s omitted)

			Schedule No	Year ended 31.3.2012	Year ended 31.3.2011
				Rs.	Rs.
I.	**INCOME**				
	Interest earned		13	147197,38,72	113636,44,25
	Other Income		14	29835,43,71	34207,47,85
		TOTAL		**177032,82,43**	**147843,92,10**
II.	**EXPENDITURE**				
	Interest expended		15	89319,55,28	68086,40,16
	Operating expenses		16	46856,03,30	46518,00,73
	Provisions and contingencies			24883,93,33	22059,57,50
		TOTAL		**161059,51,91**	**136663,98,39**
III.	**PROFIT**				
	Net Profit for the year			15973,30,52	11179,93,71
	Less: Minority Interest			630,20,56	494,98,78
	Group Profit			15343,09,96	10684,94,93
	Balance Brought forward			522,92,29	58,58,15
	Amount available for Appropriation			**15866,02,25**	**10743,53,08**
	APPROPRIATIONS				
	Transfer to Statutory Reserves			4454,61,65	3388,50,53
	Transfer to Other Reserves			7781,54,57	4573,55,45
	Proposed Dividend			2348,65,69	1904,99,70
	Tax on Dividend			388,46,17	353,55,11
	Balance carried over to Balance Sheet			892,74,17	522,92,29
				15866,02,25	**10743,53,08**
Basic earnings per share				Rs. 241.55	Rs. 168.28
Diluted earnings per share				Rs. 241.55	Rs. 168.28
Significant Accounting Policies			17		
Notes on Accounts			18		

STATE BANK OF INDIA (CONSOLIDATED) Cash Flow Statement for the year ended 31st march 2012

(Rs. in thousand)

	Year ended 31.3.2012	Year ended 31.3.2011
	Rs.	Rs.
Cash flow from operating activities		
Net Profit before taxes	23982,59,19	19424,76,53
Adjustment for:		
Depreciation on Fixed Assets	1371,60,74	1380,55,16
(Profit)/Loss on sale of Fixed Assets (Net)	47,01,40	20,74,79
(Profit)/Loss on sale of Investments (Net)	583,26,05	(3091,75,23)
(Profit)/Loss on revaluation of Investments (Net)	1369,65,79	135,12,21
Provision on Non Performing Assets	14209,97,61	11256,20,62
Provision on Standard Assets	1304,75,75	1261,34,96
Provision for Depreciation on Investments	855,60,22	766,09,90
Other Provisions	(125,89,48)	36,10,43
Dividend/Earnings from Associates (Investing activity)	(146,14,16)	(223,26,31)
Interest on Capital Instruments (Financing Activity)	4584,94,51	4031,45,63
Deferred Revenue Expenditure written off during the year	12,85,34	18,22,03
Sub Total	**48050,22,96**	**35015,60,72**
Adjustment for:		
Increase/(Decrease) in Deposits	159126,91,68	139097,91,98
Increase/(Decrease) in Borrowings	13953,09,73	13575,75,03
(Increase)/Decrease in Investments	(44565,56,92)	(4131,61,41)
(Increase)/Decrease in Advances	(171478,63,02)	(148156,11,54)
Increase/(Decrease) in Other Liabilities & Provisions	(16823,01,67)	27849,87,35
(Increase)/Decrease in Other Assets	(7659,12,12)	(11679,08,45)
Sub Total	**(19396,09,36)**	**51572,33,68**
Taxes paid	(10718,04,52)	(7672,20,51)
Net Cash flow from Operating activities (A)	**(30114,13,88)**	**43900,13,17**
Cash flow from Investing activities		
(Increase)/Decrease in Investments in Associates	(125,64,00)	4,95,69
Income earned on such Investments	146,14,16	223,26,31
(Increase)/Decrease in Fixed Assets	(2339,75,41)	(1874,23,95)
Net Cash generated from Investing Activities (B)	**(2319,25,25)**	**(1646,01,95)**
Cash flow from financing activities		
Proceeds from issue of equity share Capital	7891,30,87	27,68
Issue of Capital Instuments	1175,15,60	6838,98,00
Repayment of Capital Instruments	—	—
Interest Paid on Capital Instruments	(4584,94,51)	(4031,45,63)
Dividends Paid including tax thereon	(2151,43,88)	(1420,22,28)
Dividends tax Paid by subsidiaries	(121,23,54)	(136,01,82)
Net Cash generated from Financing Activities (C)	**2208,84,54**	**1251,55,95**
Effect of exchange fluctuation on translation reserve (D)	**2487,91,96**	**(32,08,81)**
Net Increse / (decrease) in cash and cash equivalents A)+(B)+(C)+(D)	**(27736,62,63)**	**43473,58,36**
Cash and Cash equivalents at the beginning of the year	**155327,45,48**	**111853,87,12**
Cash and Cash equivalents at the end of the year	**127590,82,85**	**155327,45,48**

SCHEDULE 1 — CAPITAL

	As on 31.3.2012 (Current year)	As on 31.3.2011 (Previous year)
	(000s omitted)	
	Rs.	Rs.
500,00,00,000 (Previous Year 500,00,00,000) equity shares of Rs. 10/- each	5000,00,00	1000,00,00
Issued Capital:		
67,11,28,349 (Previous Year 63,50,83,106) Equity Shares of Rs. 10/- each	671,12,83	635,08,31
Subscribed and Paid-up Capital:		
67,10,44,838 (Previous Year 63,49,98,991) equity shares of Rs. 10/-each The above includes 1,69,77,498 (previous year 1,81,05,360) equity shares represented by 84,88,749 (previous year 90,52,680) Global Depository Receipts	671,04,48	634,99,90
TOTAL	**671,04,48**	**634,99,90**

SCHEDULE 2 — RESERVES & SURPLUS (000s omitted)

		As on 31.3.2012 (Current Year)		As on 31.3.2011 (Previous Year)	
		Rs.	Rs.	Rs.	Rs.
I.	**Statutory Reserves**				
	Opening Balance	38996,30,40		43443,25,36	
	Additions during the year	4453,66,87		3480,46,04	
	Deductions during the year	—	43449,97,27	7927,41,00	38996,30,40
II.	**Capital Reserves #**				
	Opening Balance	2092,59,31		2028,22,23	
	Additions during the year	32,85,04		73,09,64	
	Deductions during the year	—	2125,44,35	8,72,56	2092,59,31
III.	**Share Premium**				
	Opening Balance	20658,58,29		20658,30,78	
	Additions during the year	7864,05,01		27,51	
	Deductions during the year	87,872	28513,84,58	—	20658,58,29
IV.	**Forex Translation Reserve**				
	Opening Balance	749,92,64		763,47,78	
	Additions during the year	2095,57,92		22,67,30	
	Deductions during the year	—	2845,50,56	36,22,44	749,92,64
V.	**Revenue and Other Reserves**				
	Opening Balance	19815,92,40		15548,85,55	
	Additions during the year##	7935,25,66		4628,93,37	
	Deductions during the year	19,72,14	27731,45,92	361,86,52	19815,92,40
VI.	**Balance in Profit and Loss Account**		892,74,17		522,92,29
	TOTAL		**105558,96,85**		**82836,25,33**

\# includes Capital Reserve on consolidation Rs. 139,23,28 thousand (Previous Year Rs. 135,22,45 thousand)

\## net of consolidation adjustments

SCHEDULE 3 — DEPOSITS (000s omitted)

				As on 31.3.2012 (Current Year)	As on 31.3.2011 (Previous Year)
				Rs.	Rs.
A.	**I.**	**Demand Deposits**			
		(i)	From Banks	7598,17,42	10003,27,21
		(ii)	From Others	111357,83,08	144177,51,02
	II.	**Savings Bank Deposits**		456632,72,25	409609,16,28
	III.	**Term Deposits**			
		(i)	From Banks	18580,69,73	15170,00,63
		(ii)	From Others	820519,97,63	676602,53,30
			TOTAL	**1414689,40,11**	**1255562,48,44**
B.		(i)	Deposits of Branches in India	1341224,25,26	1196484,91,96
		(ii)	Deposits of Branches outside India	73465,14,85	59077,56,48

SCHEDULE 4 — BORROWINGS (000s omitted)

			As on 31.3.2012 (Current Year)	As on 31.3.2011 (Previous Year)
			Rs.	Rs.
I.	**Borrowings in India**			
	(i)	Reserve Bank of India	1522,00,00	2236,40,00
	(ii)	Other Banks	6693,68,11	9786,70,18
	(iii)	Other Institutions and Agencies	14357,75,23	9061,39,16
	(iv)	Innovative Perpetual Debt Instruments (IPDI)	3890,00,00	3890,00,00
	(v)	Subordinated Debts & Bonds	45004,57,10	43745,14,10
II.	**Borrowings outside India**			
	(i)	Borrowing and Refinance outside India	83305,85,87	70951,20,73
	(ii)	Innovative Perpetual Debt Instuments (IPDI)	3179,76,24	2787,42,20
	(iii)	Subordinated Debts & Bonds	37,73,40	12,50,20
		TOTAL (I and II)	**157991,35,95**	**142470,76,57**
Secured Borrowings included in I & II above			**5991,39,23**	**8884,55,90**

SCHEDULE 5 — OTHER LIABILITIES & PROVISIONS (000s omitted)

			As on 31.3.2012 (Current Year)	As on 31.3.2011 (Previous Year)
			Rs.	Rs.
I.	Bills payable		25164,68,38	26563,64,59
II.	Inter Bank Adjustments (Net)		229,12,23	4,18,30
III.	Inter-Office adjustments (Net)		—	21688,67,34
IV.	Interest accrued		15050,35,95	11627,36,46
V.	Deferred Tax Liabilities (Net)		325,36,91	121,62,22
VI.	Liabilities relating to Policyholders in Insurance Business		44920,85,73	35654,45,27
VI.	Others (including provisions)		61629,33,45	67756,63,85
		TOTAL	**147319,72,65**	**163416,58,03**

SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA (000s omitted)

			As on 31.3.2012 (Current Year)	As on 31.3.2011 (Previous Year)
			Rs.	Rs.
I.	Cash in hand (including foreign currency notes and gold)		13082,01,93	9148,70,38
II.	Balances with Reserve Bank of India			
	(i) In Current Account		66114,64,44	110198,59,87
	(ii) In Other Accounts		2,54,24	2,53,15
		TOTAL	**79199,20,61**	**119349,83,40**

SCHEDULE 7 — BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE (000s omitted)

				As on 31.3.2012 (Current Year)	As on 31.3.2011 (Previous Year)
				Rs.	Rs.
I.	**In India**				
	(i)	Balances with banks			
		(a) In Current Account		866,16,03	1735,91,93
		(b) In Other Deposit Accounts		6765,69,55	3195,84,05
	(ii)	Money at call and short notice			
		(a) With banks		5805,48,81	2685,53,85
		(b) With Other Institutions		331,69,00	1754,91,65
			TOTAL	**13769,03,39**	**9372,21,48**
II.	**Outside India**				
	(i)	In Current Account		24580,04,34	13018,60,96
	(ii)	In Other Deposit Accounts		1843,99,10	1480,48,78
	(iii)	Money at call and short notice		8198,55,41	12106,30,86
			TOTAL	**34622,58,85**	**26605,40,60**
			GRAND TOTAL (I and II)	**48391,62,24**	**35977,62,08**

SCHEDULE 8 — INVESTMENTS (000s omitted)

			As on 31.3.2012 (Current Year)	As on 31.3.2011 (Previous Year)
			Rs.	Rs.
I.	Investments in India in			
	(i)	Government Securities	360054,56,37	316088,12,01
	(ii)	Other Approved Securities	2089,18,54	2587,87,09
	(iii)	Shares	24834,64,64	25080,08,32
	(iv)	Debentures and Bonds	23517,79,87	23778,87,12
	(v)	Associates	1265,46,97	1006,51,18
	(vi)	Others (Units, etc.)	37449,90,11	40289,94,27
		TOTAL	**449211,56,50**	**408831,39,99**
II.	Investments outside India in			
	(i)	Government Securities (including local authorities)	3531,20,41	3630,29,46
	(ii)	Associates	62,13,60	51,59,97
	(iii)	Other Investments (Shares, Debentures, etc.)	8144,23,26	6553,15,49
		TOTAL	**11737,57,27**	**10235,04,92**
		GRAND TOTAL (I and II)	**460949,13,77**	**419066,44,91**
III.	Investments in India in			
	(i)	Gross Value of Investments	451425,98,03	412492,44,56
	(ii)	Aggregate of Provisions / Depreciation	2214,41,53	3661,04,57
	(iii)	Net Investments (vide I above)	**449211,56,50**	**408831,39,99**
IV.	Investments outside India in			
	(i)	Gross Value of Investments	12012,89,05	10456,90,92
	(ii)	Aggregate of Provisions / Depreciation	275,31,78	221,86,00
	(iii)	Net Investments (vide II above)	**11737,57,27**	**10235,04,92**
		GRAND TOTAL (III and IV)	**460949,13,77**	**419066,44,91**

SCHEDULE 9 — ADVANCES (000s omitted)

				As on 31.3.2012 (Current Year)	As on 31.3.2011 (Previous Year)
				Rs.	Rs.
A.	(I)	Bills purchased and discounted		90893,63,64	64272,97,11
	(ii)	Cash Credits, Overdrafts and Loans repayable on demand		498481,20,77	435124,33,85
	(iii)	Term loans		574295,36,13	507004,24,17
			TOTAL	**1163670,20,54**	**1006401,55,13**
B.	(I)	Secured by tangible assets			
		(includes advances against Book Debts)		875465,18,10	706678,51,77
	(ii)	Covered by Bank / Government Guarantees		86332,96,33	116331,78,21
	(iii)	Unsecured		201872,06,11	183391,25,15
			TOTAL	**1163670,20,54**	**1006401,55,13**
C.	(I)	Advances in India			
		(i) Priority Sector		345780,06,73	318873,29,53
		(ii) Public Sector		72039,51,04	64079,72,69
		(iii) Banks		339,58,80	1637,26,44
		(iv) Others		602723,48,35	505405,39,43
			TOTAL	**1020882,64,92**	**889995,68,09**
	(II)	Advances outside India			
		(i) Due from banks		17171,70,50	22466,08,47
		(ii) Due from others			
		(a) Bills purchased and discounted		21623,37,73	14820,36,26
		(b) Syndicated loans		49339,16,18	38633,79,72
		(c) Others		54653,31,21	40485,62,59
			TOTAL	**142787,55,62**	**116405,87,04**
			GRAND TOTAL (C. (I) and) C. (II))	**1163670,20,54**	**1006401,55,13**

SCHEDULE 10 — FIXED ASSETS (000s omitted)

		As on 31.3.2012 (Current Year)		As on 31.3.2011 (Previous Year)	
		Rs.	Rs.	Rs.	Rs.
I.	Premises				
	At cost as on 31st March of the preceding year	2606,31,69		2424,72,65	
	Additions during the year	454,98,31		226,86,79	
	Deductions during the year	5,92,31		45,27,75	
	Depreciation to date	1051,76,21	2003,61,48	959,85,93	1646,45,76
II.	Other Fixed Assets (including furniture and fixtures)				
	At cost as on 31st March of the preceding year	14029,96,46		12416,19,66	
	Additions during the year	2346,63,13		2426,02,38	
	Deductions during the year	730,01,86		812,25,58	
	Depreciation to date	10639,67,34	5006,90,39	9543,09,50	4486,86,96
III.	Leased Assets				
	At cost as on 31st March of the preceding year	906,97,74		988,38,39	
	Additions during the year	11,02,75		3,31,46	
	Deductions during the year	19,99		84,72,11	
	Depreciation to date including provisions	897,15,52		894,67,29	
		20,64,98		12,30,45	
Less: Lease adjustment account		4,50,18	16,14,80	4,50,18	7,80,27
IV.	Assets under Construction		381,29,84		345,70,25
	TOTAL		**7407,96,51**		**6486,83,24**

SCHEDULE 11 — OTHER ASSETS (000s omitted)

			As on 31.3.2012 (Current Year)	As on 31.3.2011 (Previous Year)
			Rs.	Rs.
I.	Inter-Office adjustments (net)		3110,81,70	1633,44,96
II.	Interest accrued		15121,66,38	12329,62,38
III.	Tax paid in advance/tax deducted at source		9931,41,36	7146,19,41
IV.	Stationery and stamps		128,70,95	126,20,02
V.	Non-banking assets acquired in satisfaction of claims		33,81,06	17,67,26
VI.	Deferred tax asset (net)		534,45,70	1559,15,03
VII.	Others #		41477,16,09	37803,67,23
		TOTAL	**70338,03,24**	60615,96,29

Includes Goodwill on consolidation Rs. 728,64,93 thousand (P. Y. Rs. 769,77,74 thousand)

SCHEDULE 12 — CONTINGENT L IABILITIES (000s omitted)

			As on 31.3.2012 (Current Year)	As on 31.3.2011 (Previous Year)
			Rs.	Rs.
I.	Claims against the bank not acknowledged as debts		1344,28,80	1209,74,94
ii.	Liability for partly paid investments		10,69,90	15,25,22
iii.	Liability on account of outstanding forward exchange contracts		460108,59,30	421259,55,48
iv.	Guarantees given on behalf of constituents			
	(a) In India		105767,34,48	100106,67,96
	(b) Outside India		85203,17,43	61564,91,59
v.	Acceptances, endorsements and other obligations		160401,48,34	165199,53,77
vi.	Other items for which the banks are contingently liable		124319,91,49	103399,67,18
		TOTAL	**937155,49,74**	**852755,36,14**
Bills for collection			**80410,04,83**	**68865,69,84**

SCHEDULE 13 — INTEREST EARNED (000s omitted)

			Year ended 31.3.2012	Year ended 31.3.2011
			Rs.	Rs.
I.	Interest/discount on advances/bills		111341,45,56	83797,22,37
II.	Income on investments		33705,20,92	27854,47,43
III.	Interest on balances with Reserve Bank of India and other inter-bank funds		776,25,90	523,93,85
IV.	Others		1374,46,34	1460,80,60
		Total	**147197,38,72**	**113636,44,25**

SCHEDULE 14 — OTHER INCOME (000s omitted)

			Year ended 31.3.2012	Year ended 31.3.2011
			Rs.	Rs.
I.	Commission, exchange and brokerage		14532,36,72	13958,94,27
II.	Profit / (Loss) on sale of investments (Net)		(583,26,05)	3091,75,23
III.	Profit / (Loss) on revaluation of investments (Net)		(1369,65,79)	(135,12,21)
IV.	Profit / (Loss) on sale of land, buildings and other assets including leased assets (Net)		(47,01,40)	(20,74,79)
V.	Profit / (Loss) on exchange transactions (Net)		1688,26,70	1754,75,77
VI.	Dividends from Associates in India/abroad		2,28,75	5,08,74
VII.	Income from financial Lease		15,10	2,06,83
VIII.	Credit card membership/service fees		268,98,68	227,53,11
IX.	Insurance Premium Income (Net)		12985,11,49	12851,84,46
X.	Share of earnings from associates		143,85,41	218,17,57
XI.	Miscellaneous income		2214,34,10	2253,18,87
		Total	**29835,43,71**	**34207,47,85**

SCHEDULE 15 — INTEREST EXPENDED (000s omitted)

			Year ended 31.3.2012	Year ended 31.3.2011
			Rs.	Rs.
I.	Interest on deposits		79345,57,40	60749,67,56
II.	Interest on Reserve Bank of India/Inter-bank borrowings		4427,60,44	2993,56,30
III.	Others		5546,37,44	4343,16,30
		Total	**89319,55,28**	**68086,40,16**

SCHEDULE 16 — OPERATING EXPENSES (000s omitted)

			Year ended 31.3.2012	Year ended 31.3.2011
			Rs.	Rs.
I.	Payments to and provisions for employees		22084,02,73	20711,02,77
II.	Rent, taxes and lighting		2822,38,95	2436,13,89
III.	Printing and stationery		380,08,52	349,45,33
IV.	Advertisement and publicity		342,66,27	432,13,40
V.	Depreciation on Leased Assets		1,84,61	1,59,10
VI.	Depreciation on Fixed Assets (Other than Leased Assets)		1369,76,13	1378,96,06
VII.	Directors' fees, allowances and expenses		5,86,33	6,23,27
VIII.	Auditors' fees and expenses (including branch auditors' fees & expenses)		197,98,41	190,58,29
IX.	Law charges		211,69,70	207,21,48
X.	Postages, Telegrams, Telephones, etc.		539,09,80	484,98,32
XI.	Repairs and maintenance		489,96,18	474,52,05
XII.	Insurance		1271,89,18	1086,09,08
XIII.	Amortization of deferred revenue expenditure		12,85,34	18,22,03
XIV.	Other Operating Expenses relating to Credit Card operations		333,44,65	360,84,92
XV.	Other Operating Expenses relating to Insurance Business		12444,91,93	14726,33,60
XVI.	Other expenditure		4347,54,57	3653,67,14
		TOTAL	**46856,03,30**	**46518,00,73**

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, unless otherwise stated and conform in all material aspect to Generally Accepted Accounting Principles (GAAP) in India, which comprise applicable statutory provisions, regulatory norms/guidelines prescribed by Reserve Bank of India (RBI), Insurance Regulatory and Development Authority (IRDA), Companies Act, 1956, Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), and the prevalent accounting practices in India.

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 of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the 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 25 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" of 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" of 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. In respect of foreign offices/entities, income is 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 case of foreign offices/entities (hereafter collectively referred to as Regulatory Authorities), (ii) interest on application money on investments (iii) overdue interest on investments and bills discounted, (iv) Income on Rupee Derivatives designated as "Trading".

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. 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 and (ii) Commission on Government Business, which is recognised as it accrues.

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 **Non-banking entities**

Merchant Banking:

a. Issue management and advisory fees are recognised as per the terms of agreement with the client.
b. Fees for private placement are recognised on completion of assignment.
c. Underwriting commission relating to public issues is accounted for on finalisation of allotment of the public issue.
d. Brokerage income relating to public issues/mutual fund/other securities is accounted for based on mobilisation and intimation received from clients/intermediaries.
e. Brokerage income in relation to stock broking activity is recognized on the trade date of transactions and includes stamp duty and transaction charges.

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, where applicable, and investments made by the company in the respective scheme) and are in conformity with the limits specified under SEBI (Mutual Funds) Regulations, 1996.
b. Portfolio Advisory Service income is recognised on accrual basis as per the terms of the contract.
c. Recovery from guaranteed schemes of deficit earlier recognised as expense is recognised as income in the year of receipt.
d. Scheme Expenses: Expenses of schemes in excess of the stipulated rates are charged to the Profit and Loss Account.
e. Recovery, if any, on realisation of devolved investments of schemes acquired by the company in terms of right of subrogation is accounted on the basis of receipts.

Credit Card Operations:

a. Joining membership fee and first annual fee have been recognised over a period of one year as they more closely reflects the period to which the fee relate to.
b. Interchange income is recognised on accrual basis.
c. All other service fees are recorded at the time of occurrence of the respective transaction.

Factoring:

Factoring service charges are accounted on accrual basis except in the case of non-performing assets, where income is accounted on realisation. Processing charges are accrued upon acceptance of sanction of the factoring /financing limits by the Company.

Life Insurance:

a. Premium (net of service tax) is recognized as income when due from policyholders. Uncollected premium from lapsed policies is not recognised as income until such policies are revived. In respect of linked business, premium income is recognised when the associated units are allotted.
b. Premium ceded on reinsurance is accounted in accordance with the terms of the treaty or in-principle arrangement with the Re-Insurer.
c. Claims by death are accounted when intimated. Intimations upto the end of the year are considered for accounting of such claims. Claims by maturity are accounted on the policy maturity date. Annuity benefits are accounted when due. Surrenders are accounted as and when notified. Claims cost consist of the policy benefit amounts and claims settlement costs, where applicable. Amounts recoverable from re-insurers are accounted for in the same period as the related claims and are reduced from claims.
d. 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.
e. Liability for life policies: The actuarial liability of all the life insurance policies has been calculated by the appointed actuary as per the guidelines prescribed by the Institute of Actuaries of India.

General Insurance:

a. 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 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 it is 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. Any subsequent revision to, refunds or cancellations of premiums is recognized in the period in which they occur.
d. Acquisition costs such as commission, policy issue expenses etc. are costs that are primarily related to the acquisition of new and renewal insurance contracts and are expensed in the period in which they are incurred.
e. 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.
f. 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 Actuarial Society of India with the concurrence of the IRDA and any directions issued by IRDA in this respect.

Custodial & related 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 fees is recognized at specified rates agreed with the relevant schemes calculated as per the Investment Management Agreement (IMA) entered into between the Company and NPS Trustees, on accrual basis. Revenue excludes Service Tax, wherever recovered.

Mutual Fund Trustee Operation:

Trusteeship fees / management fees are recognised on an accrual basis in accordance with the respective terms of contract between the Companies.

2. **Investments**

The transactions in Government Securities are recorded on "Trade Date" upto 31.12.2010 and on "Settlement Date" with effect from 01.01.2011. 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)

2.2 **Basis of classification:**

i. Investments that the Bank intends to hold till maturity are classified as Held to Maturity.
ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as Held for Trading.
iii. Investments, which are not classified in the above two categories, are classified as Available for Sale.
iv. An investment is classified as Held to Maturity, Available for Sale or Held for Trading 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. The transfer of a security amongst the above three categories is accounted for at the least of acquisition cost/book value/market value on the date of transfer, and the depreciation, if any, on such transfer is fully provided for.
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 remaining maturity on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments". Investments in Regional Rural Banks (RRBs) are valued at equity cost determined in accordance with AS 23 of the ICAI.A provision is made for diminution, other than temporary, for each investment individually.
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 is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual securities remains unchanged after marking to market.

vi. Security receipts issued by an asset reconstruction company (ARC) are valued in accordance with the guidelines applicable to non-SLR instruments. Accordingly, in cases where the security receipts issued by the 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 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 case of domestic offices/entities and respective regulators in 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 Rs.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 the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer 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 non performing investments are made as per the local regulations or as per the norms of RBI, whichever is higher.

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 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, and various other circulars or notifications issued by IRDA in this context from time to time.

(i) Valuation of investment pertaining to non-linked life business and general insurance business:-

- All debt securities, including government securities are stated at historical cost, subject to amortisation.
- Listed equity shares are measured at fair value on the Balance Sheet date. For the purpose of determining fair value, the lower of the last quoted closing price at the National Stock Exchange of India Limited ('NSE') or Bombay Stock Exchange Limited, Mumbai ('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.

  Unrealized gains or losses arising due to changes in the fair value of listed equity shares and mutual fund units 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 one year or less 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 shares are measured at fair value on the Balance Sheet date. For the purpose of determining fair value, the last quoted closing price at the National Stock Exchange of India Limited ('NSE') is considered. In case the equity shares are not listed on NSE, then they are valued at last quoted closing price on BSE.
- 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 shares 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 issued by 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 for short duration crops, where the instalment of principal or interest remains overdue for two crop seasons;

v. In respect of agricultural advances 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%

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 loan accounts 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, classification of loans and advances and provisions for non performing advances are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

3.5 The sale of NPAs is accounted as per guidelines prescribed by RBI. If the sale is at a price below net book value, the shortfall is debited to the profit and loss account, and in case of sale for a value higher than net book value, the excess provision is retained and utilised to meet the shortfall / loss on sale of other financial assets. Net book value is outstanding as reduced by specific provisions held and ECGC claims received.

3.6 Advances are net of specific loan loss provisions, unrealised interest, ECGC claims received and bills rediscounted.

3.7 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by RBI, which require that the difference between the fair value of the loan before and after restructuring is provided for, in addition to provision for NPAs. The provision for diminution in fair value and interest sacrifice, arising out of the above, is reduced from advances.

3.8 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.

3.9 Amounts recovered against debts written off in earlier years are recognised as revenue.

3.10In addition to the specific provision on NPAs, general provisions are also made for standard assets. 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 Net NPAs.

4. Floating Provision

The bank has a policy for creation and utilisation of floating provisions separately for advances, investments and general purpose. The quantum of floating provisions to be created is assessed at the end of each 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 held 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 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 A/c 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 A/c - 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 have been considered to arrive at Mark to Market value for forex Over the Counter 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 and Depreciation

7.1 Fixed assets are carried at cost less accumulated depreciation.

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 incurred on assets put to use is 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/ amortization rate
1	Computers & ATM	Straight Line Method	33.33% every year
2	Computer software forming an integral part of hardware	Written Down Value Method	60%
3	Computer software which does not form an integral part of hardware	--	100% depreciated in the year of acquisition
4	Assets given on financial lease upto 31st March 2001	Straight Line Method	At the rate prescribed under the Companies Act, 1956
5	Other fixed assets	Written Down Value Method	At the rate prescribed under the Income Tax Act, 1961

7.4 In respect of assets acquired during the year for domestic operations, depreciation is charged for half a year in respect of assets used for upto 180 days and for the full year in respect of assets used for more than 180 days, except depreciation on computers and software, which is charged for the full year irrespective of the period for which the asset was put to use.

7.5 Items costing less than Rs.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.

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 in terms at historical cost, are reported using the exchange rate at 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 at the balance sheet date, are 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 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.
iii. Exchange differences arising on net investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the net 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.

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 exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss is included in the profit and loss account.

iii. Foreign currency non-monetary items which are carried in terms of historical cost are reported using the exchange rate at the date of the transaction.

11. Employee Benefits:

11.1 **Short Term Employee Benefits:**

The undiscounted amount of short-term employee benefits, such as medical benefits, casual leave etc. 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 **Post Employment Benefits:**

i. **Defined Benefit Plan**

a. The group entities operate separate Provident Fund schemes. All eligible employees are entitled to receive benefits under the Provident Fund scheme. The group entities contribute monthly at a determined rate. These contributions are remitted to a trust established for this purpose and are charged to Profit and Loss Account. The group entities are liable for annual contributions and interests, which is payable at minimum specified rate of interest. The entities recognise such annual contributions and interest as an expense in the year to which they relate.

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, 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 ceiling in terms of service rules. Vesting occurs upon completion of five years of service. The Bank makes annual 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 and regular payments to vested employees on retirement, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The entities make annual 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 statement of 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. Pending finalisation of the detailed scheme, the employees covered under the scheme contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the Bank. 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 recognises such annual contributions and interest as an expense in the year to which they relate.

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 statement of 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

12.1 Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax charge. Current taxes are determined in accordance with the provisions of Accounting Standard 22 and tax laws prevailing in India after taking into account taxes of foreign offices/entities, which are based on the tax laws of respective jurisdiction. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

12.2 Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax bases, and carry forward losses. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

12.3 Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future profits.

12.4 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. Earning 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 (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, it is probable that an 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 Contingent Assets are not recognised in the financial statements.

15. Share Issue Expenses

Share issue expenses are charged to the Share Premium Account.

SCHEDULE 18
NOTES TO ACCOUNTS:

(Amount in Rupees in crores)

1. **List of Subsidiaries/Joint Ventures/Associates considered for preparation of consolidated financial statements:**

1.1 The 29 Subsidiaries, 8 Joint Ventures and 25 Associates (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 & Jaipur	India	75.07	75.07
2)	State Bank of Hyderabad	India	100.00	100.00
3)	State Bank of Mysore	India	92.33	92.33
4)	State Bank of Patiala	India	100.00	100.00
5)	State Bank of Travancore	India	75.01	75.01
6)	SBI Commercial & International Bank Ltd. (upto 28.07.2011)	India	100.00	100.00
7)	SBI Capital Markets Ltd.	India	100.00	100.00
8)	SBICAP Securities Ltd.	India	100.00	100.00
9)	SBICAP Trustee Company Ltd.	India	100.00	100.00
10)	SBICAPS Ventures Ltd.	India	100.00	100.00
11)	SBI DFHI Ltd.	India	71.56	71.56
12)	SBI Mutual Fund Trustee Company Pvt Ltd.	India	100.00	100.00
13)	SBI Global Factors Ltd.	India	86.18	86.82
14)	SBI Pension Funds Pvt Ltd.	India	98.15	98.15
15)	SBI –SG Global Securities Services Pvt. Ltd. @	India	65.00	65.00
16)	SBI General Insurance Company Ltd. @	India	74.00	74.00
17)	SBI Payment Services Pvt. Ltd.	India	100.00	100.00
18)	State Bank of India (Canada)	Canada	100.00	100.00
19)	State Bank of India (California)	USA	100.00	100.00
20)	SBI (Mauritius) Ltd.	Mauritius	93.40	93.40
21)	PT Bank SBI Indonesia	Indonesia	76.00	76.00
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 Bank of India Llc. ,Moscow @	Russia	60.00	60.00
27)	Nepal SBI Bank Ltd.	Nepal	55.05	55.05
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

Sr. No	Name of the Joint Venture	Country of Incorporation	Group's Stake(%)	
			Current Year	Previous Year
1)	C - Edge Technologies Ltd.	India	49	49
2)	GE Capital BusinessProcess Management Services Pvt Ltd.	India	40	40
3)	SBI Macquarie InfrastructureManagement Pvt. Ltd.	India	45	45
4)	SBI Macquarie InfrastructureTrustee Pvt. Ltd.	India	45	45
5)	Macquarie SBI InfrastructureManagement Pte. Ltd.	Singapore	45	45
6)	Macquarie SBI InfrastructureTrustee Ltd.	Bermuda	45	45
7)	Oman India JointInvestment Fund – Trustee Company Pvt. Ltd.	India	50	50
8)	Oman India Joint Investment Fund –Management Company Pvt. Ltd.	India	50	50

C) Associates:

Sr. No	Name of the Associate	Country of Incorporation	Group's Stake(%)	
			Current Year	Previous Year
1)	Andhra Pradesh Grameena Vikas Bank	India	35.00	35.00
2)	Arunachal Pradesh Rural Bank	India	35.00	35.00
3)	Chhatisgarh 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)	Krishna Grameena Bank	India	35.00	35.00
7)	Langpi Dehangi Rural Bank	India	35.00	35.00
8)	Madhya Bharat Gramin Bank	India	35.00	35.00
9)	Mizoram Rural Bank	India	35.00	35.00
10)	Nagaland Rural Bank	India	35.00	35.00
11)	Parvatiya Gramin Bank	India	35.00	35.00
12)	Purvanchal Kshetriya Gramin Bank	India	35.00	35.00
13)	Samastipur Kshetriya Gramin Bank	India	35.00	35.00
14)	Utkal Gramya Bank	India	35.00	35.00
15)	Uttaranchal Gramin Bank	India	35.00	35.00
16)	Vananchal Gramin Bank	India	35.00	35.00
17)	Marwar Ganganagar Bikaner Gramin Bank	India	26.27	26.27
18)	Vidisha Bhopal Kshetriya Gramin Bank	India	35.00	35.00
19)	Deccan Grameena Bank	India	35.00	35.00
20)	Cauvery Kalpatharu Grameena Bank	India	32.32	32.32
21)	Malwa Gramin Bank	India	35.00	35.00
22)	Saurashtra Gramin Bank	India	35.00	35.00
23)	The Clearing Corporation of India Ltd.	India	29.22	29.22
24)	Bank of Bhutan Ltd.	India	20.00	20.00
25)	SBI Home Finance Ltd.	India	25.05	25.05

a. Consequent to the notification of the "Acquisition of State Bank of India Commercial & International Bank Ltd Order, 2011" issued by the Govt. of India, the undertaking of State Bank of India Commercial & International Bank Ltd. (SBICI) stands transferred to and vests in State Bank of India ("the Bank"), with effect from July 29, 2011, the effective date.
b. SBI has sold 10,20,670 shares (0.64%) in SBI Global Factors Limited to SIDBI, after which SBI's stake in SBI Global Factors Limited reduced to 86.18%.
c. During the year, SBI has infused additional capital of Rs.585.00 Crores in State Bank of Bikaner & Jaipur towards Right Issue.
d. During the year, SBI has infused additional capital in the following RRBs:-

Rs. In crores

Regional Rural Banks	Amount
Arunachal Pradesh Rural Bank	4.33
Chhattisgarh Gramin Bank	13.30
Ellaquai Dehati Bank	23.80
Langpi Dehangi Rural Bank	2.10
Nagaland Rural Bank	1.78
Samastipur Kshetriya Gramin Bank	7.88
Utkal Gramya Bank	47.60
Uttaranchal Gramin Bank	5.25
Vananchal Gramin Bank	19.60
Total	125.64

1.2 The winding up petition of SBI Home Finance Ltd., an associate of SBI, was filed with the Kolkata High Court on September 23, 2008. The Hon'ble Court has passed an order on March 31, 2009 giving direction for winding up of the company.

1.3 Bank of Bhutan Ltd., an associate of SBI follows accounting year (Gregorian Calendar Year) different from that of the parent. Accordingly, the financial statements of the associate are made as of December 31, 2011.

2. Share capital:

2.1 During the year, SBI has allotted 3,60,45,243 shares of Rs.10/- each for cash at a premium of Rs.2,181.69 per equity share aggregating to Rs.7,900.00 crores under Preferential Allotment to GOI. Out of the total subscription of Rs.7,900.00 crores received from GOI, an amount of Rs.36.05 crores was transferred to Share Capital Account and Rs.7,863.95 crores to Share Premium Account.

2.2 SBI has allotted 604 equity shares of Rs.10/- each for cash at a premium of Rs.1,580/- per equity share aggregating to Rs.9,60,360/- out of shares kept in abeyance under Right Issue - 2008. Out of the total subscription of Rs.9,60,360/- received, Rs.6,040/- was transferred to Share Capital Account and Rs. 9,54,320/- to Share Premium Account.

2.3 SBI has kept in abeyance the allotment of 83,511 (Previous Year 84,115) Equity Shares of Rs.10/- each issued as a part of Rights issue, since they are subject to title disputes or are subjudice.

2.4 Expenses in relation to the issue of shares of Rs.8.78 crores debited to Share Premium Account.

3. Employee Benefits

3.1.1 Employees Provident Fund

In terms of the guidance on implementing the AS-15 (Revised 2005) "Employees Benefits" issued by the ICAI, the Employees Provident Fund set up by the group is treated as a defined benefit plan since the group has to meet the specified minimum rate of return. As at the year end, no shortfall remains unprovided for. Accordingly, other related disclosures in respect of Provident Fund have not been made and an amount of Rs.559.05 Crores (Previous Year Rs.931.70 Crores) is recognised as an expense towards the Provident Fund scheme of the group included under the head "Payments to and provisions for employees" in Profit and Loss Account.

3.1.2 Defined Contributions

SBI has contributed Rs.52.47 Crores (previous year Rs.11.75 Crores) to the New Pension Scheme for all officers and employees joining the Bank on or after 1st August 2010 and Domestic Banking Subsidiaries (comprising State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore) has contributed Rs.8.39 Crores (previous year Rs.1.53 Crores) to the Defined Contributory Pension Scheme for employees joining on or after 1st April 2010.

3.1.3 Defined Benefit Plans

The following table sets out the status of the defined benefit Pension Plan and Gratuity Plan as required under AS 15 (Revised 2005):-

Particulars	**Pension Plans**		**Gratuity**	
	Current Year	**Previous Year**	**Current Year**	**Previous Year**
Change in the present value of thedefined benefit obligation				
Opening defined benefit obligation at 1st April 2011	41829.01	27015.65	7657.28	5253.54
Liability on merger of SBICI	25.03	Nil	131.09	Nil
Current Service Cost	1372.84	1216.08	323.20	280.78
Interest Cost	3589.99	2281.45	655.56	406.54
Past Service Cost (Vested Benefit)	82.00	2224.44	Nil	783.14
Past Service Cost (Amortised)	Nil	1241.58	Nil	757.88
Past Service Cost (Vested Benefit recognised in Reserves)	Nil	7927.41	Nil	Nil
Actuarial losses / (gains)	1545.71	1887.15	421.85	826.28
Benefits paid	(1556.33)	(1184.08)	(674.67)	(650.88)
Direct Payment by SBI	(931.88)	(780.67)	Nil	Nil
Closing defined benefit obligation at 31st March 2012	**45956.37**	**41829.01**	**8514.31**	**7657.28**
Change in Plan Assets				
Opening fair value of plan assets at 1st April 2011	22890.06	19347.13	5427.96	5126.77
Plan Assets of SBICI transfer to SBI	25.03	Nil	2.16	Nil
Expected Return on Plan assets	1947.08	1552.50	462.84	417.25
Contributions by employer	11797.59	1815.59	1770.95	508.69
Contribution from members	Nil	599.25	Nil	Nil
Benefits Paid	(1556.33)	(1184.08)	(674.67)	(650.80)
Actuarial Gains / (Losses)	774.28	759.67	163.83	26.05
Closing fair value of plan assets at 31st March 2012	**35877.71**	**22890.06**	**7153.07**	**5427.96**
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of Funded obligation at 31st March 2012	45956.37	41829.01	8514.31	7657.28
Fair Value of Plan assets at 31st March 2012	35877.71	22890.06	7153.07	5427.96
Deficit/(Surplus)	10078.66	18938.95	1361.24	2229.32
Unrecognised Past Service Cost (Vested) Closing Balance	424.49	985.32	442.42	628.78
Net Liability/(Asset)	9654.17	17953.63	918.82	1600.54
Amount Recognised in the Balance Sheet				
Liabilities	45956.37	41829.01	8514.31	7657.28
Assets	35877.71	22890.06	7153.07	5427.96

Net Liability / (Asset) recognised in Balance Sheet	10078.66	18938.95	1361.24	2229.32
Unrecognised Past Service Cost (Vested) Closing Balance	424.49	985.32	442.42	628.78
Net Liability/ (Asset)	**9654.17**	**17953.63**	**918.82**	**1600.54**
Net Cost recognised in the profit and loss account				
Current Service Cost	1372.84	1216.08	323.20	280.78
Interest Cost	3589.99	2281.46	655.56	406.54
Expected return on plan assets	(1947.08)	(1552.50)	(462.84)	(417.25)
Past Service Cost (Amortised) Recognised	151.91	381.00	136.53	236.94
Past Service Cost (Vested Benefits) Recognised	82.00	193.75	Nil	675.22
Excess Provision of Earlier Years reversed	(32.71)	Nil	Nil	Nil
Net Actuarial Losses / (Gains) recognised during the year	771.43	1127.47	258.02	800.23
Total costs of defined benefit plansincluded in Schedule 16 “Payments to and provisions for employees”	**3988.38**	**3647.26**	**910.47**	**1982.46**
Reconciliation of expected return and actual return on Plan Assets				
Expected Return on Plan Assets	1947.08	1552.50	462.84	417.25
Actuarial Gains/ (Losses) on Plan Assets	774.28	759.67	163.83	26.05
Actual Return on Plan Assets	**2721.36**	**2312.17**	**626.67**	**443.30**
Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet				
Opening Net Liability as at 1st April 2011	17953.63	7668.52	1600.54	126.77
Expenses as recognised in profit and loss account	3988.38	3647.26	910.47	1982.46

Particulars	**Pension Plans**		**Gratuity**	
	Current Year	Previous Year	Current Year	Previous Year
Net Liability on merger of SBICI	Nil	Nil	128.93	Nil
Paid by SBI Directly	(931.88)	(780.67)	Nil	Nil
Debited to Other Provision	Nil	1306.70	Nil	Nil
Recognised in Reserve	Nil	7927.41	Nil	Nil
Employers Contribution	(11797.59)	(1815.59)	(1770.95)	(508.69)
Past Service Cost	21.01	Nil	(14.94)	Nil
Net liability/(Asset) in Balance Sheet	**9233.55**	**17953.63**	**854.05**	**1600.54**

Investments under Plan Assets of Gratuity Fund & Pension Fund as on 31st March 2012 are as follows:

	Pension Fund	**Gratuity Fund**
Category of Assets	**% of Plan Assets**	**% of Plan Assets**
Central Govt. Securities	28.52	20.32
State Govt. Securities	24.07	21.08
Public Sector & Corporate Bonds	29.77	26.60
Insurer Managed Funds	0.08	17.90
Others	17.56	14.10
Total	**100%**	**100%**

Principal actuarial assumptions;

Particulars	Pension Plans		Gratuity	
	Current Year	Previous Year	Current Year	Previous Year
Discount Rate	8.25% to 9%	8% to 8.50%	8.25% to 8.75%	8% to 8.50%
Expected Rate of return	7.50%	7.50%	7.50%	7.50%
on Plan Asset	to 8.60 %	to 8 %	to 8.60 %	to 8 %
Salary Escalation	3% to 6 %	2% to 6 %	3% to 6 %	2% to 6%

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 the very long term, consistent high salary growth rates are not possible, which has been relied upon by the auditors.

3.1.4 Other Long term Employee Benefits

Amount of Rs.644.60 Crores (Previous Year Rs.933.09 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;

Sl. No.	Long Term Employees' Benefits	Current Year	Previous Year
1	Privilege Leave (Encashment) incl. leave encashment at the time of retirement	455.89	694.18
2	Leave Travel and Home Travel Concession (Encashment/Availment)	54.90	72.29
3	Sick Leave	92.93	81.73
4	Silver Jubilee Award	6.41	35.16
5	Resettlement Expenses on Superannuation	13.92	(8.55)
6	Casual Leave	15.19	13.73
7	Retirement Award	5.36	44.55
	Total	**644.60**	**933.09**

3.1.5 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.

3.1.6Unamortised Pension & Gratuity Liabilities

3.1.6.1Gratuity

In accordance with RBI circular No. DBOD.BP.BC.80/21.04.018 / 2010-11 dated February 9, 2011, SBI and its domestic banking subsidiaries have opted to amortise the additional liability on account of enhancement in Gratuity limit over a period of 5 years beginning with the financial year ended March 31, 2011. Accordingly, the group has charged a sum of Rs.212.25 crore to the Profit & Loss Account, being the proportionate amount for the year ended March 31, 2012. The unamortized liability of Rs.634.66 crores as on March 31, 2012 will be amortized proportionately in accordance with the above circular.

3.1.6.2Pension

The domestic banking subsidiaries have charged an amount of Rs.360.46 crores to Profit & Loss Account in the FY 2011-12 towards the pension option given in FY ended March 31, 2011 to employees who had not opted for the pension scheme earlier, being amortized over 5 years beginning from the year ended March 31 2011. The balance amount of Rs.1,080.87 crores will be charged proportionately as per the directions contained in the said circular.

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):**

i) Domestic operations - Branches, Subsidiaries and Joint Ventures having operations in India.

ii) Foreign operations - Branches, Subsidiaries and Joint Ventures having operations outside India and offshore banking units having operations in India.

C) **Allocation of 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.

3.2.2 The accounting policies adopted for segment reporting are in line with the accounting policies adopted in the parent's financial statements with the following additional features:

1) Pricing of inter-segment transactions between the Non Banking Operations segment and other segments are market led. In respect of transactions between treasury and other banking business, compensation for the use of funds is reckoned based on interest and other costs incurred by the lending segment.

2) Revenue and expenses have been identified to segments based on their relationship to the operating activities of the segment.
3) Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under “Unallocated Expenses”.

3.2.3 SEGMENT INFORMATION

PART A: PRIMARY (BUSINESS) SEGMENTS::

Business Segment	Treasury	Corporate / Wholesale Banking	Retail Banking	Insurance Business	Other Banking Operations	Elimination	TOTAL
Revenue	31923.89 (25019.96)	56017.05 (45337.75)	72593.56 (58612.55)	13932.27 (16016.57)	2566.05 (2857.09)	— (—)	177032.82 (147843.92)
Result	-478.88 (- 1404.68)	9336.06 (8240.18)	18598.40 (15547.80)	528.14 (330.39)	879.09 (791.53)	— (—)	28862.81 (23505.22)
Unallocated (Income)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
Unallocated (Expenses)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	4250.01 (3585.46)
Operating Profit (PBT)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	24612.80 (19919.76)
Taxes	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	8639.50 (8739.82)
Extraordinary Profit/Loss	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
Net Profit	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	15973.30 (11179.94)
Other Information:							
Segment Assets	455509.50 (416212.50)	578913.35 (535879.58)	720244.38 (637695.87)	48967.47 (39722.33)	9058.01 (7354.53)	— (—)	1812692.71 (1636864.81)
Unallocated Assets	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	17263.46 (11033.44)
Total Assets	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	1829956.17 (1647898.25)
Segment Liabilities	256921.38 (202393.63)	506927.45 (496020.54)	849091.39 (766973.70)	46312.21 (37517.06)	6157.75 (4477.68)	— (—)	1665410.18 (1507382.61)
Unallocated Liabilities	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	58315.98 (57044.39)
Total Liabilities	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	1723726.16 (1564427.00)

PART B : SECONDARY (GEOGRAPHIC) SEGMENTS:

Particulars	Domestic Operations	Foreign Operations	Total
Revenue	169325.85 (141339.46)	7706.97 (6504.46)	177032.82 (147843.92)
Results	25779.07 (21384.24)	3083.74 (2120.98)	28862.81 (23505.22)
Assets	1631595.81	198360.36	1829956.17

	(1490113.17)	(157785.08)	(1647898.25)
Liabilities	1527911.77 (1408810.71)	195814.39 (155616.29)	1723726.16 (1564427.00)

i) Income/Expenses are for the whole year. Assets/Liabilities are as at 31st March 2012.
ii) Figures within brackets are for previous year.

3.3Related Party Disclosures:

3.3.1 Related Parties to the Group:

A) JOINT VENTURES:

1. GE Capital Business Process Management Services Private Limited.
2. C - Edge Technologies 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. Cauvery Kalpatharu Grameena Bank
4. Chhatisgarh Gramin Bank
5. Deccan Grameena Bank
6. Ellaquai Dehati Bank
7. Meghalaya Rural Bank
8. Krishna Grameena Bank
9. Langpi Dehangi Rural Bank
10. Madhya Bharat Gramin Bank
11. Malwa Gramin Bank
12. Marwar Ganganagar Bikaner Bank
13. Mizoram Rural Bank
14. Nagaland Rural Bank
15. Parvatiya Gramin Bank
16. Purvanchal Kshetriya Gramin Bank
17. Samastipur Kshetriya Gramin Bank
18. Saurashtra Gramin Bank
19. Utkal Gramya Bank
20. Uttaranchal Gramin Bank
21. Vananchal Gramin Bank
22. Vidisha Bhopal Kshetriya Gramin Bank

ii) Others

23. The Clearing Corporation of India Ltd.
24. Bank of Bhutan Ltd.
25. SBI Home Finance Ltd.
26. S. S. Ventures Services Ltd. (upto 15.03.2011)

C) Key Management Personnel of the Bank:

1. Shri Pratip Chaudhuri, Chairman (from 07.04.2011)
2. Shri R. Sridharan, Managing Director & Group Executive (A&S) (upto 30.06.2011)
3. Shri Hemant G. Contractor, Managing Director & Group Executive (International Banking) (from 07.04.2011)
4. Shri Diwakar Gupta, Managing Director & Chief Financial Officer (from 07.04.2011)
5. Shri A. Krishna Kumar, Managing Director & Group Executive (National Banking) (from 07.04.2011)
6. Shri O. P. Bhatt, Chairman (upto 31.03.2011)
7. Shri S. K. Bhattacharyya, Managing Director (upto 31.10.2010)

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:

Particulars	**Associates/ Joint Ventures**	**Key Management Personnel & their relatives**	**Total**
Transactions during the year 2011-12			
Interest received $	0.04	—	0.04
	(—)	(—)	(—)
Interest paid $	1.29	—	1.29
	(—)	(—)	(—)
Income earned by way	—	—	—
of Dividend $	(2.80)	(—)	(2.80)
Other Income $	12.15	—	12.15
	(—)	(—)	(—)
Other Expenditure $	177.87	—	177.87
	(150.34)	(—)	(150.34)
Management Contract $	156.04	0.68	156.72
	(142.33)	(0.60)	(142.93)
Outstanding as on 31st March 2012			
Payables			
Deposit#	126.54	—	126.54
	(52.09)	(0.04)	(52.13)
Other Liabilities#	5.58	—	5.58
	(10.62)	(—)	(10.62)
Receivables			
Investments#	42.91	—	42.91
	(42.91)	(—)	(42.91)
Advances #	—	—	—
	(—)	(—)	(—)
Other Assets #	14.70	—	14.70
	(—)	(—)	(—)

(Figures in brackets pertain to previous year)
Balances as at 31st March
$ Transactions for the year
These are no material significant related party transactions during the year.

3.4 Leases:

Finance Leases

Assets taken on Financial Leases on or after 1st April 2001: The details of financial leases are given below:

Particulars	Current Year	Previous Year
Total Minimum lease payments outstanding		
Less than 1 year	2.58	0.43
1 to 5 years	7.19	0.73
5 years and above	—	—
Total	9.77	1.16
Interest Cost payable		
Less than 1 year	0.22	0.11
1 to 5 years	0.16	0.10
5 years and above	—	—
Total	0.38	0.21
Present value of minimum lease payments payable		
Less than 1 year	1.82	0.32
1 to 5 years	6.08	0.63
5 years and above	—	—
Total	7.90	0.95

Operating Lease*

Premises taken on operating lease are given below:

Particulars	Current Year	Previous Year
Not later than 1 year	137.94	126.64
Later than 1 year and not later than 5 years	412.14	298.43
Later than 5 years	104.01	63.62
Total	**654.09**	**488.69**
Amount of lease payments recognised in the P&L Account for the year.	139.16	145.85

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.

3.5 Earnings per Share:

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 - "Earnings per Share". "Basic earnings" per share is computed by dividing consolidated net profit after tax (other than minority) by the weighted average number of equity shares outstanding during the year.

Particulars	Current Year	Previous Year
Basic and diluted		
Number of Equity Shares outstanding at the beginning of the year	63,49,98,991	63,48,82,644
Number of Equity Shares issued during the year	3,60,45,847	1,16,347
Number of Equity Shares outstanding at the end of the year	67,10,44,838	63,49,98,991
Weighted average number of equity shares used in computing basic earning per share	63,51,96,258	63,49,52,049
Weighted average number of shares used in computing diluted earning per share	63,51,96,258	63,49,52,049
Net profit (Other than minority) (Rs. in Crores)	15,343.10	10,684.95
Basic earnings per share (Rs.)	241.55	168.28
Diluted earnings per share (Rs.)	241.55	168.28
Nominal value per share (Rs.)	10.00	10.00

3.6 Accounting for taxes on Income:

i) During the year, Rs.691.65 Crores has been debited [Previous Year Rs.1,398.06 Crores has been debited] to Profit and Loss Account by way of adjustment of deferred tax.

ii) The break up of deferred tax assets and liabilities into major items is given below:

Particulars	As at 31-Mar 2012	As at 31-Mar 2011
Deferred Tax Assets		
Provision for non performing assets	128.01	118.35
Ex-gratia paid under Exit option	—	9.41
Provision for wage revision	—	308.43
Provision for long term employee Benefits	2187.55	1943.24
Others	655.22	552.11
Total	**2970.78**	**2931.54**
Deferred Tax Liabilities		
Depreciation on Fixed Assets	16.12	31.73
Interest on securities	2008.95	1034.68
Others	736.62	427.60
Total	**2761.69**	**1494.01**
Net Deferred Tax Assets/(Liabilities)	**209.09**	**1437.53**

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:

a) Break up of provisions:

Particulars	Current Year	Previous Year
a) Provision for Taxation		
— Current Tax	7959.87	7341.56
— Deferred Tax	691.65	1398.06
— Fringe Benefit Tax	(20.41)	(9.39)
— Other Taxes	8.39	9.58

b)	Provision on Non-Performing Assets	14040.08	10870.00
c)	Provision on Restructured Assets	169.90	386.20
d)	Provision on Standard Assets	1304.76	1261.35
e)	Provision for Depreciation on Investments	855.60	766.10
f)	Other Provisions	(125.90)	36.11
	Total	**24883.94**	**22059.57**

(Figures in brackets indicate credit)

b) Floating provisions:

Particulars		Current Year	Previous Year
a)	Opening Balance	479.21	645.17
b)	Addition during the year	0.01	9.15
c)	Draw down during the year	—	175.11
d)	**Closing balance**	**479.22**	**479.21**

c) Description of contingent liabilities and contingent assets:

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.
2	Liability on account of outstanding forward exchange contracts	The Group enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. 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.
3	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.
4	Other items for which the Group is contingently liable	The Group is a party to various taxation matters in respect of which appeals are pending. These are being contested by the Group and not provided for. Further the Group has made commitments to subscribe to shares in the normal course of business.

d) 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.

e) Movement of provisions against contingent liabilities:

		Current Year	Previous Year
a)	**Opening Balance**	**456.05**	**493.26**
b)	Additions during the year	99.24	191.14
c)	Draw down during the year	78.06	228.35
d)	**Closing balance**	**477.23**	**456.05**

4. Changes in Accounting Policies

From the financial year 2011-12, the investments of the life and general insurance subsidiaries have been accounted in accordance with the IRDA (Investment Regulations) 2000 instead of restating the same in accordance the accounting policy followed by the banks. The investments of the insurance subsidiaries constitute approximate 9.42% of the total investments as on March 31, 2012. Had the earlier policy been followed, the net profit would have been lower by Rs.29.21 crores and the value of 'Investments' and 'Liabilities relating to Policyholders in Insurance Business' would have been lower by Rs.867 crores and Rs.837.79 crores respectively.

5. In case of SBI Cards and Payment Services Pvt. Ltd.:

(a) During the year an amount of Rs.22. 24 crores has been written off towards un-reconciled difference between the balance as per receivable systems for card level accounting (Vision + Software) and receivable balance as per General Ledger (GL) . The difference between Vision + and GL occurred due to:-

- Understatement of write offs amount to Rs.6.45 crores due to non mapping of transaction codes from Vision + of delinquent customers.
- Overstatement of income amount to Rs.3.43 crores in earlier years on loan accounts from the system used for amortization of interest on loans (IRR system).
- Understatement of write off amount to Rs.12.36 crores due to difference in the net earning assets (NEA) report (R16).

(b) Rates and Taxes include interest on delayed payment of service tax amounting to Rs.23.91 crores (Rs.18.93 crores pertaining to previous years) for delayed of service tax amounting to Rs.61.40 crores for the period April 2006 to March 2011.

For the period 2006-2007 and 2007-2008 the appropriate service tax could not be paid as the service tax data base (software used for calculating service tax payable at that time) computed incorrect service tax payable. The company paid Rs.24.76 crores on 31.03.2012 based on the best judgment basis as ascertained by the company from the audited financial statements of the year 2006-07 & 2007-08. Further interest on delayed payment of service tax amounting to Rs.16.90 crores has been provided for. For the financial year 2008-09 to 2010-11 the service tax liability was not paid for the service tax against recovery made from delinquent customers amounting to Rs.36.64 crores. The amount was paid to the service tax authority on 20.04.2011 along with the interest of Rs.7.01 crores.

(c) Liabilities written back during the year include excess provision written back amounting to Rs.10.50 crores on account of excess service tax accruals accounted during the period 2001 to 2008.

6. During the year the SBM has written back provision of Deferred Tax Liability to the extent of Rs.60.04 crores as SBM has decided not to withdraw any amount created and maintained as a Special Reserve under the provision of Section 36 (I) (viii) of Income Tax Act. This has resulted in increase in profit of the SBM for the year to that extent.

7. The past service liability in respect of provident fund and pension payable to employees of E-SBIN taken over on merger amounting to Rs.470.80 Crores is an exceptional items and included in the head of "Payment to and provisions for employees" in the consolidated profit and loss account for the financial year 2010-11.
8. 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.
9. 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.
10. Previous year's figures have been regrouped/reclassified, wherever necessary, to conform to current period classification. In cases where disclosures have been made for first time in terms of RBI guidelines/Accounting Standards, previous year figures have not been mentioned.

Consolidated Financial Statements

of

State Bank Group

For the Year Ended 31st March 2011

AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS,
STATE BANK OF INDIA

1. We have examined the attached Consolidated Balance sheet of State Bank of India (the Bank), its subsidiaries, associates and joint ventures (the Group) as at March 31, 2011, and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended in which are incorporated the :
   i. Audited accounts of the Bank audited by 14 (fourteen) Joint Auditors including us,
   ii. Audited accounts of 28 (twenty eight) subsidiaries, 25 (twenty five) Associates and 8 (Eight) joint ventures audited by other auditors,
   iii. Unaudited accounts of 2 (two) subsidiaries and 1 (one) associate.

   These Consolidated financial statements are the responsibility of the Bank's management and have been prepared by the management on the basis of separate financial statements and other financial information of the different entities in the Group. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material aspects in accordance with identified reporting framework and free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. We have jointly audited the financial statement of the Bank along with 13 other joint auditors, whose financial statements reflect total assets of Rs. 1,223,736 crores as at March 31, 2011, and total revenue of Rs. 97,219 crores and net cash outflows amounting to Rs. 36,685 crores for the year then ended.

4. We did not audit the financial statements of its Subsidiaries, Associates and Joint Ventures whose financial statements reflects total assets of Rs. 437,099 crores as at March 31, 2011, and total revenue of Rs. 52,145 crores and net cash flows amounting to Rs. 3,614 crores for the year then ended. 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.

5. We have also relied on the unaudited financial statements of 2 (two) subsidiaries and 1 (one) associate, whose financial statements reflect total assets of Rs. 3,378 crores as at March 31, 2011, total revenue of Rs. 153 crores and net cash flows amounting to Rs. (123) crores for the year then ended.

6. We report that the consolidated financial statements have been prepared by the Bank's management in accordance with the requirement 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" prescribed by the Institute of Chartered Accountants of India and the requirements of Reserve Bank of India.

7. Without qualifying our opinion, we draw your attention to Note 3.1.5 of Schedule 18 Notes to Accounts to the consolidated financial statements regarding :

a. charge of Rs. 7,927.41 crores to Reserves on account of the additional pension cost in respect of earlier years due to wage revision in accordance with the dispensation granted by Reserve Bank of India to the Bank vide their letter number DBOD/BP/No./16165/ 21.04.018/2010-11 dated April 18, 2011,
b. deferment of gratuity liability of the Bank to the extent of Rs. 400 crores in accordance with RBI circular no. DBOD.BP.BC.80 /21.04.018/2010-11 dated February 9, 2011,
c. deferment of the gratuity and pension liabilities of Domestic Banking Subsidiaries to the extent of Rs. 1,885.24 crores in accordance with RBI circular no. DBOD.BP.BC.80 /21.04.018/2010-11 dated February 9, 2011, and the exemption granted by the Reserve Bank of India to the Bank from applicability of provisions of Accounting Standard (AS) 15, Employee Benefits.

8. Based on our audit and on consideration of the reports of other auditors on separate financial statements, the unaudited financial statements and the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that 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 Consolidated Balance Sheet on the state of affairs of the Group as at March 31, 2011;
   b. In the case of 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.

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

Viraf R. Mehta
Partner
Membership No. : 32083
Firm Registration No. 104607W

Place : Kolkata
Dated : 17th May 2011

STATE BANK OF INDIA (CONSOLIDATED) BALANCE SHEET AS ON 31ST MARCH 2011 (Rs. in thousand)

CAPITAL AND LIABILITIES		Schedule No.	As on 31.3.2011 (Current Year)	As on 31.3.2010 (Previous Year)
			Rs.	Rs.
Capital	... ...	1	634,99,90	634,88,26
Reserves & Surplus	... ...	2	82836,25,33	82500,69,85
Minority Interest	... ...		2977,16,78	2631,27,33
Deposits	... ...	3	1255562,48,44	1116464,56,45
Borrowings	... ...	4	142470,76,57	122074,57,20
Other Liabilities and Provisions	... ...	5	163416,58,03	125837,97,46
		TOTAL	1647898,25,05	1450143,96,55

ASSETS		Schedule No.	As on 31.3.2011 (Current Year)	As on 31.3.2010 (Previous Year)
			Rs.	Rs.
Cash and Balances with Reserve Bank of India	... ...	6	119349,83,40	82195,58,06
Balances with banks and money at call and short notice	... ...	7	35977,62,08	29658,29,06
Investments	... ...	8	419066,44,91	412749,26,07
Advances	... ...	9	1006401,55,13	869501,64,21
Fixed Assets	... ...	10	6486,83,24	6013,89,24
Other Assets	... ...	11	60615,96,29	50025,29,91
		TOTAL	1647898,25,05	1450143,96,55
Contingent Liabilities	... ...	12	852755,36,14	697295,12,04
Bills for Collection	... ...		68865,69,84	56491,42,87
Significant Accounting Policies	... ...	17		
Notes on Accounts	... ...	18		

STATE BANK OF INDIA (CONSOLIDATED) PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

(Rs. in thousand)

			Schedule No	Year ended 31.3.2011	Year ended 31.3.2010
				Rs.	Rs.
I.	**INCOME**				
	Interest earned	... ...	13	113636,44,25	100080,73,19
	Other Income	... ...	14	34207,47,85	33771,09,50
		TOTAL		**147843,92,10**	**133851,82,69**
II.	**EXPENDITURE**				
	Interest expended	... ...	15	68086,40,16	66637,50,87
	Operating expenses	... ...	16	46518,00,73	42415,39,44
	Provisions and contingencies	... ...		22059,57,50	12785,28,54
		TOTAL		**136663,98,39**	**121838,18,85**
III.	**PROFIT**				
	Net Profit for the year	... ...		11179,93,71	12013,63,84
	Less: Minority Interest	... ...		494,98,78	279,80,61
	Group Profit	... ...		10684,94,93	11733,83,23
	Balance Brought forward	... ...		58,58,15	215,99,68
		TOTAL		**10743,53,08**	**11949,82,91**
	APPROPRIATIONS				
	Transfer to Statutory Reserves	... ...		3388,50,53	7153,61,49
	Transfer to Other Reserves	... ...		4573,55,45	2511,47,09
	Proposed Dividend	... ...		1904,99,70	1904,64,79
	Tax on Dividend	... ...		353,55,11	321,51,39
	Balance carried over to Balance Sheet	... ...		522,92,29	58,58,15
		TOTAL		**10743,53,08**	**11949,82,91**
Basic earnings per share				Rs. 168.28	Rs. 184.82
Diluted earnings per share				Rs. 168.28	Rs. 184.82
Significant Accounting Policies		... ...	17		
Notes on Accounts		... ...	18		

STATE BANK OF INDIA (CONSOLIDATED)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011 (Rs. in thousand)

		Year ended 31.3.2011 Rs.	Year ended 31.3.2010 Rs.
I.	CASH FLOW FROM OPERATING ACTIVITIES	43900,13,17	(8372,38,53)
II.	CASH FLOW FROM INVESTING ACTIVITIES	(1646,01,95)	(1344,61,47)
III.	CASH FLOW FROM FINANCING ACTIVITIES	1251,55,95	(3272,61,32)
IV.	CASH FLOW ON ACCOUNT OF EXCHANGE FLUCTUATION	(32,08,81)	(418,21,12)
	NET CHANGE IN CASH AND CASH EQUIVALENTS	43473,58,36	(13407,82,44)
V.	CASH AND CASH EQUIVALENTS - OPENING	111853,87,12	125261,69,56
VI.	CASH AND CASH EQUIVALENTS - CLOSING	155327,45,48	111853,87,12
I.	CASH FLOW FROM OPERATING ACTIVITIES		
	Net Profit before taxes	19424,76,53	18402,21,30
	ADJUSTMENT FOR:		
	Depreciation charge	1380,55,16	1321,56,46
	(Profit)/Loss on sale of fixed assets (Net)	20,74,79	9,94,81
	Provision for NPAs	11256,20,62	6228,77,13
	Provision for Standard Assets	1261,34,96	152,67,07
	Depreciation on Investments in India	741,90,27	(1243,27,73)
	Depreciation on Investments Outside India	24,19,63	(111,82,57)
	(Profit)/Loss on sale of investments (Net)	(3091,75,23)	(4930,43,83)
	(Profit)/Loss on revaluation of investments	135,12,21	(3022,98,14)
	Provision on other assets	2,58,95	129,13,12
	Other Provisions	33,51,48	961,43,45
	Deferred Revenue Expenditure written off during the year	18,22,03	6,90,26
	Interest paid on Bonds (Financing Activity)	4031,45,63	3520,54,39
	Dividend/Earnings from Associates (Investing activity)	(223,26,31)	(229,52,26)
	Taxes Paid	(7672,20,51)	(8444,43,35)
	SUB TOTAL	27343,40,21	12750,70,11
	Adjustment for:		
	Increase/(Decrease) in Deposits	139097,91,98	104476,23,82
	Increase/(Decrease) in Borrowings	13575,75,03	14032,55,34
	(Increase)/Decrease in Investments	(4131,61,41)	(31757,08,01)
	(Increase)/Decrease in Advances	(148156,11,54)	(125368,02,88)
	Increase/(Decrease) in Other Liabilities & Provisions	27849,87,35	14131,77,63
	(Increase)/Decrease in Other Assets	(11679,08,45)	3361,45,46
	NET CASH FROM / (USED IN) OPERATING ACTIVITIES	43900,13,17	(8372,38,53)
II.	Cash flow from Investing activities		
	(Increase)/Decrease in Investments in Associates	4,95,69	547,79,04
	Income earned on such Investments	223,26,31	229,52,25
	(Increase)/Decrease in Fixed Assets	(1874,23,95)	(2121,92,76)
	NET CASH USED IN INVESTING ACTIVITIES	**(1646,01,95)**	**(1344,61,47)**
III.	Cash flow from financing activities		
	Proceeds from issue of Capital	27,68	38,50
	Issue of Bonds	6838,98,00	3437,46,26

	Repayment of Subordinated Bonds	—	(289,00,00)
	Interest Paid on Bonds	(4031,45,63)	(3520,54,39)
	Dividends Paid including tax thereon	(1420,22,28)	(2821,38,33)
	Dividends tax Paid by subsidiaries	(136,01,82)	(79,53,36)
	NET CASH FROM / (USED IN) FINANCING ACTIVITIES	1251,55,95	(3272,61,32)
IV.	CASH FLOW ON ACCOUNT OF EXCHANGE FLUCTUATION		
	Foreign Currency Translation Reserve	(13,55,15)	(54,32,29)
	Others-Revaluation of foreign currency bonds	(18,53,66)	(363,88,83)
	Net Cashflows on A/C of Exchange Fluctuation	**(32,08,81)**	**(418,21,12)**
V.	CASH AND CASH EQUIVALENTS - OPENING		
	Cash in hand (including FC notes & gold)	8657,22,06	5462,49,27
	Balances with Reserve Bank of India	73538,36,00	68698,57,39
	Balances with Banks & Money at Call & Short Notice	29658,29,06	51100,62,90
	TOTAL	**111853,87,12**	**125261,69,56**
VI.	CASH AND CASH EQUIVALENTS - CLOSING		
	Cash in hand		
	(including FC notes & gold)	9148,70,38	8657,22,06
	Balances with Reserve Bank of India	110201,13,02	73538,36,00
	Balances with Banks & Money at Call & Short Notice	35977,62,08	29658,29,06
	TOTAL	**155327,45,48**	**111853,87,12**

SCHEDULE 1 — CAPITAL (Rs. in thousand)

	As on 31.3.2011 (Current year)	As on 31.3.2010 (Previous year)
	Rs.	Rs.
Authorised Capital - 500,00,00,000 (Previous Year 100,00,00,000) equity shares of Rs. 10/- each	5000,00,00	1000,00,00
Issued Capital - 63,50,83,106 (Previous Year 63,49,68,500) Equity Shares of Rs. 10/- each	635,08,31	634,96,85
Subscribed and Paid up Capital - 63,49,98,991 (Previous Year 63,48,82,644) equity shares of Rs. 10/- each [includes 1,81,05,360 (2,24,86,090 as on 31.03.2010) equity shares represented by 90,52,680 (1,12,43,045 as on 31.03.2010) Global Depository Receipts	634,99,90	634,88,26
TOTAL	634,99,90	634,88,26

SCHEDULE 2 — RESERVES & SURPLUS (Rs. in thousand)

		As on 31.3.2011 (Current Year)		As on 31.3.2010 (Previous Year)	
		Rs.	Rs.	Rs.	Rs.
I.	**Statutory Reserves**				
	Opening Balance	43443,25,36		36281,51,06	
	Additions during the year	3480,46,04		7203,39,29	
	Deductions during the year	7927,41,00	38996,30,40	41,64,99	43443,25,36
II.	**Capital Reserves #**				
	Opening Balance	2028,22,23		1830,57,48	
	Additions during the year	73,09,64		197,64,75	
	Deductions during the year	8,72,56	2092,59,31	—	2028,22,23
III.	**Share Premium**				
	Opening Balance	20658,30,78		20657,92,52	
	Additions during the year	2,751		3,826	
	Deductions during the year	—	20658,58,29	—	20658,30,78
IV.	**Forex Translation Reserve**				
	Opening Balance	763,47,78		1747,68,73	
	Additions during the year	22,67,30		—	
	Deductions during the year	36,22,44	749,92,64	984,20,95	763,47,78
V.	**Revenue and Other Reserves**				

	Opening Balance	15548,85,55		11021,81,84	
	Additions during the year##	4628,93,37		4551,62,19	
	Deductions during the year	361,86,52	19815,92,40	24,58,48	15548,85,55
VI.	**Balance in Profit and Loss Account**		522,92,29		58,58,15
	TOTAL		**82836,25,33**		**82500,69,85**

\# includes Capital Reserve on consolidation Rs. 135,22,45 thousand (Previous Year Rs. 164,08,17 thousand)

\## net of consolidation adjustments

SCHEDULE 3 — DEPOSITS (Rs. in thousand)

				As on 31.3.2011 (Current Year)	As on 31.3.2010 (Previous Year)
				Rs.	Rs.
A.	**I.**	**Demand Deposits**			
		(i)	From Banks	10003,27,21	10616,33,47
		(ii)	From Others	144177,51,02	134448,95,74
	II.	Savings Bank Deposits		409609,16,28	331152,60,88
	III.	**Term Deposits**			
		(i)	From Banks	15170,00,63	18592,81,80
		(ii)	From Others	676602,53,30	621653,84,56
			TOTAL	**1255562,48,44**	**1116464,56,45**
B.		(i)	Deposits of Branches in India	1196484,91,96	1065604,63,57
		(ii)	Deposits of Branches outside India	59077,56,48	50859,92,88

SCHEDULE 4 — BORROWINGS (Rs. in thousand)

			As on 31.3.2011 (Current Year) Rs.	As on 31.3.2010 (Previous Year) Rs.
I.	**Borrowings in India**			
	(i)	Reserve Bank of India	2236,40,00	—
	(ii)	Other Banks	9786,70,18	10011,21,92
	(iii)	Other Institutions and Agencies	9061,39,16	4835,96,80
	(iv)	Innovative Perpetual Debt Instruments (IPDI)	3890,00,00	3695,00,00
	(v)	Subordinated Debts & Bonds	43745,14,10	37300,80,00
	(vi)	Redeemable Cumulative Preference Shares	—	10,00,00
II.	**Borrowings outside India**			
	(i)	Borrowing and Refinance outside India	70951,20,73	63403,12,22
	(ii)	Innovative Perpetual Debt Instuments (IPDI)	2787,42,20	2805,95,86
	(iii)	Subordinated Debts & Bonds	12,50,20	12,50,40
		TOTAL (I and II)	**142470,76,57**	**122074,57,20**
Secured Borrowings included in I & II above			**8884,55,90**	**7061,96,88**

SCHEDULE 5 — OTHER LIABILITIES & PROVISIONS (Rs. in thousand)

		As on 31.3.2011 (Current Year) Rs.	As on 31.3.2010 (Previous Year) Rs.
I.	Bills payable	26563,64,59	26354,35,78
II.	Inter Bank Adjustments (Net)	4,18,30	—
III.	Inter-Office adjustments (Net)	21688,67,34	11831,52,32
IV.	Interest accrued	11627,36,46	9471,42,26
V.	Deferred Tax Liabilities (Net)	121,62,22	14,82
VI.	Others (including provisions)	103411,09,12	78180,52,28
	TOTAL	**163416,58,03**	**125837,97,46**

SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA (Rs. in thousand)

		As on 31.3.2011 (Current Year)	As on 31.3.2010 (Previous Year)
		Rs.	Rs.
I.	Cash in hand (including foreign currency notes and gold)	9148,70,38	8657,22,06
II.	Balances with Reserve Bank of India		
	(i) In Current Account	110198,59,87	73535,83,97
	(ii) In Other Accounts	2,53,15	2,52,03
	TOTAL	**119349,83,40**	**82195,58,06**

SCHEDULE 7 — BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE (Rs. in thousand)

		As on 31.3.2011 (Current Year)	As on 31.3.2010 (Previous Year)
		Rs.	Rs.
I.	**In India**		
	(i) Balances with banks		
	(a) In Current Account	1735,91,93	1471,68,55
	(b) In Other Deposit Accounts	3195,84,05	1040,38,16
	(ii) Money at call and short notice		
	(a) With banks	2685,53,85	1255,40,03
	(b) With Other Institutions	1754,91,65	1998,70,97
	TOTAL	**9372,21,48**	**5766,17,71**
II.	**Outside India**		
	(i) In Current Account	13018,60,96	17562,08,04
	(ii) In Other Deposit Accounts	1480,48,78	949,60,94
	(iii) Money at call and short notice	12106,30,86	5380,42,37
	TOTAL	**26605,40,60**	**23892,11,35**
	GRAND TOTAL (I and II)	**35977,62,08**	**29658,29,06**

SCHEDULE 8 — INVESTMENTS (Rs. in thousand)

			As on 31.3.2011 (Current Year)	As on 31.3.2010 (Previous Year)
			Rs.	Rs.
I.	Investments in India in			
	(i)	Government Securities	316088,12,01	315092,12,89
	(ii)	Other Approved Securities	2587,87,09	2860,25,92
	(iii)	Shares	25080,08,32	20069,42,74
	(iv)	Debentures and Bonds	23778,87,12	24423,62,87
	(v)	Associates	1006,51,18	804,02,43
	(vi)	Others (Units, etc.)	40289,94,27	40738,18,23
		TOTAL	**408831,39,99**	**403987,65,08**
II.	Investments outside India in			
	(i)	Government Securities (including local authorities)	3630,29,46	3283,43,72
	(ii)	Associates	51,59,97	40,86,84
	(iii)	Other Investments (Shares, Debentures, etc.)	6553,15,49	5437,30,43
		TOTAL	**10235,04,92**	8761,60,99
		GRAND TOTAL (I and II)	419066,44,91	412749,26,07
III.	Investments in India in			
	(i)	Gross Value of Investments	412492,44,56	407027,20,12
	(ii)	Aggregate of Provisions / Depreciation	3661,04,57	3039,55,04
	(iii)	Net Investments (vide I above)	408831,39,99	403987,65,08
IV.	Investments outside India in			
	(i)	Gross Value of Investments	10456,90,92	8962,03,55
	(ii)	Aggregate of Provisions / Depreciation	221,86,00	200,42,56
	(iii)	Net Investments (vide II above)	10235,04,92	8761,60,99
		GRAND TOTAL (III and IV)	**419066,44,91**	**412749,26,07**

SCHEDULE 9 — ADVANCES (Rs. in thousand)

				As on 31.3.2011 (Current Year)	As on 31.3.2010 (Previous Year)
				Rs.	Rs.
A.	(I)	Bills purchased and discounted		64272,97,11	55186,74,14
	(ii)	Cash Credits, Overdrafts and Loans repayable on demand		435124,33,85	361214,81,72
	(iii)	Term loans		507004,24,17	453100,08,35
			TOTAL	**1006401,55,13**	**869501,64,21**
B.	(I)	Secured by tangible assets (includes advances against Book Debts)		706678,51,77	605877,86,90
	(ii)	Covered by Bank / Government Guarantees		116331,78,21	**91097,92,97**
	(iii)	Unsecured		183391,25,15	172525,84,34
			TOTAL	**1006401,55,13**	**869501,64,21**
C.	(I)	Advances in India			
		(i) Priority Sector		318873,29,53	250905,19,65
		(ii) Public Sector		64079,72,69	63561,19,76
		(iii) Banks		1637,26,44	1245,95,20
		(iv) Others		505405,39,43	450145,44,82
			TOTAL	**889995,68,09**	**765857,79,43**
	(II)	Advances outside India			
		(i) Due from banks		22466,08,47	15661,39,86
		(ii) Due from others			
		(a) Bills purchased and discounted		14820,36,26	25432,28,35
		(b) Syndicated loans		38633,79,72	28109,68,23
		(c) Others		40485,62,59	34440,48,34
			TOTAL	**116405,87,04**	**103643,84,78**
			GRAND TOTAL (C. (I) and) C. (II))	**1006401,55,13**	**869501,64,21**

SCHEDULE 10 — FIXED ASSETS (Rs. in thousand)

		As on 31.3.2011 (Current Year)		As on 31.3.2010 (Previous Year)	
		Rs.	Rs.	Rs.	Rs.
I.	Premises				
	At cost as on 31st March of the preceding year	2260,58,00		2134,12,97	
	Additions during the year	227,96,33		137,50,16	
	Deductions during the year	45,58,84		11,05,13	
	Depreciation to date	966,02,72	1476,92,77	892,61,83	1367,96,17
II.	Other Fixed Assets (including furniture and fixtures)				
	At cost as on 31st March of the preceding year	12592,44,87		10838,09,70	
	Additions during the year	2426,02,38		1922,16,86	
	Deductions during the year	812,25,58		167,81,69	
	Depreciation to date	9543,09,50	4663,12,17	8432,73,69	4159,71,18
III.	Leased Assets				
	At cost as on 31st March of the preceding year	976,27,83		1091,73,13	
	Additions during the year	2,21,92		—	
	Deductions during the year	84,41,02		115,45,30	
	Depreciation to date including provisions	888,50,50		971,30,75	
		5,58,23		4,97,08	
Less: Lease adjustment and provisions		4,50,18	1,08,05	4,77,89	19,19
IV.	Assets under Construction		345,70,25		486,02,70
	TOTAL		**6486,83,24**		**6013,89,24**

SCHEDULE 11 — OTHER ASSETS

(Rs. in thousand)

		As on 31.3.2011 (Current Year)	As on 31.3.2010 (Previous Year)
		Rs.	Rs.
I.	Inter Bank adjustments (net)	—	5,93,06
II.	Inter-Office adjustments (net)	1633,44,96	1784,13,90
III.	Interest accrued	12329,62,38	10647,51,07
IV.	Tax paid in advance/tax deducted at source	7146,19,41	5907,28,97
V.	Stationery and stamps	126,20,02	158,00,96
VI.	Non-banking assets acquired in satisfaction of claims	17,67,26	20,43,65
VIII.	Deferred tax asset (net)	1559,15,03	3433,72,04
VIII.	Others #	37803,67,23	28068,26,26
	TOTAL	**60615,96,29**	50025,29,91

Includes Goodwill on consolidation Rs. 769,77,74 thousand (P. Y. Rs. 768,52,56 thousand)

SCHEDULE 12 — CONTINGENT L IABILITIES

(Rs. in thousand)

		As on 31.3.2011 (Current Year)	As on 31.3.2010 (Previous Year)
		Rs.	Rs.
I.	Claims against the bank not acknowledged as debts	1209,74,94	1045,19,90
ii.	Liability for partly paid investments	15,25,22	3,11,88
iii.	Liability on account of outstanding forward exchange contracts	421259,55,48	352036,36,51
iv.	Guarantees given on behalf of constituents		
	(a) In India	100106,67,96	81165,35,89
	(b) Outside India	61564,91,59	37244,70,30
v.	Acceptances, endorsements and other obligations	165199,53,77	140616,70,35
vi.	Other items for which the banks are contingently liable	103399,67,18	85183,67,21
	TOTAL	**852755,36,14**	**697295,12,04**
Bills for collection		**68865,69,84**	**56491,42,87**

SCHEDULE 13 — INTEREST EARNED

(Rs. in thousand)

		Year ended 31.3.2011	Year ended 31.3.2010
		Rs.	Rs.
I.	Interest/discount on advances/bills	83797,22,37	72298,73,90
II.	Income on investments	27679,47,57	24614,07,39
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	698,93,71	1826,54,18
IV.	Others	1460,80,60	1341,37,72
	Total	**113636,44,25**	**100080,73,19**

SCHEDULE 14 — OTHER INCOME

(Rs. in thousand)

		Year ended 31.3.2011	Year ended 31.3.2010
		Rs.	Rs.
I.	Commission, exchange and brokerage	13958,94,27	11858,71,93
II.	Profit / (Loss) on sale of investments (Net)	3091,75,23	4930,43,83
III.	Profit / (Loss) on revaluation of investments (Net)	(135,12,21)	3022,98,14
IV.	Profit / (Loss) on sale of land, buildings and other assets including leased assets (Net)	(20,74,79)	(9,94,81)
V.	Profit / (Loss) on exchange transactions (Net)	1754,75,77	1866,60,70
VI.	Dividends from Associates in India/abroad	5,08,74	15,08,77
VII.	Income from financial Lease	2,06,83	10,41,72
VIII.	Credit card membership/service fees	227,53,11	191,09,14
IX.	Insurance Premium Income (Net)	12851,84,46	9920,39,38
X.	Share of earnings from associates	218,17,57	214,43,49
XI.	Miscellaneous income	2253,18,87	1750,87,21
	Total	**34207,47,85**	**33771,09,50**

SCHEDULE 15 — INTEREST EXPENDED

(Rs. in thousand)

			Year ended 31.3.2011	Year ended 31.3.2010
			Rs.	Rs.
I.	Interest on deposits		60749,67,56	61080,61,30
II.	Interest on Reserve Bank of India/Inter-bank borrowings		2993,56,30	1405,98,91
III.	Others		4343,16,30	4150,90,66
		TOTAL	**68086,40,16**	**66637,50,87**

SCHEDULE 16 — OPERATING EXPENSES

(Rs. in thousand)

			Year ended 31.3.2011	Year ended 31.3.2010
			Rs.	Rs.
I.	Payments to and provisions for employees		19979,57,68	16331,06,44
II.	Rent, taxes and lighting		2436,13,89	2136,15,35
III.	Printing and stationery		349,45,33	313,00,59
IV.	Advertisement and publicity		432,13,40	337,72,66
V.	Depreciation on Leased Assets		3,965	4,23,71
VI.	Depreciation on Fixed Assets			
	(Other than Leased Assets)		1380,15,51	1317,32,76
VII.	Directors’ fees, allowances and expenses		6,23,27	8,10,41
VIII.	Auditors’ fees and expenses			
	(including branch auditors' fees & expenses)		190,58,29	173,78,88
IX.	Law charges		207,21,48	129,80,19
X.	Postages, Telegrams, Telephones, etc.		484,98,32	408,54,22
XI.	Repairs and maintenance		474,52,05	415,85,45
XII.	Insurance		1086,09,08	940,66,25
XIII.	Amortization of deferred revenue expenditure		18,22,03	6,90,26
XIV.	Operating Expenses relating to Credit Card operations		360,84,92	231,90,39
XV.	Operating Expenses relating to Insurance Business		14726,33,60	14171,28,75
XVI.	Other expenditure		4385,12,23	5489,03,13
		TOTAL	**46518,00,73**	**42415,39,44**

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, unless otherwise stated and conform in all material aspect to Generally Accepted Accounting Principles (GAAP) in India, which comprise applicable statutory provisions, regulatory norms/guidelines prescribed by Reserve Bank of India (RBI), Insurance Regulatory and Development Authority, Companies Act, 1956, Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), and the prevalent accounting practices in India.

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 of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the 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 26 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" of 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 " of 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. In respect of foreign offices/entities, income is 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 case of foreign offices/entities (hereafter collectively referred to as Regulatory Authorities), (ii) interest on application money on investments (iii) overdue interest on investments and bills discounted, (iv) Income on Rupee Derivatives designated as "Trading"

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. 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 and (ii) Commission on Government Business, which is recognised as it accrues.

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 **Non-banking entities**

Merchant Banking:

a. Issue management and advisory fees are recognised as per the terms of agreement with the client.
b. Fees for private placement are recognised on completion of assignment.
c. Underwriting commission relating to public issues is accounted for on finalisation of allotment of the public issue.
d. Brokerage income relating to public issues/mutual fund/other securities is accounted for based on mobilisation and intimation received from clients/intermediaries.
e. Brokerage income in relation to stock broking activity is recognized on the trade date of transactions and includes stamp duty and transaction charges.

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, where applicable, and investments made by the company in the respective scheme) and are in conformity with the limits specified under SEBI (Mutual Funds) Regulations, 1996.
b. Portfolio Advisory Service income is recognised on accrual basis as per the terms of the contract.
c. Recovery from guaranteed schemes of deficit earlier recognised as expense is recognised as income in the year of receipt.
d. Scheme Expenses: Expenses of schemes in excess of the stipulated rates are charged to the Profit and Loss Account.
e. Recovery, if any, on realisation of devolved investments of schemes acquired by the company in terms of right of subrogation is accounted on the basis of receipts.

Credit Card Operations:

a. Joining membership fee and first annual fee have been recognised over a period of one year as they more closely reflects the period to which the fee relate to.
b. Interchange income is recognised on accrual basis.
c. All other service fees are recorded at the time of occurrence of the respective transaction.

Factoring:

Factoring service charges are accounted on accrual basis except in the case of non-performing assets, where income is accounted on realisation. Processing charges are accrued upon acceptance of sanction of the factoring/ financing limits by the Company.

Life Insurance:

a. Premium (net of service tax) is recognized as income when due from policyholders. Uncollected premium from lapsed policies is not recognised as income until such policies are revived. In respect of linked business, premium income is recognised when the associated units are allotted.
b. Premium ceded on reinsurance is accounted in accordance with the terms of the treaty or in-principle arrangement with the Re-Insurer.
c. Claims by death are accounted when intimated. Intimations upto the end of the year are considered for accounting of such claims. Claims by maturity are accounted on the policy maturity date. Annuity benefits are accounted when due. Surrenders are accounted as and when notified. Claims cost consist of the policy benefit amounts and claims settlement costs, where applicable. Amounts recoverable from re-insurers are accounted for in the same period as the related claims and are reduced from claims.
d. 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.
e. Liability for life policies: The actuarial liability of all the life insurance policies has been calculated by the appointed actuary as per the guidelines prescribed by the Institute of Actuaries of India.

General Insurance:

a. 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 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 it is 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. Any subsequent revision to, refunds or cancellations of premiums is recognized in the period in which they occur.
d. Acquisition costs such as commission, policy issue expenses etc. are costs that are primarily related to the acquisition of new and renewal insurance contracts and are expensed in the period in which they are incurred.
e. 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.
f. 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 Actuarial Society of India with the concurrence of the IRDA and any directions issued by IRDA in this respect.

Custodial & related 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 fees is recognized at specified rates agreed with the relevant schemes calculated as per the Investment Management Agreement (IMA) entered into between the Company and NPS Trustees, on accrual basis. Revenue excludes Service Tax, wherever recovered.

Mutual Fund Trustee Operation:

Trusteeship fees / management fees are recognised on an accrual basis in accordance with the respective terms of contract between the Companies.

2. Investments

The transactions in Government Securities are recorded on “Trade Date” upto 31.12.2010 and on “Settlement Date” with effect from 01.01.2011. 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)

2.2 **Basis of classification:**

i. Investments that the Bank intends to hold till maturity are classified as Held to Maturity.
ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as Held for Trading.
iii. Investments, which are not classified in the above two categories, are classified as Available for Sale.
iv. An investment is classified as Held to Maturity, Available for Sale or Held for Trading at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

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, 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 the 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. The transfer of a security amongst the above three categories is accounted for at the least of acquisition cost/book value/market value on the date of transfer, and the depreciation, if any, on such transfer is fully provided for.
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 remaining maturity on constant yield basis. Such amortisation of premium is adjusted against income under the head “interest on investments”. Investments in Regional Rural Banks (RRBs) are valued at equity cost determined in accordance with AS 23 of the ICAI. A provision is made for diminution, other than temporary, for each investment individually.
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 is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual securities remains unchanged after marking to market.

vi. Security receipts issued by an asset reconstruction company (ARC) are valued in accordance with the guidelines applicable to non-SLR instruments. Accordingly, in cases where the security receipts issued by the 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 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 case of domestic offices/entities and respective regulators in 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 the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer 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 non performing investments are made as per the local regulations or as per the norms of RBI, whichever is higher.

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 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.

3. Loans /Advances and Provisions thereon

3.1 Loans and Advances are classified as performing and non-performing, based on the guidelines issued by 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 for short duration crops, where the instalment of principal or interest remains overdue for two crop seasons;
v. In respect of agricultural advances 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 10%

ii. Additional provision of 10% for exposures which are unsecured ab-initio (where realisable value of security is not more than 10 percent ab-initio)

Doubtful Assets:

– Secured portion: i. Upto one year – 20%

ii. One to three years – 30%

iii. More than three years – 100%

– Unsecured portion 100%

Loss Assets: 100%

3.4 In respect of foreign offices/entities, provisions for non performing advances are made as per the local regulations or as per the norms of RBI, whichever is higher.

3.5 The sale of NPAs is accounted as per guidelines prescribed by RBI. If the sale is at a price below net book value, the shortfall is debited to the profit and loss account, and in case of sale for a value higher than net book value, the excess provision is retained and utilised to meet the shortfall / loss on sale of other financial assets. Net book value is outstanding as reduced by specific provisions held and ECGC claims received.

3.6 Advances are net of specific loan loss provisions, unrealised interest, ECGC claims received and bills rediscounted.

3.7 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by RBI, which require that the difference between the fair value of the loan before and after restructuring is provided for, in addition to provision for NPAs. The provision for diminution in fair value and interest sacrifice, arising out of the above, is reduced from advances.

3.8 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.

3.9 Amounts recovered against debts written off in earlier years are recognised as revenue.

3.10 In addition to the specific provision on NPAs, general provisions are also made for standard assets. 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 Net NPAs.

4. Floating Provision

The bank has a policy for creation and utilisation of floating provisions separately for advances, investments and general purpose. The quantum of floating provisions to be created is assessed at the end of each 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 held 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 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.

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 have been considered to arrive at Mark to Market value for forex Over the Counter 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 and Depreciation**

7.1 Fixed assets are carried at cost less accumulated depreciation.

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 incurred on assets put to use is 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/ amortization rate
1	Computers & ATM	Straight Line Method	33.33% every year
2	Computer software forming an integral part of hardware	Written Down Value Method	60%
3	Computer software which does not form an integral part of hardware	--	100% depreciated in the year of acquisition
4	Assets given on financial lease upto 31st March 2001	Straight Line Method	At the rate prescribed under the Companies Act, 1956
5	Other fixed assets	Written Down Value Method	At the rate prescribed under the Income Tax Act, 1961

7.4 In respect of assets acquired during the year for domestic operations, depreciation is charged for half a year in respect of assets used for upto 180 days and for the full year in respect of assets used for more than 180 days, except depreciation on computers and software, which is charged for the full year irrespective of the period for which the asset was put to use.

7.5 Items costing less than Rs. 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.

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 in terms at historical cost, are reported using the exchange rate at 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 or Loss account.

vi. Foreign exchange forward contracts which are not intended for trading and are outstanding at the balance sheet date, are 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/entities of the Bank and Offshore Banking Units 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.
iii. Exchange differences arising on net investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the net 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.

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 exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss is included in the profit and loss account.
iii. Foreign currency non-monetary items which are carried in terms of historical cost are reported using the exchange rate at the date of the transaction.

11. Employee Benefits:

11.1 **Short Term Employee Benefits:**

The undiscounted amount of short-term employee benefits, such as medical benefits, casual leave etc. 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 **Post Employment Benefits:**

i. Defined Benefit Plan

a. The group entities operate separate Provident Fund schemes. All eligible employees are entitled to receive benefits under the Provident Fund scheme. The group entities contribute monthly at a determined rate. These contributions are remitted to a trust established for this purpose and are charged to Profit and Loss Account. The group entities are liable for annual contributions and interests, which is payable at minimum specified rate of interest. The entities recognise such annual contributions and interest as an expense in the year to which they relate.
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, 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 ceiling in terms of service rules. Vesting occurs upon completion of five years of service. The Bank makes annual 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 and regular payments to vested employees on retirement, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The entities make annual 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 statement of 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. Pending finalisation of the detailed scheme, the employees covered under the scheme contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the Bank. 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 recognises such annual contributions and interest as an expense in the year to which they relate.

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 statement of 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

12.1 Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax charge. Current taxes are determined in accordance with the provisions of Accounting Standard 22 and tax laws prevailing in India after taking into account taxes of foreign offices/entities, which are based on the tax laws of respective jurisdiction. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

12.2 Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax bases, and carry forward losses. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

12.3 Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future profits.

12.4 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. Earning 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 (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 is 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, it is probable that an 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 Contingent Assets are not recognised in the financial statements.

15. Share Issue Expenses

Share issue expenses are charged to the Share Premium Account.

SCHEDULE 18
NOTES TO ACCOUNTS:

(Amount in Rupees in crores)

1. List of Subsidiaries/Joint Ventures/Associates considered for preparation of consolidated financial statements:

1.1 The 30 Subsidiaries, 8 Joint Ventures and 26 Associates (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 (%)
1)	State Bank of Bikaner & Jaipur	India	75.07
2)	State Bank of Hyderabad	India	100.00
3)	State Bank of Indore (upto 25.08.2010)	India	98.05
4)	State Bank of Mysore	India	92.33
5)	State Bank of Patiala	India	100.00
6)	State Bank of Travancore	India	75.01
7)	SBI Commercial & International Bank Ltd.	India	100.00
8)	SBI Capital Markets Ltd.	India	100.00
9)	SBICAP Securities Ltd.	India	100.00
10)	SBICAP Trustee Company Ltd.	India	100.00
11)	SBICAPS Ventures Ltd.	India	100.00
12)	SBI DFHI Ltd.	India	71.56
13)	SBI Mutual Fund Trustee Company Pvt Ltd.	India	100.00
14)	SBI Global Factors Ltd.	India	86.82
15)	SBI Pension Funds Pvt Ltd.	India	98.15
16)	SBI –SG Global SecuritiesServices Pvt. Ltd. @	India	65.00
17)	SBI General Insurance Company Ltd. @	India	74.00
18)	SBI Payment Services Pvt. Ltd.	India	100.00
19)	State Bank of India (Canada)	Canada	100.00
20)	State Bank of India (California)	USA	100.00
21)	SBI (Mauritius) Ltd.	Mauritius	93.40
22)	PT Bank SBI Indonesia	Indonesia	76.00
23)	SBICAP (UK) Ltd.	U.K.	100.00
24)	SBI Cards and Payment Services Pvt Ltd. @	India	60.00
25)	SBI Funds Management Pvt Ltd. @	India	63.00
26)	SBI Life Insurance Company Ltd. @	India	74.00
27)	Commercial Bank of India Llc, Moscow @	Russia	60.00
28)	Nepal SBI Bank Ltd.	Nepal	55.05
29)	SBI Funds Management (International) Private Ltd. @	Mauritius	63.00
30)	SBICAP (Singapore) Ltd.	Singapore	100.00

@ The financial statements of these jointly controlled entities have been consolidated as per AS 21 "Consolidated Financial Statements" consequent to the limited revision to AS 27 on "Financial Reporting of interests in joint ventures".

B) Joint Ventures

Sr. No	Name of the Joint Venture	Country of Incorporation	Group's Stake (%)
1)	C - Edge Technologies Ltd.	India	49.00

2)	GE Capital Business Process Management Services Pvt Ltd.	India	40.00
3)	SBI Macquarie Infrastructure Management Pvt. Ltd.	India	45.00
4)	SBI Macquarie Infrastructure Trustee Pvt. Ltd.	India	45.00
5)	Macquarie SBI Infrastructure Management Pte. Ltd.	Singapore	45.00
6)	Macquarie SBI Infrastructure Trustee Ltd.	Bermuda	45.00
7)	Oman India Joint Investment Fund – Trustee Company Pvt. Ltd.	India	50.00
8)	Oman India Joint Investment Fund – Management Company Pvt. Ltd.	India	50.00

C) Associates:

Sr. No	Name of the Associate	Country of Incorporation	Group's Stake (%)
1)	Andhra Pradesh Grameena Vikas Bank	India	35.00
2)	Arunachal Pradesh Rural Bank	India	35.00
3)	Chhatisgarh Gramin Bank	India	35.00
4)	Ellaquai Dehati Bank	India	35.00
5)	Meghalaya Rural Bank	India	35.00
6)	Krishna Grameena Bank	India	35.00
7)	Langpi Dehangi Rural Bank	India	35.00
8)	Madhya Bharat Gramin Bank	India	35.00
9)	Mizoram Rural Bank	India	35.00
10)	Nagaland Rural Bank	India	35.00
11)	Parvatiya Gramin Bank	India	35.00
12)	Purvanchal Kshetriya Gramin Bank	India	35.00
13)	Samastipur Kshetriya Gramin Bank	India	35.00
14)	Utkal Gramya Bank	India	35.00
15)	Uttaranchal Gramin Bank	India	35.00
16)	Vananchal Gramin Bank	India	35.00
17)	Marwar Ganganagar Bikaner Gramin Bank	India	26.27
18)	Vidisha Bhopal Kshetriya Gramin Bank	India	35.00
19)	Deccan Grameena Bank	India	35.00
20)	Cauvery Kalpatharu Grameena Bank	India	32.32
21)	Malwa Gramin Bank	India	35.00
22)	Saurashtra Gramin Bank	India	35.00
23)	The Clearing Corporation of India Ltd.	India	29.22
24)	Bank of Bhutan Ltd.	Bhutan	20.00
25)	S.S. Ventures Services Ltd. (upto 15.03.11)	India	50.00
26)	SBI Home Finance Ltd.	India	25.05

1.2 The following changes have taken place during the year in the consolidation process as compared to the previous year 2009-10;

a. Consequent to the notification of the "Acquisition of State Bank of Indore Order, 2010" issued by the Govt. of India, the undertaking of State Bank of Indore stands transferred to and vests in State Bank of India ("SBI"), from 26.08.2010, the effective date.

b. SBI has acquired 4.69% & 0.47% stake in SBI DFHI Ltd. from Asian Development Bank (ADB) and Industrial Investment Bank of India Ltd. (IIBI) respectively. Also, SBI DFHI Ltd. has given buy back offer for 25% of it's paid up shares and after buy back group's stake is 71.56%.

c. S. S. Ventures Services Ltd. is considered as an associate of SBI group for the period 01.04.2010 to 15.03.2011 as SBICAPS Ventures Ltd, a step-down subsidiary of SBI has sold out its entire stake i.e. 50% on 15.03.2011.

d. A wholly owned step-down subsidiary, SBICAP (Singapore) Ltd. (subsidiary of SBI Capital Markets Ltd.) was incorporated on 10.12.2010. However the company has not commenced its business till 31.03.2011.

e. SBI has signed a joint venture agreement with State General Reserve Fund (SGRF) of the Sultanate of Oman, a Sovereign Fund of that country with an objective to set up a general fund to invest in various sectors in India. Under this JV agreements two companies have been incorporated namely,
   (i) Oman India Joint Investment Fund- Management Company Pvt. Limited
   (ii) Oman India Joint Investment Fund- Trustee Company Pvt. Limited

f. SBI has invested the Right issue in its subsidiary, SBI Global Factors Ltd. and after right issue SBI's stake has gone up to 86.82%.

g. The name of SBI Custodial Services Private Limited, a subsidiary of SBI has been changed to SBI-SG Global Securities Services Private Limited w.e.f. 5th April 2010.

1.3 The winding up petition of SBI Home Finance Ltd., an associate of SBI, was filed with the Kolkata High Court on 23rd September 2008. The Hon'ble Court has passed an order on 31st March 2009 giving direction for winding up of the company.

1.4 Bank of Bhutan Ltd., an associate of SBI follows accounting year (Gregorian Calendar Year) different from that of the parent. Accordingly, the financial statements of the associate are made as of 31st December 2010.

2. Share capital:

2.1 During the year, the authorised share capital of SBI is increased from Rs. 1,000 crores to Rs. 5,000 crores divided into five hundred crores fully paid up shares of Rs. 10/- each.

2.2 During the year, SBI has allotted 1,741 equity shares of Rs. 10/- each for cash at a premium of Rs. 1,580/- per equity share aggregating toRs. 27,68,190/- out of 85,856 shares kept in abeyance under Right Issue – 2008. Out of the total subscription of Rs. 27,68,190/- received, Rs. 17,410/- was transferred to Share Capital Account and Rs. 27,50,780/- to Share Premium Account. Further, 1,14,606 shares of Rs. 10/- each were allotted to the share holders of erstwhile State Bank of Indore upon its merger with State Bank of India and Rs. 11,46,060/- was transferred to Share Capital Account.

2.3 SBI has kept in abeyance the allotment of 84,115 (Previous Year 85,856) Equity Shares of Rs. 10/- each issued as a part of Rights Issue, since they are subject to title disputes or are subjudice.

3. Employee Benefits

3.1.1 Defined Benefit Plans

The following table sets out the status of the defined benefit Pension Plan and Gratuity Plan as required under AS 15 (Revised 2005).

Particulars	**Pension Plans**		**Gratuity**	
	CY	PY	CY	PY
Change in the present value of the defined benefit obligation				
Opening defined benefit obligation at 1st April 2010	27015.65	24008.71	5253.54	5068.06
Current Service Cost	1216.08	1087.38	280.78	225.74
Interest Cost	2281.45	1922.46	406.54	399.12
Past Service Cost (Amortised)	1241.58	Nil	757.88	Nil
Past Service Cost (Vested Benefit recognised in Reserves)	7927.41	Nil	Nil	Nil

Particulars	Pension Plans		Gratuity	
	CY	PY	CY	PY
Past Service Cost (Vested Benefit)	2224.44	Nil	783.14	Nil
Actuarial losses (gains)	1887.15	1537.30	826.28	(134.19)
Benefits paid	(1184.08)	(1540.20)	(650.88)	(305.19)
Direct Payment by Bank	(780.67)	Nil	Nil	Nil
Closing defined benefit obligation at 31st March 2011	**41829.01**	**27015.65**	**7657.28**	**5253.54**
Change in Plan Assets				
Opening fair value of plan assets at 1st April 2010	19347.13	17366.99	5126.77	4880.36
Expected Return on Plan assets	1552.50	1415.60	417.25	383.87
Contributions by employer	1815.59	1650.48	508.69	130.28
Contribution from members	599.25	Nil	Nil	Nil
Benefits Paid	(1184.08)	(1540.20)	(650.80)	(305.19)
Actuarial Gains / (Losses)	759.67	454.26	26.05	37.45
Closing fair value of plan assets at 31st March 2011	**22890.06**	**19347.13**	**5427.96**	**5126.77**
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of Funded obligation at 31st March 2011	41829.01	27015.65	7657.28	5253.54
Fair Value of Plan assets at 31st March 2011	22890.06	19347.13	5427.96	5126.77
Deficit/(Surplus)	18938.95	7668.52	2229.32	126.77
Unrecognised Past Service Cost (Vested) Closing Balance	985.32	Nil	628.78	Nil
Net Liability/(Asset)	**17953.63**	**7668.52**	**1600.54**	**126.77**
Amount Recognised in the Balance Sheet				
Liabilities	41829.01	27015.65	7657.28	5253.54
Assets	22890.06	19347.13	5427.96	5126.77
Net Liability / (Asset) recognised in Balance Sheet	18938.95	7668.52	2229.32	126.77
Unrecognised Past Service Cost (Vested) Closing Balance	985.32	Nil	628.78	Nil
Net Liability/ (Asset)	**17953.63**	**7668.52**	**1600.54**	**126.77**
Net Cost recognised in the profit and loss account				
Current Service Cost	1216.08	1087.38	280.78	225.74
Interest Cost	2281.46	1922.46	406.54	399.12
Expected return on plan assets	(1552.50)	(1415.60)	(417.25)	(383.87)
Past Service Cost (Amortised) Recognised	381.00	Nil	236.94	Nil
Past Service Cost (Vested Benefits) Recognised	193.75	Nil	675.22	Nil
Net actuarial losses (Gain) recognised during the year	1127.47	1083.04	800.23	(171.64)
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	**3647.26**	**2677.28**	**1982.46**	**69.35**
Reconciliation of expected return and actual return on Plan Assets				
Expected Return on Plan Assets	1552.50	1415.60	417.25	383.87
Actuarial Gain/ (loss) on Plan Assets	759.67	454.26	26.05	37.45
Actual Return on Plan Assets	**2312.17**	**1869.86**	**443.30**	**421.32**

Particulars	Pension Plans		Gratuity	
	CY	PY	CY	PY
Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet				
Opening Net Liability as at 1st April 2010	7668.52	6641.72	126.77	187.70
Expenses as recognised in profit and loss account	3647.26	2677.28	1982.46	69.35
Debited to Other Provision	1306.70	Nil	Nil	Nil
Recognised in Reserve	7927.41	Nil	Nil	Nil
Employers Contribution	2596.26	1650.48	508.69	130.28
Net liability/(Asset) recognised in Balance Sheet	**17953.63**	**7668.52**	**1600.54**	**126.77**

Investments under Plan Assets of Gratuity Fund & Pension Fund as on 31st March 2011 are as follows:

Category of Assets	**Pension Fund**	**Gratuity Fund**
	% of Plan Assets	**% of Plan Assets**
Central Govt. Securities	24.05	43.54
State Govt. Securities	11.11	2.47
Public Sector & Corporate Bonds	23.47	27.44
FDR / TDR with Bank	5.28	1.02
Bank Deposits	2.48	5.34
Others	33.61	20.19
Total	**100%**	**100%**

Principal actuarial assumptions;

Particulars	Pension Plans		Gratuity	
	CY	PY	CY	PY
Discount Rate	8% to 8.50%	7% to 8.50%	8% to 8.50%	7% to 8.50%
Expected Rate of return on Plan Asset	7.50% to 8 %	7.50% to 8 %	7.50% to 8 %	7.50% to 8 %
Salary Escalation	2% to 6 %	4% to 6 %	2% to 6 %	4% to 6 %

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 the very long term, consistent high salary growth rates are not possible, which has been relied upon by the auditors.

3.1.2 Employees Provident Fund

In terms of the guidance on implementing the AS-15 (Revised 2005) “Employees Benefits” issued by the ICAI, the Employees Provident Fund set up by the group is treated as a defined benefit plan since the group has to meet the specified minimum rate of return. As at the year end, no shortfall remains unprovided for.

Accordingly, other related disclosures in respect of Provident Fund have not been made and an amount of Rs. 931.70 crores (Previous Year Rs. 420.19 crores) is recognised as an expense towards the Provident Fund scheme of the group included under the head "Payments to and provisions for employees" in Profit and Loss Account.

3.1.3 Defined Contributions

SBI has contributed Rs. 11.75 crores (previous year Nil) to the New Pension Scheme for all officers/ employees joining the Bank on or after 1st August 2010 and Domestic Banking Subsidiaries (comprising State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore) has contributed Rs. 1.53 crores (previous year Nil) to the Defined Contributory Pension Scheme for employees joining on or after 1st April 2010.

3.1.4 Other Long term Employee Benefits

Amount of Rs. 933.09 crores (Previous Year Rs. 233.54 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;

Sl. No.	Long Term Employees' Benefits	Current Year	Previous Year
1	Privilege Leave (Encashment) incl. leave encashment at the time of retirement	694.18	162.78
2	Leave Travel and Home Travel Concession (Encashment/ Availment)	72.29	39.48
3	Sick Leave	81.73	23.22
4	Silver Jubilee Award	35.16	3.38
5	Resettlement Expenses on Superannuation	(8.55)	(6.95)
6	Casual Leave	13.73	5.65
7	Retirement Award	44.55	5.98
	Total	**933.09**	**233.54**

3.1.5 Pension and Gratuity

(a) Pension Scheme of SBI

Consequent to revision in wages in accordance with the Ninth Bipartite Settlement and the proposed amendment to the SBI Pension Fund Rules, the Pension liability of the SBI for the year ended March 31, 2011 as determined by the independent actuary amounted to Rs. 11,707 crores. After considering the existing provision of Rs. 1,306.70 crores, the additional pension cost in respect of the liabilities of the earlier years amounting to Rs. 7,927.41 crores has been charged to Reserves in accordance with the dispensation granted by Reserve Bank of India to the Bank vide the letter number DBOD/BP/No./16165/21.04.018/2010-11. SBI has sought an approval of the above amount against the statutory reserves from RBI, which is still awaited. The pension cost for the year amounting to Rs. 2,473.00 crores has been charged to the Profit and Loss Account.

(b) Gratuity for SBI

Consequent to the enhancement in limit of gratuity payable under the Payment of Gratuity Act, 1972 and revision in wages in accordance with the Ninth Bipartite Settlement, the cost on account of Gratuity liability of SBI as determined by the independent actuary for the year ended March 31, 2011 amounted to Rs. 1,965 crores. The incremental liability for the year and the increase in liability consequent to revision in wages amounting to Rs. 865 crores and an amount of Rs. 700 crores on account of enhancement in the limit of gratuity, has been charged to the Profit and Loss account. The balance amount of Rs. 400 crores, not already charged to Profit and Loss account during the year, has not been recognised and will be amortised over the next four years in accordance with RBI circular no. DBOD.BP.BC.80/ 21.04.018/2010-11 dated 9th February 2011.

(c) Pension and Gratuity for Domestic banking subsidiaries (DBS)

During the year, DBS have reopened the pension option for its employees who had not opted for the pension scheme earlier. As a result of this, the DBS has incurred a liability of Rs. 1,801.80 crores. Further, the limit of gratuity payable to its employees was also enhanced pursuant to the amendment to the Payment of Gratuity Act, 1972. As a result the gratuity liability of DBS has increased by Rs. 559.16 crores. In terms of the requirements of the AS 15, “Employee Benefits”, the entire amount of Rs. 2,360.96 crores (i.e. Rs. 1,801.80 crores + Rs. 559.16 crores) is required to be charged to profit and loss account. However, the RBI has issued a Circular No. DBOD.BP. BC.80 / 21.04.018 / 2010-11) on Re-opening of pension option to employees of Public sector banks and enhancement in gratuity limits- Prudential Regulatory Treatment dated 09.02.2011. In accordance of the provisions of the said Circular, the DBS would amortise the amount of Rs. 2,360.96 crores over a period of five years. Accordingly, Rs. 475.72 crores (representing one-fifth of increased liability) has been charged to Profit and Loss Account and the balance amount of Rs. 1,885.24 crores is deferred for next four years and does not include any employees relating to separated / retired employees.

(d) As per the requirements of AS 15 – Employee Benefits, the pension liability stated in (a) above amounting to Rs. 10,400.30 crores, the gratuity liability of Rs. 1,965 crores in (b) above and the Pension / Gratuity liability of Domestic Banking Subsidiaries of Rs. 2,360.96 crores in (c) above is required to be charged to Profit and Loss account.

Had the said Circular not been issued by RBI and this dispensation for charging the Pension liability to Reserves not allowed by RBI, the profit of the group would have been lower by Rs. 10,212.65 crores pursuant to the application of requirements of AS 15.

3.2 Segment Reporting

3.2.1Segment 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):

i) Domestic operations – Branches, Subsidiaries and Joint Ventures having operations in India.

ii) Foreign operations - Branches, Subsidiaries and Joint Ventures having operations outside India and offshore banking units having operations in India.

C) Allocation of 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.

3.2.2 The accounting policies adopted for segment reporting are in line with the accounting policies adopted in the parent's financial statements with the following additional features:

1) Pricing of inter-segment transactions between the Non Banking Operations segment and other segments are market led. In respect of transactions between treasury and other banking business, compensation for the use of funds is reckoned based on interest and other costs incurred by the lending segment.
2) Revenue and expenses have been identified to segments based on their relationship to the operating activities of the segment.
3) Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Expenses".

3.2.3 SEGMENT INFORMATION

PART A: PRIMARY (BUSINESS) SEGMENTS:

Business Segment	Treasury	Corporate / Wholesale Banking	Retail Banking	Insurance Business	Other Banking Operations	Elimination	TOTAL
Revenue	25019.96 (30621.88)	45337.75 (39847.90)	58612.55 (44757.02)	16016.57 (16120.65)	2857.09 (2401.99)	— (—)	147843.92 (133749.44)
Result	-1404.68 (4408.86)	8240.18 (7762.42)	15547.80 (9021.20)	330.39 (272.78)	791.53 (-76.75)	— (—)	23505.22 (21388.51)
Unallocated (Income)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (102.39)
Unallocated (Expenses)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	3585.46 (2808.87)
Operating Profit (PBT)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	19919.76 (18682.03)
Taxes	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	8739.82 (6668.38)
Extraordinary Profit/Loss	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
Net Profit	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	11179.94 (12013.65)
Other Information:							
Segment Assets	416212.50 (420007.04)	535879.58 (449429.89)	637695.87 (535117.22)	39722.33 (27985.44)	7354.53 (8420.28)	— (—)	1636864.81 (1440959.87)
Unallocated Assets	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	11033.44 (9184.10)
Total Assets	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	1647898.25 (1450143.97)
Segment Liabilities	202393.63 (181831.11)	496020.54 (440814.86)	766973.70 (664634.16)	37517.06 (26080.52)	4477.68 (5458.20)	— (—)	1507382.61 (1318818.85)
Unallocated Liabilities	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	57044.39 (48189.54)
Total Liabilities	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	1564427.00 (1367008.39)

PART B : SECONDARY (GEOGRAPHIC) SEGMENTS:

Particulars	Domestic Operations	Foreign Operations	Total
Revenue	1,40,649.70 (1,28,347.46)	7,194.22 (5,504.37)	1,47,843.92 (1,33,851.83)
Assets	14,88,178.32 (13,11,718.84)	1,59,719.93 (1,38,425.13)	16,47,898.25 (14,50,143.97)

i) Income/Expenses are for the whole year. Assets/Liabilities are as at 31st March 2011.

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. GE Capital Business Process Management Services Private Limited.

2. C - Edge Technologies 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. Cauvery Kalpatharu Grameena Bank
4. Chhatisgarh Gramin Bank
5. Deccan Grameena Bank
6. Ellaquai Dehati Bank
7. Meghalaya Rural Bank
8. Krishna Grameena Bank
9. Langpi Dehangi Rural Bank
10. Madhya Bharat Gramin Bank
11. Malwa Gramin Bank
12. Marwar Ganganagar Bikaner Bank
13. Mizoram Rural Bank
14. Nagaland Rural Bank
15. Parvatiya Gramin Bank
16. Purvanchal Kshetriya Gramin Bank
17. Samastipur Kshetriya Gramin Bank
18. Saurashtra Gramin Bank
19. Utkal Gramya Bank
20. Uttaranchal Gramin Bank
21. Vananchal Gramin Bank
22. Vidisha Bhopal Kshetriya Gramin Bank

ii) Others

23. The Clearing Corporation of India Ltd.
24. Bank of Bhutan Ltd.
25. S. S. Ventures Services Pvt. Ltd. (upto 15.03.2011)
26. SBI Home Finance Ltd.

C) Key Management Personnel of the Bank:

1. Shri O. P. Bhatt, Chairman (upto 31.03.2011)
2. Shri S. K. Bhattacharyya, Managing Director (upto 31.10.2010)
3. Shri R. Sridharan, Managing Director

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. Other particulars are as under:

1. C - Edge Technologies Ltd.
2. GE Capital Business Process Management Services Pvt. 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. Bank of Bhutan Ltd.
10. S. S. Ventures Services Ltd. (upto 15.03.2011)
11. SBI Home Finance Ltd.
12. Shri O. P. Bhatt, Chairman (upto 31.03.2011)
13. Shri S. K. Bhattacharyya, Managing Director (upto 31.10.2010)
14. Shri R.Sridharan, Managing Director

3.3.3 Transactions and Balances:

Particulars	Associates/ Joint Ventures	Key Management Personnel & their relatives	Total
Deposit#	52.09 (112.99)	0.04 (–)	52.13 (112.99)
Other Liabilities#	10.62 (21.94)	– (–)	10.62 (21.94)
Investments#	42.91 (26.94)	– (–)	42.91 (26.94)
Advances #	– (–)	– (–)	– (–)
Interest paid $	– (4.00)	– (–)	– (4.00)
Interest received $	– (–)	– (–)	– (–)
Income earned by way of Dividend $	2.80 (5.96)	– (–)	2.80 (5.96)
Other Income $	– (0.05)	– (–)	– (0.05)
Other Expenditure $	150.34 (144.48)	– (–)	150.34 (144.48)
Management Contract $	142.33 (146.83)	0.60 (0.63)	142.93 (147.46)

(Figures in brackets pertain to previous year)

\# Balances as at 31st March

$ Transactions for the year

3.4 Leases:

Finance Leases

Assets taken on Financial Leases on or after 1st April 2001: The details of financial leases are given below:

Particulars	Current Year
Total Minimum lease payments outstanding	
Less than 1 year	0.43
1 to 5 years	0.73
5 years and above	—
Total	**1.16**
Interest Cost payable	
Less than 1 year	0.11
1 to 5 years	0.10
5 years and above	—
Total	**0.21**
Present value of minimum lease payments payable	
Less than 1 year	0.32
1 to 5 years	0.63
5 years and above	—
Total	**0.95**

Operating Lease*

Premises taken on operating lease are given below:

Particulars	Current Year	Previous Year
Not later than 1 year	126.64	73.67
Later than 1 year and not later than 5 years	298.43	170.38
Later than 5 years	63.62	51.12
Total	**488.69**	**295.17**
Amount of lease payments recognised in the P&L Account for the year	145.85	78.25

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.

3.5 Earnings per Share:

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 - "Earnings per Share". "Basic earnings" per share is computed by dividing consolidated net profit after tax (other than minority) by the weighted average number of equity shares outstanding during the year.

Particulars	Current Year	Previous Year
Basic and diluted		
Weighted average number of equity shares used in computing basic earning per share	63,49,52,049	63,48,80,626
Weighted average number of shares used in computing diluted earning per share	63,49,52,049	63,48,80,626
Net profit (Other than minority) (in crores)	10684.95	11733.83

Basic earnings per share (Rs.)	168.28	184.82
Diluted earnings per share (Rs.)	168.28	184.82
Nominal value per share (Rs.)	10.00	10.00

3.6 Accounting for taxes on Income:

i) During the year, Rs. 1398.06 crores has been debited [Previous Year, Rs. 1315.71 crores had been credited] to Profit and Loss Account by way of adjustment of deferred tax.

ii) The break up of deferred tax assets and liabilities into major items is given below:

Particulars	As at 31-Mar 2011	As at 31-Mar 2010
Deferred Tax Assets		
Provision for non performing assets	118.35	310.73
Ex-gratia paid under Exit option	9.41	52.57
Provision for wage revision	308.43	1837.31
Provision for long term employee Benefits	1943.24	1462.44
Others	552.11	846.56
Total	**2931.54**	**4509.61**
Deferred Tax Liabilities		
Depreciation on Fixed Assets	31.73	32.46
Interest on securities	1034.68	611.65
Others	427.60	431.92
Total	**1494.01**	**1076.03**
Net Deferred Tax Assets/ (Liabilities)	**1437.53**	**3433.58**

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:

a) Break up of provisions:

Particulars		Current Year	Previous Year
a)	Provision for Income Tax (current tax)	7341.56	7980.75
b)	Provision for Income Tax (deferred tax asset)	1398.06	(1315.71)
c)	Fringe Benefit Tax	(9.39)	—
d)	Provision for other taxes	9.58	3.34
e)	Provision for Non-Performing Assets	10870.00	6228.77
f)	Provision on Restructured Assets	386.20	825.77
g)	Provision on Standard Assets	1261.35	152.67
h)	Provision for Depreciation on Investments	766.10	(1355.10)
i)	Provision for Other Assets	36.11	264.80
	Total	**22059.57**	**12785.29**

(Figures in brackets indicate credit)

b) Floating provisions:

Particulars		Current Year	Previous Year
a)	Opening Balance	645.17	514.64
b)	Addition during the year	9.15	163.42
c)	Draw down during the year	175.11	32.89
d)	**Closing balance**	**479.21**	**645.17**

c) Description of contingent liabilities and contingent assets:

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.
2	Liability on account of outstanding forward exchange contracts	The Group enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. 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.
3	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.
4	Other items for which the Group is contingently liable	The Group is a party to various taxation matters in respect of which appeals are pending. These are being contested by the Group and not provided for. Further the Group has made commitments to subscribe to shares in the normal course of business.

d) 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.

e) **Movement of provisions against contingent liabilities:**

		Current Year	Previous Year
a)	**Opening Balance**	**493.26**	**303.95**
b)	Additions during the year	191.14	215.30
c)	Draw down during the year	228.35	25.99
d)	**Closing balance**	**456.05**	**493.26**

4 Wage Agreement Implementation:

During the year, the disbursement of arrears of wages was finalized in accordance with the ninth Bipartite Settlement. An amount of Rs. 1,078.97 crores was written back to the Profit & Loss Account of the group during the year ended on 31st March 2011 being excess amount of provision for wage revision. Further, an amount of Rs. 168.98 crores was provided by SBI during the year for "Special Balancing Allowance".

5 The past service liability in respect of provident fund and pension payable to employees of e-SBIN taken over on merger amounting to Rs. 470.80 crores is an exceptional item and included in the head of "Payment to and provisions for employees" in the consolidated profit and loss account.

6 In accordance with RBI circular DBOD NO.BP.BC.42/21.01.02/2007-08 redeemable preference shares 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 Previous year's figures have been regrouped/ reclassified, wherever necessary, to conform to current period classification. In cases where disclosures have been made for first time in terms of RBI guidelines/Accounting Standards, previous year figures have not been mentioned.

Unconsolidated Limited Review Financial Results

of

STATE BANK OF INDIA

For the Six month period Ended

30th September 2013

LIMITED REVIEW REPORT ON UNAUDITED FINANCIAL RESULTS OF STATE BANK OF INDIA FOR THE PERIOD ENDED SEPTMBER 30, 2013

To
The Board of Directors,
State Bank of India,
State Bank Bhavan,
Madame Cama Road,
Mumbai- 400021

1. We, the undersigned Auditors, have reviewed the accompanying statement of unaudited financial results of State Bank of India for the quarter and half year ended September 30, 2013 except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the Management and have not been reviewed by us. This statement is the responsibility of the Bank's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on this financial statement based on our review.
2. We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

3. The financial results incorporate the relevant returns of **42** branches reviewed by us, **90** branches reviewed by other Chartered Accountants as Concurrent Auditors of the Bank (including **26** Foreign Offices reviewed by local auditors specially appointed for this purpose), **458** branches reviewed by Bank's own officials acting as Concurrent Auditors, the returns of **254** branches certified by Branch Managers as per instructions of the Bank's Management and un-reviewed returns in respect of **14952** branches and other accounting units. In the conduct of our review, in addition to **42** branches reviewed by us, we have relied on the review reports received from the Bank's Concurrent Auditors of **90** branches (including **26** Foreign Offices reviewed by local auditors specially appointed for this purpose), **458** branches reviewed by Bank's own officials acting as Concurrent Auditors, the returns of **254** branches certified by Branch Managers as per instructions of the Bank's Management. In aggregate the above covers **62.45%** of the advances portfolio excluding outstanding of asset recovery branches and food credit advance of the Bank, and also covers **69.27%** of Non Performing Advances (NPAs) as on September 30, 2013.

4. Based on our review conducted as above, subject to limitation in scope as mentioned in para 3 above read with Notes of Unaudited Financial Results, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement 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.

For S Venkatram & Co.
Chartered Accountants

G Narayanaswamy
Partner: M.No. 002161
Firm Regn. No.004656 S

For Todi Tulsyan & Co.
Chartered Accountants

Sushil Kumar Tulsyan
Partner: M.No. 075899
Firm Regn. No. 002180 C

For SCM ASSOCIATES
Chartered Accountants

P K Bal
Partner : M.No. 055147
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For Singhi & Co.
Chartered Accountants

Sukhendra Lodha
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For Sriramamurthy & Co.
Chartered Accountants

M Poorna Chander Rao
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For T R Chadha & Co.
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For V P Aditya & Co.
Chartered Accountants

Surendra Kakkar
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Firm Regn. No.000542 C

For S Jaykishan
Chartered Accountants

S Chatterjee
Partner : M.No. 017361
Firm Regn. No.309005 E

Place : Mumbai
Date : 13th November 2013

STATE BANK OF INDIA

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER/HALF-YEAR ENDED 30TH SEPTEMBER 2013

(Rs. in crores)

			Quarter ended			Half-Year ended		Year ended
			30.09.2013	30.06.2013	30.09.2012	30.09.2013	30.09.2012	31.03.2013
			(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1		Interest Earned (a) + (b) + (c) + (d)	33922.12	31718.33	29606.84	65640.45	58529.29	119657.10
	(a)	Interest/discount on advances / bills	25378.74	23846.49	22538.08	49225.23	44672.70	90537.10
	(b)	Income on Investments	8137.33	7360.76	6714.68	15498.09	13087.88	27200.63
	(c)	Interest on balances with Reserve Bank of India and other inter bank funds	105.78	113.13	118.01	218.91	275.01	545.14
	(d)	Others	300.27	397.95	236.07	698.22	493.70	1374.23
2		Other Income	3277.80	4474.29	3346.63	7752.09	6839.67	16034.84
3		TOTAL INCOME (1+2)	37199.92	36192.62	32953.47	73392.54	65368.96	135691.94
4		Interest Expended	21670.70	20206.45	18633.02	41877.15	36430.87	75325.80
5		Operating Expenses (i) + (ii)	9217.54	8434.90	6966.80	17652.44	13407.77	29284.42
	(i)	Employee cost	5818.54	5539.45	4280.19	11357.99	8417.31	18380.90
	(ii)	Other Operating Expenses	3399.00	2895.45	2686.61	6294.45	4990.46	10903.52
6		TOTAL EXPENDITURE (4) + (5) (excluding Provisions and Contingencies)	30888.24	28641.35	25599.82	59529.59	49838.64	104610.22
7		OPERATING PROFIT (3 - 6) (before Provisions and Contingencies)	6311.68	7551.27	7353.65	13862.95	15530.32	31081.72
8		Provisions (other than tax) and Contingencies (net of write-back)	3028.74	2865.88	1825.60	5894.62	4281.93	11130.83
		--- of which provisions for Non-performing assets	2645.40	2265.83	1837.19	4911.23	4627.46	11367.79
9		Exceptional Items	-	-	-	-	-	-
10		Profit from Ordinary Activities before tax (7-8-9)	3282.94	4685.39	5528.05	7968.33	11248.39	19950.89
11		Tax expenses	907.93	1444.31	1869.91	2352.24	3838.69	5845.91
12		Net Profit from Ordinary Activities after tax (10-11)	2375.01	3241.08	3658.14	5616.09	7409.70	14104.98
13		Extraordinary items (net of tax expense)	-	-	-	-	-	-
14		Net Profit for the period (12-13)	2375.01	3241.08	3658.14	5616.09	7409.70	14104.98
15		Share in profit of Associates	-	-	-	-	-	-
16		Share of Minority	-	-	-	-	-	-
17		Net Profit after Minority Interest (14+15-16)	2375.01	3241.08	3658.14	5616.09	7409.70	14104.98
18		Paid-up equity share capital (Face Value of Rs. 10 per share)	684.03	684.03	671.04	684.03	671.04	684.03
19		Reserves excluding Revaluation Reserves (as per balance sheet of						98199.65

		previous accounting year)						
20		Analytical Ratios						
	(i)	Percentage of shares held by Government of India	62.31%	62.31%	61.58%	62.31%	61.58%	62.31%
	(ii)	Capital Adequacy Ratio						
		Basel II	11.96%	12.12%	12.63%	11.96%	12.63%	12.92%
		Basel III	11.69%	11.85%	-	11.69%	-	-
	(iii)	Earnings Per Share (EPS) (in Rs.)						
		(a) Basic and diluted EPS before Extraordinary items (net of tax expense) (Quarter numbers not annualised)	34.72	47.38	54.51	82.10	110.42	210.06
		(b) Basic and diluted EPS after Extraordinary items (Quarter numbers not annualised)	34.72	47.38	54.51	82.10	110.42	210.06
	(iv)	NPA Ratios						
		(a) Amount of gross non-performing assets	64206.30	60891.46	49202.46	64206.30	49202.46	51189.39
		(b) Amount of net non-performing assets	32151.37	29989.84	22614.59	32151.37	22614.59	21956.48
		(c) % of gross NPAs	5.64%	5.56%	5.15%	5.64%	5.15%	4.75%
		(d) % of net NPAs	2.91%	2.83%	2.44%	2.91%	2.44%	2.10%
	(v)	Return on Assets (net assets basis - Annualised)	0.58%	0.81%	1.03%	0.69%	1.07%	0.97%
21		Public Shareholding						
		--- No. of shares	257792831	257792831	257792395	257792831	257792395	257792831
		--- Percentage of Shareholding	37.69%	37.69%	38.42%	37.69%	38.42%	37.69%
22	Promoters and Promoter Group Shareholding							
	(a)	Pledged/Encumbered Number of Shares Percentage of Shares (as a percentage of the total shareholding of promoter and promotor group) Percentage of Shares (as a percentage of the total share capital of the company)	NIL					
	(b)	Non-encumbered						
		Number of Shares	426241140	426241140	413252443	426241140	413252443	426241140
		Percentage of Shares (as a percentage of the total shareholding of promoter and promotor group)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
		Percentage of Shares (as a percentage of the total share capital of the company)	62.31%	62.31%	61.58%	62.31%	61.58%	62.31%

State Bank of India

Unaudited Segment-wise Revenue, Results and Capital Employed

(Rs.in crores)

No.		Particulars	Quarter ended			Half-Year ended		Year ended
			30.09.2013 (Unaudited)	30.06.2013 (Unaudited)	30.09.2012 (Unaudited)	30.09.2013 (Unaudited)	30.09.2012 (Unaudited)	31.03.2013 (Audited)
1		Segment Revenue (income)						
	A	Treasury Operations	8280.42	8704.07	7088.57	16984.49	14024.43	29467.67
	B	Corporate / Wholesale Banking Operations	13085.45	12188.56	11224.29	25274.01	22426.47	46453.57
	C	Retail Banking Operations	15834.05	15181.29	14640.61	31015.34	28910.22	59427.06
		Add/(Less) : Unallocated	-	118.70	-	118.70	7.84	343.64
		Total	37199.92	36192.62	32953.47	73392.54	65368.96	135691.94
2		Segment Results						
	a	Treasury Operations	17.58	1042.23	1241.54	1059.81	3306.41	4782.29
	b	Corporate / Wholesale Banking Operations	1295.66	2296.40	2495.91	3592.06	4161.27	7315.21
	c	Retail Banking Operations	2888.01	2130.75	2791.36	5018.76	5673.02	11215.21
	d	Total	4201.25	5469.38	6528.81	9670.63	13140.70	23312.71
	e	Add / (Less) : Unallocated	-918.31	-783.99	-1000.76	-1702.30	-1892.31	-3361.82
	f	Total Profit Before Tax	3282.94	4685.39	5528.05	7968.33	11248.39	19950.89
	g	Less : Income Tax	907.93	1444.31	1869.91	2352.24	3838.69	5845.91
	h	Less : Extraordinary Profit / Loss	-	-	-	-	-	-
		Net Profit	2375.01	3241.08	3658.14	5616.09	7409.70	14104.98
3		Capital Employed (Seg. Assets - Seg. Liabilities)						
	a	Treasury Operations	198747.44	195509.26	156778.02	198747.44	156778.02	173585.46
	b	Corporate / Wholesale Banking Operations	70161.94	70083.70	69328.29	70161.94	69328.29	90669.52
	c	Retail Banking Operations	-122196.93	-123156.49	-101034.07	-122196.93	-101034.07	-132934.13
	d	Unallocated	-38575.23	-38192.20	-33054.00	-38575.23	-33054.00	-32437.17
			108137.22	104244.27	92018.24	108137.22	92018.24	98883.68

State Bank of India
Unaudited Balance Sheet as at 30.09.2013

(Rs.in crores)

No.			As at 30.09.2013 (Unaudited)	As at 30.06.2013 (Unaudited)	As at 30.09.2012 (Unaudited)	As at 31.03.2013 (Audited)
1		Capital and Liabilities				
	a	Capital	684.03	684.03	671.04	684.03
	b	Reserves & Surplus	107453.19	103560.24	91347.20	98199.65
	c	Minority Interest	-	-	-	-
	d	Deposits	1292456.02	1257388.87	1133643.89	1202739.57
	e	Borrowings (includes preference shares and subordinate debts)	188936.94	173789.00	142818.26	169182.71
	f	Other liabilities & Provisions	86299.33	83560.50	71580.70	95455.08
		Total Capital and Liabilities	1675829.51	1618982.64	1440061.09	1566261.04
2		Assets				
	a	Cash and balances with RBI	62492.21	57368.74	66099.36	65830.41
	b	Balances with Banks and money at call and short notice	51526.03	30953.63	27162.89	48989.75
	c	Investments	398535.76	419941.71	371528.31	350927.27
	d	Advances	1103089.77	1060688.74	926918.78	1045616.55
	e	Fixed Assets	7550.30	7281.61	6403.10	7005.02
	f	Other Assets	52635.44	42748.21	41948.65	47892.04
		Total Assets	1675829.51	1618982.64	1440061.09	1566261.04

The above results have been approved by the Central Board of the Bank at the meeting held on 13th November 2013
and were subjected to "Limited Review" by the Statutory Central Auditors of the bank.

Notes:

1. The above results have been reviewed by the Audit Committee of the Board at their meeting held on November 12, 2013 and approved by the Board of Directors at their meeting held on November 13, 2013. The results have been subject to a limited review by the Statutory Central Auditors.
2. The financial results for the Half Year ended September 30, 2013 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 RBI. Provisions for contingencies, Employee Benefits including provision for wage revision, Income Tax (after adjustment for deferred tax), Wealth Tax and for other items/assets are made on estimated basis.
3. There is no material change in the accounting policies adopted during the Half Year ended September 30, 2013 as compared to those followed in the previous Financial Year 2012-13.
4. In accordance with RBI Circular No.DBOD.BP.BC.80/21.04.018/2010-11 dated February 9, 2011, the Bank has opted to amortise the additional liability on account of enhancement in Gratuity over a period of 5 years beginning with the financial year ended March 31, 2011. Accordingly, the Bank has charged a sum of Rs.50 crore to the Profit & Loss Account, being the proportionate amount for the half year ended September 30, 2013 (Rs.25 crores for the quarter ended September 30, 2013). The unamortised liability of Rs.150 crore as on September 30, 2013 will be amortised proportionately in accordance with the above circular.
5. In terms of RBI Circular DBOD.BP.BC.No.41/21.04.141/2013-14 dated August 23, 2013 on "Investment portfolio of Banks – Classification, Valuation and Provisioning", a) the Bank has fully provided for Rs.201.12 crores during the quarter ended September 30, 2013 for transfer of SLR securities from Available for Sale (AFS) category to Held to Maturity (HTM) category; b) Further, as per aforesaid RBI directives, the depreciation as at September 30, 2013 amounting to Rs.2103.26 crores on the Available for Sale (AFS) and Held for Trading (HFT) Portfolio during the Financial Year 2013-14 has been distributed into three equal quarterly installments. The unprovided depreciation as at September 30, 2013 is Rs.1402.17 crores.
6. Banks are required to disclose Capital Adequacy Ratio under Basel – III capital regulations from the current year. Accordingly, comparative details for previous periods are not disclosed. Pillar 3 (Market Discipline) disclosures (unaudited) as per RBI guidelines on Composition of Capital Disclosure Requirements as at September 30, 2013 for the Group will be available at the Bank's website http://www.sbi.co.in.
7. Provision Coverage Ratio as on September 30, 2013 works out to 60.16%.
8. The Bank has received 56 Investors' Complaints during the quarter ended September 30, 2013 which have been disposed off. There are no pending Investors complaints either at the beginning or end of the quarter.

9. Previous period figures have been regrouped/reclassified, wherever necessary, to conform to current period classification.

Consolidated Limited Review Financial Results

of

STATE BANK Group

For the Six month period Ended

30th September 2013

LIMITED REVIEW REPORT ON THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF STATE BANK OF INDIA FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2013

The Board of Directors,
State Bank of India,
State Bank Bhavan
Madam Cama Road,
Mumbai – 400021.

1. We have reviewed the accompanying statement of unaudited consolidated financial results of State Bank of India for the quarter and half year ended September 30, 2013 in which are incorporated the
   a. Results of State Bank of India which have been reviewed by all the Central Statutory Auditors including us,
   b. Results of 10 Subsidiaries reviewed by other Auditors,
   c. Results of 2 Subsidiaries and 1 associate (RRB) audited by other Auditors,
   d. Un-reviewed results of 17 Subsidiaries, 8 Joint Ventures and 20 Associates (including 18 Regional Rural Banks).

   These statements are the responsibility of the Bank's management and have been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of bank personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. In respect of the unaudited consolidated financial results:

   a) we did not review the statement of unaudited financial results of 12 subsidiaries of the Group, whose financial results reflect the Group's share of total assets of Rs. 5,72,502 crores as at September 30, 2013 and the Group's share of total revenues of Rs. 31,253 crores for the half year and Rs. 15,300 crores for the quarter ended September 30, 2013 as considered in the consolidated financial results. These financial results have been reviewed/ audited by other auditors whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of such subsidiaries in the unaudited consolidated financial results, is based solely on the report of the other auditors;

   b) The financial results of 17 subsidiaries and 8 Joint ventures whose financial results reflect the Group's share of total assets of Rs. 29,575 crores as at September 30, 2013 and the Group's share of total revenues of Rs.1754 crores for the half year and Rs. 894 crores for the quarter ended September 30, 2013 are not reviewed by their auditors and have been included in the consolidated financial results on the basis of management certified information.

c) The financial results of 1 associate (RRB) in which the Group's share in profit is Rs. 2 crores has been audited by their auditor.

d) The financial results of 20 associates including 18 Regional Rural Banks from respective dates of merger, whose financial results reflect the Group's share in profit from associates of Rs. 134 crores for the half year and Rs.49 crores for the quarter ended September 30, 2013 are not reviewed by their auditors and have been included in the consolidated financial results on the basis of management certified information.

4. Based on our review conducted as above and subject to limitations in scope as mentioned in paras 1 and 3 above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited consolidated financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement 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.

For S.VENKATRAM & CO.
Chartered Accountants
Firm Reg No. 004656 S

S.Sundarraman
Partner
M. No. 201028
Mumbai, November 13, 2013

State Bank of India (Consolidated)

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER/HALF-YEAR ENDED 30TH SEPTEMBER 2013

(Rs. in crores)

	Quarter ended			Six Months Ended		Year ended
	30.09.2013 (Unaudited)	**30.06.2013 (Unaudited)**	**30.09.2012 (Unaudited)**	**30.09.2013 (Unaudited)**	**30.09.2012 (Unaudited)**	**31.03.2013 (Audited)**
1. Interest Earned (a) + (b) + (c) + (d)	**46946.76**	**44308.85**	**41648.34**	**91255.61**	**82281.15**	**167978.14**
a) Interest/discount on advances/bills	34940.64	33151.91	31437.29	68092.55	62331.98	126442.18
b) Income on Investments	11414.56	10474.34	9590.22	21888.90	18754.74	38703.23
c) Interest on balances with RBI and other inter bank funds	258.38	280.74	328.05	539.12	690.06	1338.70
d) Others	333.18	401.86	292.78	735.04	504.37	1494.03
2. Other Income	6171.87	8193.44	8269.13	14365.31	14419.02	32581.69
3. TOTAL INCOME (1+2)	**53118.63**	**52502.29**	**49917.47**	**105620.92**	**96700.17**	**200559.83**
4. Interest Expended	30186.51	28328.01	26493.29	58514.52	51806.11	106817.91
5. Operating Expenses (i) + (ii)	14313.54	13845.28	13616.75	28158.82	24301.08	52819.80
i) Employee Cost	7652.91	7273.00	5728.38	14925.91	11238.65	24401.09
ii) Other Operating Expenses	6660.63	6572.28	7888.37	13232.91	13062.43	28418.71
6. TOTAL EXPENDITURE (4) + (5) (excluding provisions and contingencies)	**44500.05**	**42173.29**	**40110.04**	**86673.34**	**76107.19**	**159637.71**
7. OPERATING PROFIT (3 - 6) (Profit before provisions and contingencies)	8618.58	10329.00	9807.43	18947.58	20592.98	40922.12
8. Provisions (Other than tax) and contingencies (net of write-back)	4403.83	4072.86	2805.90	8476.69	6152.06	15040.31
--- of which provisions for Non-performing assets	3761.68	3333.11	2854.13	7094.79	6485.01	14906.56
9. Exceptional Items	-	-	-	-	-	-
10. Profit from Ordinary Activities before tax (7-8-9)	4214.75	6256.14	7001.53	10470.89	14440.92	25881.81
11. Tax Expenses	1025.49	1860.19	2325.88	2885.68	4797.06	7558.82
12. Net Profit from Ordinary Activities after tax (10-11)	**3189.26**	**4395.95**	**4675.65**	**7585.21**	**9643.86**	**18322.99**
13. Extraordinary Items (net of tax expenses)	-	-	-	-	-	-
14. Net Profit for the period (12 + 13)	**3189.26**	**4395.95**	**4675.65**	**7585.21**	**9643.86**	**18322.99**
15. Share in Profit of Associates	46.50	89.64	53.84	136.14	110.62	231.68
16. Share of Minority	162.99	187.03	154.18	350.02	304.47	638.44
17. Net Profit for the Group (14 + 15 - 16)	**3072.77**	**4298.56**	**4575.31**	**7371.33**	**9450.01**	**17916.23**
Earnings per share of Rs. 10/- each (basic and diluted, not annualised) - in rupees	44.92	62.84	68.18	107.76	140.83	266.82

The above results have been approved by the Central Board of the Bank in the meeting held on the 13th November 2013 and were subjected to 'Limited Review' by auditors.

State Bank of India (Consolidated)
Unaudited Segment-wise Revenue, Results and Capital Employed

(Rs. in crores)

		Particulars	Quarter ended			Half Year ended		Year ended
			30.09.2013 (Unaudited)	30.06.2013 (Unaudited)	30.09.2012 (Unudited)	30.09.2013 (Unaudited)	30.09.2012 (Unaudited)	31.03.2013 (Audited)
1		**Segment Revenue (Income)**						
	a)	Treasury Operations	9,485.31	11,501.03	8,621.58	20,986.34	17,102.87	33,722.31
	b)	Corporate/Wholesale Banking Operations	16,981.87	17,812.79	15,793.58	34,794.66	31,440.83	65,688.06
	c)	Retail Banking Operations	23,271.92	19,167.78	20,153.37	42,439.70	39,884.80	82,613.11
	d)	Insurance Business	2,575.33	3,100.69	4,695.33	5,676.02	7,036.05	15,264.65
	e)	Other Banking Operations	795.49	800.15	649.48	1,595.64	1,221.15	2,798.89
	f)	Unallocated	8.71	119.85	4.13	128.56	14.47	472.81
		Total	**53,118.63**	**52,502.29**	**49,917.47**	**105,620.92**	**96,700.17**	**200,559.83**
2		**Segment Results**						
	a)	Treasury Operations	(222.83)	1,242.57	1,123.76	1,019.74	3,255.85	3,909.10
	b)	Corporate/Wholesale Banking Operations	1,636.89	2,900.53	3,600.44	4,537.42	6,153.03	10,440.31
	c)	Retail Banking Operations	3,503.13	2,632.27	3,189.17	6,135.40	6,689.21	14,161.86
	d)	Insurance Business	231.42	218.21	125.29	449.63	300.36	560.15
	e)	Other Banking Operations	203.47	264.64	174.65	468.11	356.17	900.09
		Total	**5,352.08**	**7,258.22**	**8,213.31**	**12,610.30**	**16,754.62**	**29,971.51**
	f)	Add/(Less) : Unallocated (Net)	(1,137.33)	(1,002.08)	(1,211.78)	(2,139.41)	(2,313.70)	(4,089.70)
		Profit from ordinary activities before Tax	**4,214.75**	**6,256.14**	**7,001.53**	**10,470.89**	**14,440.92**	**25,881.81**
		Less : Provisions for Taxes	1,025.49	1,860.19	2,325.88	2,885.68	4,797.06	7,558.82
		Add/(Less) : Extraordinary Profit/(Loss)	-	-	-	-	-	-
		Net Profit before share in profit of Associates and Minority Interest	**3,189.26**	**4,395.95**	**4,675.65**	**7,585.21**	**9,643.86**	**18,322.99**
		Add: Share in Profit of Associates	46.50	89.64	53.84	136.14	110.62	231.68
		Less : Minority Interest	162.99	187.03	154.18	350.02	304.47	638.44
		Net Profit for the group	**3,072.77**	**4,298.56**	**4,575.31**	**7,371.33**	**9,450.01**	**17,916.23**
3		***Capital Employed (Segment Assets-Segment Liabilities)***						
	a)	Treasury Operations	237,619.42	236,721.47	179,479.88	237,619.42	179,479.88	206,687.18
	b)	Corporate/Wholesale Banking Operations	127,811.93	122,609.44	125,000.51	127,811.93	125,000.51	147,117.19
	c)	Retail Banking Operations	(184,240.38)	(183,252.85)	(150,887.31)	(184,240.38)	(150,887.31)	(192,649.14)
	d)	Insurance Business	3,724.72	3,267.94	2,926.74	3,724.72	2,926.74	3,087.76
	e)	Other Banking Operations	3,676.18	3,494.21	3,392.88	3,676.18	3,392.88	3,315.48
	f)	Unallocated	(52,157.73)	(51,199.66)	(43,486.35)	(52,157.73)	(43,486.35)	(42,525.45)
		Total	**136,434.14**	**131,640.55**	**116,426.35**	**136,434.14**	**116,426.35**	**125,033.02**

The above results have been approved by the Central Board of the Bank at the meeting held on 13th November 2013 and were subjected to 'Limited Review' by auditors.

State Bank of India (Consolidated)
Unaudited Consolidated Balance Sheet as at 30.09.2013

(Rs. in crores)

	30.09.2013 (Unaudited)	30.06.2013 (Unaudited)	30.09.2012 (Unaudited)	31.03.2013 (Audited)
CAPITAL AND LIABILITIES				
Capital	684.03	684.03	671.04	684.03
Reserves & Surplus	135750.11	130956.52	115755.31	124348.99
Minority Interest	4793.78	4588.19	4032.13	4253.86
Deposits	1731410.49	1676271.46	1522606.90	1627402.61
Borrowings	227214.67	209353.37	174194.70	203723.20
Other liabilities and Provisions	159836.69	157671.22	137779.07	172745.65
Total Capital and Liabilities	**2259689.77**	**2179524.79**	**1955039.15**	**2133158.34**
ASSETS				
Cash and Balances with Reserve Bank of India	81750.84	79221.49	87545.32	89574.03
Balances with Banks and money at call and short notice	62652.15	39581.10	36177.63	55653.70
Investments	576180.27	591901.88	534487.86	519393.19
Advances	1454800.24	1401226.97	1231129.25	1392608.03
Fixed Assets	10064.24	9722.20	8659.87	9369.93
Other Assets	74242.03	57871.15	57039.22	66559.46
Total Assets	**2259689.77**	**2179524.79**	**1955039.15**	**2133158.34**

The above results have been approved by the Central Board of the Bank in the meeting held on the 13th November 2013 and were subjected to 'Limited Review' by auditors.

Notes on Consolidated Financial Statements:

1. The above results have been approved by the Board of Directors at their meeting held on November 13, 2013. The results have been subjected to limited review by the Statutory Central Auditor of the Bank.
2. The Unaudited Consolidated Financial Results of State Bank of India (SBI), include the results of its 29 majority owned subsidiaries, 8 Joint Ventures and 21 Associates (except for Bank of Bhutan the impact of which is not material) including 19 Regional Rural Banks from / upto respective dates of merger/exit. Out of the above, 17 subsidiaries, 8 joint ventures and 20 associates have not been reviewed by their auditors and have been consolidated on the basis of management certified information.
3. The financial results of the Group for the half year ended September 30, 2013 have been arrived at after considering necessary provisions for Non Performing Assets, Standard Assets, Standard Derivative Exposures and Investment Depreciation on the basis of prudential norms issued by RBI. Provisions for Contingencies, Employee Benefits including Provision for Wage revision, Income Tax (after adjustment for Deferred Tax), Wealth Tax and for other items / assets are made on estimated basis.
4. There is no material change in the accounting policies of SBI, adopted during the half year ended September 30, 2013 as compared to those followed in the previous Financial Year 2012-13.
5. In accordance with RBI circular No. DBOD.BP.BC.80/21.04.018/2010-11 dated February 9, 2011, SBI and its domestic banking subsidiaries have opted to amortise the additional liability on account of enhancement in Gratuity limit over a period of 5 years beginning with the financial year ended March 31, 2011. Accordingly, the Group has charged a sum of Rs.106.13 crores to the Profit & Loss Account, being the proportionate amount for the half year ended September 30, 2013 (Rs.53.08 crores for the quarter ended September 30,2013). The unamortized liability of Rs. 316.30 crores as on September 30, 2013 will be amortized proportionately in accordance with the above circular.

   The domestic banking subsidiaries have charged an amount of Rs. 180.23 crores to Profit & Loss Account, being the proportionate amount for the half year ended September 30, 2013 (Rs. 90.12 crores for the quarter ended September 30, 2013) towards the pension option given in financial year ended March 31, 2011 to employees who had not opted for the pension scheme earlier, being amortized over 5 years beginning from the year ended March 31, 2011. The balance amount of Rs. 540.17 crores will be charged proportionately as per the directions contained in the said circular.

6. In terms of RBI circular DBOD.BP.BC.No. 41/21.04.141/2013-14 dated August 23, 2013 on "Investment portfolio of Banks - Classification, Valuation and Provisioning", a) SBI and its domestic banking subsidiaries have fully provided for Rs.294.11 crores during the quarter ended September 30,2013 for transfer of SLR securities from Available for Sale (AFS) category to Held to Maturity (HTM) category. b) Further, as per aforesaid RBI directives, the depreciation of SBI and its domestic banking subsidiaries (except State Bank of Bikaner & Jaipur & State Bank of Mysore) as at September 30, 2013 amounting to Rs. 2266.89 crores on the Available for Sale (AFS) and Held for Trading (HFT) portfolio during the Financial Year 2013-14 has been distributed into three quarterly installments. The unprovided depreciation as at September 30, 2013 is Rs. 1,513.87 crores.
7. In accordance with notifications issued by Govt. of India, the following mergers have taken place in between RRBs sponsored by State Bank of India and other banks:-

Sr. No.	Name of transferor RRBs	Sponsor Bank of transferor RRBs	New Name after Amalgamation of RRBs	Sponsor Bank of transferee RRBs	Effective Date of Amalgamation
1	Chhattisgarh Gramin Bank	State Bank of India	Chhattisgarh Rajya Gramin Bank	State Bank of India	September 2, 2013
	Surguja Kshetriya Gramin Bank	Central Bank of India			
	Durg Rajnandgaon Gramin Bank	Dena Bank			
2	Purvanchal Gramin Bank	State Bank of India	Purvanchal Bank	State Bank of India	April 1, 2013
	Ballia Etawah Gramin Bank	Central Bank of India			
3	Pragathi Gramin Bank	Canara Bank	Pragathi Krishna Gramin Bank	Canara India	August 23, 2013
	Krishna Grameena Bank	State Bank of India			

However, actual investment inflow and outflow for Krishna Grameena Bank and Purvanchal Bank respectively, have not taken place till quarter ended September 30, 2013.

8. SBI has acquired an additional stake of 23% in its subsidiary PT Bank SBI Indonesia on August 27, 2013, after which the stake of SBI is 99%.
9. Further, SBI has made investment in following subsidiaries and RRBs during the half year ended September 30, 2013:-

Sr. No.	Name of Entity	Amt. in Rs. crores	Increase in % stake
1.	SBI General Insurance Company Ltd.	185.00	Nil
2.	Commercial Bank of India Llc, Moscow	54.88	Nil
3.	State Bank of India (Botswana) Limited (SBIBL)	16.98	Nil
4.	Chhattisgarh Rajya Gramin Bank	31.56	Nil
5.	Mizoram Rural Bank	2.10	Nil

10. Previous period figures have been regrouped/reclassified, wherever necessary, to conform to current period classification.

DECLARATION

The Bank certifies that all relevant provisions of Chapter VIII read with Schedule XVIII of the SEBI Regulations have been complied with and no statement made in this Placement Document is contrary to the provisions of the same and that all approvals and permissions required to carry on its business have been obtained, are currently valid and have been complied with. The Bank further certifies that all the statements in this Placement Document are true and correct.

Signed by:

____
MS. ARUNDHATI BHATTACHARYA

CHAIRMAN

____
MR. HEMANT G. CONTRACTOR

MANAGING DIRECTOR

____
MR. A. KRISHNA KUMAR

MANAGING DIRECTOR

____
MR. S. VISHVANATHAN

MANAGING DIRECTOR

____
MR. P. PRADEEP KUMAR

MANAGING DIRECTOR

Date : January 30, 2014

Place : Mumbai

CENTRAL OFFICE OF THE BANK

State Bank of India
Corporate Centre, State Bank Bhavan (Shares & Bonds Department, 14th Floor), Madame Cama Road, Mumbai - 400021, Maharashtra, India

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