

“FY2020 was another year of balance sheet strengthening, on the back of secular progress across all our business segments.”

(Rajnish Kumar)



Dear Shareholders,

It gives me great pleasure to place before you the highlights of your Bank's performance during the financial year 2019-20. Details of the achievements and initiatives taken by your Bank are provided in the enclosed Annual Report for the year 2019-20.

ECONOMIC OVERVIEW

World economy witnessed slow growth of 2.9% in 2019 compared to 3.6% in the previous year. Both emerging and developing market economies as well as the advanced economies slowed down. While weak external demand dragged down the Euro zone growth, tight monetary conditions and domestic policy uncertainty in developing countries contributed to slow growth momentum. China experienced its slowest growth amidst weak domestic demand and trade skirmish with the US.

Global trade also experienced a setback with goods and services trade growth below 1%, with exports and imports of emerging markets being sharply hit. Meanwhile, supportive monetary policies, diminished trade tensions and nascent signs of stabilization of global economy provided necessary support to financial markets early this year. However, the financial volatility has significantly increased since March after the spread of Covid-19 pandemic. Decline in asset and commodity prices and drop in equity market has reached unprecedented levels. Moreover, uncertainty around the prospect of production cuts keeps oil price under pressure.

Against this backdrop, India's growth in FY2020 moderated to 4.2% with lockdown related to Covid-19 impairing economic activity in the last quarter (Jan-Mar'20). Looking ahead, the outlook of the global economy has become very uncertain and world is likely to experience a deep rooted recession next year. As per RBI, Indian economy also is likely to witness a contraction in FY2021. However, low oil prices will help in improving our external balance, with India likely to experience current account surplus despite an expected slump in exports due to falling world demand.

YOUR BANK'S PERFORMANCE

DEPOSITS GROWTH

In FY20, your Bank's total deposits grew at a faster rate of 11.34%, compared to ASCB's growth of 7.9%, to ₹ 32,41,621 crore from the previous year's level of ₹ 29,11,386 crore. This high growth in deposits pushed your Bank's market share up by 46 bps to 22.84%. The foreign offices deposits grew by 20.45% to ₹ 1,17,005 crore, while domestic deposits grew by 11.03% to ₹ 31,24,616 crore. The term deposits grew at a faster rate of 12.23%, compared to CASA growth of 9.61%. While, your Bank has maintained its robust CASA ratio at 45.16% in FY20.

CREDIT GROWTH

In line with the ASCBs decline in credit growth to 58-years low of 6.1% in FY20, your Bank's domestic advances grew by 3.75% to ₹ 20,65,484 crore, while the foreign offices advances grew at a robust pace of 18.05% to ₹ 3,57,360 crore. Therefore, the gross advances of your Bank grew by 5.64% to the level of ₹ 24,22,845 crore in FY20 from the previous year level of ₹ 22,93,454 crore.

Much of the growth in domestic advances came from Personal segment (Retail Per) including Home Loans. Overall, the Personal loans showed a robust growth of 15.40% to ₹ 7,47,589 crore in FY20 which is in line with the Bank's strategy towards this segment. Within retail, Home Loans and Xpress credit grew substantially by 13.86% to ₹ 4,55,865 crore and 34.64% to ₹ 1,41,243 crore respectively in FY20. The growth in Xpress credit is mainly driven by our YONO and INB platforms. Your Bank's Home Loan & Xpress credit portfolio now constitutes around 80% of the Personal loans.

However, Corporate Loan book has declined marginally by -0.87% to ₹, 8,44,215 crore in FY20, which is in line with the banking industry's growth trend. Major share of the credit went into sectors such as Infrastructure (Power, Roads & Ports) and Services especially Commercial Real Estate and NBFCs. The Corporate Loan book accounts 38.9% share of PSUs/Govt. sector or the Gol undertakings. With the decline in credit to corporates, the share of Retail segment (Personal, SME & Agri) in the domestic loan book has increased to 59.13% from 57.22% last year.

INVESTMENTS

Your Bank's investment portfolio increased to ₹ 10,58,048 crore (domestic portfolio was ₹ 10,10,599 crore and foreign portfolio was ₹ 47,449 crore) in FY20 compared to ₹ 9,78,124 crore in FY19, with the rise in SLR investments.

CUSTOMER CONVENIENCE

Your Bank's various activities are centred on improving customer experience by ensuring the seamless delivery of products and services. For this your Bank has created the highest number of touchpoints in terms of branches and other modes. The Bank has 61,102 operating BCs, around 22,100 branches and 58,555 ATMs including 13,270 Automated Deposit & Withdrawal Machines (ADWMs). Nearly 28% of the financial transactions of your Bank are routed through ATMs/ADWMs. On an average, over 1.23 crore transactions per day are routed through your Bank's ATM network.

Your Bank's first global footprint was with the branch of Bank of Madras in Colombo, Sri Lanka in July, 1864 (first amongst Indian banks). With presence across all time zones through 233 offices in 32 countries, State Bank of India has gradually spread its wings across the globe and has become a pioneer of International Banking among the Indian PSBs. During FY2020, your Bank has consolidated its overseas operations to achieve capital conservation, cost efficiencies and synergies in the overseas markets. Your Bank has rationalised its overseas operations by closing four branches and further merging four branches into two.

TECHNOLOGY AND INNOVATION

SBI has been incorporating technological advancements to improve its back-end processes which in turn are helping to deliver more efficient customer service. Your Bank has re-engineered its internal processes to improve risk management and encourage growth.

Transaction banking within the bank uses a technology driven platform that offers comprehensive transaction products and solutions to clients. Your Bank has emerged as a Technology Driven Platform for straight through processing of bulk transactions of Corporates & Governments. During the year, Bank has on boarded prestigious clients like Railways, Department of Post, State Govt. like MP and Chhattisgarh, Mandate clients like India Bulls, Religare, Tech Process, Bajaj Finserv etc. to earn fee income and reduce work load on branches and VAN based cash, cheque and e-collections (NEFT, RTGS, INB). Clients using SBI's transaction products also include financial Institutions such as non-banking financial companies (NBFCs), insurance companies, banks, mutual funds and SMEs, to support their fund management requirements with transaction banking solutions.

Recently, your Bank has expanded its collection related solutions based on virtual account numbers, in order to maintain its leadership in cash management solutions in the Indian market. Today, SBI's payment services stand out, not only for their comprehensiveness of end-to-end solutions for users, but also because of the wide variety of users.

In order to provide seamless online experience, your Bank is offering diverse digital banking services to 681.32 lakh retail users, 26.05 lakh corporate users, 54.24 crore debit cards customers and providing mobile app in 9 regional languages (Gujarati, Marathi, Telugu, Tamil, Kannada, Malayalam, Punjabi, Odiya and Bangla).

Your Bank has introduced many new services like Real Time Demand Loan for e-Commerce Transactions; Pre-Approved Merchant Loan; Integration with Merchants in the UPI Platform for providing financial services through online and QR Applications; EMI@POS functionality; National Common Mobility Rupay Cards on qSparc specification to ensure seamless mobility to commuters across the country. New developments like YONO Cash@PoS and Yono Sale@PoS, Metro projects in effecting payments to the merchants, EMI on SBI debit cards on Pinelabs managed terminals are other initiatives which have shown further adoption of latest technology in order to enhance customer satisfaction.

SBI has launched various functionalities around Debit Cards such as launch of NCMC compliant RuPay Card, RuPay JCB (for international conveniences), usage of RuPay Card in Bhutan and launch of MasterCard World for premier customers. In Co-branded Debit Card, your Bank has launched SBI IOCL Co-branded Debit Card for digitizing fuel transactions and tied up with Madurai Kamaraj University for launching Co-branded Combo Debit Card. Your Bank has ensured safety and security of your Debit Card transactions by providing Switch On/Off facility for enabling and disabling your International / Domestic / ATM / PoS & e-Com transactions through Internet Banking, YONO & YONO Lite and SBI Quick App, etc. All these initiatives have made State Bank of India a market leader in terms of share in Debit Card spends, which is at a high of 29.42% as per latest available data. With approximately 27.81 crore actively used Debit Cards as on 31st March 2020, State Bank of India continues to lead in Debit Card issuance in the country. SBI is number 3 in terms of POS terminals deployed in the country with 6.72 lakh terminals (13.43% market share) as on March 2020.

Besides, your Bank has issued more than 15 lakh SBI FASTags to customers. Consequently, toll transactions through SBI FASTags have crossed 441 lakhs with a total transaction amount of over ₹ 722 crore as on 31st March 2020 during the FY2020. Your Bank has onboarded State Road Transport Corporations in Uttar Pradesh, Punjab, Uttarakhand, Odisha, Tamil Nadu, Karnataka and West Bengal for FASTag related services.

Furthermore, in order to enhance FI and add customer convenience following new facilities including Bill Payment through FI channel (BBPS), Door Step banking and Aadhaar data vault in BC channel, among others were introduced during the year. You will be glad to know that keeping pace with rapid digitalisation in SBI, the Internal Audit function has also initiated technological interventions for providing enhanced efficiency and effectiveness through system driven and analytics-based audits.

Your Bank has a dedicated state of the art Innovation development, collaboration and experience cell to try and test innovative ideas in the Banking field. This cell oversees the Banks' Start-Ups Engagement Program, Hackathon / Crowd Sourcing and Intrapreneurship Scheme, which aims at extending a collaboration, incubation and on boarding scheme of the Bank to its own employees for implementing their ideas/ concepts or products in a focused internal environment.

PROFITABILITY

The FY20 has been a year of new record. Your Bank has reported standalone net profit of ₹ 14,488 crore against net profit of ₹ 862 crore in the previous year. Your Bank has reported significant improvement on asset quality front, provision coverage, NIM and yield on advances. This coupled with reduction in cost of deposits and declined credit cost has been a significant improvement over the previous years.

The Net Interest Income of the Bank stood at ₹ 98,085 crore registering a healthy growth of 11.02%. The growth is owing to focused efforts in retail credit and quality corporate credit as well as control in slippages, thereby resulting in good growth under interest income and a simultaneous control on interest expenses by CASA oriented deposit accretion. The Operating Profit of the Bank stood at ₹ 68,133 crore in FY20 as compared to ₹ 55,436 crore in previous year. The Bank made a standalone profit of ₹ 14,488 crore and consolidated profit of ₹ 19768 crore.

Cost to income ratio has improved by 324 bps i.e. from 55.70% in FY19 to 52.46% in FY20. Return on Assets too increased by 36 bps YoY to 0.38% in FY20 from 0.02% in FY19.

The recovery in Written-Off accounts registered a growth of 10.85 % over the previous year and the trend is expected to continue with better recoveries in FY2020-21.

ASSET QUALITY

Keeping the momentum from the past year, the asset quality of the Bank improved in FY20 on the back of all-round effort in managing stressed accounts. Thus the Gross non-performing assets (NPA) of the Bank fell by 13.69% from ₹ 1,72,750 crore in March 2019 to ₹ 1,49,092 crore in March 2020.

Accordingly the gross NPA ratio of the Bank as on March 2020 stood at 6.15%, a reduction of 138 basis points. The highest improvement in asset quality was achieved in Corporate segment where the NPA ratio dropped from 13.62% in March 2019 to 9.67% in March 2020. Net Corporate NPA stood at ₹ 17,656 crore with close to 98.7% provision for accounts in NCLT list 1 & 2.

The Slippages Ratio for FY20 was contained to 2.16%. The Provision Coverage Ratio (PCR) of the Bank also improved to 83.62% as on March 2020, up 489 bps YoY and 189 bps on QoQ basis.

CAPITAL STRUCTURE

The Capital Adequacy of the Bank improved during the financial year on the back of better capital planning, including judiciously utilising all the options at disposal to raise and optimise capital. This included consolidating the overseas operations to achieve capital conservation, cost efficiencies and synergies.

As a result Bank's CET 1 ratio stood at 9.77% in March 2020 well above regulatory minimum, demonstrating Bank's ability to comfortably raise capital through various avenues in the past. The overall capital adequacy ratio of the Bank is at 13.06% as on March 2020 up 34 bps YoY.

STRATEGIC INITIATIVES

During FY2020, your Bank has undertaken strategic initiatives to achieve the long term objectives set by your Bank. Some of the important initiatives are as under:

- SBI is one of the most trusted brands in India and we aim to honor this trust by putting in place improved compliance and governance and risk-mitigation structures. Your Bank has taken an initiative to create a new audit wing at IAD to assess the aggregate risk and maintain an audit oversight at macro level. It audits your Bank's adherence to various Regulatory Compliances and risk mitigating measures undertaken to keep your Bank safe & secure. Also, the Internal Audit function has initiated technological interventions for providing enhanced efficiency and effectiveness through system driven and analytics-based audits.
- Aadhaar Data Vault is another major initiative envisaged in the Bank to protect the privacy of Aadhaar Number holders in accordance with the guidelines laid down by UIDAI for enhancing the security of Aadhaar authentication eco-system. It not only reduces the footprint of Aadhaar numbers but also ensures only trusted and authorized access to Aadhaar numbers.

- Your Bank has made 40 new Dealer finance tie-ups during the financial year including corporates such as OPPO Mobile, Bosch Ltd, Hero Electric, ITC Ltd, Dabur Ltd, International Tractors Ltd, Ultra Tech Cement, Jindal Stainless Hisar Ltd etc. To ring fence the supply chain portfolio, Bank has put in place suitable risk mitigation measures and risk-based pricing for the Supply Chain Portfolio.
- We are committed to support the small businesses and MSMEs, an integral part of the Indian economy. Specific new products have been developed for loans under Co-origination model with NBFCs. An end-to-end digitized model has also been developed for loans up to ₹ 1.00 lakh under this model wherein more than 11000 accounts have been sanctioned since October 2019. Similarly, other NBFCs/ BCs are also being onboarded under Business Associate model and an end to end digitized process is also expected to be launched very soon for this model.
- With a view to enhance ease of business for the Small and Medium Enterprises, State Bank of India has modified its existing delivery model of Small and Medium Enterprises Centre (SMEC) and created Asset Management Teams (AMTs) to maintain end to end relationship with the customers for loans up to ₹ 50 lakh. The SMECs have also been strengthened in terms of manpower, which has resulted in improvement in the service levels.
- Marking a shift towards 'Originate to Distribute' business model, Structuring Team has been set up at PF&S SBU to provide customized structuring solutions for financing structure of projects while keeping the Return on Equity from the transaction a priority. Experienced officials have been recruited from different sectors and industries to provide Structuring Solutions to our clients.
- All our steps are aimed at improving customer satisfaction. Naya Disha Phase II, introduced in FY 2020, concentrated on customer centricity by equipping staff with the required skillsets for providing excellent customer service at every stage of service cycle. A total of 2.34 lakh employees were covered.
- Sustainability is key to all our operations. Your Bank is in the process to map its product and services to the 17 United Nations Sustainable Development Goals (SDGs). Your Bank's eight products have been mapped to SDGs which includes the two flagship loan products- Housing Loan & Car Loan. On the theme of Integrating SDGs in Business Practices, an industry wide round table discussion was organized to foster peer partnership and capacity building.

SUBSIDIARIES

Through its subsidiaries, SBI provides a wide gamut of financial services to its customers. The growth exhibited by the subsidiaries has been healthy year after year.

On a standalone basis, SBI Capital Markets Limited posted a PAT of ₹ 215.42 crore for FY2020 as against ₹ 168.19 crore in FY2019. On a consolidated basis it has posted a profit of ₹

334.04 crore in FY2020 as against ₹ 236.38 crore in FY2019. SBICAP Securities Limited, a subsidiary of SBI Capital Markets Limited has booked gross revenue of ₹ 495.95 crore during FY2020 as against ₹ 404.52 crore in FY2019.

SBI Life Insurance has continued to maintain the leadership position amongst private players in number of policies issued, which reflects mass coverage and strong market acceptance across geographies amongst life insurer. During the year, total 15,51,862 individual new policies were issued and registered growth of 2%. The company witnessed a PAT of ₹ 1,422 crore in FY2020 against ₹ 1,327 crore in FY2019, a Y-o-Y growth of 7%.

SBI Cards and Payment Services Private Limited delivered PAT of ₹ 1,245 crore in FY2020 as compared to ₹ 865 crore in FY2019 at Y-o-Y growth of 44%. Furthermore, the IPO of SBI Cards led to significant value discovery and is a strong indication of the Bank's ability to incubate and nurture future industry leaders with a strong potential for value creation in the times ahead.

SBI Funds Management Private Limited (SBIFMPL), the Asset Management Company of SBI Mutual Fund, is amongst the fastest growing AMCs with a growth of over 31.5% against the industry average of 10.4% in FY2020. In the last three years, SBIFMPL has achieved a CAGR of 33.4% against the industry average of around 13.9%. It posted a PAT of ₹ 603.45 crore during FY2020 as against ₹ 427.54 crore earned during FY2019.

SBI General Insurance Company Limited (SBIGC) has registered Gross Written Premium of ₹ 6,840 crore with a growth of 45% compared to the industry growth of 12% in FY2020. The company has achieved a profit of ₹ 412 crore in FY2020. The company's market ranking is at 8th among private insurers and at 13th in the industry.

SBI Global Factors Private Limited, a leading provider of factoring services for domestic and international trade, registered a turnover of ₹ 4,394 crore for FY2020 as compared to turnover of ₹ 4,387 crore in FY2019.

SBI Pension Funds Private Ltd, one of the Pension Fund Managers (PFM) to manage the pension corpus, maintained lead position amongst PFM in terms of Assets Under Management (AUM) in both Government and Private Sectors. The total AUM of the company as on 31 March 2020 was ₹ 1,60,491 crore (YoY growth of 32%) against ₹ 1,21,959 crore on 31 March, 2019.

RECOGNITION & AWARDS

The numerous awards gathered by Your Bank are a testament to our zeal for perfection. Your Bank was recognized as "Best Transaction Bank in India" by The Asian Banker for the third time in a row in 2019. Your Bank was also recognized as "Best Payment Bank in India" by The Asian Banker and "Best Cash Management House in India" by Corporate Treasurer in 2019. Your Bank has been adjudged as the Best Performing Bank in implementation of RSETI initiative by the Ministry of Rural Development (MoRD), Government of India. Your Bank was also awarded the First Prize for opening the largest Number of Sukanya Samriddhi Accounts amongst all Banks (Pan India). Ministry of Rural Development also awarded us for Outstanding Performance in Sikkim, as Sponsor Bank, for timely wage payments of MGNREGA.

Among the subsidiaries, SBI Cards was awarded The Economic Times' "Best BFSI Brand" in India award in the credit cards category in 2019.

CORPORATE SOCIAL RESPONSIBILITY

Social Responsibility is deeply ingrained in the culture of your Bank. Consequently, your Bank has been actively involved in CSR activity since 1973. The primary purpose of the Bank's CSR philosophy is to make a meaningful and measurable impact to the lives of economically, physically and socially challenged communities of the country. The Bank's CSR activities touch the lives of millions of the poor and needy across the length and breadth of the country. The focus areas of the Bank's CSR activities include Healthcare, Education, Livelihood, Skill Development, Environment Protection of National Heritage, Empowerment of Women, Youth & Senior Citizens etc.

In the FY19, the net profit of the Bank was ₹ 862 Crore and 1% of the profit, i.e. ₹ 8.62 Crore has been earmarked as CSR fund of Bank for FY20.

As part of our endeavour to fight the Covid-19 pandemic, while SBI staff members collectively donated ₹ 108 crore to the PM Cares Fund, your Bank also pledged ₹ 30 crore for COVID related CSR activities besides donating around 21000 PPE Kits to government hospitals.

Further, during the year, with the approval of RBI, Bank spent/donated a total of ₹ 27.47 Crore for various initiatives under CSR including donation of an amount of ₹ 9 Crore towards Chief Minister Relief Fund of various states and ₹ 12.38 crore to SBI Foundation (SBIF). SBIF was established in 2015 to undertake the CSR activities of SBI Group and its subsidiaries in a focused manner and working on various projects to build a momentum for transforming India by creating an inclusive development paradigm that serves all Indians without any discrimination based on region, language, caste, creed, religion, etc. and ensure that each initiative creates a substantial change at the grassroots level.

ENVIRONMENT AND SUSTAINABILITY

State Bank of India has been performing on Sustainability front through a multi fold approach viz. management of social and environmental risks in strategic decision making, lending and developing innovative products and services. To enhance Sustainability practices in the Bank in a formalized manner, the Bank has put in place a Board approved "Sustainability and Business Responsibility (BR) Policy". The Bank has entrusted the Deputy Managing Director (HR) and Corporate Development Officer to oversee the Bank's overall sustainability vision. The execution of Bank's Environmental and Social goals and targets are monitored by the Corporate Centre Sustainability Committee (CCSC) that comprises business and functional Heads from various verticals/Departments. Some of the key initiatives already undertaken and in contemplation inter-alia includes:

Carbon Neutrality Project: An approach paper is in place where the Bank envisages achieving the "Carbon Neutral" status by the year 2030. Initiative of Remote monitoring based Solar Power System at Branches (Rural/Semi-Urban) in lieu of Generator sets is being taken.

SBI Green Fund: For all our digital channel customers, Bank is offering Green Reward Points which can be redeemed for credit to SBI Green Fund, the proceeds of which will be utilized for sustainable activities.

Green Bonds: Integration of Environment and Social Management Systems (ESMS) in our Credit assessment process and business decisions have assumed critical importance. During the reporting period, Bank issued additional Green Bonds of USD 100 million which adds up to the aggregate Green Bond size of the bank at USD 800 million.

During the year, Bank introduced a dedicated online tutorial "ASTITVA" for its employees on Sustainability issues pertaining to bank's Internal Sustainability measures and UN Sustainable Development goals. Additionally, a quarterly E-Newsletter "SUSTAIN ON" introduced and being mailed to all employees to sensitize them on sustainability related issues and news.

WAY FORWARD

The FY21 will be challenging as the full impact of the COVID-19 outbreak will be felt in this financial year. However, from the Bank's point of view, the true impact COVID pandemic must also consider the behavioral impact on Bank's customers, composition of portfolio etc. For instance, likely job cuts and salary reductions will have relatively low level of stress on account of higher proportion of Govt/ Quasi Govt. sector customers. As of now, only 21.8% of the customers have availed the benefit of moratorium. Furthermore, the Bank was able to achieve 98% branch operability as well as 91% alternate channel operability during the period of lockdown.

Nevertheless, an elaborate Business Continuity Plan (BCP) is in place to manage disruptions. Business continuity hub branches have been identified to cater to customers in case of emergency and BCP sites identified to support essential backend services. The focus going forward is on cost rationalization, rationalization and reskilling of workforce, improving staff productivity and redeployment of workforce from admin offices to sales roles.

In line with opportunities created by the Atamanirbhar Bharat Package for MSMEs, the Bank has created Financial Inclusion & Micro Market vertical to create value in micro markets. Cash flow-based lending models will be used for SME segment; leading to lower early delinquency. Further advanced analytics-based models for underwriting in the P segments and low value SME loans is also under consideration.

The pandemic has changed the preference of our customers. It is a big opportunity for us as there is now more acceptability to adopt digital channels for doing banking transactions. The Bank will further scale up YONO and has set a target of doubling user registrations in the next six months and further strengthen platform through new product offerings like end to end home loans, pre-approved car loan and personal gold loans.

With global acceptability of Work-from-Home (WFH) arrangements, the Bank is in process of upgrading its existing WFH policy to Work from Anywhere (WFA). Productivity tools & technology are in already place to perform administrative work remotely. Furthermore, WFA reduces commute time that can be utilized for providing better services to customers as well as ensuring better work life balance. WFA facility has already been rolled out across 19 foreign offices and soon domestic operations will also be covered. This is expected to drive down the operational cost for the Bank, besides ensuring better motivation and productivity for staff members.

Overall, despite the economic headwinds, the Bank is well prepared to adjust to the challenges posed by the COVID-19 pandemic. I am more than hopeful that the robust performance achieved in FY20 will continue in FY21 as well.

Yours Sincerely,

(Rajnish Kumar)