

## CHAIRMAN'S MESSAGE

*Dear Shareholders,*

It gives me great pleasure to place before you the highlights of your Bank's performance during FY2021. Details of the achievements and initiatives taken by your Bank are provided in the enclosed Annual Report for FY2021.



Despite the ongoing pandemic, your Bank's business growth has remained robust in FY2021, with deposits growing at a double digit and advances rebounding compared to last year.

*– Dinesh Kumar Khara*



**16.47%**

Retail Personal Loan  
growth in FY2021

## Economic Overview

COVID-19 pandemic impaired economic activity last year across the board with global growth expected to contract at -3.3% in 2020 as against 2.8% growth in 2019. No major country except China showed positive growth during the year. Contraction of economic activity has been unprecedented but worse has been avoided thanks to the fiscal and the monetary support extended by the authorities across the world. Central banks provided liquidity support along with various credit extension policies to a wide range of borrowers. This was augmented with the government measures to support households and firms through a number of measures, including transfers, wage subsidies, liquidity support and other safety nets such as unemployment insurance and nutrition assistance. All these measures enabled increased momentum of economic activity in the second half of the year.

Global trade volumes also rebounded sharply in H2 2020 reflecting pent-up demand for consumer durables and resumption of supply chains. However, cross-border trade in services remained subdued. Overall, trade volume contracted -8.5% in 2020 following a mere 0.9% growth in 2019. Meanwhile, oil prices have been on a continuous gradual upswing since May 2020.

Against this backdrop, growth in India contracted to -7.3% in FY2021. With the country experiencing a second wave of infection since February, there have been localised lockdowns again which are likely to impair economic activity going forward. Vaccinating a large population soon is the only way to shorten the current second wave. With the Government now allowing all above 18 years to get themselves vaccinated, it will help in fighting this pandemic. Overall, notwithstanding the second wave of COVID-19, Indian economy, through its resilience, is poised for a recovery in FY2022.

## Your Bank's Performance

Despite the ongoing pandemic, your Bank's business growth has remained robust in FY2021, with deposits growing at a double digit and advances rebounding compared to last year.

### Deposits Growth

During FY2021, your Bank's deposits growth has remained in double digits and well above the ASCBs' growth rate. In FY2021, your Bank's total deposits grew at 13.56% (ASCBs growth: 11.40%) to ₹36,81,277 crore from the previous year's level of ₹32,41,621 crore. This high growth in deposits pushed your Bank's market share up by 45 bps to 23.29%. However, the foreign offices' deposits contracted by -5.04% to ₹1,11,112 crore, while domestic deposits grew by 14.26% to ₹35,70,165 crore. On a positive note, the CASA deposits grew at a faster pace of 16.73%, compared to term deposits growth of 12.23%. Within CASA, the current account deposit grew by 27.36%, while Saving Bank Deposits grew by 14.79%, which has resulted in the CASA ratio improving by 97 bps to 46.13% in FY2021.

### Credit Growth

In FY2021, ASCBs credit off-take has continued its downward momentum and grew at 59-years low of 5.6%. However, your Bank's domestic advances growth has rebounded in the current year and grew by 5.67% to ₹21,82,516 crore, compared to 3.75% growth in FY2020. The foreign offices advances growth contracted by 0.14% to ₹3,56,877 crore. So, the gross advances of your Bank grew by 4.81% to the level of ₹25,39,393 crore in FY2021 from the previous year level of ₹24,22,845 crore.

The strong domestic loan growth is led by growth in retail personal loans, driven by home loans, Xpress credit and gold loans. The retail personal loans segment grew by 16.47% to ₹8,70,711 crore in FY2021, which is in line with the Bank's strategy towards this segment led by robust digital channels. Within retail, Home Loans, Xpress credit and Gold Loans grew substantially by 10.51% to ₹5,03,779 crore, 36.49% to ₹1,92,780 crore and 465.08% to ₹20,987 crore respectively. These segments constitute around 82.41% of the total Personal loans. With this robust growth, your Bank's market share in Home loans is at 34.53% and 31.74% in Auto loans. The growth in Xpress credit is mainly driven by our digital YONO and INB platforms.

However, growth in corporate segment remained subdued and declined by -3.02% to ₹8,18,705 crore in FY2021, which is in line with the banking industry's growth trend. If we include investments in commercial

paper(CP) & corporate bonds in corporate credit, it increased by 2.64% in FY2021, while there was negative growth in loans portfolio. This indicates that corporates have raised money from CP market due to the low interest rate environment. Major share of the credit went into sectors such as Infrastructure (Power, Roads & Ports) and Services. Agri & SME loans have increased by 3.92% to ₹2,14,151 crore and 4.24% to ₹2,78,949 crore respectively. With the decline in credit to Corporates Loan book, the share of Retail Personal loan segment in the domestic loan book has increased to 39.89% from 36.19% last year.

### Investments

Your Bank's investment portfolio increased to ₹13,61,885 crore (domestic portfolio was ₹13,14,424 crore and foreign portfolio was ₹47,461 crore) in FY2021 compared to ₹10,58,048 crore in FY2020, with the rise in SLR investments. Your Bank's LCR was at 153.2% as on March 31, 2021. With sufficient liquidity in the market, your Bank's yield on investment has declined to 6.32% in 31 March 2021.

### Customer Convenience

Your Bank's various activities are centred on improving customer experience by ensuring seamless delivery of products and services. For this your Bank has created the highest number of touchpoints in terms of branches and other digital modes. The Bank has 71,968 operating BCs, around 22,219 branches and 62,617 ATMs including 13,237 Automated Deposit & Withdrawal Machines (ADWMs). On an average, over 1.12 crore transactions per day are routed through your Bank's ATM Network.

In its endeavour to become a truly International Bank, the focus of your Bank has been realigned to enhance its penetration in overseas local markets along with India based business to support Indian Diaspora and global Indian Corporates spread across various geographies. With a presence across all time zones through 229 offices in 31 countries, your Bank has gradually spread its wings across the globe and has become a pioneer of International Banking among the Indian PSBs. During FY2021, your Bank continued to consolidate (closed four foreign offices) its overseas operations by rationalizing offices with sub-optimal performance enabling improvement of cost efficiencies. During

this period, your Bank has not ventured into opening of new branches/offices on account of its focus on consolidation and prevailing global scenario due to COVID-19 pandemic.

Even during these difficult times your Bank has conducted virtual customer meets for seeking customer feedback for improvement in customer experience. We have also conducted programmes to sensitize the branches for providing good customer service. With the launch of Doorstep Banking, the customers can avail ten doorstep services like account statement, cash withdrawal facility, life certificate submission (for pensioners) etc. Your Bank has introduced the concept of Floor Managers in over 2400 branches for enhanced customer experience.

### Technology and Innovation

Various new IT initiatives have been rolled out by your Bank including LITMAS (Litigation Management System) for better monitoring of legal recourses undertaken in the stressed account for expediting recovery. Bank has also rolled out Property Portal to showcase the assets to prospective buyers with an intention to enhance marketing and better realization of value of available assets. It will further strengthen the transparency and efficiency in the process. Going forward, SARG is looking towards complete digitalization of the vertical, with end-to-end process automation, starting from Premigration of the account to Resolution of the account, through a menu driven dashboard solution encompassing all activities of SARG at one place, giving the desired output at the right time, resulting in enhanced productivity, efficient use of manpower and optimum results.

Your Bank is steadfastly using and enhancing its analytics capabilities by using AI/ML for improving efficiency, reducing risk and growing business. Fraud prone branches model has been developed to identify high risk branches. ATM suspicious chargeback model has been developed for identification of suspicious chargeback complaints. EWS models are in place for early signals of stress in borrowers. Intelligent Sampling of Vouchers (ISMOVVR) model is there for Identification of outlier vouchers for re-verification and to prevent frauds. A new AI based model has been developed for SME new to Bank (NTB) customers. Staff Optimization and

ATM network optimisation is being carried out through the Footfall Model and ATM win-back model respectively.

In case of home loans, RLMS, an end-to-end digitized platform has already seen the processing time for the loan journeys coming down drastically resulting in increased business. In RLMS, Pension Loan, Personal Gold Loan, Xpress Credit & Smart Home Top Up Loan products were rolled out PAN India. Development and CUG roll out of Home Loan journey was also done in RLMS during FY2021. RLMS is also being integrated with YONO & CRM for processing applications sourced through these channels. With the proposed rollout of remaining products during FY2022 in RLMS, we expect increased efficiency and user experience, improvement in TAT and hence growth in Bank's business.

Besides, for corporate loans Digital Interface on Pricing and Knowledge (DIPAK) a new pricing tool has also been made available to Operating functionaries and Sanctioning Committees to enable data - driven pricing of our Corporate Loans. This has been rolled out in all the branches in CCG.

While offering products on multiple platforms for portfolio growth with higher profit margins, your Bank has kept in mind the customer's convenience with Ease of Banking and has offered these variants through YONO - PAPL (Pre-Approved Personal Loan), PAXC (Pre-Approved Xpress Credit), PAPNL (Pre-Approved Pension Loan), INSTA Top-up for Xpress Credit and Insta Top-up for Pension Loan. For our corporate customers, a Unified Corporate Banking setup - YONO Business providing Single Sign-On for customers to access five applications viz CINB, CMP, SCFU, e-Trade and e-Forex was launched. Additionally, new to digital customers were provided online onboarding of CINB, e-Trade and e-Forex. Other end-to-end digital offerings were (a) Debit card authenticated onboarding for Saral customers and (b) Pre-Approved Merchant Loan - a digital loan product for Saral customers. An Online Account opening facility was also launched for non-individual accounts like Sole Proprietorship, Partnership and HUF entities.

Your Bank has also made available FX All and e-Forex trading platforms to customers looking at their requirements.

Your Bank is also working on providing a fully digital Trade Finance solution through its Yono Business platform. To increase income from Forex business, Forex rate booking including document upload facility for a digital journey has been introduced. Customer also has an option to negotiate with the dealer above a predefined threshold. Waiver of physical submission of original/hard copies for certain type of forex booking will be released. e-Forex on mobile is being planned to be released.

Furthermore, your Bank swiftly deployed Virtual Private Network (VPN) to empower the operational staff across India to Work From Anywhere (WFA) and ensure "Business-As-Usual". Despite the lockdown, annual closing exercise was conducted without any glitches. WFA is a new norm now in SBI. Many administrative and operational activities in domestic and foreign office/branches are being carried out remotely through WFA facilities. Pilot Project of "Work from Anywhere" has been implemented at Liability Centralised Processing Centres (LCPC) Mumbai, where Maker / Checker are processing Account Opening Forms (AOFs) digitally for 2<sup>nd</sup> scrutiny and debit activation. Going forward, "Work from Anywhere" project will be leveraged to full extent and will be extended to other LCPCs.

Your Bank has also introduced Open Banking (OB) in UK following instructions of European Banking Authority (EBA). The technological solution is hosted on Meghdoot infrastructure and was made live for our European branches and Bahrain to meet the critical Regulatory requirement. It is heartening to know that your Bank now has the capability to introduce OB in other geographies, as and when required by other Foreign Offices.

### Profitability

The FY2021 has been an unprecedented challenging year for the whole world and your Bank was not an exception. However, with pragmatic view and timely decisions of the management and execution by the team coupled with support of the customers, your Bank has reported highest ever standalone net profit of ₹20,410 crore against net profit of ₹14,488 crore in the previous year. Your Bank has reported significant improvement on asset quality front, provision coverage, NIM and yield on advances. Decline in credit cost by 75



bps YoY to 1.12% at the end of FY2021 has been a significant improvement over the previous years.

The Net Interest Income of the Bank stood at ₹1,10,710 crore registering a healthy growth of 12.87% over previous year. The growth is owing to focused efforts in retail credit and quality corporate credit as well as control in slippages, thereby resulting in growth under interest income and a simultaneous control on interest expenses by CASA oriented deposit accretion, which increased by 16.73% (YoY domestic). The Operating Profit of the Bank stood at ₹71,554 crore in FY2021 as compared to ₹68,133 crore in previous year. The Bank made a consolidated profit of ₹22,405 crore.

Return on Assets increased by 10 bps YoY to 0.48% in FY2021 against 0.38% in FY2020. Cost to income ratio has marginally increased from 52.46% in FY2020 to 53.60% in FY2021. Further, recovery in Written-Off accounts also registered a growth of 11.32% over the previous year.

### Asset Quality

The Bank over the last two financial years was dealing with steep rise in stressed assets. All-round effort in managing stressed accounts initiated in FY2019 was carried through in FY2020 as well.

However, the outbreak of the pandemic and subsequent lockdown in FY2021 altered the dynamics of stressed asset recovery. Bank had to grapple with disruption in normal proceeding at NCLT due to COVID-19 infections. Furthermore, the RBI mandated a standstill clause for some section of the portfolio.

Despite all this, Bank was able to achieve a reduction in level of Gross NPAs by ₹22,703 crore by March 2021. The corporate segment saw the largest reduction in NPA at ₹18,530 crore, while other segments remained more or less stable.

The gross NPAs ratio of the Bank accordingly declined to 4.98% from 6.15% in the last year. The PCR of the bank has also improved to 87.75%.

### Capital Structure

The capital adequacy of the Bank improved during the last financial year on the back of better capital planning, internal resource

generation and containment of risk in banking books as reflected in 202 basis point reduction in credit risk weighted assets on advances to gross advances ratio.

The capital adequacy position of the Bank improved from 13.06% in March last year to 13.74% in March 2021. The CET 1 capital and AT1 capital ratios put together increased by 44 bps to 11.44%. Bank also increased its Tier II capital base to 2.30% in March 2021 from 2.06% the previous year.

### Strategic Initiatives

During FY2021, your Bank has undertaken strategic initiatives to achieve the long term objectives set by your Bank. Some of the important initiatives are as under:

- To make the AtmaNirbhar Bharat Abhiyan a success your Bank has launched three new products viz. Agri Infrastructure Fund (AIF), Animal Husbandry Infrastructure Development Fund (AHIDF) and PM Formalization of Micro Food Processing Enterprises (PM FME) to boost investment credit portfolio in Agri segment. Your Bank has also launched "PM SVANidhi Loans" with effect from 02.07.2020 to support livelihoods of street vendors during COVID-19 pandemic. Bank has launched Guaranteed Emergency Credit Line (GECL)1.0 & 2.0 to provide finance on liberal terms, to the units affected by the COVID-19 pandemic.
- To mitigate the adverse impact of COVID-19 on Bank's portfolio Bank identified corporates that may require additional assistance very early in Q1 of FY2021, which facilitated quick remedial measures. Various analysis was undertaken to proactively identify probable stressed portfolios and necessary remedial measures were taken in time. Similarly, impact of COVID-19 on various industries such as NBFC, Construction, Textiles, Ports, Shipping, Hotels etc. are watched continuously and analysis of new developments are shared with the business groups to enable them to take informed credit decisions.
- Customer service is a key area on which your Bank is focused. For improving the quality of resolution of customer grievances, we have established Circle Complaints Resolution Centres (CCRC) in all Circles.
- Your Bank has been active in the Alternative Investment space throughout the year and has been keeping an eye on emerging opportunities. Amid pandemic, your Bank part divested its stake in non-core assets and assessed a number of new investment opportunities. During the year, your Bank sanctioned investments of nearly ₹600 crore in Private Equity / Alternative Investment Funds.
- 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 sector and industries to provide Structuring Solutions to our clients.
- To enable the branches become more goal-driven and competitive, a radical coaching intervention based on 'Action Research model' has been rolled out. It is a dynamic approach in which problem identification, planning, action and impact assessment are interlinked. Under "Samunnati", Faculty members of Regional L&D institutes adopted one Branch each pan-India, to extend guidance with harvesting of learnings for viable growth-models and case studies post completion.
- To ensure better tracking of education loan applications and faster sanctioning of loans, your Bank's Loan Origination System (LOS) was integrated with Vidya Lakshmi Portal (VLP) of the Government of India.
- In order to put in place a mechanism to monitor the progress of staff accountability examination in respect of large value frauds of ₹50 crore and above, a Committee namely "ABBFF Review Committee" under chairmanship of MD (CCG&IT) has been constituted. This Committee will review the progress of all cases being referred to ABBFF at bi-monthly intervals.

### Subsidiaries

Through its subsidiaries, your Bank 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 ₹273.25 crore for FY2021 as against ₹215.43 crore in FY2020. On a consolidated basis it has posted a profit of ₹527.10 crore in FY2021 as against ₹334.49 crore in the previous fiscal. SBICAP Securities Limited, a wholly owned subsidiary of SBI Capital Markets Limited has posted a net profit of ₹207.12 crore during FY2021 as against ₹84.94 crore in FY2020.

SBI Life Insurance Company Limited 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, more than 16.5 lakhs individual new policies were issued. The company witnessed a PAT of ₹1,456 crore in FY2021 as against ₹1,422 crore in FY2020.

SBI Cards and Payment Services Limited delivered PAT of ₹985 crore in FY2021 as compared to ₹1,245 crore in FY2020. To cover itself for future credit risks, the company has provided higher provisions and the overall management overlay stands at ₹297 crore as on Mar'2021. This is over and above the base provisions of ₹1,358 crore.

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 35% against the industry average of 18.8% in FY2021. In the last three years, SBIFMPL has achieved a CAGR of 32.3% against the industry average of around 11.7%. It posted a PAT of ₹860.40 crore during FY2021 as against ₹603.45 crore earned during FY2020.

SBI General Insurance Company Limited (SBIGC) has achieved gross written premium of ₹8,312 crore in FY2021 as against ₹6,840 crore in FY2020. The Company registered growth rate of 22% with a market share of 4.16% in FY2021. The Company was ranked 7<sup>th</sup> amongst private insurers and 12<sup>th</sup> in the overall industry. The Company has generated a net profit of ₹544 crore with a yoy growth of 32% as on FY2021.

SBI Global Factors Private Limited, a leading provider of factoring services for domestic and international trade, registered

a turnover of ₹4,352 crore for FY2021 as compared to turnover of ₹4,394 crore in FY2020.

SBI Pension Funds Private Limited, one of the Pension Fund Managers (PFMs) to manage the pension corpus, maintained lead position amongst PFMs in terms of Assets Under Management (AUM) in both Government and Private Sectors. The total AUM of the company as on 31 March 2021 was ₹2,22,615 crore (yoy growth of 39%) as against ₹1,60,491 crore on 31 March, 2020.

### Recognition & Awards

Your Bank's efforts in various areas of banking were acknowledged, and we won various awards during the year. Your Bank was recognized as "Best Transaction Bank in India" by Asian Banker Magazine, Singapore for the fourth consecutive year in a row in 2020. Your Bank was also recognized as "Best Payment Bank in India" by Asian Banker Magazine, Singapore for the second consecutive year in 2020. Besides, SBI Foundation has also won awards during this year for its CSR initiatives, namely Grant Thornton SABERA 2020 Awards for agriculture and rural development, Corona Warriors Award by Hon'ble Governor of Maharashtra for healthcare and the ICC Social Impact Awards 2021 for Empowering the Rural Population. Your Bank has facilitated Indian corporates in their growth strategy by arranging debt in Foreign Currency by way of External Commercial Borrowings through syndicated deals in conjunction with other Indian and Foreign Banks, and through bilateral arrangements. In recognition of its exemplary efforts, your Bank was chosen as the "Syndicated Loan House of the Year" - India by APLMA (Asia Pacific Loan Market Association). SBI has been awarded "The Best Trade Finance Provider (India) -2021" for ninth consecutive year by Global Finance Magazine. State Bank of India's home magazine 'Prayas' has been conferred with Kirti Puraskar by Department of Official Language, Ministry of Home Affairs, Government of India for the fourth time. Besides, Your Bank has won also five prestigious Brandon Hall Excellence awards 2020 for "Best Use of Blended Learning", "Best Learning Program supporting a change Transformation Business Strategy", "Best unique or innovative Learning & Development Program", "Best Advance in Technology for Crisis Management" for e-RBCs and "Best

Advance in Social Learning Technology" for e-Gyanshala.

### Environmental, Social & Governance (ESG) Practices

The Corporate Social Responsibility (CSR) practices at SBI aims to integrate economic, environmental and social objectives to implement national priorities for social development. The focus areas of the Bank's CSR activities for FY2021 include Healthcare, Education, Livelihood, sports, Welfare of Armed Forces Veterans, Skill Development, Environment sustainability, Protection of National Heritage, Empowerment of Women, Youth and Senior citizens. In FY2020, the net profit of the Bank was ₹14,488 crore and 1% of the profit, i.e. ₹144.88 crore has been earmarked as CSR fund of Bank for FY2021.

Further, during the year, with the approval of RBI, Bank spent/ donated a total of ₹73.70 crore for various initiatives under CSR including donation and ₹71.18 crore to SBI Foundation (SBIF).

Your Bank has spent/committed a total of ₹43 crore, which constitutes around 0.30% of net profit, towards the Banks' support in fight against COVID-19, including donation of ₹11 crore to PMCARES fund, as support towards COVID-19 Vaccination drive, and committed ₹30 crore to implement various COVID-19 relief programmes.

### Way Forward

FY2021 was an exceptional year in the Bank's recorded history. The banking operations were sustained against all odds with minimal disruption for the customers. The business continuity plans that were chalked out have worked well for the Bank and this is reflected in various parameters of the consolidated financial statements as on March 2021. Notably the Bank has achieved high level of digitization with share of Alternate Channels in total transactions increasing to 93% in FY2021, something which the pandemic has thrown as an opportunity.

The current financial year has begun with unexpected second wave of COVID-19 infections. Although the containment strategy this time included avoiding complete lockdown and managing the situation through micro-containment zones, the impact on the economy will

nevertheless be felt. The aggregate demand continues to be low and household income has been impaired. An effective roll out of immunisation is sure to turn the tide in the positive direction.

In the current financial year, Bank will continue to accelerate its digital agenda. The scope and reach of SBI YONO will be expanded further. In business operations your Bank will leverage advanced analytics for deeper insights on internal data. Efforts are already under process to equip operating units with quality data to support decisions.

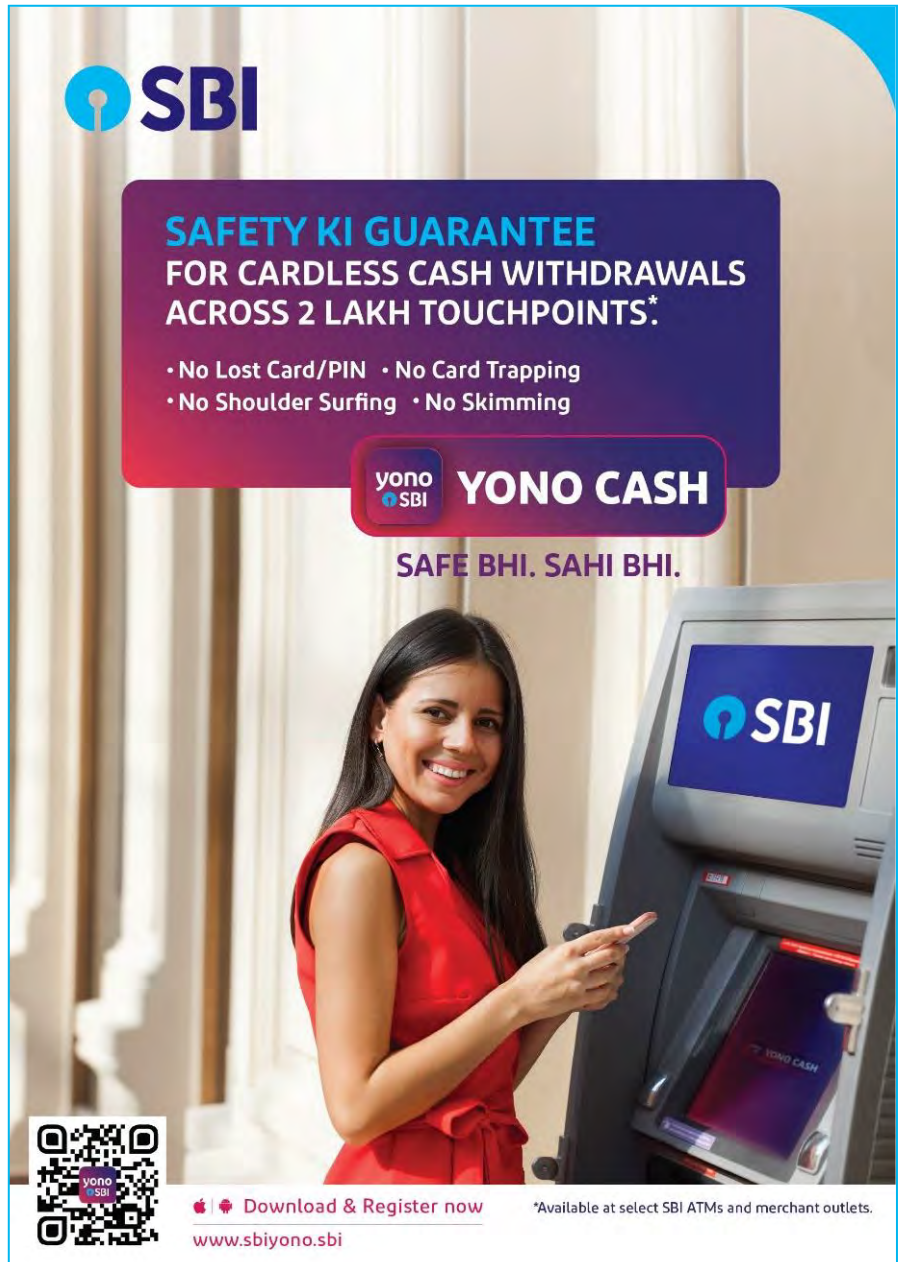
It is too early to take a call of a possible deterioration of asset quality in banks due to second wave. However, with rollout of pre-package insolvency for resolution, resumption of courts and formation of National Asset Reconstruction Company, efforts will be in full force to keep the momentum in stressed asset recovered in the current financial year by making judicious use of all such options at our disposal.

The Bank is comfortably placed in terms of growth capital. Opportunities for lending in promising sectors will be explored to diversify the portfolio and contain risk.

Overall, despite the economic headwinds, the Bank has adjusted to the challenges posed by the COVID-19 pandemic and is better positioned to tackle any subsequent wave. I am more than hopeful that the performance achieved in FY2021 will continue in FY2022 as well.

Yours Sincerely,

**Dinesh Kumar Khara**



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