PILLAR 3 DISCLOSURES (CONSOLIDATED) AS AT 30.06.2014

DF-2: CAPITAL ADEQUACY

Qualitative Disclosures

(a) A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities	• The Bank and its Banking Subsidiaries undertake the Internal Capital Adequacy Assessment Process (ICAAP) on an annual basis in line with the New Capital Adequacy Framework (NCAF) Guidelines of RBI. The ICAAP details the capital planning process and carries out an assessment covering measurement, monitoring, internal controls, reporting, capital requirement and stress testing of the following Risks: ➢ Credit Risk ➢ Operational Risk ➢ Liquidity Risk ➢ Compliance Risk ➢ Pension Fund Obligation Risk ➢ Reputation Risk ➢ Residual Risk from Credit Risk Mitigants ➢ Settlement Risk ➢ Market Risk ➢ Credit Concentration Risk ➢ Interest Rate Risk in the Banking Book ➢ Country Risk ➢ New Businesses Risk ➢ Strategic Risk ➢ Model Risk ➢ Contagion Risk ➢ Securitization Risk • Sensitivity Analysis is conducted annually or more frequently as required, on the movement of Capital Adequacy Ratio (CAR) in the medium horizon of 3 to 5 years, considering the projected investment in Subsidiaries / Joint Ventures by SBI and growth in Advances by SBI and its Subsidiaries (Domestic/Foreign). This analysis is done for the SBI and SBI Group separately. • CRAR of the Bank and for the Group as a whole is estimated to be well above the Regulatory CAR of 9% in the medium horizon of 3 to 5 years. However, to maintain adequate capital, the Bank has options to augment its capital resources by raising Subordinated Debt and Perpetual Debt Instruments, besides Equity as and when required. • Strategic Capital Plan for the Foreign Subsidiaries covers an assessment of capital requirement for growth of assets and the capital required complying with various local regulatory requirements and prudential norms. The growth plan is approved by the parent bank after satisfying itself about the capacity of the individual subsidiaries to raise Tier I /Tier II Capital to support the increased level of assets and at the same time maintaining the Capital Adequacy Ratio (CAR).

Quantitative Disclosures

(b) Capital requirements for credit risk: ▪ Portfolios subject to standardized approach ▪ Securitization exposures	→ Rs. 1,15,734.89crs. → Nil …………………………… **Total Rs. 1,15,734.89crs**
(c) Capital requirements for market risk: ▪ Standardized duration approach; - Interest Rate Risk - Foreign Exchange Risk(including gold) - Equity Risk	→ Rs. 5,333.53crs. → Rs. 166.08crs. → Rs. 1,992.77crs. ……………………….. **Total Rs.7,492.38crs.**
(d) Capital requirements for operational risk: • Basic Indicator Approach • The Standardized Approach (if applicable)	→ Rs. 12,100.63crs. ………………………….. **Total Rs.12,100.63crs.**

(e) Common Equity Tier 1, Tier 1 and Total Capital Ratios:

- For the top consolidated group; and
- For significant bank subsidiaries (stand alone or sub-consolidated depending on how the Framework is applied)

CAPITAL ADEQUACY RATIOS AS ON 30.06.2014

	CET 1 (%)	Tier 1 (%)	Total (%)
SBI Group	**9.14**	**9.41**	**12.12**
State Bank of India	**9.54**	**9.63**	**12.33**
State Bank of Bikaner & Jaipur	**8.47**	**8.73**	**11.23**
State Bank of Hyderabad	**8.62**	**9.16**	**11.34**
State Bank of Mysore	**8.51**	**8.72**	**11.16**
State Bank of Patiala	**7.36**	**7.65**	**10.03**
State Bank of Travancore	**7.74**	**8.06**	**10.28**
SBI (Mauritius) Ltd.	**21.44**	**21.44**	**22.01**
State Bank of India (Canada)	**25.19**	**25.19**	**29.14**
State Bank of India (California)	**18.32**	**18.32**	**19.57**
Commercial Indo Bank LLC, Moscow	**45.40**	**58.35**	**58.35**
Bank SBI Indonesia	**24.70**	**24.70**	**25.36**
Nepal SBI Bank Ltd.	**10.98**	**10.98**	**14.38**
State Bank of India (Botswana) Ltd.	**478.68**	**478.68**	**478.68**

DF-3: CREDIT RISK: GENERAL DISCLOSURES FOR ALL BANKS

Qualitative Disclosures

(a) The general qualitative disclosure requirement with respect to credit risk

Definitions of past due and impaired assets (for accounting purposes)
The Domestic Banking entities in the Group follow the extant RBI instructions for definitions of these categories for accounting purposes, as given below:

Non-performing assets
An asset becomes non-performing when it ceases to generate income for the bank. A Non-Performing Asset (NPA) is an advance where:

i. Interest and/or installment of principal remain **'overdue'** for a period of more than 90 days in respect of a Term Loan;
ii. The account remains **'out of order'** for a period of more than 90 days, in respect of an Overdraft/Cash Credit (OD/CC);
iii. The bill remains **'overdue'** for a period of more than 90 days in the case of bills purchased and discounted;
iv. Any amount to be received remains **'overdue'** for a period of more than 90 days in respect of other accounts;
v. A loan granted for short duration crops is treated as NPA, if the installment of principal or interest thereon remains '**overdue'** for two crop seasons and a loan granted for long duration crops is treated as NPA, if installment of principal or interest thereon remains '**overdue'** for one crop season; and
vi. An account would be classified as NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.

'Out of Order' status
An account is treated as **'out of order'** if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power.
In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Bank's Balance Sheet, or where credits are not enough to cover the interest debited during the same period, such accounts are treated as 'out of order'.

'Overdue'
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.

[Other Group entities – Overseas Banking entities and the Non-banking entities - use the definitions as applicable to their lines of businesses and as defined by their respective regulators.]

Credit Risk Management
All Banking entities in the Group are exposed to Credit Risk through their loans and investment activities. Among the Non-banking entities, Credit Risk is a major risk for factoring and credit cards business. Group Banking entities have Credit Risk Management, Credit Risk Mitigation and Collateral Management Policies in place, which are an exposition of their approach to the management of Credit Risk and seek to establish a comprehensive risk management framework that allows Credit Risks to be tracked, managed and overseen in a timely and efficient manner. The policies are

reviewed annually or more frequently as deemed necessary. Over the years, the policy and procedures in this regard have been refined as a result of evolving concepts and actual experience. The policy and procedures have been aligned to the approach laid down in Basel II and RBI guidelines, wherever applicable.

The processes of Credit Risk Management encompass identification, assessment, monitoring and control of the credit exposures. In the process of identification and assessment of Credit Risk, the following functions are undertaken:

i. Internal Credit Risk Assessment Models/ Scoring Models are used across the entities, wherever applicable, to assess the counterparty risk and to support the analytical elements of the credit risk management framework, particularly the quantitative risk assessment part of the credit approval process. The rating process reflects the risk involved in the facility / borrower and is an evaluation of the borrower's intrinsic strength and is reviewed periodically.

ii. SBI conducts industry research regularly to give specific policy prescriptions and setting quantitative exposure parameters for handling portfolio in large / important industries, by issuing advisories on the general outlook for the Industries/Sectors, from time to time and shares the findings amongst the Banking entities in the Group.

iii. Non-Banking entities use their own Internal Credit Scoring Models, Internal Ratings, Demographic Analysis, etc., as applicable, for identification and assessment of Credit Risk.

The measurement of Credit Risk in the Domestic Banking entities involves computation of Credit Risk Components viz. Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default [EAD).

For better risk management and avoidance of concentration of Credit Risk, regulatory / internal guidelines on prudential exposure norms in respect of individual borrowers, borrower groups, banks, non-corporate entities, sensitive sectors such as capital market, real estate, etc., are in place in the Group entities. Ongoing monitoring of these exposures is conducted for measurement of Credit Risk of the Group entities individually and for consolidated Group, as specified in the Group Risk Management Policy. Credit Risk Stress Tests are conducted by the entities to identify vulnerable areas for initiating corrective action, where necessary.

Each of the Banking entities in the Group have a Loan Policy in place which documents the entities' approach to sanctioning, managing and monitoring of loans and advances. The Policy establishes a commonality of approach regarding credit basics, appraisal skills, documentation standards and awareness of institutional concerns and strategies to ensure that there is continued improvement of the overall quality of assets at the portfolio level. Specific norms for Appraising, Sanctioning, Documentation, Inspections and Monitoring, Renewals, Maintenance, Rehabilitation and Management of Assets have been stipulated, with sufficient leg room for innovation, deviations and flexibility under proper authority.

The internal controls and processes in place in the Group for the management of Credit Risk are:

a) Risk Governance structures for Credit Risk Management.
b) Delegation of financial powers for advances and allied matters with a graded

authority structure.

c) Pre-sanction and post-sanction processes are examined as part of Credit Audit conducted in Domestic Banking entities for exposures above threshold limits. Credit Audit also examines identified risks and suggests risk mitigation measures.
d) Close review and monitoring of Stressed Assets to prevent deterioration in quality.
e) The Policies, Procedures and Risk Limits are circulated amongst all operating functionaries and the audit functionaries to keep them updated on an ongoing basis.
f) Various training initiatives are also undertaken for updation of knowledge on Credit Risk Management policies and practices for all functionaries.

Quantitative Disclosures

General Disclosures:		**Amount - Rs. in Crs**		
Quantitative Disclosures		**Fund Based**	**Non Fund Based**	**Total**
b	Total Gross Credit Risk Exposures	16,07,809.08	4,54,420.51	20,62,229.59
c	Geographic Distribution of Exposures : FB / NFB			
	Overseas	2,32,136.01	37,355.75	2,69,491.76
	Domestic	13,75,673.07	4,17,064.76	17,92,737.83
d	Industry Type Distribution of Exposures Fund based / Non Fund Based separately	Please refer to **Table "A"**		
e	Residual Contractual Maturity Breakdown of Assets	Please refer to **Table "B"**		
f	Amount of NPAs (Gross) i.e. Sum of (i to v)			79,007.27
	i. Substandard			29,308.04
	ii. Doubtful 1			21,294.86
	iii. Doubtful 2			20,937.17
	iv. Doubtful 3			3,126.43
	v. Loss			4,340.77
g	Net NPAs			42,250.44
h	NPA Ratios			
	i) Gross NPAs to gross advances			4.91%
	ii) Net NPAs to net advances			2.70%
i	Movement of NPAs (Gross)			
	i) Opening balance			80,737.02
	ii) Additions			14,924.54
	iii) Reductions			16,654.29
	iv) Closing balance			79,007.27
j	Movement of provisions for NPAs			
	i) Opening balance			38,532.22
	ii) Provisions made during the period			4,757.74
	iii) Write-off			6,494.37
	iv) Write-back of excess provisions			38.76
	v) Closing balance			36,756.83
k	Amount of Non-Performing Investments			1,042.99
l	Amount of Provisions held for Non-Performing Investments			1,022.83
m	Movement of Provisions for Depreciation on Investments			
	i) Opening balance			1,946.91
	ii) Provisions made during the period			19.41
	iii) Write-off			530.94
	iv) Write-back of excess provisions			191.41
	v) Closing balance			1,243.97

Table- A: DF-3 (d) Industry Type Distribution of Exposures as on 30.06.2014

Amount - Rs. in Crs.

CODE	INDUSTRY	FUND BASED [Outstanding-O/s)]			NON-FUND BASED(O/s)
		Standard	NPA	Total	
1	Coal	2,737.38	179.45	2,916.83	1,753.70
2	Mining	8,081.74	402.17	8,483.91	1,025.94
3	Iron & Steel	102,921.97	6,131.86	109,053.83	24,898.54
4	Metal Products	29,127.75	3,773.10	32,900.85	3,928.90
5	All Engineering	36,256.61	3,098.22	39,354.83	46,733.09
51	**Of which** Electronics	11,596.42	1,329.72	12,926.14	5,766.50
6	Electricity	27,846.35	2,079.95	29,926.30	17,411.38
7	Cotton Textiles	41,337.49	2,581.45	43,918.94	3,604.72
8	Jute Textiles	423.66	119.39	543.05	157.90
9	Other Textiles	22,727.95	2,209.55	24,937.50	1,779.05
10	Sugar	11,520.82	374.82	11,895.64	632.54
11	Tea	688.03	37.79	705.82	78.72
12	Food Processing	43,410.40	3,241.42	46,651.82	1,264.67
13	Vegetable Oils & Vanaspati	7,266.92	2,017.27	9,284.19	6,620.79
14	Tobacco / Tobacco Products	971.12	13.54	984.66	33.01
15	Paper / Paper Products	6,138.68	1,619.05	7,757.73	1,049.78
16	Rubber / Rubber Products	6,975.35	442.01	7,417.36	1,651.72
17	Chemicals / Dyes / Paints etc.	59,454.41	4,579.02	64,033.43	11,930.82
171	**Of which** Fertilizers	16,419.63	32.86	16,452.49	3,770.23
172	**Of which** Petrochemicals	19,798.25	645.54	20,443.79	1,582.81
173	**Of which** Drugs & Pharmaceuticals	11,212.46	3,286.70	14,499.16	2,211.35
18	Cement	11,482.48	633.32	12,115.80	1,780.37
19	Leather & Leather Products	3,694.60	123.83	3,818.43	414.87
20	Gems & Jewellery	20,330.31	3,094.40	23,424.71	1,420.69
21	Construction	11,592.88	815.49	12,408.37	3,079.44
22	Petroleum	51,488.70	58.12	51,546.82	50,484.77
23	Automobiles & Trucks	15,631.58	275.27	15,906.85	1,077.32
24	Computer Software	1,260.55	258.19	1,518.74	169.15
25	Infrastructure	192,498.94	5,142.19	197,641.13	45,406.81
251	**Of which** Power	93,825.68	1,076.53	94,902.21	9,123.83
252	**Of which** Telecommunication	35,814.16	321.39	36,135.55	7,680.86
253	**Of which** Roads & Ports	39,637.15	2,007.10	41,644.25	10,515.64
26	Other Industries	97,133.52	3,211.69	100,345.21	45,379.32
27	NBFCs & Trading	97,558.50	3,746.08	101,304.58	13,958.81
28	Res. Adv to bal. Gross Advances	618,263.12	28,748.63	647,011.75	166,693.69
	Total	15,28,801.81	79,007.27	16,07,809.08	4,54,420.51

Table- B

DF-3 (e) SBI (CONSOLIDATED) Residual contractual maturity breakdown of assets as on 30.06.2014*

[Rs. in Crs.]

		1-14 days	15-28 days	29 days & up to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	TOTAL
1	Cash	17,945.86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17,945.86
2	Balances with RBI	6,666.61	1,197.58	2,672.17	3,564.96	11,115.19	18,076.15	8,189.57	26,248.78	**77,731.01**
3	Balances with other Banks	49,324.31	259.53	734.90	272.36	237.25	4,707.18	0.00	115.77	**55,651.30**
4	Investments	16,064.32	5,731.79	18,326.65	32,250.98	26,570.70	82,377.66	1,15,918.94	2,90,405.90	**5,87,646.94**
5	Advances	45,650.34	19,234.76	93660.32	62,199.05	92,650.74	7,28,488.33	2,04,931.23	3,18,338.50	**15,65,153.27**
6	Fixed Assets	0.00	0.00	0.00	10.04	0.00	0.00	0.00	10,978.96	**10,989.00**
7	Other Assets	20,733.35	2,719.06	3,131.32	3,242.65	3,281.49	3,746.19	20.76	20,939.22	**57,814.04**
	TOTAL	**1,56,384.79**	**29,142.72**	**1,18,525.36**	**1,01,540.04**	**1,33,855.37**	**8,37,395.51**	**3,29,060.50**	**6,67,027.13**	**23,72,931.42**

*Insurance entities, Non-financial entities, Special Purpose Vehicles & Intra-group Adjustments are excluded

DF-4: CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH

Qualitative Disclosures

(a) For portfolios under the standardized approach:

- **Names of Credit Rating Agencies used, plus reasons for any changes**

As per RBI Guidelines, the Bank has identified CARE, CRISIL, ICRA, India Rating, SMERA and Brickwork (Domestic Credit Rating Agencies) and FITCH, Moody's and S&P (International Rating Agencies) as approved Rating Agencies, for the purpose of rating Domestic and Overseas Exposures, respectively, whose ratings are used for the purpose of computing Risk-weighted Assets and Capital Charge.

- **Types of exposures for which each Agency is used**

(i) For Exposures with a contractual maturity of less than or equal to one year (except Cash Credit, Overdraft and other Revolving Credits), Short-term Ratings given by approved Rating Agencies are used.

(ii) For Cash Credit, Overdraft and other Revolving Credits (irrespective of the period) and for Term Loan exposures of over 1 year, Long Term Ratings are used.

- **Description of the process used to transfer Public Issue Ratings onto comparable assets in the Banking Book**

Long-term Issue Specific Ratings (For own exposures or other issuance of debt by the same borrower-constituent/counter-party) or Issuer (borrower-constituents/counter-party) Ratings are applied to other unrated exposures of the same borrower-constituent/counter-party in the following cases :

- If the Issue Specific Rating or Issuer Rating maps to Risk Weight equal to or higher than the unrated exposures, any other unrated exposure on the same counter-party is assigned the same Risk Weight, if the exposure ranks *pari-passu* or junior to the rated exposure in all respects.
- In cases where the borrower-constituent/counter-party has issued a debt (which is not a borrowing from the entity/entities), the rating given to that debt is applied to the Bank's unrated exposures, if the exposure ranks *pari-passu* or senior to the specific rated debt in all respects and the maturity of unrated exposure is not later than the maturity of the rated debt.

Quantitative Disclosures as on 30.06.2014

(Rs. in crs.)

		Amount
(b) For exposure amounts after risk mitigation subject to the Standardized Approach, amount of group's outstanding (rated and unrated) in each risk bucket as well as those that are deducted.	Below 100% Risk Weight	12,79,388.30
	100% Risk Weight	4,94,677.38
	More than 100% Risk Weight	2,84,168.72
	Deducted	3,995.19
	Total	20,62,229.59