# PILLAR 3 DISCLOSURES (CONSOLIDATED) AS AT 31.12.2014

## DF-2: CAPITAL ADEQUACY

### Qualitative Disclosures

<table>
<tr>
<td>(a) A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities</td>
<td>
<ul>
<li>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:
<ul>
<li>Credit Risk</li>
<li>Operational Risk</li>
<li>Liquidity Risk</li>
<li>Compliance Risk</li>
<li>Pension Fund Obligation Risk</li>
<li>Reputation Risk</li>
<li>Residual Risk from Credit Risk Mitigants</li>
<li>Settlement Risk</li>
<li>Market Risk</li>
<li>Credit Concentration Risk</li>
<li>Interest Rate Risk in the Banking Book</li>
<li>Country Risk</li>
<li>New Businesses Risk</li>
<li>Strategic Risk</li>
<li>Model Risk</li>
<li>Contagion Risk</li>
<li>Securitization Risk</li>
</ul>
</li>
<li>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.</li>
<li>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.</li>
<li>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 CET I / AT I / Tier II Capital to support the increased level of assets and at the same time maintaining the Capital Adequacy Ratio (CAR).</li>
</ul>
</td>
</tr>
</table>

| **Quantitative Disclosures** | |
|---|---|
| (b) Capital requirements for credit risk:<br>▪ Portfolios subject to standardized approach<br>▪ Securitization exposures | → Rs. 1,17,964.55 crs.<br><br>→ Nil<br>……………………………<br>**Total Rs. 1,17,964.55crs** |
| (c) Capital requirements for market risk:<br>▪ Standardized duration approach;<br>- Interest Rate Risk<br>- Foreign Exchange Risk(including gold)<br>- Equity Risk | <br><br><br>→ Rs. 5,836.69crs.<br>→ Rs. 158.19crs.<br><br>→ Rs. 2,485.78crs.<br>………………………..<br>**Total Rs.8,480.66 crs.** |
| (d) Capital requirements for operational risk:<br>• Basic Indicator Approach<br>• The Standardized Approach (if applicable) | → Rs. 12,096.56crs.<br><br>…………………………..<br>**Total Rs.12,096.56 crs.** |

(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 31.12.2014**

| | CET 1 (%) | Tier 1 (%) | Total (%) |
|---|---|---|---|
| SBI Group | **8.92** | **9.15** | **11.83** |
| State Bank of India | **9.29** | **9.38** | **12.03** |
| State Bank of Bikaner & Jaipur | **7.96** | **8.20** | **10.48** |
| State Bank of Hyderabad | **8.31** | **8.73** | **10.85** |
| State Bank of Mysore | **8.16** | **8.34** | **11.65** |
| State Bank of Patiala | **7.51** | **7.81** | **10.24** |
| State Bank of Travancore | **7.85** | **8.06** | **10.10** |
| SBI (Mauritius) Ltd. | **21.01** | **21.01** | **21.67** |
| State Bank of India (Canada) | **21.75** | **21.75** | **25.20** |
| State Bank of India (California) | **16.80** | **16.80** | **17.94** |
| Commercial Indo Bank LLC, Moscow | **30.69** | **30.69** | **30.69** |
| Bank SBI Indonesia | **22.41** | **22.41** | **22.99** |
| Nepal SBI Bank Ltd. | **11.14** | **11.14** | **14.29** |
| State Bank of India (Botswana) Ltd. | **150.63** | **150.63** | **150.63** |

**DF-3: CREDIT RISK: GENERAL DISCLOSURES FOR ALL BANKS: 31.12.2014**

**Qualitative Disclosures**

- **Definitions of past due and impaired assets (for accounting purposes)**

**Non-performing assets**

An asset becomes non-performing when it ceases to generate income for the Bank. As from 31st March 2006, 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 instalment of principal or interest thereon remains overdue for two crop seasons and a loan granted for long duration crops is treated as NPA, if instalment of principal or interest thereon remains overdue for one crop season
(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.

- **Discussion of the Bank’s Credit Risk Management Policy**

The Bank has an integrated Credit Risk Management, Credit Risk Mitigation and Collateral Management Policy in place which is reviewed annually. Over the years, the policy & 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.

Credit Risk Management encompasses identification, assessment, measurement, monitoring and control of the credit risk in exposures.

In the processes of identification and assessment of Credit Risk, the following functions are undertaken :

(i) Developing and refining the Credit Risk Assessment (CRA) Models/Scoring Models to assess the Counterparty Risk, by taking into account the various risks categorized broadly into Financial, Business, Industrial and Management Risks, each of which is scored separately.

(ii) Conducting industry research 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.

The measurement of Credit Risk involves computation of Credit Risk Components viz Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD).

The monitoring and control of Credit Risk includes setting up exposure limits to achieve a well-diversified portfolio across dimensions such as single borrower, group borrower and industries. For better risk management and avoidance of concentration of Credit Risks, internal guidelines on prudential exposure norms in respect of individual companies, group companies, Banks, individual borrowers, non-corporate entities, sensitive sectors such as capital market, real estate, sensitive commodities, etc., are in place. Credit Risk Stress Tests are conducted at half yearly interval to identify vulnerable areas for initiating corrective action, where necessary.

The Bank has also a Loan Policy which aims at ensuring that there is no undue deterioration in quality of individual assets within the portfolio. Simultaneously, it also aims at continued improvement of the overall quality of assets at the portfolio level, by establishing a commonality of approach regarding credit basics, appraisal skills, documentation standards and awareness of institutional concerns and strategies, while leaving enough room for flexibility and innovation

The Bank has processes and controls in place in regard to various aspects of Credit Risk Management such as appraisal, pricing, credit approval authority, documentation, reporting and monitoring, review and renewal of credit facilities, management of problem loans, credit monitoring, etc. The Bank also have a system of Credit Audit with the aims of achieving continuous improvement in the quality of the Commercial Credit portfolio with exposure of Rs. 10 cr. and above. Credit Audit covers audit of credit sanction decisions at various levels. Both the pre-sanction process and post-sanction position are examined as a part of the Credit Audit System. Credit Audit also examines identified Risks and suggests Risk Mitigation Measures.

## DF-3: Quantitative Disclosures as on 31.12.2014

| General Disclosures: | | Amount - Rs. in Crs | | |
|---|---|---|---|---|
| **Quantitative Disclosures** | | **Fund Based** | **Non Fund Based** | **Total** |
| b | Total Gross Credit Risk Exposures | 1651729.10 | 470725.51 | 2122454.61 |
| c | Geographic Distribution of Exposures : FB / NFB | | | |
| | Overseas | 233713.88 | 31689.10 | 265402.98 |
| | Domestic | 1418015.22 | 439036.41 | 1857051.63 |
| 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) | | | 82937.45 |
| | i. Substandard | | | 32820.47 |
| | ii. Doubtful 1 | | | 20537.77 |
| | iii. Doubtful 2 | | | 22816.59 |
| | iv. Doubtful 3 | | | 3660.68 |
| | v. Loss | | | 3101.94 |
| g | Net NPAs | | | 46829.89 |
| h | NPA Ratios | | | |
| | i) Gross NPAs to gross advances | | | 5.02% |
| | ii) Net NPAs to net advances | | | 2.91% |
| i | Movement of NPAs (Gross) | | | |
| | i) Opening balance | | | 80737.02 |
| | ii) Additions | | | 39052.02 |
| | iii) Reductions | | | 36851.59 |
| | iv) Closing balance | | | 82937.45 |
| j | Movement of provisions for NPAs | | | |
| | i) Opening balance | | | 38532.22 |
| | ii) Provisions made during the period | | | 15511.74 |
| | iii) Write-off | | | 17841.57 |
| | iv) Write-back of excess provisions | | | 42.24 |
| | v) Closing balance | | | 36160.15 |
| k | Amount of Non-Performing Investments | | | 705.65 |
| l | Amount of Provisions held for Non-Performing Investments | | | 627.82 |
| m | Movement of Provisions for Depreciation on Investments | | | |
| | i) Opening balance | | | 1946.91 |
| | ii) Provisions made during the period | | | 100.59 |
| | iii) Less: Foreign Exchange Revaluation Adj. | | | 0.00 |
| | iv) Write-off | | | 854.29 |
| | v) Write-back of excess provisions | | | 94.44 |
| | vi) Closing balance | | | 1098.77 |

**Table- A: DF-3 (d) Industry Type Distribution of Exposures as on 31.12.2014**

**Amount - Rs. in Crs.**

| **Code** | **Industry** | **Fund Based [Outstanding-O/s)]** | | | **Non-Fund Based(O/s)** |
|---|---|---|---|---|---|
| | | **Standard** | **NPA** | **Total** | |
| 1 | Coal | 3,501.50 | 456.20 | 3,957.70 | 3,609.89 |
| 2 | Mining | 7,551.76 | 513.32 | 8,065.08 | 3,874.50 |
| 3 | Iron & Steel | 116,499.39 | 7,993.47 | 124,492.86 | 30,352.60 |
| 4 | Metal Products | 38,446.03 | 1,702.49 | 40,148.52 | 7,142.94 |
| 5 | All Engineering | 35,449.89 | 4,783.77 | 40,233.66 | 71,668.31 |
| 51 | Of which Electronics | 12,048.08 | 1,104.10 | 13,152.18 | 11,885.16 |
| 6 | Electricity | 25,256.72 | 129.92 | 25,386.64 | 1,955.13 |
| 7 | Cotton Textiles | 38,603.64 | 2,948.05 | 41,524.89 | 5,026.21 |
| 8 | Jute Textiles | 465.44 | 156.52 | 624.98 | 116.52 |
| 9 | Other Textiles | 19,199.18 | 2,115.83 | 21,666.97 | 1,105.27 |
| 10 | Sugar | 6,877.78 | 337.21 | 6,860.40 | 639.79 |
| 11 | Tea | 719.51 | 31.10 | 765.80 | 73.17 |
| 12 | Food Processing | 39,639.61 | 4,378.98 | 44,208.13 | 2,427.93 |
| 13 | Vegetable Oils & Vanaspati | 8,230.82 | 1,540.71 | 9,566.41 | 5,542.85 |
| 14 | Tobacco / Tobacco Products | 554.52 | 4.81 | 618.25 | 271.71 |
| 15 | Paper / Paper Products | 5,765.67 | 1,630.61 | 7,363.01 | 862.74 |
| 16 | Rubber / Rubber Products | 7,821.90 | 234.23 | 8,030.48 | 1,822.72 |
| 17 | Chemicals / Dyes / Paints etc. | 67,968.50 | 4,629.37 | 72,597.87 | 49,310.05 |
| 171 | Of which Fertilizers | 12,022.98 | 59.43 | 12,082.41 | 5,540.22 |
| 172 | Of which Petrochemicals | 29,688.60 | 92.16 | 29,780.76 | 37,416.70 |
| 173 | Of which Drugs & Pharmaceuticals | 9,891.59 | 2,906.01 | 12,797.60 | 2,110.09 |
| 18 | Cement | 9,352.21 | 606.52 | 9,958.73 | 2,065.25 |
| 19 | Leather & Leather Products | 2,684.40 | 119.45 | 2,803.85 | 425.46 |
| 20 | Gems & Jewellery | 18,067.80 | 3,599.57 | 21,667.37 | 1,615.12 |
| 21 | Construction | 11,190.44 | 733.26 | 11,923.70 | 3,985.49 |
| 22 | Petroleum | 54,106.40 | 356.56 | 54,462.96 | 15,056.27 |
| 23 | Automobiles & Trucks | 12,671.87 | 325.87 | 12,997.74 | 7,762.26 |
| 24 | Computer Software | 2,529.17 | 1,092.46 | 3,621.63 | 4,858.59 |
| 25 | Infrastructure | 219,288.41 | 11,498.81 | 230,787.22 | 71,326.48 |
| 251 | Of which Power | 113,315.67 | 4,302.42 | 117,618.09 | 21,792.25 |
| 252 | Of which Telecommunication | 32,971.15 | 1,012.53 | 33,983.68 | 13,632.05 |
| 253 | Of which Roads & Ports | 31,177.33 | 3,033.31 | 34,210.64 | 13,319.55 |
| 26 | Other Industries | 104,532.45 | 1,346.97 | 105,879.42 | 46,353.20 |
| 27 | NBFCs & Trading | 100,731.34 | 3,849.73 | 104,581.07 | 51,053.88 |
| 28 | Res. Adv to bal. Gross Adv. | 611,085.30 | 25,821.66 | 636,906.96 | 80,421.18 |
| | **Total** | **1568,791.65** | **82,937.45** | **1651,729.10** | **470,725.51** |

## Table- B

## DF-3 (e) SBI (CONSOLIDATED) Residual contractual maturity breakdown of assets as on 31.12.2014*

**[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 | 16705.19 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **16705.19** |
| 2 | Balances with RBI | 2810.77 | 1195.38 | 2336.17 | 4056.97 | 13185.47 | 17981.92 | 9774.96 | 24637.34 | **75978.98** |
| 3 | Balances with other Banks | 57082.40 | 72.88 | 36.37 | 795.71 | 139.94 | 5052.02 | 0.00 | 144.92 | **63241.28** |
| 4 | Investments | 44544.79 | 5225.38 | 21549.86 | 20167.98 | 33948.00 | 96177.28 | 95547.22 | 316576.54 | **633737.05** |
| 5 | Advances | 43956.10 | 32121.73 | 94568.07 | 76821.24 | 86677.15 | 763275.85 | 193838.54 | 317544.74 | **1608803.42** |
| 6 | Fixed Assets | 0.00 | 0.00 | 0.00 | 23.32 | 0.00 | 0.02 | 2.01 | 11817.91 | **11843.26** |
| 7 | Other Assets | 16878.54 | 4012.41 | 4725.74 | 3764.80 | 3998.30 | 4417.38 | 3308.19 | 20329.12 | **61434.48** |
| | **TOTAL** | **181894.83** | **42627.78** | **123216.21** | **105630.02** | **137948.86** | **886904.47** | **302470.92** | **691050.57** | **2471743.66** |

***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 as on 31.12.2014**

(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 the Bank's 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 Bank), the rating given to that debt is applied to the Bank's unrated exposures, if the Bank's exposure ranks *pari passu* or senior to the specific rated debt in all respects and the maturity of unrated Bank's exposure is not later than the maturity of the rated debt.

**Quantitative Disclosures as on 31.12.2014** **(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 | 1316989.00 |
| | 100% Risk Weight | 499271.04 |
| | More than 100% Risk Weight | 302943.54 |
| | Deducted | 3251.03 |
| | **Total** | **2122454.61** |