

DIRECTORS' REPORT

INCLUDING MANAGEMENT DISCUSSION AND ANALYSIS

I. ECONOMIC BACKDROP AND BANKING ENVIRONMENT

GLOBAL ECONOMIC SCENARIO

The world economy has passed through yet another difficult year. The growth in advanced economies has stagnated, while that in emerging and the developing world has decelerated, leading to a slow global growth of 3.1% in 2015. The US economy continues to grow below potential with GDP growth falling to 1.4% in Q4 2015 and 1.9% for the whole year. The Euro Area expanded at 1.6% in 2015, again driven mainly by private consumption. However, economic growth in the region has remained unchanged at 1.6% in the last three quarters. The disappointing situation persists in 2016, with underperformance of the services sector in the Eurozone and UK and weak overseas demand taking a toll on German factory orders.

Japan continues to stutter with economic contraction of -1.1% in the last quarter of 2015 (0.5% for full year 2015) despite active intervention of the Government. This in turn has pressured the monetary authorities to adopt negative interest rates in January this year.

Meanwhile, growth in emerging market economies (EMEs) has remained tepid in 2015 at 4.0% with Brazil and Russia decelerating more than expected amidst sluggish growth in China. The recent firming up of commodity prices will support commodity exporting emerging economies, but domestic constraints and weak external demand may put downward pressure on growth dynamics.

Global trade witnessed a sub 3% growth in 2015 for the fourth consecutive year with emerging and developing countries suffering more than the advanced economies. Going forward, the trade figures will remain sluggish in 2016 with moderate import demand from developed world. Meanwhile, slowdown in China, increase in financial volatility and adverse exchange rate movements of more vulnerable countries with large foreign debts may put downward pressure on trade dynamics. On the inflation front, divergent trends are visible with accelerating consumer prices in EMEs and declining prices in advanced countries.

As far as financial volatility is concerned, the role of emerging markets has increased with enhanced spill overs from emerging markets to the global equity prices and currency market developments recently. The good thing is that after witnessing a turbulent beginning in 2016, market sentiment has revived considerably in the recent months.

INDIA'S ECONOMIC SCENARIO

Despite all the headwinds, both domestic and external, the Indian economy remains in a sweet spot and grew by 7.6% in FY16 compared to 7.2% in FY15 and 6.6% in FY14. On Gross Value Added (GVA) basis, the economy grew by 7.2% in FY16 compared to 7.1% in FY15 and 6.3% in FY14. This growth is primarily driven by growth in services (8.9% in FY16) and industry (7.4% in FY16).

After two successive years of deficit monsoons, the prediction of above normal monsoon this year at 106% of Long Period Average (LPA) will bring cheer. There is a 94% probability that monsoon will be normal to excess this year. It is interesting to note that since 1999 (when IMD predicted 108% rainfall) this is the highest ever rainfall projection by IMD. The spatial distribution of monsoon will also be fair with drought-hit states also likely to receive good rainfall. North-East India and South-East India, particularly Tamil Nadu, may get slightly less than normal rainfall.

The third advance estimates of the Ministry of Agriculture indicate that despite low reservoir levels, relatively warmer winter and a deficient North-East monsoon, Rabi foodgrains production increased over levels a year ago and even compensated for the shortfall in Kharif output. Hence, the total foodgrains production during FY16 estimated at 252.23 million tonnes will be marginally higher over the production of 252.02 million tonnes during FY15. For FY17, Government has set the target of 270.10 million tonnes.

Industrial output as measured by the Index of Industrial Production (IIP) could not sustain the surge in Oct'15 and declined after that. The decline in IIP during recent months is mainly led by decline in manufacturing. Electricity generation has remained resilient and is expected to sustain its performance backed by thermal



supplies, while consumer durables continue to gain. The investment climate in the country has improved as the stock of stranded investment in stalled projects has started to decline.

Inflation, both Wholesale Price Index (WPI) and Consumer Price Index (CPI), remained under control throughout FY16. Even WPI inflation remained in negative territory for the entire fiscal. The average WPI was -2.5% for FY16 compared to 2.1% for FY15. The sharp decline in fuel prices has led to negative WPI. CPI inflation also declined significantly to 4.9% (average) in FY16 from 6.0% in FY15. Inflation, both WPI and CPI, has however increased in April 2016, but we expect this to be transitory and seasonal.

On the external front, the current account deficit (CAD) narrowed to \$7.1 billion (1.3% of GDP) in Q3 FY16 from \$7.7 billion (1.5% of GDP) in Q3 FY15 and \$8.7 billion (1.7% of GDP) in Q2 FY16. The contraction in CAD was primarily on account of a lower trade deficit due to decline in both exports and imports. For the entire fiscal, both exports and imports growth were in negative territory. For FY16, exports fell 15.8% to a five-year low of \$261.1 billion due to fragile global demand and low commodity prices. Imports also dipped 15.3% to \$379.6 billion, leaving a trade deficit of \$118.5 billion.

BANKING ENVIRONMENT

In FY16, banking business turned out a mixed bag, due to a number of reasons like weak economic activity, stress in certain sectors and consequent lower credit demand. Despite relatively high real interest rates, aggregate All Scheduled Commercial Bank (ASCB)

deposits registered a 9.9% growth in FY16 (for the fortnight ended 18 March, 2016), compared to FY15 (fortnight ended 20 March, 2015) growth of 10.7%. However, in absolute amount, deposits grew by ₹8.4 lakh crore in FY16 compared to ₹8.2 lakh crore in FY15. The muted deposit growth may be due to rise in currency circulation in the system, increasing outward remittances and high base effect.

Meanwhile, credit growth remained in the range of 9-10% in H1FY16. After the rate cut by RBI (75 bps in total; 25 & 50 bps in two tranches in Jun'15 and Sep'15), banks also reduced their base rates in the range of 55-70 bps, which helped credit demand to pick up in H2 touching the highest growth of 11.6% in Feb'16. Overall, YoY credit grew at a higher rate of 11.3% in FY16 (18 March, 2016), compared to FY15 (20 March 2015) growth of 9.0%. The incremental lending during the financial year has been mostly to the personal loan segment, especially housing, and also Mudra. Interestingly, in a period of one year, with the thrust of the Government and efforts by banks, Mudra loans now account for around 1.7% of the ASCB loan portfolio.

Liquidity conditions, which had tightened since mid-Dec'15, were stretched further by the larger-than-usual accumulation of cash balances by the Government, unusually heightened and persistent demand for currency, a pick-up in bank credit and flatter deposit mobilisation at this time relative to past years. However, RBI undertook liquidity operations to quell these pressures and supplemented normal operations with liquidity being injected through OMOs and variable rate repo auctions.

Meanwhile, under the Pradhan Mantri Jan Dhan Yojna (PMJDY), banks have opened 21.51 crore of accounts so far with ₹36,600 crore deposits. On a positive note, zero balance accounts under PMJDY have been continuously declining from 45% in Sep'15 to 27% in Mar'16. Further, under the Jan Suraksha scheme, banks have enrolled a total of 12.6 crore of applicants cumulatively, out of which SBI alone has enrolled 2.3 crore accounts for the year ending Mar'16. Taking this initiative forward, Government has been using the banking channels to disburse the subsidy amounts through these accounts, by using the Aadhaar platform.

To further increase the penetration of financial services in the country, RBI has issued a total of 23 new banking licences (2 universal banks, 11 Payment Banks and 10 Small Finance Banks) in 2015, with an objective to provide banking facilities to the unbanked sections of the people. The 2 universal banks have started their operation in 2015 and Capital Local Area Bank (CLAB) has launched its operations as India's first small finance bank (SFB) in April 2016. Apart from CLAB, the others who have received RBI's approval to start SFBs are preparing to launch by Sep'16, much ahead of the deadline of Apr'17. The 11 payment banks which got in principle approval are now in the process of getting formal licences from RBI. However, reports state that 4 of these have decided not to proceed with the venture.

Further, in line with the Government's digital India mission, most banks are endeavouring to make available their products and services on the online platform. Apart from this, in a move to a step closer towards becoming a less

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cash economy, National Payments Corporation of India (NPCI) with RBI has launched the Unified Payment interface (UPI). The UPI will allow customers to instantaneously transfer funds across different banks with the use of a single identifier which will act as a virtual address and eliminate the need to exchange sensitive information such as bank account numbers during a financial transaction. The introduction of UPI is expected to have a significant impact on the ease of retail payments at a time when mobile banking is also picking up.

The signs of rising stress in the banking system appear to have plateaued, as much of the stress has already been recognised and remaining expected stress in the coming year identified and put under close watch. All possible solutions for resolution of stressed accounts are being worked out by the larger corporate lenders. These measures are likely to have a positive impact on the banking system. Due to elevated NPAs, net profits of most banks have declined as a result of higher provisioning. This in turn has impacted their return on assets (RoA) and return on equity (RoE) adversely.

OUTLOOK

The coming financial year will be challenging yet exciting for a number of reasons. Global economic growth is slowly inching towards recovery. Digital technology is continuously creating new opportunities in the banking space, which will not only reduce the cost of banking and delivery of services, but

at the same time it will significantly improve customer experience. The adoption of digital technology will therefore gather further pace across all banks – India or abroad. Weather events, which had disruptive effect on global growth recovery are abating and El Nino conditions are expected to wither by the end of 2016. Some models are now predicting La Nina conditions in the later stage of monsoon, which will increase the probability of better rains even further.

Against this background, India's growth fundamentals are intact. Weather related risk is now expected to be contained. The policy space as a result has widened and Government is expected to foster new investments in green field sectors like offshore wind and coastal shipping. The policy space in existing brown field sectors such as capital goods, railways, defence and housing has been rationalised. These measures will open up a significant number of opportunities for banks and help in diversifying their exposures.

Correction in inflation during the last financial year has resulted in real income appreciation for the households. This is expected to boost demand for banks' credit in personal segment, which has already shown a healthy growth last year. These trends will get a further thrust due to the passage of The Real Estate (Regulation and Development) Bill, 2016. Banks have moved to the marginal cost-based lending rate (MCLR) from the base rate system w.e.f. 01 Apr'16, which is

expected to further bring down the cost of borrowing in a declining interest rate scenario. Banks are also expected to benefit from the change in RBI's stance from 'liquidity in deficit mode' to 'liquidity in neutral mode'.

The passage of the Bankruptcy Law is expected to strengthen and speed up the resolution of stressed loans and lead to a more vibrant Corporate Bond market in the country. In a similar vein, the Ministry of Micro, Small and Medium Enterprises, Government of India, has notified a 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises'.

Overall, both monetary policy and fiscal policy will be conducive for stable economic growth. RBI has indicated an accommodative policy stance ahead and reduced the repo rate by 25 bps in Apr'16. We do not see any material departure from either of the policy stance in the current fiscal.



II. FINANCIAL PERFORMANCE

ASSETS AND LIABILITIES

The total assets of your Bank have increased by 10.30% from ₹2048079.80 crore at the end of March 2015, to ₹2259063.03 crore as at the end of March 2016. During the period, the loan portfolio increased by 12.59% from ₹1300026.39 crore, to ₹1463700.42 crore. Investments slightly decreased by 0.97% from ₹481758.75 crore to ₹477097.28 crore as at the end of March 2016. A major portion of the investment was in the domestic market in government securities.

Your Bank's aggregate liabilities (excluding capital and reserves) rose by 10.17% from ₹1919641.57 crore on 31st March 2015 to ₹2114788.60 crore on 31st March 2016. The increase in liabilities was mainly contributed by increase in deposits and borrowings. The deposits rose by 9.76% and stood at ₹1730722.44 crore as on 31st March 2016 against ₹1576793.24 crore as on 31st March 2015. The borrowings increased by 9.28% from ₹205150.29 crore at the end of March 2015, to ₹224190.59 crore as at the end of March 2016 mainly attributable to Capital Instruments issued in India and borrowings & refinance outside India.

INTEREST INCOME AND EXPENSES

Total Interest income has increased from ₹152397.07 crore in FY2015 to ₹163685.31 crore in FY2016 registering a growth of 7.41%, due to higher volumes. The average yield on advances (based on daily average)

in India has slightly decreased from 10.55% in FY2015, to 10.00% in FY2016. Income from resources deployed in treasury operations in India increased by 20.17%, mainly due to higher average resources deployed. The average yield has decreased to 7.92 % in FY2016, from 7.98% in FY2015.

Total interest expenses have increased from ₹97381.82 crore in FY2015, to ₹106803.49 crore in FY2016. Interest expenses on deposits during FY2015-16 recorded an increase of 10.90%, compared to the previous year. The average cost of deposits (based on daily average) in India has decreased from 6.39% in FY2015, to 6.22% in FY2016, whereas the average level of deposits in India grew by 14.16%.

NON INTEREST INCOME AND EXPENSES

Non-interest income increased by 24.73% to ₹28158.36 crore in FY2016, as against ₹22575.89 crore in FY2015. During the year, your Bank received an income of ₹475.83 crore (₹677.03 crore in the previous year) by way of dividends from Associate Banks/ subsidiaries and joint ventures in India and abroad, and ₹5168.80 crore (₹3618.05 crore in the previous year) by way of profit on sale of investments.

There was an increase of 6.70% in the Staff Cost from ₹23537.07 crore in FY2015, to ₹25113.83 crore in FY2016. Other Operating Expenses registered an increase of 14.82% mainly due to increase in expenses on rent, taxes, lighting, repairs and maintenance and miscellaneous expenditure.

OPERATING PROFIT

Your Bank registered an increase in Operating Profit in the current financial year, as compared to previous financial year. The Operating Profit of your Bank for FY2016 was at ₹43257.81 crore as compared to ₹39537.28 crore in FY2015, an increase of 9.41%. Your Bank posted a Net Profit of ₹9950.65 crore for FY2016, as compared to ₹13101.57 crore in FY2015, i.e. a decrease of 24.05% due to higher provisioning requirements on NPA.

PROVISIONS & CONTINGENCIES

Major provisions made in FY2016 were as under:

₹26984.14 crore (net of write-back) for non-performing assets (as against ₹17908.06 crore in FY2015), ₹2157.55 crore towards Standard Assets (as against ₹2435.38 crore in FY2015), ₹3823.41 crore towards Provision for Tax (as against ₹6212.39 crore in FY2015). An amount of ₹149.56 crore was provided for depreciation on Investments (as against ₹590.07 crore written back from depreciation on investments in FY2015).

RESERVE & SURPLUS

An amount of ₹2985.20 crore (as against ₹4029.08 crore in FY2015) has been transferred to Statutory Reserves. An amount of ₹345.27 crore (as against ₹105.50 crore in FY2015) has been transferred to Capital Reserves. An amount of 4267.35 crore (as against ₹5889.06 crore in FY2015) has been transferred to Revenue and other Reserves.

Revenue and other Reserves include Foreign Currency Translation Reserve of ₹ 6056.25 crore as on 31st March 2016 (₹ 6172.35 crore as on 31st March 2015)

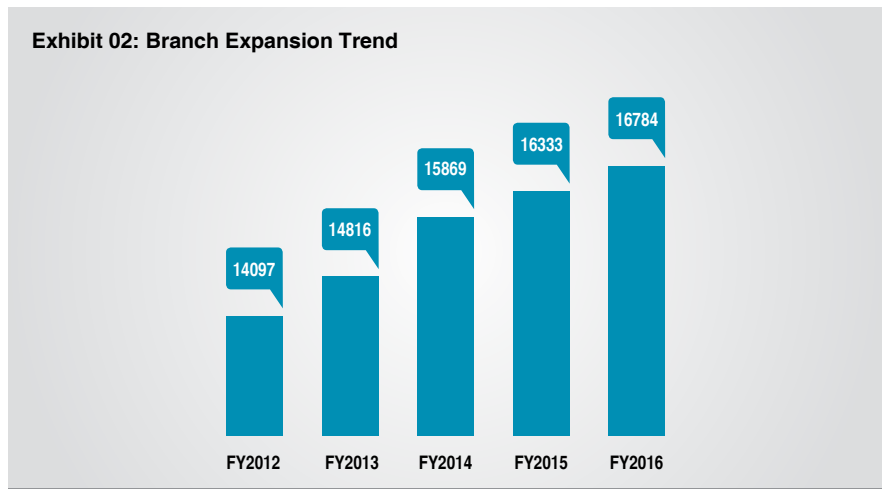
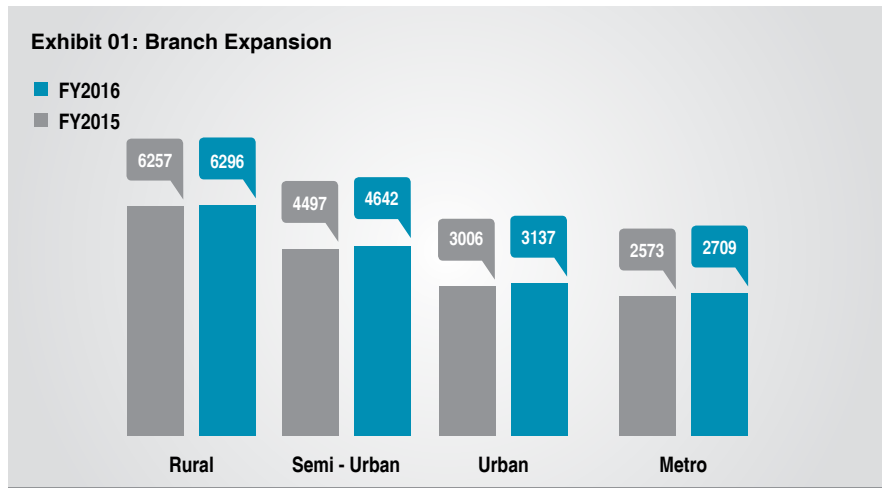
III. CORE OPERATIONS

NATIONAL BANKING GROUP

The National Banking Group (NBG) is the largest business vertical of your Bank, anchoring 96.04% of total Domestic Deposits, and 53.57% of total Domestic Advances, as on 31st March, 2016. The Group comprises six strategic business units and is also the largest Business Vertical in terms of Branch Network and Human Resources.

A steady stream of technology-driven innovations and changing consumer preferences is rapidly transforming the retail banking landscape. Your Bank has been at the forefront in leveraging technology in banking, through the launch of innovative products and solutions aimed at making banking more convenient to customers. Your Bank has a multi-channel delivery model in line with its strategy to serve its customers by offering them the choice to transact through any channel, time and place of their preference. All these initiatives have essentially revamped the Bank's process and tools, making it easier for the customer to conduct business. Your Bank also strives to anticipate the future needs of customers and deliver those expectations through technology-based solutions. In FY2016, your Bank scaled up its offerings across various channels – digital branches, mobile, internet and social media.

Retail Banking is also playing an increasing role in customer acquisition and CASA growth on the liabilities side. Your Bank continued to see strong momentum in acquisition of retail deposit customers and consequently



robust growth in the retail deposit base. Simultaneously, to meet the aspirations of this growing customer base, Retail Assets are being strategically positioned to grow to form a much larger proportion of total advances. To this end, your Bank is constantly endeavouring to come up with customer centric products and processes in Retail, using technology to deliver a better customer experience. In line with our endeavour to be a 'Smart Bank for India on the Go', Loans@SBI

was launched during the year for online sourcing of home loans, auto loans and other retail loan applications and thereafter, monitoring follow-up action of such applications. Customers can now check their eligibility and scheme details using the interactive eligibility assessment tool and apply online. Customers also have the facility to track the status of their applications till their loan is sanctioned.



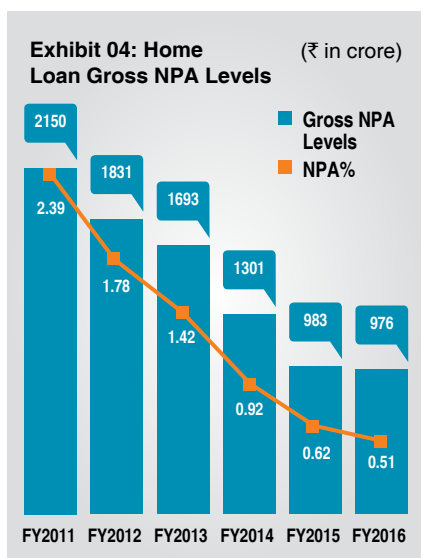
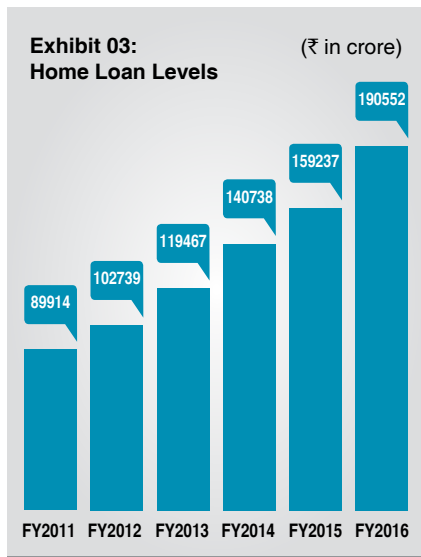
A. PERSONAL BANKING

1. Home Loans

State Bank of India has the largest Home Loan portfolio in the Banking Sector and market share of over 25% amongst All Scheduled Commercial Banks (ASCBs). Home Loan portfolio constituted 15.33% of Whole Bank Advances as on 31st March, 2016.

While Home Loan portfolio has more than doubled during the last 5 years, NPA levels have more than halved in absolute terms and reduced to one-fourth in percentage terms during the same period. Total Home Loan and Home Related Loan portfolio as on 31.03.2016 stood at ₹2,01,755 crore.

thereafter, monitoring follow-up action on such applications. Home Loan customers can now check their eligibility, scheme details, etc. using the interactive eligibility assessment tool and apply online. Customers also have the facility to track the status of their applications till their Home Loan is sanctioned.



During FY2016, several initiatives were taken by your Bank to give an additional thrust to its Home Loan portfolio. Some of the important initiatives in this regard are as under:-

- **Project TATkal:** A completely re-vamped structure and processes for end to end transformation of Home Loan delivery was rolled out under Project TATkal initiative, with a focus on strengthening delivery of services to customers and bringing about reduction in the average time taken for delivery of Home Loan sanctions / disbursements.
- **Online Customer Acquisition Solution (OCAS)** launched for sourcing Home Loan applications online and

- **Griha Tara Campaign** launched to encourage every member of the bank staff to market Home Loan proposals. The campaign was very successful and about 35% of the staff members participated in the Campaign. Over 1.5 lakh Home Loan proposals valuing ₹32,501 crore were mobilised under the Campaign. In addition to business development, the Campaign has also helped in improving customer service levels.

- Launch of the following new and innovative Home Loan products:

- ▶ **FlexiPay Home Loan** (Home Loan with Flexible Repayment option).

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► **Corporate Home Loan** (Home Loan to Corporates / Institutions for creating housing stock for their employees / directors).

■ **MOUs / Tie-ups** with the following Home Loan lead aggregators / Service Providers:

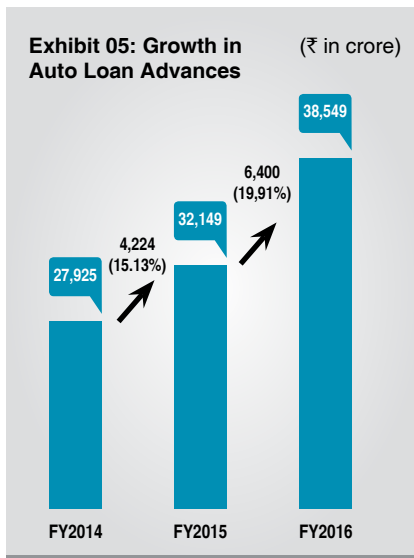
► **SBICAP Securities Limited (SSL)**: Tie up to leverage sales force of SSL to expand presence in key markets by improving feet-on-street and provide door step delivery to valued customers.

► **BankBazaar.com & Paisabazaar.com**: Tie-up for extending our reach on online space and acquisition of good quality Home Loan leads.

► **PropTiger & Liasis Foras**: Subscription of Research data, property listings, granular data on new launches, price movement and inventory position in respect of all ongoing projects in key Home Loan markets.

2. Auto Loans

SBI's Car Loan Scheme, which is now available online, offers the best to our customers - Competitive interest rates; Finance "On Road Price"; and the Longest payment period of 7 years, with no prepayment/foreclosure penalty, no advance EMI and with an option for an Overdraft facility. Your Bank has also introduced the Loyalty Car Loan Scheme for existing Housing Loan borrowers, offering concession in interest rate and 100% financing of on-road price. Your Bank has entered into tie-up with SBI Caps Securities Limited (SSL) as our Corporate Agency for marketing Auto Loan products and became the No. 1 financier of Maruti Cars for the year.



3. Education Loans

Your Bank has a total exposure of ₹15,177 crore with a Market share of 23% amongst all scheduled commercial banks. Government of India has rolled out a Credit Guarantee Scheme for Education Loans upto ₹7.5 Lakh and Skill Loans scheme and launched the Vidya Lakshmi Portal to provide a single point of service to students. Your Bank has also integrated the portal with its

Online Application system for seamless delivery. For students going abroad for higher studies, SBI Global Ed-Vantage Scheme with limits upto ₹1.5 crore was launched which is rapidly gaining in popularity.

4. Personal Loans

Continuing the digital journey and to provide seamless and hassle free banking experience your Bank has launched the following initiatives in FY2016:

- Online Overdraft against Fixed Deposits through Internet Banking Platform
- End to end digitised process for Loan against Shares wherein customer can avail the loan without visiting the Branch.
- Online Application for Xpress Credit Personal Loan with document upload & pick up facility with system based computation of Net Monthly Income.
- Digitisation of Pre and Post sanction Inspection process using Tablets for the convenience of the customers.





A Smart Bank for an Aspiring India



Following digital services were introduced in FY2016 for customers:

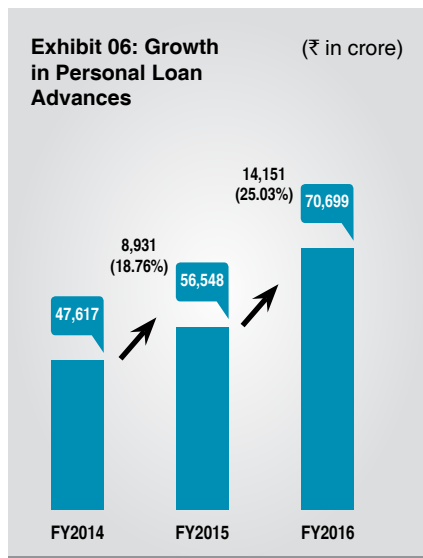
- Account opening forms have been made fully compliant with FATCA, Common Reporting Standard (CRS) and Central KYC Registry (CKYC) norms.
- Online Account Application Facility was extended to all Savings Bank products including Basic Savings Bank Deposit Account (BSBDA) and Small Account.
- e-Commerce: A Holiday Savings Account (with online end to end capabilities) in partnership with Thomas Cook launched in February 2016.
- Introduction of "SBI Quick": Missed Call Banking facility for balance enquiry, blocking ATM Card, Car/Home Loan enquiry using mobile phone. More than 70 lakh customers are already registered for this facility and daily calls are in excess of 4 lakh.

Consistent focus on streamlining of processes has resulted in robust performance in Personal Loans, with growth of ₹14152 crore during FY2016 (25% YOY).

Savings Bank deposits have registered a Y-O-Y growth of 13.17% (from 9.51% in FY2015) while Current Account deposits have grown by 9.62%. Despite declining interest rates the Term Deposit portfolio has registered a growth of 8.20% during FY2016. Your Bank's Market Share in Deposits improved from 17.00 % in March 2015 to 17.57 % in March 2016.

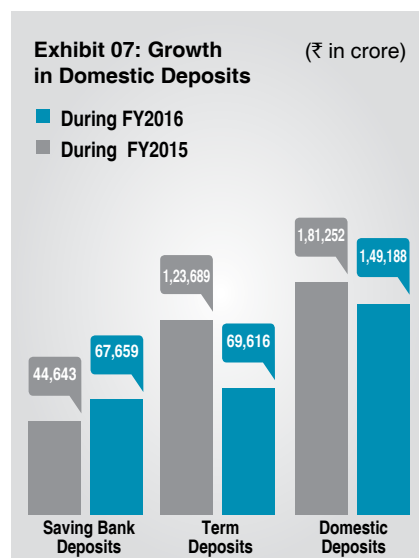
6. NRI Business

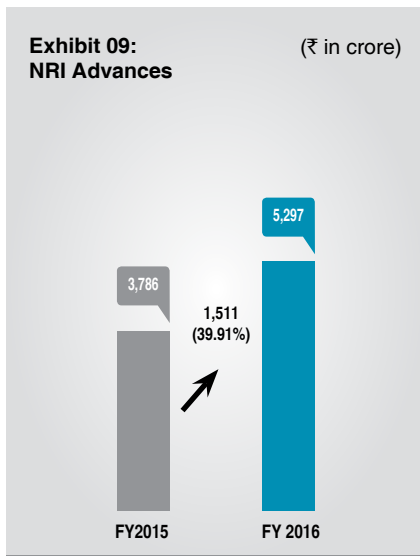
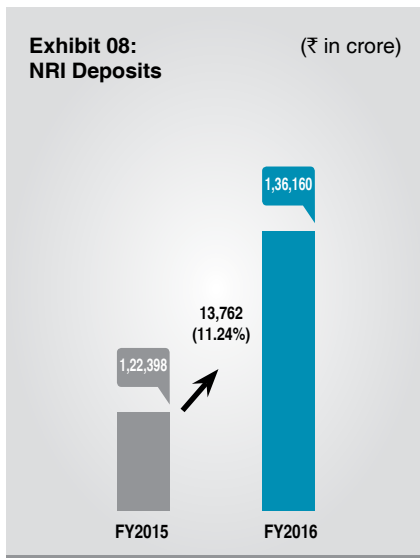
We enjoy the patronage of 17 lakh discerning NRI customers who in turn take pleasure in being served through 81 specialised and dedicated NRI branches and 100 NRI intensive branches as on 31st March, 2016.



5. Domestic Deposits

The Domestic deposit portfolio grew by 10.09% during FY2016. Domestic





Customer centric measures for NRIs introduced during FY2016 include:

- Online application for loans enabled for NRIs.
- Account opening forms were made fully compliant with FATCA, CRS and CKYC norms.
- Creation of 'Overdraft' against NRE/NRO deposit accounts through Internet Banking (INB).

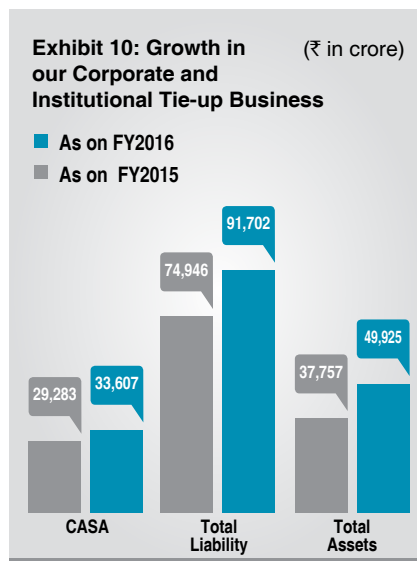
- Activation of Debit card through INB for NRI customers.

- Fx-out facility for sending outward remittance through all our branches has been enabled for NRE and NRO accounts.

- Facility of Instant NRI Account opening through our Relationship Managers (RMs) posted at UAE Exchange Centre and Al Ansari Exchange in UAE.

7. Salary Account Tie-Ups

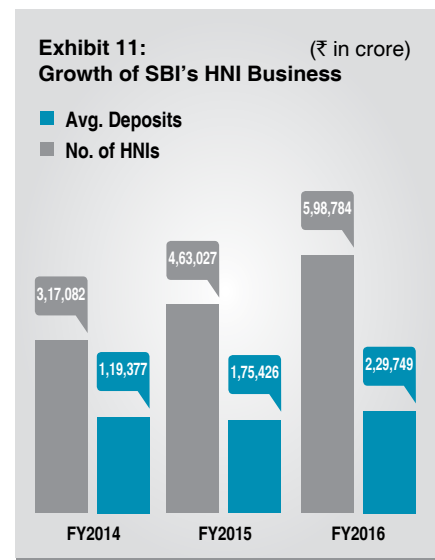
During FY2016, the total Salary Account customer base has grown to 82.04 lakh. In addition to the Salary Packages for the Defence, Para Military, Railways, Central Government, State Governments and Police, employees from leading MNCs are also banking with your Bank. Online application facility for Salary Accounts was introduced during the year.



8. Premier Banking

The High Networth Individual (HNI) segment of the Personal Banking business registered a growth of 31%

contributing ₹229749 crore average deposits as of 31st March, 2016. To provide an additional, convenient, service channel to HNIs beside the branch, your Bank launched a Priority Banking Centre at Bengaluru in November, 2015. This centre offers personalised services through a registered mobile number, enabling valued customers to conduct all non-cash transactions during extended business hours from 8 a.m. to 8 p.m. Services for the Group's products such as, Mutual Funds, Insurance and Credit Card, are also made available through the Centre.



9. Sovereign Gold Bonds

The Government of India launched the Scheme during FY2016 with an intention to reduce the demand for physical gold as an investment asset. Your Bank participated in all the three tranches issued during the year and mobilised an aggregate amount of ₹210.85 crore (equivalent to 777 Kgs of gold) achieving the highest aggregate market share of 15.83% amongst all participants.



B. ANYTIME CHANNELS

As on	ATMs	Kiosks (MFK + SSK)	Cash Deposit Machines (CDMs), Recyclers	Total (SBI)
31.3.2014	40768	2583	1516	44867
31.3.2015	42454	2595	1849	46898
31.3.2016	42740	2595	5753	51088

1. ATMs/ Recyclers

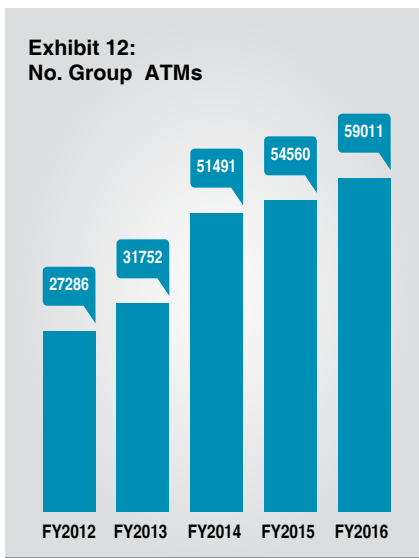
State Bank of India, along with its Associate Banks has one of the largest ATM networks in the world with more than 59000 ATMs including Kiosks, Cash Deposit Machines and Recyclers as on 31.3.2016.

routed through our ATM network with an average hit rate of more than 214 transactions per day per ATM. State Bank group has a Debit Card base of 23.34 crore. On an average, the volume of cash that our Group ATMs dispense is ₹3039 crore a day.

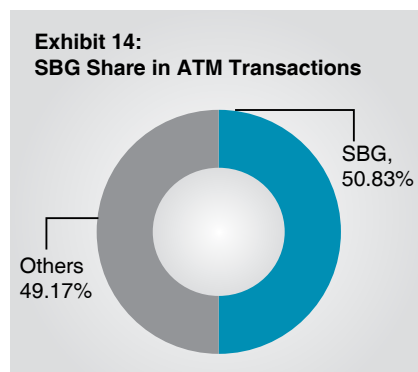
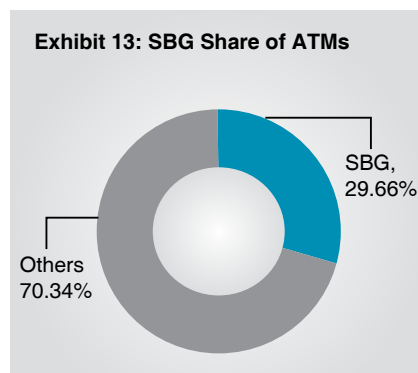
can avail the entire gamut of services from this Channel, e.g. cash withdrawal, cash deposit, mini statement, balance enquiry, PIN change, donations, payment of fees, passbook printing etc. Your Bank has introduced Dynamic Currency Conversion (DCC), a value added facility for foreign Master Card holders, whereby cardholders get the market currency conversion rate while withdrawing money at domestic ATMs.

More than 1153 ATMs during FY2016 have been enabled as Talking ATMs for Visually Challenged customers. Thus, the total number of Talking ATMs has gone upto 9753 as on 31st March, 2016. Every new machine added comes with this feature ab initio.

Care for the physically challenged is our priority too. 3734 of our ATMs have ramps to facilitate easy access for the physically challenged persons. Wherever possible, ramps and / or side railings are being provided. Over 1156 of our ATMs are on solar power back-up and the count keeps growing. ATM user-safety is our concern too. Apart from physical caretaker arrangements, 3000 ATMs have been brought under Electronic surveillance during the year. Your Bank is also planning to cover another 8000 ATMs under Electronic Surveillance during the FY2017.



During FY2016, your Bank has installed 4220 ATMs and Recyclers. Population group-wise your Bank has a 50:50 ATM coverage of Metro/ Urban and Semi-Urban/ Rural population groups. The ATM Channel handles 56% of total Alternate Channel transactions and 43% of the total financial transactions of your Bank. With a 29.66 % of market share as per RBI, State Bank Group's (SBG) ATM network transacts 50.83 % of the country's total ATM transactions (as on Dec'15). On an average, over 11.61 millions transactions per day are



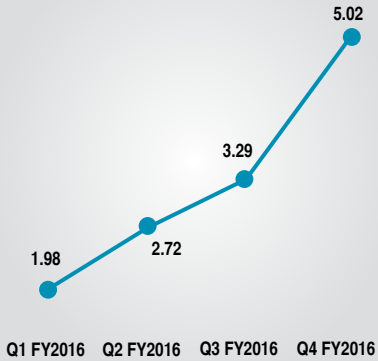
Your Bank has so far installed 4953 Recyclers (SBG 5768) to provide customers 24 x 7 cash withdrawal and cash deposit facilities.

More than 1200 e-Corners have been set up across the country where customers

2. SWAYAM: Barcode based Passbook Printing Kiosks

Your Bank has rolled out more than 6,000 SWAYAMs (Barcode based Passbook Printing Kiosks) at its branches and onsite/offsite lobbies. Using these kiosks, customers can print their passbooks on their own using barcode technology.

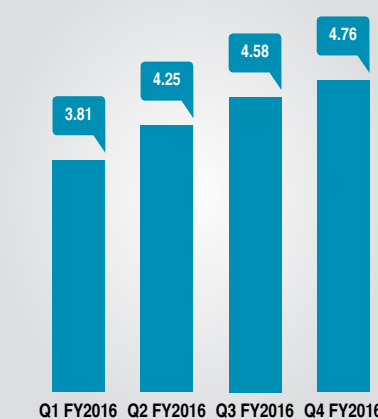
Exhibit 15:
Swayam: Total Transaction (₹ in crore)



3. Green Channel Counter

Green Channel Counter (GCC) facility has been rolled out at all retail branches of your Bank. On an average 7.40 lakh transactions are being routed through GCC every day. The percentage of GCC transactions has improved from 20.08% in March 2015 to 27.64% in March 2016.

Exhibit 16:
GCC: Transaction (₹ in crore)



4. Green Remit Card

Some 3.91 crore transactions were carried out through the Green Remit Card (GRC) route during FY2016, compared to 3.48 crore in FY2015. The average daily transactions of GRC has

increased from 1.16 lakh in FY2015 to 1.37 lakh in FY2016. This initiative won the SKOCH Award under Technology Products Category in 2015.

5. Internet Banking & e-Commerce

Your Bank's Net Banking website 'www.onlinesbi.com' is the eighth most popular online global financial site and the only Financial site from India to figure in the list of Top 10 global financial sites (Source IIFL). This highly secured and cost-effective channel has enabled around 124 crore transactions during FY2016, recording 39% growth over the previous year.

It provides robust and customer friendly net banking services to your Bank's retail and corporate customers, continuously keeping an eye on evolving consumer trends, characterised by increasing adoption of digital channels. In this pursuit, during FY2016, your Bank ensured continuous upgradation of the 'onlinesbi' portal to offer more user-friendly look & feel and features such as, Online over draft against TDR/STDR, facility to register/inquire/cancel nomination online, Digital Signature Certificate as a Second Factor Authentication for Corporate Net banking users, Online registration for Retail and Corporate Internet Banking, 'Quick Transfer' facility up to ₹5000.00 without registering the beneficiary and 'State Bank mCASH' for remitting money through email ID or Mobile Number of the beneficiary, to enrich the digital experience of the customers.

In order to rejuvenate the e-Commerce ecosystem through strategic partnerships, your Bank's digital offerings are upgraded continuously

to cater to the e-Tendering, e-Auction, e-Collection and bulk payments related requirements of the Govt. Depts./PSUs/ Large and Medium Corporates. During FY2016, your Bank had entered into about 18,000 new merchant tie-ups, directly or through State Bank Collect or through e-Commerce aggregators facilitating around 67 crore e-Commerce transactions.

6. Contact Centre Customer Service

Your Bank's Contact Centre has been servicing customers through toll free numbers 1800 425 3800 or 1800 11 22 11 apart from toll number 080-26599990. It has emerged as a strong delivery channel handling average call volumes of around 4 lakh calls per day. The Contact Centre is operating from multiple locations like Vadodara, Bangalore, Agra & Kolkata and is servicing in 12 languages to its customers.

The Contact Centre is also handling calls received from overseas customers at 19 International Toll-Free numbers servicing 20 countries. It also has a dedicated toll-free line for queries related to the Pension Payments (1800110009) & Pradhan Mantri Jan Dhan Yojna (1800110009). It is also responding to e-mails received on SBI Corporate email IDs contactcentre@sbi.co.in and customercare.homeloans@sbi.co.in.

Apart from servicing enquiries related to customers' accounts and Bank's products, the Contact Centre is providing significant support to other technological channels for e.g. Debit Card hot-listing and status, trouble shooting for Mobile Banking, Internet Banking and Mobile wallet, status of NEFT/RTGS and



SBI Express Remittances, complaint registration. The contact centre is also offering transaction services, such as funds transfer within SBI accounts, issue of Fixed Deposits, stop payment of Cheque(s), statement of accounts, to the customers registered for Phone-banking.

Your Bank has added the following services that will go a long way in enhancing customer convenience and support:

- Generation of ATM PIN
- Verification of mobile number update requests received through Internet Banking
- Issue interest certificate of Home Loan, Education Loan and Deposit accounts
- Statement of Account through email
- Phone banking Registration through the Contact Centre and State Bank ATMs
- Migrating TPIN customers (having registered Mobile Number) to Phone-banking

The Contact Centre is popular amongst all sections of the society in rural, semi-urban as well as urban areas. In view of this, your Bank is continuously monitoring and reviewing its processes to enhance the simplicity and effectiveness of the Contact Centre. Further, great emphasis has been placed on technology, infrastructure and information security.

In order to utilise the Contact Centre infrastructure to the fullest and generate revenue for your Bank, it has significantly expanded some of its outbound processes by making calls for:

- Soft recovery of delinquent personal and agri. segment Borrowers
- Completion of online application form of personal segment loans
- Cross-selling and Lead generation

7. Other Recent Initiatives

A Mobile App “**State Bank No Queue**” was launched during the year. This App enables customers to self-generate e-tokens for availing select Banking services at select Branches. This helps in reducing waiting time that customers have to endure. It also reduces crowding at a branch as the token is generated before the customer reaches the branch.

“**SBI Quick**” was launched as a one stop application for all Non-Financial transactions. Now a customer can register/ deregister for Missed call Banking, do Balance enquiry, get Mini Statement, block ATM card, apply for Home/ Car Loan & view PM Social Security schemes by logging into SBI Quick.

Customer Experience Excellence

Project : During FY2016, your Bank accelerated the roll out of Customer Experience Excellence Project (CEEP). Under this initiative, 2674 branches were covered during the year and the total number of branches under CEEP stands at 3006 as on 31st March, 2016. The core objective of the CEEP is to improve crowd management; achieve reduction in wait times and reduction in the service time (processing time); migration of customers to the usage of Anytime Channels such as ATM, CDM, Recyclers, Swayam and Electronic Cheque Deposit Machine; and streamlining the process of Account Opening.

Some key initiatives introduced by CEEP include:

- Provision of all Anytime channel machines viz. ATM, CDM / Recycler, Electronic Cheque Drop Box Machine (ECDM), SWAYAM Bar coded Passbook Printer and Internet enabled



DIRECTORS' REPORT

PC with printer for online opening of accounts at select Branches which have high walk in customers

- Provision of integrated Queue Management System (QMS) and a customer Feedback TAB to these Branches for better crowd management through real time monitoring and Branch choreography to tackle peak level crowd.

- Introducing Grahak Mitras to facilitate issue of tokens and facilitate migration of customers to Anytime Channels.

- Standardised Single Window Operator (SWO) roles in Branches and creation of Service Desks for non cash transactions

- Creation of an Account Opening Cell to streamline the account opening process
- Standardised process for sales management and cross selling



8. Digital Banking - “sbiINTOUCH”

“India on the Go” is epitomised by India’s ever increasing Gen-Y and Gen-Z fast-track population, who are quick to absorb new technologies and who are very comfortable using digital channels for almost all day-to-day activities in life. Your Bank’s “SMART” strategy is to provide this Digital Banking experience to such people through our futuristic branches with the sub-brand “sbiINTOUCH”. These branches are equipped with state-of-the-art devices/kiosks, allowing customers to transact on a self-service mode. Besides onsite support, advisory services are available through Remote Expert on hi-definition video conference.





These branches provide a consistent experience across omni channels and comprise transaction processing stations (self-service zone), information and interaction stations and advisory rooms. Right from account opening (including enablement for transacting through alternate channels like Internet Banking and Mobile Banking and instant issuance of personalised debit cards) to Remote Expert advisory, banking products and services delivery including products and services of SBI subsidiaries viz. Life Insurance, General Insurance, Mutual Funds and credit cards. e-Trade through SBI Cap Securities are made available here.



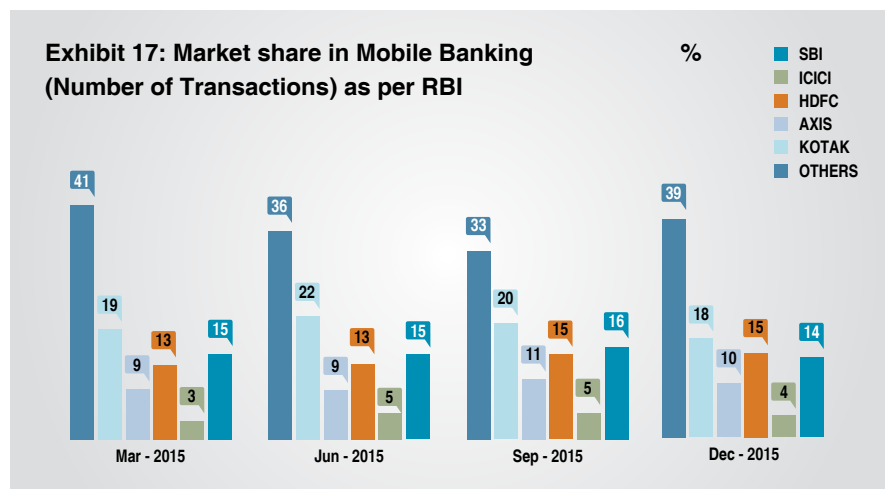
115
“sbiINTOUCH”
BRANCHES
OPENED IN
FY2016

The first set of 7 “sbiINTOUCH” branches, under the sub-brand “sbiINTOUCH” was launched on 1st July, 2014. These were opened as working pilots in New Delhi, Mumbai, Kolkata, Chennai, Ahmedabad and Bengaluru. During FY2016, your Bank has opened 115 sbiINTOUCH Branches to provide digital experience to customers across the country. These Branches are available in 70 districts of the country. Going forward, your Bank intends to continue its journey of expanding this digital footprint even more widely.

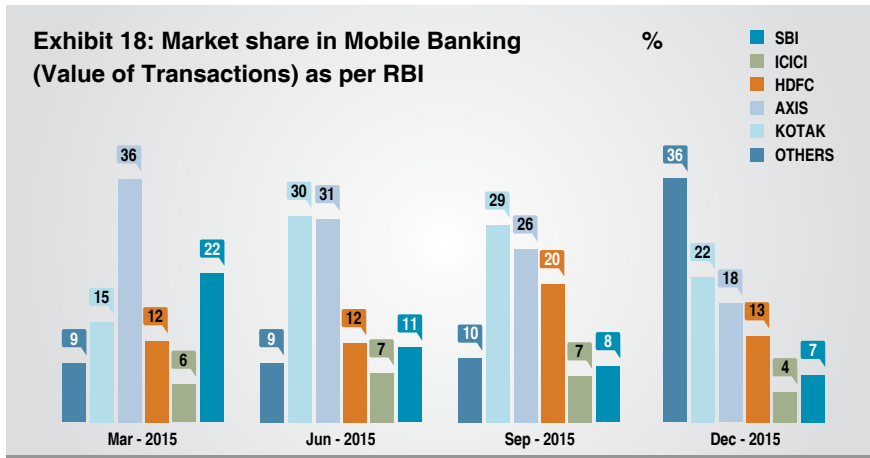
9. Mobile Banking

Your Bank, the Banker to digital India, has changed the way its customers do Banking. Bridging the gap between Customers and Bank, SBI’s innovative applications have brought Banking closer to the customer ‘on the go’.

Superior customer experience and trust in your Bank has made us the leader in Mobile Banking across the banking sector. Your Bank has leaped to the number one position in terms of value of transactions with a quantum jump in market share from 9.82% in March 2015 to 35.97% in Dec’15, while consistently maintaining the number 1 position in terms of volumes with 38.44% market share in December’ 2015.



**Exhibit 18: Market share in Mobile Banking
(Value of Transactions) as per RBI**



Your Bank saw astronomical growth in all the facets of its Mobile Banking applications during FY2016 over FY2015. The volume of transactions saw a growth of 86.87% and value of transactions multiplied manifold to grow by 721%.

Exhibit 19: Growth in Transaction Volumes

(in crore)



During the year, your Bank launched mobile banking applications for SME & Corporate customers, “State Bank Anywhere Saral” & “State Bank Anywhere Corporate”. These applications allow customers to do all their banking transactions such

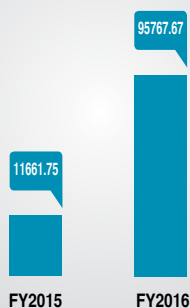
as Account Enquiry, Mini Statement, Utility Bills payment, EPF Payment, creation of Fixed Deposits and a lot more. The Corporate customers get additional features which allow them to initiate payment to suppliers, authorise e-cheques and enquiry of account transactions.

10. State Bank Buddy

Latest addition to your Bank’s plethora of technology offerings is its Mobile Wallet “State Bank Buddy”. Within 7 months of launch, Buddy user registration has crossed 26.60 lakh. The wallet has seen more than 48 lakh transactions to the tune of ₹230.71 crore. Out of which ₹11.47 crore are merchant transactions, upto 31st March, 2016. Buddy is the product designed for the tech savvy generation, the youth of the country, who are in touch with the world through their Mobiles. A user can “Send & Ask Money” by knowing just the mobile number of the counter party, Recharge mobile/DTH, Pay utility bills,

Exhibit 20: Growth in Value of Transactions

(₹ in crore)



Launch of State Bank Buddy-Mobile Wallet by Sh. Arun Jaitley, the Hon’ble Finance Minister, Govt. of India



Shop online and Book a Flight, Bus, Hotel, Movie tickets, online food and buy gifts through State Bank Buddy wallet. Buddy marketplace boasts of partnership with some of the biggest and the most popular names in the e-Commerce industry.

Your Bank's various Mobile applications can be viewed and downloaded from the "State Bank App Kart", which is available on both iOS & Android.

11. Marketing & Cross Selling

Your Bank is the Corporate Agent of SBI Life Insurance Co. Limited and SBI General Insurance Co. Limited and has Distribution Agreement with SBI Mutual Fund, SBI Cards & Payment Services Private Limited and SBI Cap Securities Limited for distributing their products. Your Bank also has tied up for distribution of products of UTI Mutual Fund, Tata Mutual Fund, Franklin Templeton Mutual Fund, L&T Mutual Fund, ICICI Mutual Fund and HDFC Mutual Fund. In addition, all the branches are now authorised to open accounts under National Pension System.

During FY2016

- Cross Selling income increased from ₹388.28 crore in FY2015 to ₹489.04 crore in FY2016, recording a YoY growth of 25.95%.
- Income from SBI Life increased from ₹244.62 crore in FY2015 to ₹337.18 crore FY2016, recording a growth of 37.84%.
- Income from SBI General increased from ₹56.64 crore in FY2015 to ₹73.09 crore in FY2016, recording a growth of 29.04% over the corresponding period of last year.

- Mutual Funds, gross mobilisation increased from ₹20313 crore in FY2015 to ₹39577 crore in FY2016. Also, number of SIPs mobilised increased from 1,57,076 to 2,40,009 in FY2016, recording a growth of 52.80% over the corresponding period of the last year.

- Your Bank marketed 1.46 crore Personal Accident Insurance (PAI) policies and 4.88 lakh Health Insurance policies of SBI General in FY2016. Number of Health Insurance policies issued, increased by 82% and premium increased by 43.62 % to ₹106.06 crore.

- SBI Card & Payment Services Private Limited: 1.94 lakh credit cards were issued through your Bank branches in FY2016.

- Your Bank earned commission income of ₹0.34 crore in FY2016 from SBI Cap Securities Limited. 2.87 lakh Demat accounts were opened in FY2016, in comparison to 2.68 lakh accounts opened in the FY2015.

- 35,043 accounts were opened under National Pension System in FY2016, in comparison to 13,477 accounts opened in FY2015.

12. Wealth Management

Your Bank has designed, developed and launched, on 14th January, 2016 "SBI Exclusif", a unique suite of Wealth Management services (WMS) for its high net worth customers. At present, only resident individual customers are eligible, but it will be extended to NRIs and Corporate / Trusts shortly.

Some key highlights of the offering:

- India's first ever e-wealth centre
- The technology component of our Wealth Management Initiative is a major digitisation effort of your Bank.
- Dedicated RM available through voice/video/chat



Launch of SBI Exclusif at Bangalore by Smt. Arundhati Bhattacharya, Chairman

DIRECTORS' REPORT

- Services available beyond banking hours
- World Class advisory services available through expert investment counsellors
- Open platform with a suite of best-in-class products
- Capability to execute MF orders in over 4,500 schemes across 15 AMCs
- Asset allocation and one-view available across all asset classes
- State-of the art tools like risk profiling, financial planning and portfolio analytics
- Robust infrastructure enabling highest amount of security
- 2-Factor authentication protocols to bring enhanced layer of security for each transaction.
- Middle Office compliance team to maintain tight controls on quality of sales

C. SMALL & MEDIUM ENTERPRISES

Your Bank has been the pioneer and market leader for SME financing. With over 1 million customers, the SME portfolio of ₹1,89,534 crore as on 31st March, 2016 accounts for nearly 12% of your Bank's total advances. The revival of business sentiment and growth in GDP has brought the focus sharply on the growth and viability of SME units. The Government's initiatives – Make in India, CGTMSE cover and MUDRA – are providing a significant shot in the arm to the SME segment.

Your Bank's endeavour in driving SME growth rests on three pillars:

- a) Customer Convenience
- b) Risk Mitigation
- c) Technology based digital offerings

In FY2016, **Ecosystem Financing (Project Shikhar)** has been started by your Bank to take advantage of growing e-Commerce footprint in the economy. Your Bank's focus had been on digital banking platform and launched various facilities for SMEs based on technology like Credit Risk Model to provide automated instant sanction of loans under e-tailer sellers financing, which is a truly disruptive offering, where loan to the seller is given at the click of a button. An in-house 'Digital Tool' is being used for instant sanction of loans to taxi operators or owners associated with a taxi aggregator's platform.

Apart from this, your Bank is leveraging technology for capturing early warning signals and has introduced digital inspection of units. Overall, SBI is leveraging technology in every facet of the value chain, be it sourcing business, designing products, streamlining processes, improving delivery or monitoring and follow-up.

Your Bank has taken several initiatives to build its SME portfolio in a risk mitigated manner and has brought about significant changes in (i) Product Suite, (ii) Processes (iii) Delivery.

(i) Product Suite:

All the products offered to Micro, Small & Medium enterprises have been strengthened and made more hassle free. Scoring Models have been introduced for loans up to ₹10 Lakh. New products like Asset Backed Loans (ABL) have been reviewed and upgraded suitably. Sector specific products like Construction Equipment Loan, Medical Equipment Loan have been introduced with pricing matrix and scoring models. Cluster specific

products have been introduced to capture top quartile customers in an industry. Your Bank has launched a Simplified Cash Credit product on pilot basis at Chennai & Hyderabad Circles.

(ii) Processes:

Your Bank has introduced detailed Standard Operating Procedure (SOP) for various processes involved in the delivery of Credit to provide a ready reference to all operating functionaries.

Your Bank has covered key products under Loan Origination & Loan Life Management Software (LOS & LLMS) which focus on capturing of pre-sanction process of credit portfolio, ensuring quality and uniform standards of credit dispensation and have robust record and information retrieval systems.

Under this initiative in FY2016 your Bank has introduced digital inspection application through Tab & Mobiles which is a process of digitisation of pre-sanction/ post sanction of SME units & collateral securities capturing location of the property/ place of business.

(iii) Delivery:

Your Bank had undertaken **Project Vijay** starting in FY2015 to revamp the delivery model for SME lending in order to drive growth and improve customer engagement, with following key features.

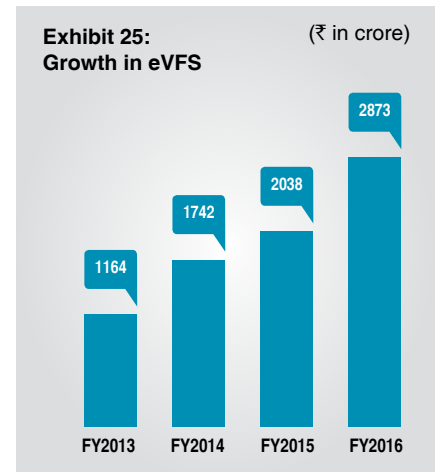
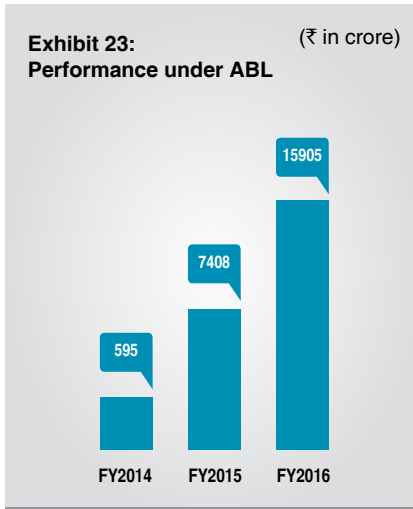
- Over 1,000 relationship managers deployed for serving SME customers
- Leveraging big data and analytics based lead generation for customer acquisition
- Improving internal processes and documentation needs to reduce customer turn-around time by ~50%



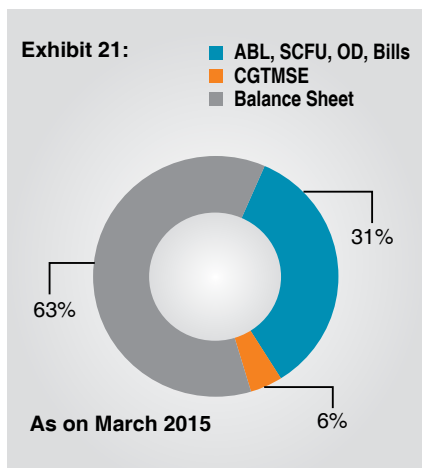
- Increasing focus on risk mitigated, competitive products; e.g. launch of new Asset backed loan product, promoting fleet finance, e-DFS and e-VFS products

- Deploying Vijaypath tool for performance monitoring of relationship managers

Customer engagement has improved significantly with reduced turnaround time, simplified documentation and assignment of dedicated relationship managers. Your Bank has been increasingly shifting focus towards risk mitigated lending.



The diversification in the eDFS portfolio and the sector-wise portfolio is represented below:

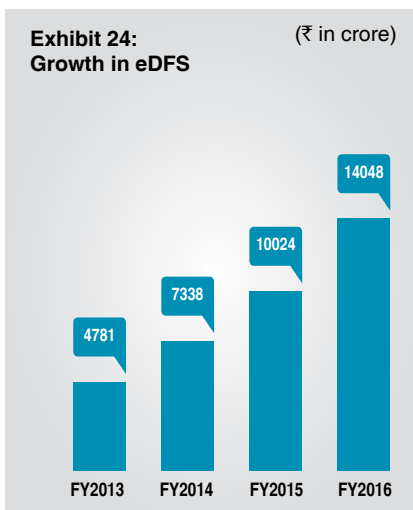
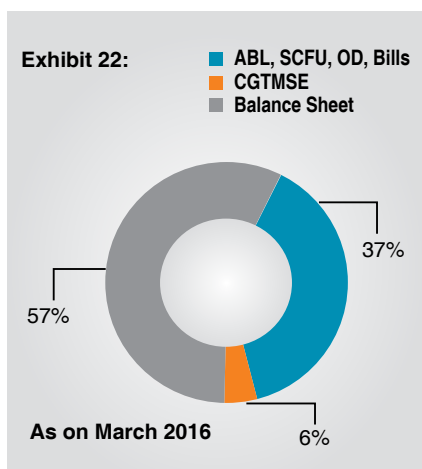
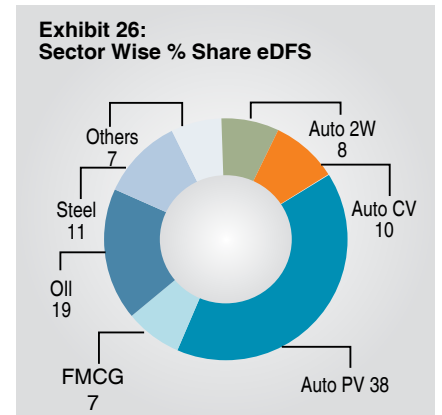


Supply Chain Finance

Leveraging its state of the art technology, your Bank is focusing on further strengthening its relationship with the corporate world for their supply chain partners.

During the last fiscal your Bank has entered into 57 new eDFS & eVFS tie ups taking the overall tie ups with industry majors to 193.

There has been a 40% YoY growth in the eDFS portfolio as a result of the new tie-ups.



Credit flow to Micro and Small enterprises under CGTMSE & MUDRA

Your Bank has been a pioneer in supporting MSMEs and for micro and small (MSE) business. Your Bank is extending collateral free lending up to ₹1.00 crore under guarantee of CGTMSE. The cost of guarantee cover for working capital facilities up to ₹50 lakh is being borne by your Bank. Your Bank has a portfolio of ₹11,030 crore under CGTMSE. It was able to achieve ₹12,281 crore disbursement almost 92% of the target of ₹13,325 crore disbursement under MUDRA loans set by Govt. of India.

DIRECTORS' REPORT

Developments FY2016

Project Shikhar was rolled out to gain first mover advantage in the e-Commerce space. The exponential growth in e-Commerce has thrown open a world of opportunities for MSMEs. New players have entered the market space and B2B & B2C space is growing in demand.

Under this project, your Bank is working on various initiatives to pioneer an ecosystem for lending through partnerships with new business models. Three SME ecosystems have been identified as focus areas e-Commerce, taxi aggregators and franchise finance.

(i) e-Commerce

Your Bank has developed a specialised offering for startups active in the e-commerce space. A pioneering innovative product “e-Smart SME” for financing merchants selling through e-commerce platforms has been designed. Tie-ups with leading e-Commerce companies, Snapdeal and Flipkart, have been established this year. This innovative product moves away from traditional balance sheet based lending to a cash flow based lending program. It uses an in-house developed proprietary credit model based on platform and surrogate data to assess eligibility. The entire process has been automated – ‘at the click of a button’ – from online application, uploading of documents, processing and sanction, all in less than a minute - first time ever in the history of banks in India. The product was launched by your Bank’s Chairman & CEO of Snapdeal on 15th January 2016.



Shri P. K. Gupta, MD (C&R) at the launch of e-Smart SME e-Commerce Loan

The seller no longer needs to submit traditional financial statements like Balance Sheet, P&L or Income tax returns to avail this financing facility. Your Bank has also developed a digital tool to identify any early signs of stress through the e-commerce platform data of the borrower.



A digital credit tool launched in partnership with Uber by the Bank's Chairman & Uber President Asia Pacific

(ii) Taxi Aggregators

Taxi aggregators have been revolutionising the way Indians commute – and your Bank has tied up with these aggregators to help individual drivers buy a car and become mini-entrepreneurs. Under this, your Bank has tied up with both Ola and Uber India to extend vehicle loans to drivers and operators associated with these



platforms. A digital credit tool has been developed in-house by your Bank to automate the process and enable instant sanction. The tool was launched in partnership with Uber on 15th March, 2016 by your Bank's Chairman & Uber President Asia Pacific.

Documentation needs have been significantly simplified for enabling faster loan disbursement process. Under the OLA cabs tie-up launched in FY2015, over 1,000 loans have been disbursed across 5 centres.

(iii) Franchise Finance

A comprehensive product suite has been designed to cater to the franchising model that is fast growing in India's retail consumer segment. Franchise finance along with electronic dealer finance will provide a comprehensive, competitive solution for large industry majors.

The product suite now offers financing solutions for the franchisee's initial capex investment, working capital and transaction related needs. Your Bank is tying up with large, reputed franchisors to extend this proposition to their new and existing franchisees. These loans will be risk mitigated through franchisor affiliation, comfort and repayment facilitation. Continuous sharing of data by franchisor will enable economic assessment of business model and identification of early warning signals for stressed franchisees.

Five tie-ups have been launched during the year – Philips, Medplus Pharmacy, Anytime Fitness, Lakme salon and Raymond.

(iv) Debit Cards & Acceptance Infrastructure (Merchant Acquiring Businesses)

Your Bank realised early the need for doing banking the Smart way, in its pursuit towards becoming the 'Banker to digital India. Your Bank has been putting significant efforts to upgrade its technology to the best in class, on an on-going basis and the capability to offer near JIT (Just in Time) service delivery environment across its delivery channels.

With over 23 crore State Bank Group Debit Cards as on 31st March, 2016, your Bank continues to lead in Debit Card issuance in the country. You will be glad to know that 20% of the Banked population in India have their accounts with your Bank, with ~37% of total Debit Card penetration in the country. A concerted effort by your Bank to empower the customers to enjoy "Anytime Anywhere Banking" through Debit Card has propelled this sheer dominance of your Bank in Debit card space. You would be happy to note that your Bank has also improved its market share in Debit Cards spends from 25.07% (March 15) to 26.29% (March 16) which is highest amongst the banks as per RBI data.

In sync with the focus of Government of India to create a digital economy, your Bank has strengthened its Debit Card acceptance infrastructure by giving a vigorous thrust on installation of **Point of Sale (PoS)** terminals, thereby taking the numbers to over 3.02 lakh, up by 50% over last year with a market share of 21.70% of PoS terminals. During the FY2016, your Bank has registered a growth of 56% in terms of number of transactions and

60% in value of transactions. With a view to move the larger base of Debit Cardholders to PoS terminals as also to e-Commerce websites, awareness campaigns are being run on a regular basis. These measures zoomed the Debit Card spends over "Point of Sale" and "e-Commerce" for the State Bank Group to ~₹41,500 crore for the FY2016, an increase of 36% from the previous year and taking the market share to over 26%.

Various innovations like introduction of sbiINTOUCH contactless Debit Cards, Mumbai Metro Debit Card, among others, aggressive marketing campaigns and Debit Card awareness programme, have placed your Bank in the top slot in terms Debit Card spends.

In order to go "green" your Bank is now focussing on "paperless" mobile PoS terminals with 30000+ mPoS terminals. During FY2016, Bank has also launched the Contactless (NFC) PoS terminals with over 30,000 such terminals already deployed in the field. Acceptance of AMEX Card has also been enabled on SBI PoS terminals during FY2016. In addition to offering basic acquiring services on its terminals, your Bank is also providing Value Added Services such as:

- Cash@POS facility for cash dispensation to debit card holders
- DCC - Dynamic Currency Conversion
- EMI facility

Your Bank has also partnered with various Government initiatives for providing payment acceptance infrastructure at the Customer Service Centres (CSCs) across all geographies.

D. RURAL BANKING

Your Bank has always believed in the potential of rural India as an important contributor to India's economic growth and its progress being integral to ensure a sustainable and balanced development. Your Bank has endeavoured to meet the financial needs of this segment through several innovative channels, products and services. The Indian rural market is undergoing a paradigm change with structural shifts in the economy, rising non-farm incomes, changing consumption preferences and increasing awareness among the rural consumers. This transformation is supported by several factors including rapidly rising connectivity, infrastructure development and emergence of new business opportunities.

Your Bank is serving more than 1.09 crore farmer borrowers under agriculture segment and is deeply entrenched in rural banking arena. Always in the forefront in ensuring national priorities, your Bank surpassed the Agri credit flow target set by Government of India during FY2016, as in the past, as depicted in the table below.

Exhibit 27: Flow of Credit to Agriculture Trend (₹in crore)

Year	Target	Disbursement	% Achievement
FY2014	73,500	74,970	102%
FY2015	84,500	86,193	102%
FY2016	89,781	102,423	114%



Smart Approach To Agri Business

Your Bank is in the forefront of technology enablement for Rural-Semi Urban (RUSU) areas by providing Core Banking Solutions, coupled with ATMs, Cash Deposit Machines, Point of Sale (PoS) machines and Micro ATMs. During FY2016, your

Bank introduced various technology based solutions and products to make farmers' lives easier, while at the same time improving the operational efficiency for managing agriculture loans. Some key initiatives in this area include:

1. **KCC-ATM-RuPay Cards:** For ease and operational convenience, RuPay cards were issued to over 26.77 lakh Kisan Credit Card (KCC) borrowers upto 31st March, 2016. KCC RuPay Cards work seamlessly with ATMs and PoS machines, enabling farmers to purchase their day to day farm requirements on 24X7 basis.

2. **New Products for Farmers:** The products launched during the year include:

- **Premium Kisan Gold Card (Asset Backed Agri Loan):** Aimed at financing emerging Agri Business entrepreneurs engaged in high-tech farming and allied activities, the scheme was rolled out, with competitive interest rates.

- **Tatkal Tractor Loan:** Mortgage free tractor loan, providing 100% of the cost of the tractor, with no processing charges and with a turn around time of 48 hours – was launched.

- **Stree Shakti Tractor Loan Scheme:** Mortgage free tractor loan for women as co-borrower with lower interest rates.

3. **Corporate Tie-ups:** In order to make agriculture lending more sustainable and to reduce risk in the portfolio, your Bank is focusing on supply chain finance through tie-ups.

4. **Warehouse Receipt Financing:** To avoid distress sale by the farmers and to encourage price discovery, your Bank has entered into tie-ups with



Collateral Managers to offer finance to farmers against their produce stored in warehouses.

Bonding With Farmers

To improve the quality of life of India's rural population and to achieve total financial inclusion, 'SBI Ka Apna Gaon' Scheme of adopting the villages was initiated in FY2008. By FY2016, 1,426 villages have been adopted for their overall development. Your Bank has also been forming Farmers' Clubs at village level, for fostering continued relationship with the farming community. Today, the number of such clubs has reached 10,719. The key initiatives taken in adopted villages include the construction of community vermi-compost units under clean village concept; the construction of hygienic toilets; installation of Solar lighting in the villages; and conducting awareness programmes through melas and exhibitions.

Financial Inclusion

Your Bank has been at the forefront of Financial Inclusion initiatives in the country. Your Bank is the pioneer in the Business Correspondent (BC) model, an alternative for providing banking services to cater to both urban and rural customers, characterized by small value transactions. The BC model, with over 64,628 Customer Service Points (CSPs) across the country, provides various products and services such as savings, term deposits, micro loans, remittances, loan repayments and micro-pension. Your Bank has successfully leveraged technology for propagating Financial Inclusion by introducing Internet based Kiosk Banking, Card based and Cell phone messaging channels.

Under the Pradhan Mantri Jan Dhan Yojana (PMJDY), your Bank has been amongst the most prolific implementers of the programme. Your Bank has opened 5.32 crore accounts up to 31st March, 2016 and issued 4.21 crore RuPay debit cards to eligible customers. A substantial number of these cards were issued in some of the most challenging areas of the country. The total number of financial inclusion accounts has thus grown from 7.29 crore in FY2015, to 9.28 crore in FY2016. The value of transactions handled through Business Correspondents has increased by 49% from ₹38,973 crore in FY2015, to ₹58,217 crore in FY2016. Bank has actively participated in SHG-Bank Credit linkage programme since its inception in 1992. As of 31st March, 2016, your Bank is the market leader in SHG financing with a credit deployment of ₹5,495 crore to 3.6 lakh SHGs, 91% of which are women SHGs. Continued focus on the development of innovative, technology enabled channels for delivering banking services among

the rural populace has resulted in the successful launch of several new initiatives like Aadhaar Enabled Payment Systems, automated e-KYC, Immediate Payment Service (IMPS), Micro ATM rollout, Savings Bank cum Overdraft facility under PMJDY and Direct Benefit Transfer (DBT)/Direct Benefit Transfer for LPG (DBTL) payments.

In the years to come, all these initiatives are seeds that will eventually usher in a cashless society ecosystem, promising great social benefit.

Hub-and-Spoke Model with Business Correspondent Network

Your Bank has mapped 1,03,565 villages to 52,522 rural Customer Service Points (CSPs) for servicing the customers with asset-liability products, including accepting credits in loan accounts from customers residing in remote unbanked areas. These CSPs



Customer Service Point, SSA Siripalli-East Godavari District-M Srikant(5HH8)

DIRECTORS' REPORT

are linked to a nearby branch which serves as the support and monitoring point for these CSPs.

Empowering Rural Youth

To mitigate unemployment and under employment problem among rural youth in the country, comprehensive, free of cost residential trainings in personality and skill development are being imparted through Bank's 116 Rural Self Employment Training Institutes (RSETIs). Despite some of these institutes having been located in the socially and geographically challenged areas, these institutes are playing a vital role in "Make in India" and "Skill India" campaigns. Bank's RSETIs have conducted 12,840 programmes, trained 3,40,688 candidates and 1,60,607 trainees have been gainfully settled.

Exhibit 28: Rural Youth Candidates Trained by RSETIs

FY2013	FY2014	FY2015	FY2016
160,378	207,419	265,688	340,688

Training for Debt Recovery Agents (DRAs)

To supplement in-house resources for recovery of your Bank's dues, your Bank is engaging its BCs/CSPs as Debt Recovery Agents (DRAs), after they pass certificate examination on completion of mandatory training, which is given at Bank's cost in RSETIs. Close to 5,000 BCs/CSPs have been imparted DRA training during FY2016.

Imparting Financial Literacy

With the main objective of imparting financial literacy and facilitating effective use of financial services by the common man, your Bank has set up 232 Financial Literacy Centres (FLCs). During FY2016, a total of 8,855 financial literacy camps at villages across the country were conducted by these FLCs.

Exhibit 29: Cumulative Data on nos. of Financial Literacy Camps

FY2013	FY2014	FY2015	FY2016
2723	7913	28879	37734

Regional Rural Banks (RRBs)

Your Bank has sponsored 14 RRBs covering 155 districts in 15 States, with a network of 3955 branches. Your Bank's investment in equity of 14 RRBs is ₹479.82 crore and its non-equity investment is ₹23.62 crore.

All RRBs are on CBS platform. Besides, RRBs have implemented various IT initiatives such as RTGS, NEFT, RuPay Cards, IMPS, Kiosk Banking, Aadhar Payment Bridge System, Aadhar Enabled Payment System, National Automated Clearing House, Cheque Truncation System etc. which have been implemented in Public Sector Banks. Under PMJDY, RRBs have opened 68.68 lakh accounts and have covered 29.85 lakh account holders under Prime Minister Suraksha Bima Yojna.

E. OTHER NEW BUSINESS INITIATIVES

Banking system is witnessing new challenges in its traditional business domain from new digitally enabled

entrants. Payment systems, of late, is the most sought after aspect of banking business on account of the growing penetration of smart phones, e-commerce and launch of a good number of innovative products/mobile apps. Payments Bank and Small Finance Banks are on the anvil. The competitive scenario is getting intense and changing rapidly.

State Bank Aggregator Module (SBlePay)

Your Bank is the first and only Bank to have its own payment aggregator services. As a Bank and a Payment aggregator, SBlePay has already partnered with 41 banks for providing seamless Internet Banking options to the customers. PayPal has also been added as a new channel in SBlePay.

With its focus on C2G and B2G SBlePay is well positioned to support the Govt. on its cash less and less cash society aspirations through Digital India initiatives.

NTRP (Non Tax Revenue Portal) of Controller General of Accounts, enabled by SBlePay for online receipts of all Central Govt. ministries was launched on 15th February, 2016 by the Honourable Finance Minister. **SBlePay** has already provided its aggregator services to GRAS (Govt. Receipts and Payments System) of the States of Maharashtra, Rajasthan and entered into relationship with Assam, Gujarat, and Puducherry State governments. Indian Railways eProcurement system has identified SBlePay for their online procurement payments.



PSUs such as HPCL, IOCL & Gail Gas Limited are some of the major PSU clients of SBlePay for LPG refill payments & new connections. SBlePay aims to be the one stop solution for processing all online Govt. Receipts and a leading player in C2G and B2G segment.

Enterprise Wide Loyalty Programme: State Bank Rewardz

In line with our vision statement to keep “Customer first” during the FY 2016, your Bank launched Enterprise Wide Loyalty Programme-State Bank Rewardz to reward its customers for the unstinted trust reposed, across a wide range of services availed by them. Your Bank envisions strengthening its relationship with its customers by recognizing their continued faith and long term association with your Bank.

Now, customers earn reward points for their various transactions like payment through Debit Cards, Internet Banking transactions, usage of Mobile Banking, Personal Banking, Demat Accounts, Agri Business, Home Loans and Current Accounts. These reward points can be redeemed for a plethora of redemption options such as SBI Gift Card, Merchandise, recharging of phone or D2H, booking tickets for Movies, Buses and Flights.

The most important feature of the Programme is the ease of use through a Mobile App- State Bank Rewardz which can be downloaded from the Google Play Store. To further improve customer experience, the reward points can be redeemed at select Merchant partner outlets as well.

F. GOVERNMENT BUSINESS

Being accredited banker to the major Central Government Ministries & Departments and most State Governments, your Bank continues to retain its position as the market leader in Government Business. In continuation of its service tradition, your bank pioneered in developing customised e-solutions for The Government of India and several State Governments, thereby facilitating the Central / State Governments to migrate their transactions to the online mode which has brought in more efficiency and transparency in the system. More than 66% of your Bank’s Government Business has been migrated to e-mode, which has resulted in substantial reduction in the average settlement period, as also in the reduction of cash transactions.

Exhibit 30: Government Turnover Government Commission

	(₹in crore)	
	FY2015	FY2016
Turnover	3555835	3993377
Commission	1968	2095

With a view to facilitate e-Governance & bringing in more efficiency, following new initiatives were taken during the year:

- **Pension Payments:** Your Bank has been administering pension payment to more than 40 lakh pensioners through its 14 CPPCs. This year your Bank successfully disbursed first tranche of OROP arrears to 8.04 lakh defence pensioners including family & Galantry award winning pensioners for which your bank has been appreciated from all quarters.
- **Migration of Salary/ Vendor payments to CMP:** Migrating Salary/ Vendor payments of Rajya Sabha, Railways, State Govt. of Assam , Manipur & Mizoram to CMP platform



NTRP which is enabled by SBI ePay for online receipts of all Central Govt. ministries was launched by the Hon’ble Finance Minister, Govt. of India.

DIRECTORS' REPORT

has brought in more efficiency & standardisation in handling Govt. payments.

■ **Online Fee collection:** Your Bank facilitated online collection of fee of major recruitment examinations & other dues for Govts. of UP, Jharkand, Tamil Nadu, CBSE , Prasaar Bharti etc.

■ **Non Tax Receipt Portal of Govt. of India:** SBI e-Pay has been integrated with "NTRP Portal" for online collection of all non tax revenue of Govt. of India.

■ **e-Tendering Solutions:** have been provided to Konkan Railways & Delhi Metro Rail Corporation.

■ **e-Governance in State Governments:** 29 e-initiatives launched for various State Govts.

■ **Visa on arrival:** this facility was enabled for Japanese nationals at 6 centres & e-Tourist Visa facility which started last year with 44 countries has since been extended to 150 countries. Visa fee is being collected through SBI e-pay.

■ **Direct Benefit Transfer for LPG:** Your Bank is the sole banker to process LPG subsidy. During the year, ₹21769 crore were disbursed through 112.29 crore transactions.

■ **Other Direct Benefit Transfers:** Your Bank has processed 12.94 crore subsidy transactions involving ₹34797 crore during FY2015-16.

■ **Small Savings Schemes:** Your Bank services more than 60 lakh PPF, 3.85 lakh Sukanya Samridhi accounts (Highest among authorised Banks) More than 5 lakh new PPF accounts have been opened during FY2015-16.

G. EFFICIENCY AND COST CONTROL

Your Bank's Insurance cell was created at the Corporate Centre for procuring Insurance Policies for your Bank's own assets at competitive prices with better terms and coverage for enhanced efficacy in claim settlements. Your Bank has also complied with RBI's instruction on Unique Customer Identification Code (UCIC) to the extent of 99.50%. In terms of operating cost reduction, your Bank has taken up the rationalisation of Currency Chests, under which 105 Currency Chests (CC) have been closed during FY2016, saving a recurring cost of approximately ₹50 crore per annum.

Your Bank's CPCs Redesign & Other Projects (erstwhile BPR Projects) has been continuously working on the process changes and redesigns, including risk assessment and challenges posed for increasing the efficiency and delivery of your Bank's various products and services.

To attain considerable Cost Control and reduction, your Bank has further centralised and rationalised its purchases of registers and forms, and the introduction of Outsourcing Model for Stationery Management. To get the optimum advantage of bulk ordering in terms of reduced wastage and enhanced efficiency, a switch-over from in-house supply of stationery items to an outsourcing model of web based stationery management is being implemented. This initiative is expected to help in the reduction of costs presently being incurred on hiring of premises, management of storage, obsolescence of stationery items, manpower and transportation costs. Pilot rollout of the project was launched in two Circles in March 2016.

For digitisation and easy retrieval of Account Opening Forms (AOFs), an Electronic Data Management System (EDMS) has been introduced during the year. The digitisation of AOFs aims



Showcasing Bank's efforts to popularise "Sukanya Samridhi Accounts" – a new small savings scheme of Govt. of India on Rahgiri day at Bhubaneswar.



to archive the AOFs electronically and retrieve the images at all 14 LCPCs. This is expected to be completed during the FY2016-17 on a Pan India basis.

In order to reduce the printing cost of cheque books and establishment cost of LCPCs, further centralisation of cheque book printing is in the process of rollout and has been implemented for 8 Circles at 2 centres till date. The entire process has been carried out in a secure environment at your Bank's Base Security Printer, replacing the present process which involved an extra layer with two printers.

As a result of the above initiatives, your Bank continues to efficiently manage a continuously increasing volume of customer transactions by taking advantage of standardisation, skill building and economies of scale.

CORPORATE BANKING GROUP

The Wholesale Banking business at your Bank focuses on servicing corporate customers through customised financial solutions for enabling business in India and key overseas geographies, specialises in analysing business and financial requirements of its clients and providing solutions through various products, such as working capital finance, export finance, trade, transaction & commercial banking and rupee and foreign currency term loans. The wholesale banking ecosystem at your Bank comprises several teams focused on specific areas to facilitate specialisation and customised product offerings to your Bank's clients. During FY2016, the Wholesale Banking business was focused on proactive monitoring of the portfolio given the

challenging economic environment, while continuing to grow its commercial and transaction banking business. Going forward, your Bank will look at sourcing new businesses and generating new income streams, while continuing to offer comprehensive financial solutions to corporate clients with a focus on profitability and risk mitigation.

CORPORATE BANKING

The Corporate Accounts Group (CAG) is the dedicated vertical handling the "large credit" portfolio of your Bank. CAG has 8 Offices in 6 regional centers viz. Mumbai, Delhi, Chennai, Kolkata, Hyderabad and Ahmedabad. The business model of CAG is centered on the Relationship Management concept and each client is mapped to a Relationship Manager who leads across-functional Client Service Team. The Relationship strategy is anchored on delivering integrated and comprehensive financial solutions to clients, through structured products, within a strict Turn-Around-Time. The principal objective of the strategy is to make your Bank the first choice of top Corporates.

Exhibit 31: Business Performance of CAG

(₹in crore.)

Facility	Mar-15	Mar-16	YTD Growth
Fund Based + Non-fund based	4,56,138	5,27,970	16%
Fund Based	2,71,778	3,29,026	21%



The HNG Float Glass Manufacturing Site

DIRECTORS' REPORT

Fund Based outstanding of the CAG constitutes 22% of total credit portfolio of your Bank. Around 85% of CAG exposure is to Corporates with ratings of Investment Grade and above, while the distribution to a variety of sectors is well balanced.

CAG handles about 58% of the domestic forex business of your Bank. During the year, the group handled several high value deals of top clients from both private and public sectors.

Your Bank has continuously been working on promoting technology initiatives for operational convenience as also to minimize operational risk. Such initiatives include mobile versions of Corporate Internet Banking i.e. State Bank Anywhere – Corporate, which allow corporate users to initiate and authorize transactions through their mobile. In addition e-trade and various payment solutions are now available.

During the year your Bank has also stabilized the LLMS (Loan Lifecycle Management System) platform, a web based portal for assessing credit risk in loan proposals including internal credit rating exercise. The platform will also be used for other ancillary activities related to credit management.



Arvind Mills financed by the Bank

Vendor) Finance. The business of the Unit has clocked significant increase during last three years.

A. Cash Management Product (CMP)

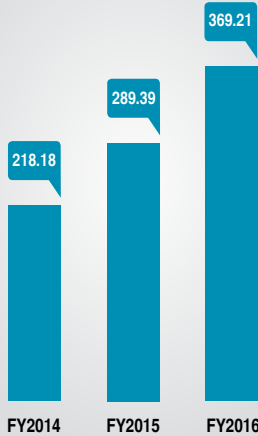
The whole spectrum of Cash Management Service encompassing Collections, Payments and Liquidity Management are provided by way of cheque and cash collection (including Doorstep Banking), Collection for Public Issues (IPOs/Bonds), e-Collection (including the facility of virtual account number), e-Payments, management of Mandates and other paper instruments like Dividend Warrants, Refund and Interest Warrants, Corporate Cheque payable at Par (CCPAP) and Multi-city Cheques. While collection facilities are provided through 'SBI F.A.S.T' (Funds Available in Shortest Time) to Corporate and Institutional Customers through a network of 1854 authorised branches across the country by means of a technology driven platform, our entire network of over 16400 branches is also made available to large Mid-Corporates, SMEs, NBFCs, Institutional Customers, Mutual Funds and Insurance Companies for Collections through certain specially designed products such as 'Easy Collect', 'Powerjyoti – Pre Upload', etc. Your Bank offers various e-Payment products through a secure process of dedicated portal with Host-to-Host facility. The business has been growing over last three years.

TRANSACTION BANKING UNIT (TBU)

Transaction Banking Unit (TBU) offers a range of products to Corporates, Government Departments and Financial Institutions comprising of products to facilitate Cash Management Products and Trade Finance and Supply Chain (Dealer/



Exhibit 32: Growth in Cash Management Fee Income (₹ in crore)



CMP Centre is the 'Sole Refund Banker' for Central Board for Direct Taxes (CBDT). CMP Centre has also brought about integration of payment systems of Ministry of Defence, Civil Ministries under UMEA, a number of State Governments with Core

Banking Infrastructure of your Bank by providing Centralised e-Payment Solutions enabling Government Departments to achieve their objectives under National e-Governance Project (NeGP). Centralised e-Payment for Railways commenced from CMP with Delhi Division of Northern Railways. Doorstep cash and cheque pick-up facility for Railway Station under the scheme 'Rail Shakti' Project has also been extended to Indian Railways. CMP has also started non-tax collection for Government of India through Bharatkosh Portal, hosted by Controller General of Accounts.

B. Trade Finance

(a) e-Trade SBI: Your Bank has established an excellent technology and operation infrastructure for its Trade Finance business. e-Trade SBI, a web-based portal, which was launched by your Bank in March 2011, has been

undergoing constant improvement to enhance customer comfort and provide the means to customers to access trade finance services with speed and efficiency by enabling them to lodge Letters of Credit, Bank Guarantees and Bills Collection/negotiation requirements online from any corner of the world. As on 31st March, 2016, 2250 Corporates are registered under e-Trade SBI.

(b) e-VFS (Electronic Vendor Financing Scheme)

Our relationship with the Corporate World has been further strengthened by financing their Supply Chain Partners through the above two products which are fully automated, secured and robust. As on 31st March, 2016, 182 Industry Majors (IMs) with 3867 vendors and 12993 dealers across the country have been migrated to the electronic e-VFS/e-DFS platform, a growth of 115% and 64% respectively.



C. Financial Institutions Business Unit

Financial Institutions Business Unit is a dedicated vertical created for capturing potential business opportunities from financial institutions viz. Banks, Mutual Funds, Insurance Companies, Brokerage firms and NBFCs. In addition to facilitating their Cash Management by making available various Collection and Payment products, Insurance Cos. have been extended 'Easy Collect' product for collection of premium over the counter at all Branches and Mutual Funds have been provided with 'Intra-day Limit' facility for facilitating their redemption payments. Capital Market Branch (CMB), a Specialized Branch at Mumbai caters to the Capital Market business clients and brokers. During FY2016, CMB has handled 119 Bonds/FPO/ IPOs issues and mobilised ₹29,307 crore (CASA) as Bankers to an Issue (BTI). During FY2016, CMB has received recognition as one of BSE's top 3 performers (for the year FY2015) in the Primary Market Segment (Debt Public Issue Bids-Banks) and Primary Market Segment (Equity –IPO/FPO Bids – Banks) respectively.

PROJECT FINANCE & LEASING

The project finance environment continued to remain challenging during FY2016 largely due to a slowdown in new project commitments by corporates, coupled with implementation and operational issues affecting ongoing projects.

Your Bank's special business unit Project Finance & Leasing (PFSBU) deals with the appraisal and arrangement of funds for large projects in infrastructure sectors such as power, telecom, roads, ports and airports. It also covers other non-infrastructure projects in sectors like metals, cements, oil & gas, among others, with certain threshold on minimum project cost. PFSBU also provides support to other verticals for vetting their large ticket term loan proposals. In order to strengthen the policy and regulatory framework for financing infrastructure, inputs are also provided to various ministries of Government of India, Niti Ayog and the RBI with respect to lenders' views on new policies, Model Concession Agreements and broader issues being faced in infrastructure financing.

Exhibit 33: Project Finance & Leasing Business Performance

	₹(in crore)	
	FY2015	FY2016
Project Cost	167551	77227
Project Debt	112981	59094
Sanctioned Amt.	19718	18125
Syndication Amt.	8845	18082

As on 31st March, 2016, the portfolio of infrastructure projects under implementation and control with PFSBU include Power projects with aggregate capacity of 43,536.50 MW; Telecom Projects serving more than 190 million subscribers; Road projects covering

more than 5000 kms; Metro Project in Hyderabad besides a host of projects in steel, cement, Urban Infra, etc. During FY2016, fund based and non-fund based exposure aggregating ₹7,249 crore (₹12,090 crore in FY2015) were disbursed to such projects.

From the perspective of environment sustainability, your Bank focuses on projects within both infrastructure and non-infrastructure categories. In FY2016, your Bank accorded 30 new sanctions aggregating a total amount of ₹15,848 crore (fund based and non-fund based). These were made to various sectors such as power (wind, solar, coal, hydro & transmission), Roads & Bridges, Oil & Gas and fertilizers among others.



A Smart Bank for a Corporate India on the go



Mumbai (2), New Delhi (2) and Pune, and has 54 branches as on 31st March, 2016 with 20 branches in metro centres and 34 branches in other urban centres.

MCG Loan Portfolio (Non-Food Domestic)

(₹in crore)	
FY2015	FY2016
2,27,756	2,32,638

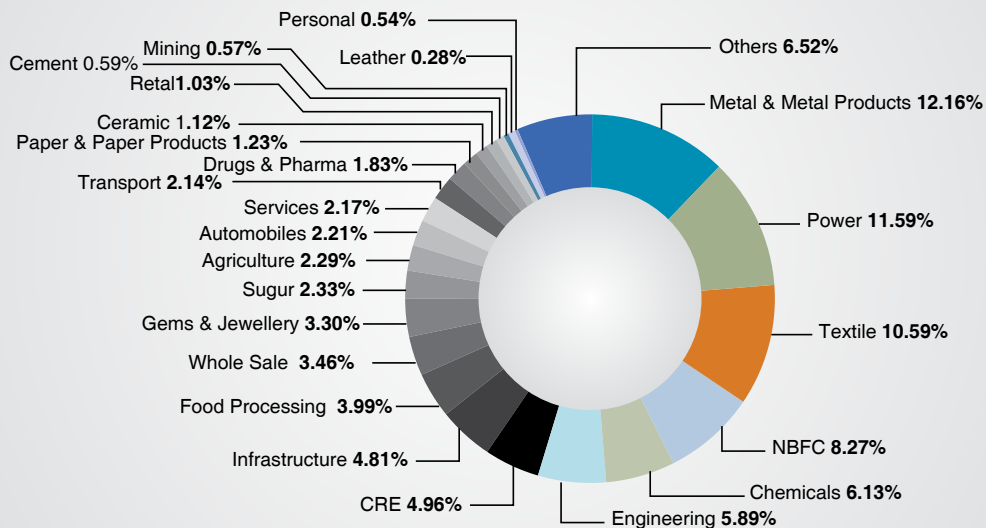
During the year under review, MCG has grown in investment grade assets mainly in, Textiles, NBFC, CRE, Chemicals and Wholesale industries.

The Group continues to partner in growth of its customers in India to expand their activities and provides them support for acquiring assets or companies overseas, including by way of loans to overseas subsidiaries and JVs (backed by Letters of Comfort or Stand-by Letters of Credit).

MID CORPORATE BANKING

With a view to focussing on midsize units having credit requirement for limit of above ₹50 crore and upto ₹500 crore (Fund based and Non-Fund based), your Bank's Mid Corporate Group (MCG) operates through its 14 Regional Offices across Ahmedabad, Bangalore, Chandigarh, Chennai (2), Hyderabad, Indore, Kolkata (2),

Industry Wise Advance as on 31.03.2016



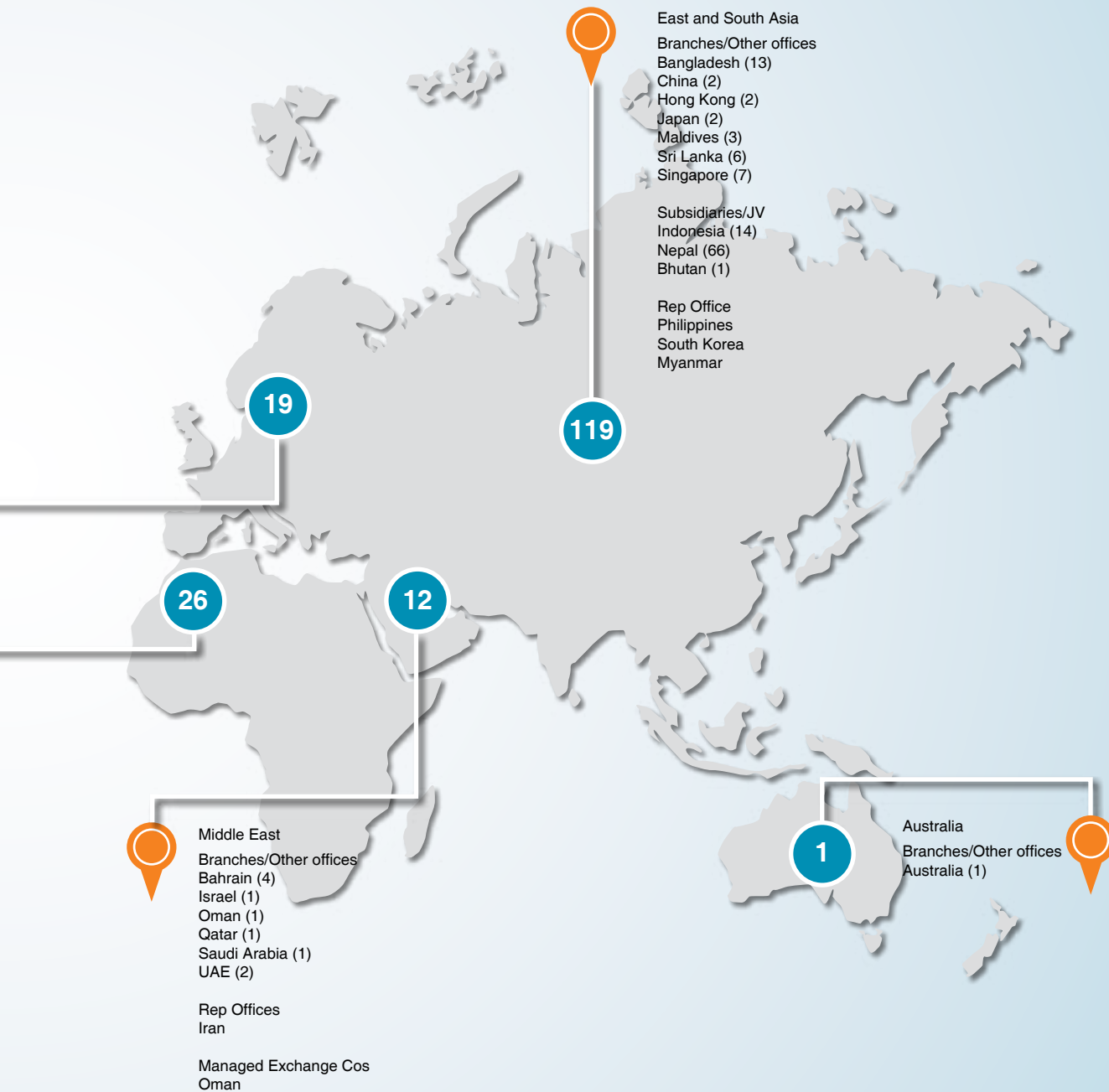
International Operations

International Banking Group (IBG)





International Banking Network of 198 Offices in 37 Countries



DIRECTORS' REPORT

INTERNATIONAL OPERATIONS

The International Operations of your Bank are guided by the overarching principle of supporting global Indian corporates and Indian diaspora spread across geographies. In addition, your Bank also targets the local populace in line with its vision to become a truly International Bank.

GLOBAL PRESENCE

The number of foreign offices of your Bank is currently 198. Spread across 37 countries in all the continents, your Bank offices include 55 Branches, 20 other offices, 7 Representative Offices and additional 113 offices of 8 Foreign Subsidiaries. As such, diversity in operating structures is a cornerstone of your Bank's expansion activity. During FY2016, your Bank has opened 2 new branches in United Kingdom, 4 Indian Visa Application Centres in Bangladesh and upgraded Seoul Representative Office into a full fledged branch. Your Bank commenced its Representative Office functions in Sao Paulo, Brazil through its subsidiary State Bank of India Servicos Limitada. Nepal SBI Bank Limited, a subsidiary of SBI has opened 3 branches and 1 extension counter during this period. Dusseldorf Marketing Office of SBI, Bakersfield Branch of SBI (California) and Abbotsford Branch of SBI (Canada) Bank were closed during the year.

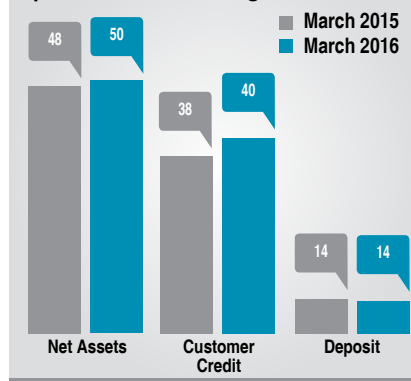
Exhibit 34: Break-up of foreign offices (No.)

	FY2015	Offices opened during the year	Offices closed during the year	FY2016
Branches /Sub-Offices / Other Offices	69	7	1	75
Subsidiaries / JV	(7)	(1)	-	(8)
Offices of Subsidiaries/JV	110	5	2	113
Representative Offices	8	-	1*	7
Associates / Managed exchange Cos /Investments	4	0	1	3
Total	191	12	5	198

* Seoul Rep Office in South Korea was upgraded to Branch.



Exhibit 28: Business performance of Foreign Offices (In US\$ billion)



The Group has dedicated verticals in Credit and NPA management, Compliance, Risk, Treasury, Retail and Overseas Subsidiaries, Human Resources, Operations, General Banking, and Strategy to support the extensive international operations of your Bank. International Banking Group supports your Bank as well as its major stakeholders through its various business functions as detailed below:



CORPORATE

1. Merchant Banking

Your Bank facilitates raising debt in Foreign Currency by Indian corporates by way of External Commercial Borrowings through syndicated deals in conjunction with other Indian and Foreign Banks, and also through bilateral arrangements.

Highlights

- Premier Mandated Lead Arranger and Book Runner during the FY2016
- 9 Syndications aggregating US\$ 2.674 billion
- 14 Bilateral Loans aggregating US\$ 3.510 billion to Indian corporates on a bilateral basis

2. IBG-Credit

IBG-Credit is responsible for building a quality loans & advances portfolio in the overseas branches. This is achieved through a range of loan products. The loan products inter alia, include bilateral & syndicated loans.

Highlights

- Introduction of Loan Lifecycle Management System across Foreign Offices for prompt monitoring and better control and supervision of loan accounts.
- Creation of Japan desk at New Delhi to promote Indo-Japanese collaboration

3. IBG Retail & Remittances

Through specialized remittance products your Bank enables a 'window to India' for NRIs residing in different corners of the world. In some countries with considerable Indian diaspora, your

Bank also engages in retail banking activities for both Indian as well as local customers.

Highlights

- Bank launched USD Travel Card at its Maldives Operations.

4. Financial Institutions Group

The Group facilitates linkages of your Bank with international stakeholders viz Correspondent Banks, Foreign Govt. Agencies and Developmental Financial Institutions, International Chamber of Commerce etc. on the one side and facilitates synergy between IBG and other Business Verticals such as Mid Corporate Group, Corporate Banking Group, Global Markets etc. on the other side.

Highlights

- Redesigning of Financial Institutions Group to consolidate the Correspondent Relationship job, which was earlier being handled partly by Global Market Unit Kolkata (GMUK).
- Relationship Management Concept for Banks & Financial Institutions has been introduced in line with our strategy to adopt the best international practices.
- SBI is in the process of acquiring a CRM solution to have a 360° view of the relationship with Banks/FIs

5. Global Trade Department

Global Trade Department (GTD) facilitates and supports your Bank's Foreign Offices in maintaining a vibrant Trade Finance portfolio. GTD formulates policies and innovates new



products as per changing regulatory norms and market demands. GTD takes lead in introduction of new technologies to improve service quality in Trade Product offerings viz., Letters of Credit, Bank Guarantee and Trade remittances, plays an important role in synergizing Domestic and Foreign offices for maximizing returns.

Highlights

- Trade Finance assets outstanding as on 31st March, 2016 was US\$ 14.614 billion, accounting for 36.29% of IBG's Net Customer Credit. Non-fund based business done by our Foreign Offices during FY2016 was US\$ 10.377 billion.

- To combat Trade Based Money Laundering, rolled out an additional screening solution across all Trade Finance intensive Foreign Offices.

- State-of-the-art Trade Finance solution acquired during FY2016. Pilot Country China and Maldives since implemented and a complete rollout across all countries expected by December 2016.

- SBI has been adjudged as The Best Trade Finance Bank-India by Global Finance Magazine for the fourth time in a row in January 2016.

6. Global Link Services

Global Link Services (GLS), a specialised outfit, caters to centralised processing of Export Bills collection, Cheque collection and online inward remittances.

Highlights

- Tie-up with 31 Exchange Companies and seven Banks in Middle-East Countries for channelizing inward remittances through your Bank.

- During FY2016, GLS (on behalf of domestic branches) handled 67,577 export bills and 65,619 foreign currency cheque collections aggregating to US\$ 14.39 billion.

- During FY2016, GLS handled 99,08,361 online inward remittance transactions amounting to US\$ 6.69 billion received globally.

7. International Banking - Domestic

International Banking - Domestic (IBD) is a new department under FIG, which is a single point of contact for all the Foreign Offices as well as Correspondent Banks for all matters relating to domestic IB business. IBD is also responsible for monitoring timely submission of all RBI returns and FEMA compliance.

8. Regulators

Your Bank is committed to the policy of zero tolerance of non-compliance with regulatory guidelines in all its overseas operations. Regulatory concerns identified by regulators/auditors are addressed on priority basis. Status of remediation is placed before the Audit Committee of the Board.

Your Bank has adopted an Independent Risk Governance Structure covering domestic and international operations. A country Risk Management Policy in tune with RBI guidelines is in place. Country-wise and Bank-wise exposure

limits are monitored and reviewed on regular basis.

9. IT Initiatives

As a truly Digital Bank, your Bank has taken a holistic approach to innovate processes to capture and convert data into a simple virtual organisation that appears ubiquitous to every customer, offering tailored products to the likes, needs and preferences.

The initiatives taken at Overseas Offices are:

- Your Bank completed its multi-country migration from Finacle 7.6 to Finacle 10.2 in 24 countries, which will support a wide range of APIs (Application Programming Interface), wealth management and enhanced mobile banking solution.

- Trade Finance Solution- e-Trade from Misys Plc. (UK) was launched in China and Maldives enabling customer's interface with online 24 X7 portal for all Trade Finance requirements at Foreign Offices

- Anti-Money Laundering solution (AMLOCK) implemented across all geographies which automated processes through digital alerts. ACE Pelican software has integrated/automated Watch-List Screening to optimize KYC norms.

- Bank implemented a predictive tool (FinAssure) covering all 24 geographies which monitors performance of all critical applications, networks and infrastructure to dynamically manage unforeseen peak loads.

- The much admired onlinesbi (Internet banking solution) extended to two more geographies viz. Bahrain and Botswana. Loyalty programme covering



debit card usage and Remittance through INB was launched in Singapore to promote digital stickiness and cashless transactions.

- To provide best of security, comfort and confidence to customers, Bank replaced all magnetic stripe cards with EMV cum Magnetic Stripe Cards. Advanced Anti Skimming devices and terminal security, SMS alerts, Out of zone concepts and PIN based debit card authorisation have been implemented in all geographies.

Bank's Digital Banking strategy is continuously reworking to initiate various technologies such as Internet of Everything, Open Banking to enhance the choice, utility and experience, Mobility and Wearable. Your Bank has initiated:

- Enterprise Project Management tool where every IT project is tracked.
- Bank level CRM solution to improve deep understanding of customer needs and behaviour, requiring very little remote support.
- Big data analytics to help deliver products on customer preferences and tracking customer stickiness for successful customer retention.
- Bank has begun using Private Cloud selectively and has plan for Document Management Solution to capture its records digitally.
- Generation of regulatory and other reports directly from core data under ADF (Automatic Data flow) for International Banking Statistics (IBS), Bank Exposure and Country Exposure

STRESSED ASSETS MANAGEMENT

Management of Non Performing Assets (NPAs) is one of the biggest challenges facing the Banking sector today. Increasing NPAs adversely impacts the bottom line of banks. Banks cannot book income on such assets and they have to make provisions as per IRAC norms of RBI.

Rising NPA levels and fresh slippages across sectors can be attributed to the following factors:

- Reduced market confidence due to the slowdown in the global economy; the negative spill overs from global financial markets; and the Less than adequate pick up in domestic growth and declining exports.
- Stalling of projects due to infrastructure bottlenecks, delays in obtaining Govt. approvals, problems in land acquisition and supply side constraints.

- Cancellation of coal blocks and the limited off-take of power by Discoms (Power Distribution Companies) given their reducing purchasing capacity.

- Labour laws constraints and the Stress in important sectors such as Textiles, Power, Sugar, Steel and Aviation.

- Delay in realisation of receivables due to subdued demand.

- Delay in the resolution of NPAs through legal proceedings.

Consequent upon the Asset Quality Review (AQR) exercise conducted by RBI, profits of your Bank reduced considerably on account of higher provisioning. With the economic recovery prospects appearing weak in the short term, the stress faced by the Banking sector is likely to continue for a few more quarters.

Exhibit 35: The Movement of NPAs and Recovery in Written-off Accounts

(₹in crore)

	FY2013	FY2014	FY2015	FY2016
Gross NPA	51,189	61,605	56,725	98,173
Gross NPA%	4.75%	4.95%	4.25%	6.50%
Net NPA%	2.1%	2.57%	2.12%	3.81%
Fresh Slippages	31,993	41,516	29,444	64,198
Cash Recoveries / Up-gradations	14,885	17,924	13,011	6,985
Write-Offs	5,594	13,176	21,313	15,763
Recoveries in Written-off Accounts	1,066	1,543	2,359	2,859

As part of focus on resolution / recoveries of NPAs, Stressed Assets Management Group (SAMG) continues to work as a dedicated and specialised vertical for efficient resolution of high value NPAs. It is headed by a Deputy Managing Director with two Chief General Managers overseeing the entire effort. With five Regional Offices,

each headed by a General Manager, a General Manager AUCA exclusively for management and resolution of Advances Under Collection Account (AUCA) and a General Manager S&R & CDR for handling Sale to ARC and evaluating viable CDR proposals, SAMG has turned into a centre of excellence in the NPA resolution effort of your Bank. As on March 2016, SAMG has 19 Stressed Assets Management Branches (SAMBs) and 44 Stressed Assets Recovery Branches (SARBs) across the country. Besides initiating hard recovery measures, SAMG introduced certain innovative methods and thus gave first mover advantage to your Bank in areas like arranging Mega e-Auction of large number of properties on Pan-India basis, initiation of criminal actions, identification of un-encumbered properties of the borrowers / guarantors and arranging for attachment of properties before judgement. The Loan resolution week (LRW), a nationwide Bank Adalat was conducted over a period of one week in May 2015 and all over NPA borrowers were advised in writing well in advance to come for negotiated settlement. Besides giving wide publicity through nationwide advertisement through print and social media, the event was internally monitored by setting-up war rooms at administrative offices.

Despite making concerted efforts to expedite recovery and reducing NPAs, your Bank often faces impediments in the form of legal hurdles, unavailability of strategic investors, lack of buyers for properties put up for auction, among others. For the various constraints, your Bank has approached the concerned authorities at appropriate levels and relevant forums like Gyan Sangam,

IBA, among others. Despite these constraints, all actions initiated for resolution are constantly followed up and strategies are periodically reviewed for expeditious resolution of NPAs.

TAKING “SMART” INITIATIVES

The Stressed Assets vertical has taken the following technology initiatives:

1. Litigation Management System (LMS) deals with all the cases that have been filed for and against your Bank in respect of all Loan (NPA/ AUCA) accounts. It enables effective management of existing and new legal cases, store contact details of Advocates, Valuers, Recovery Agents etc, and track expenses incurred on them. The monitoring through LMS system has ensured that all court hearings are attended by our officials, advocates and hearings outcome also gets recorded instantaneously.
2. Loan Life-Cycle Management System (LLMS) is the online credit processing software which handles all credit processes, as prescribed by your Bank, end-to-end. It has been rolled out in all the SAM Branches and helps in generating dynamic MIS reports, monitoring the account right from inception,
3. Early Warning System (EWS) is a software that enables early identification of potential stressed accounts before they become delinquent so that timely action can be taken preventing their further deterioration.

4. Electronic Document Management System (EDMS) is an electronic depository of important documents, transactions, audit trails, accounting reports, workflow processes, compliance documents, etc. It enables secure, single point storage and timely & efficient retrieval of documents.

5. The NPA1 PORTAL enables the monitoring of recovery by the Stressed Asset Branches on daily basis and dissemination of comparative recovery position of each branch amongst the entire field force. It also provides a single point repository of standardised information on NPA / AUCA accounts and their movements.

ACTION PLAN FOR MANAGING NPAs

Your Bank has adopted a twofold strategy for controlling fresh accretion and resolution of existing NPAs.

A. Controlling Fresh Accretion to NPAs:

1. Early diagnosis of the problems and analysis of the reasons for irregularity, with appropriate strategies for time bound action to prevent slippage as NPA.
2. Industry wise exposure limits have been set to diversify profile and minimize risk.
3. Loan portfolio is monitored on an ongoing basis.
4. Account Tracking Centres have been set up to prevent accounts slipping into NPA category.



5. A system of Tele-calling/ personal contact/ SMS alert/ sending notices etc. is being followed on default of overdue installments / irregularity in accounts.

B. Improving Resolution of NPAs:

1. In cases where soft recovery measures do not fructify, legal action is initiated like action under SARFAESI, Filing suits in Debt Recovery Tribunals and other Courts. Depending on the merits of the case, recourse to higher courts like High Court, Supreme Court, etc. is also taken.

2. Involving Business Correspondents, Business Facilitators and Self Help Groups in recovery of Agricultural NPAs.

3. Arranging Bank Adalat and actively participating in Lok Adalats for recovery.

4. Nodal officers monitor DRT Cases and liaise closely with DRT officials. Lawyers' meets are conducted and the performance of advocates is constantly monitored to expedite DRT process.

5. CLOs / Law Officers / DGMs / AGMs attend court cases to personally monitor advocates performance. It also signals a strong intent of your Bank towards battling out the cases while making last mile recovery efforts.

6. Identifying Companies and promoters as Willful Defaulters and arranging for display of their names on the websites of Credit Information Companies such as CIBIL, Equifax, CRIF Highmark, Experian.

7. Review of NPAs at various levels is done at regular intervals.

8. BIFR cases are closely followed up.

9. E-auction has been introduced for increased transparency and better price realisation.

10. Sale to ARCs is also explored in select cases.

11. Identifying and engaging with strategic investors for takeover of stressed assets. Strategic Debt Restructuring (SDR) option is also explored in select viable cases as per RBI guidelines.

12. Entering into One-Time Settlements with borrowers.

13. Using Resolution Agents to take possession of properties mortgaged to your Bank and arranging for their auction.

14. Considering Debt Asset swaps in some cases.

15. Engaging investigation agencies to trace out unencumbered assets of promoters and guarantors and obtaining attachment before judgement over these properties.

16. Publishing photographs of defaulters in newspapers where warranted.

17. Persuading Large Corporate borrowers under stress to sell non-core assets, dilute their shareholding and bring in strategic investors thus reducing debt and improving viability.

18. Your Bank organises "Mega e-Auction" every calendar quarter.

19. Properties available for auctions are also showcased in "Property Mall", wherein, space is taken in shopping malls in the prominent locations, to display pictures/videos of properties being put up for auction.

20. Your Bank is also positively exploring CIBIL's proposal of carrying out health check on the existing commercial and consumer portfolio with the aim of improving our Asset quality.

21. AT@M: The web based Assets Tracking & Monitoring (AT@M) software enables all stake holders to have a common view along with granular drill down up to account level. It covers monitoring of SMA as well as Sub Standard accounts in PER, SME and AGL accounts. An SMS is sent to all customers at Risk Grade I level followed by a reminder by way of an SMS.

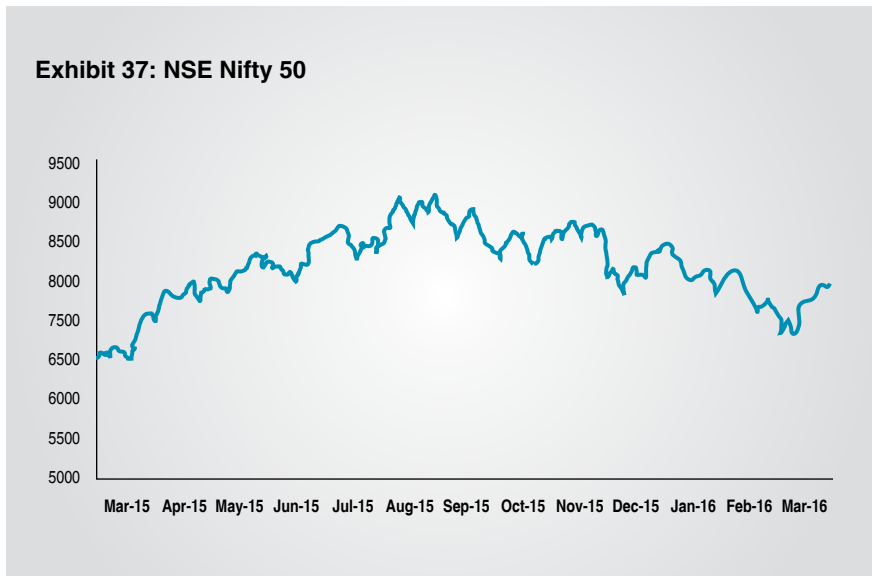
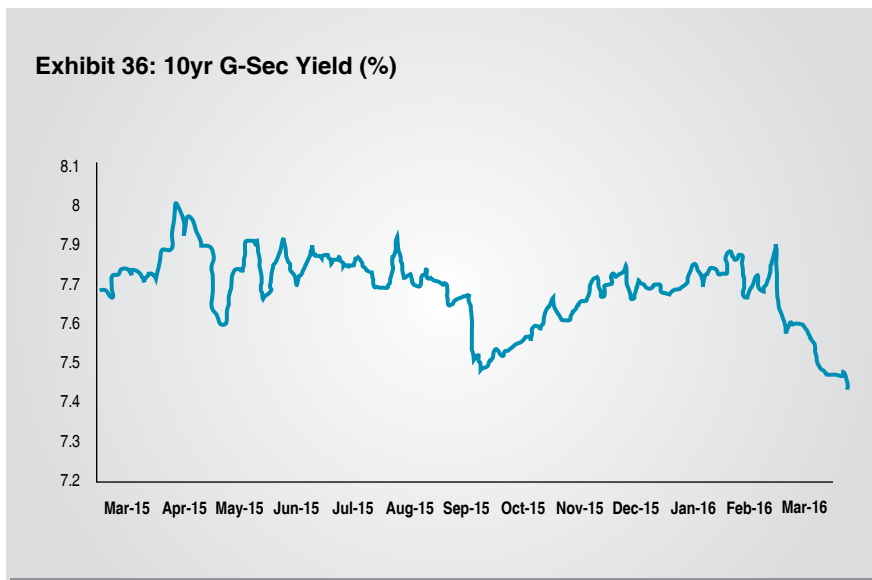
22. To prevent slippages, your Bank has tied up with GE Capital for proactively making calls to stressed accounts (SMAs) in Retail segment and Real Estate sector.

23. Assets Tracking Centres at Circle level track and monitor probable NPA accounts (SMAs) in SME and AGRI segments by making calls on the customers and follow up for recovery.

TREASURY OPERATIONS

DOMESTIC

Your Bank's treasury, has given another credible performance this year, despite relatively unfavourable market conditions. Interest income increased 20.5% YoY in FY2016, while profit from sale of investments also soared 44.19% YoY to over ₹4900 crore. Your Bank maintained its preeminent position in the forex segment, with profit from forex and derivatives growing above 19.5% in FY2016 from the same period last year.



Your Bank's Global Markets Group is responsible for managing your Bank's SLR portfolio, as well as liquidity management which includes maintenance of CRR and HQLAs for Liquidity Coverage Ratio (LCR). Unlike last year, the tailwind from falling yields was not available this year for the Bond portfolio. Benchmark 10 year G-Sec was trading at 7.78% till as late as 28th February, 2016, compared to 7.76% on 31st March, 2015. It was only in the month of March 2016 that yields came down to close the year at 7.46%, down only 30 basis points in FY2016, compared to a more than 100 basis points drop in FY2015. Your Bank was still able to use the temporary dips to book profits in the interest rate portfolio recording an increase of 49.27% over FY2015.

To improve our portfolio yield and to benefit from the opportunities available in the Corporate Bonds and Commercial Paper markets, your Bank made timely investments in select papers during FY2016. In the area of liquidity management, we continue to save costs through more efficient management of CRR compared to the industry average.

The equity portfolio faced significant headwinds this year as benchmark Nifty index was down nearly 8.86% in FY2016 despite a sharp recovery in the month of March. But your Bank continued to beat the benchmark through well timed entry-exits through the year, recording a profit growth of 4.59% YoY in FY2016. Further, in order to improve transparency and risk management, SBI has started placing our equity market trades through online



trade routing system, which allows monitoring and execution of orders. This system enables us to execute orders with minimum intervention from brokers which, in turn, helps in risk mitigation. Majority of the deals / transactions have been migrated to the online trading System.

The Global Markets Group provides foreign exchange solutions to customers for managing their currency flows and hedging risks through options, swaps and forwards. The group also manages FCNR(B) deposit corpus of your Bank and provides FCNR(B) loans and Export Finance in foreign currency for PCFC/EBR to the customers. Foreign exchange and derivatives business continued to contribute handsomely to profits of your Bank, reporting a 19.5% increase in profits despite the fall in country's trade volumes.

In continuation of our endeavour to improve customer experience through the use of technology, your Bank launched "SBI eforex", an online forex rate booking platform on 18th June, 2015. The platform enables customers to book forex rates to hedge their exposure in USD, EUR & GBP with inbuilt limit monitoring mechanism. Apart from booking the rates for cash, spot and forwards, the platform also enables customers to view their entire hedging position with your Bank.

As mentioned last year, your Bank has completed the roll-out of 'FX-Out' to all its branches in multiple currencies, which will allow them to initiate forex remittance at their end without having to route it through a forex authorised branch. To make it even more convenient, an internet based Forex

outward remittance facility, called "remXout", has been provided through www.onlinesbi.com for remittances in USD, EUR and GBP. Further, to streamline your Bank's large global forex operations, an integrated Global Back-Office has been set up in Global Markets' Kolkata office.

Our Regional Treasury Marketing Units provide the necessary marketing support to our Fixed Income and Foreign Exchange dealers through regular interactions with customers. They are well supported by our in house macro-economic and market research teams and provide customers with inputs about market developments while helping them choose a mix of products to suit each customer's specific requirements. This year, your Bank has formed a new Inter-Bank marketing team and has commenced dealing with a number of FPI clients to leverage our large debt portfolio and our strengths in the FX market. Your

Bank has also taken steps to increase the use of IT in its Treasury Marketing efforts through the implementation of an automated Lead Reporting and Management System.

In the Private Equity / VCF space, the JV set up with Macquarie and IFC in 2008, to manage the US\$ 1.2 billion India-focused PE fund, has invested approximately 96% of its total capital commitments. The fund invested in infrastructure assets viz. Telecom Tower, Airport, Thermal Power, Hydro power and NHAI road assets.

The Oman India Joint Investment Fund (OIJIF), set up in 2010 partnering with State General Reserve Fund of Oman, has completed its investments for Fund-I worth US\$100 million. Moreover, the Fund has made 1 full exit and 1 partial exit from the investee companies. Based on the success of Fund-I, both the partners (SBI and SGRF) have decided to launch



State Bank organized "State Bank Synergy Cup 2016"

DIRECTORS' REPORT

Fund-II with a corpus of US\$ 300 million. Till date Sponsors have committed US\$ 200 million to Fund-II and fund raising for tying up the remaining amount is in process. With this, Fund-II is expected to be launched shortly.

During the year, SBI has committed to invest in the SIDBI-NSCIL (a NSE subsidiary) promoted Trade Receivables e-Discounting System (TReDS). It is a platform that aims to serve as an exchange to facilitate MSMEs to convert their receivables to cash before maturity. The proposed platform will support multi-financier bidding for invoices through market determined rates for factoring the invoices. The platform, once set up, will provide an opportunity to your Bank to bid for financing the Bills put up by the customers of other banks/FIs as well as its own customers on the platform.

Portfolio Management Services increased SBI's AUM by 1.69% YoY to ₹3,22,732 crore. SBI PMS has been re-appointed as fund managers for Employees' Provident Fund Organisation as well as Coal Mines Provident Fund Organisation with highest fund management share of 35%.

In addition to our continuous efforts in making profits, improving processes and reaching out to customers, your bank has advanced risk management systems in place. Your Bank's internal auditors have recognised these traits by awarding the Global Markets Group top scores in the recently concluded audit exercise.

INTERNATIONAL

During FY2016, adequate liquidity was arranged through Syndicated

borrowings, bilateral loans and loan from supranational entities to replace MTN bonds of about US\$ 2.2 billion which matured during the year. Some of the sources of liquidity at Foreign Offices were:

- Long Term bilateral loans from multilateral agencies
- Medium Term bilateral loans from Correspondent Banks.
- Medium and Long Term Syndicated Loans
- Repo arrangement
- Lines against Bankers' Acceptance

For FY2016, the international treasury Investment Portfolio stood at US\$ 5,551 million, earning US\$ 192 million Interest Income from these investments. Your Bank also earned Divestment Income of US\$ 11 million during the same period.



Reception for the dignitaries participating in the Annual World Bank Group – IMF meetings – 2015 at LIMA- SBI Team with RBI Governor, Dr. Raghuram Rajan & guests



IV. SUPPORT & CONTROL OPERATIONS

1. HUMAN RESOURCE AND TRAINING

1.1. PEOPLE ARE THE MOST VALUABLE ASSET

Your Bank believes that Human Resources Management is an important facet of organisation's effectiveness. Accordingly, the Bank has been making constant endeavours to improve the functioning of HR as a strategic business partner by nurturing its loyal and dedicated employees who have made significant and lasting contributions towards achieving your Bank's goals.

Towards this end, your Bank has taken some important measures to meet the business challenges, which include, recruiting young and highly qualified candidates in large numbers; improving the working / service conditions of the employees representing a wide diversity of group /interests; re-skilling

them through training interventions, workshops, seminars, video-conferencing; assisting in the career development of the employees by providing a scientific and objective approach to measure their performance; incentivising the top performer; putting in place an organised structure for skill and capability building in critical positions and by implementing various measures for talent retention. All these have contributed significantly to generate a highly satisfying working environment wherein the employees feel happy, engaged and enthusiastic about their work and take positive action to further your Bank's business interests and reputation.

Exhibit 38: SBI's Workforce Strength

Category	2013-14	2014-15	2015-16
Officers	80531	78540	80818
Assistants	101648	94455	88606
Sub-staff other	24799	23404	21477
Watch & Ward	15831	16839	16838
Total	222809	213238	207739

The leadership has been very proactive in employee engagement which is critical for your Bank to sustain growth with profit. This has been borne out by initiation of a host of important initiatives, as detailed below, during FY2016.

Career Development System (CDS)

During the FY2016, your Bank has introduced a new system of performance appraisal (re-named as Career Development System) of individual employees in

an objective and transparent manner. The entire system is IT driven. All the employees of your Bank have been assigned KRAs and almost 90% of the positions have been made budgetary or measurable. The system extracts business data required for the KRAs and calculates scores. All the employees are being judged on the basis of their performance. These scores provide the input for Promotions and other Rewards and Recognition.

The system also has provision for capturing the developmental needs of the individual employees through competency assessment.

**A Smart
Bank for a
Passionate
workforce
on the go**



Manpower Planning & Recruitment

A scientific model has been developed to determine the manpower requirement in branches in order to provide optimal staffing across various types of branches. To strengthen the human resource pipeline, 160 young graduates from 23 top 'B' schools were recruited as Management Trainees on short term contract. These officers will support the existing efforts of your Bank to augment skills in specialised area. Bank is also recruiting on lateral basis in certain specialised positions, such as , Wealth Management Specialists, Risk Management and Compliance specialist and information technology to enhance in-house knowledge.

Employee Engagement

■ **Sabbatical Leave:** In view that this facility, with its attendant benefits, has already been provided to women and Single Men employees, Sabbatical Leave has been extended to Differently Abled employees & those having Differently Abled dependents viz. children and / or spouse.

■ **Vacation Policy :** Vacation Policy has been introduced by making a stipulation of mandatory availment of leave for ten working days in one go by the staff members, posted in sensitive positions, in each financial year. This leave will serve the purpose of increasing efficiency, productivity and risk mitigation.

■ **Flexi-Time Scheme :** Your Bank has introduced flexi-timing / flexi-hour scheme on a limited scale where the employee is free to select his / her own work hours within limits laid by the management, on grounds of looking after family and health. This

facility has been extended as a welfare measure with the objective of creating an employee friendly environment and promoting healthy work life balance.

■ **Chummary accommodation for women employees :** Chummary accommodation has been provided to female officers upto the grade of Scale V, who are posted in Rural / Semi-Urban / Urban areas. This is designed to facilitate their completion of mandatory assignments in a hassle-free environment.

■ **Alertness Award:** The scope of Alertness Award Scheme has been enlarged for Recognition & Rewards including cash ranging from ₹5000/- to ₹200000/- for alertness of staff members in prevention / detection / foiling of frauds and Near Miss Events which have operational risk with potential to cause serious damage.

■ **Group Medical Insurance for retired employees:** Two separate Group Medical Insurance Schemes have been made functional to meet the medical needs of Retired Employees. Policy 'A' will cover existing SBI REMBS members with enlarged coverage of diseases and mode of treatment, where premium will be borne by Bank. Policy 'B' will cover future retirees and non-members of SBI REMBS with eight plans of insurance ranging from ₹3 lakh to ₹25 lakh, where premium will be borne by the members.

Employee Productivity Improvement

With infusion of new blood by way of recruitment of highly qualified Gen-Y employees over the last 4~5 years, there has been noticeable attitudinal change in the employees' customer interaction and corresponding improvement

in services across branches. This has been amply vindicated by the improvement in productivity indicator by way of perceptible increase of more than 14.34% in the level of Business per employee of your Bank from ₹1234 lakh as on 31st March, 2015 to ₹1411 lakh as on 31st March, 2016. Moreover, with a view to improving productivity and strengthening employee engagement through enhancing job satisfaction and pride in one's own job, clerical cadre employees, who constitute nearly 43% of the total workforce in your Bank, have been re-designated as Associates (Customer Support & Sales).

Bi-partite Settlement & Wage Settlement

On 25th May, 2015, The Indian Banks Association (IBA) signed an industry level Bi-partite settlement / Joint Note (effective from 1st November, 2012) with representative Unions, Associations of workmen & officers, following which a 15% wage increment was decided to be given to employees upto the level of General Manager. As part of the settlement, 2nd and 4th Saturdays have been declared holidays and all other Saturdays have been declared as full working days, providing much needed relief to employees with family responsibilities.

Representation in Employment

Bank provides reservation to Scheduled Castes, Scheduled Tribes & Persons with Disabilities (PWDs) as per GOI directives. In order to deal with issues relating to reservation policy and effectively redress the grievances of the SC / ST employees, Liaison



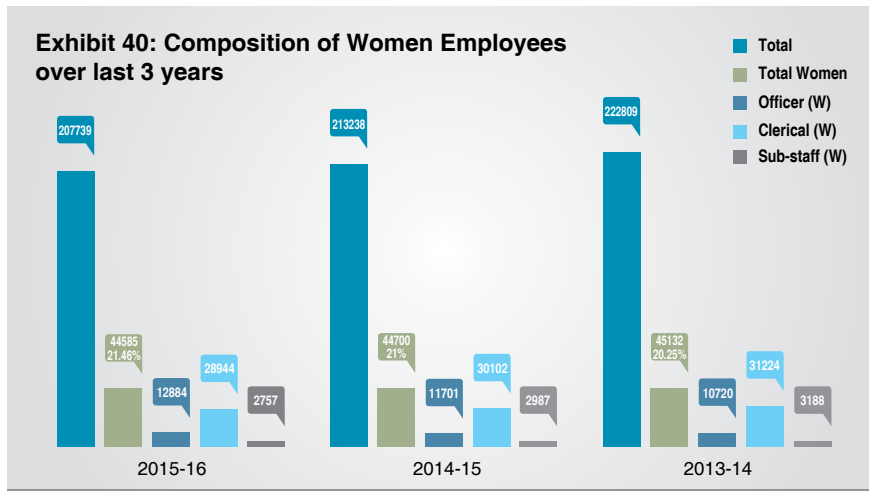
Officers have been designated at all Local Head Offices of your Bank as also at the Corporate Centre at Mumbai.

Exhibit 39: SC/ST/PWD Representation in Employment

Category	Total	SC	ST	DIFFERENTLY ABLED PERSONS
OFFICERS	80,818	13,681 (16.93%)	5,996 (07.42%)	912 (01.13%)
ASSISTANTS	88,606	14,018 (15.82%)	7,898 (08.91%)	1,772 (02.00%)
SUB-STAFF	38,315	9,905 (25.85%)	2,648 (06.91%)	198 (00.52%)
TOTAL	2,07,739	37,604 (18.10%)	16,542 (07.96%)	2,882 (01.39%)

Women in Total Workforce

As on 31st March, 2016, the number of women employees in the total workforce of your Bank is 44,585 (Officers- 12,884, Clerical - 28,944, Sub-staff -2,757) which constitutes 21.46% of the total staff strength of 2,07,739.



Sexual Harassment

Your Bank has a zero tolerance towards sexual harassment at workplaces and has put in place an appropriate mechanism for prevention and redressal of complaints of sexual harassment at workplace so as to ensure that women work with dignity and without fear.

During FY2016, 27 Complaints of Sexual Harassment of Women were filed, of which 23 cases were disposed off during the same period.

Industrial Relations

Your Bank held regular consultative meetings with the Associations and the Unions as part of having a constructive dialogue for understanding and addressing grievances of various categories of employees. These consultations are carried out at both the Corporate Centre, as well as at Circles. Various issues raised by the Federations were examined on their merits and necessary actions were taken for their resolution.

1.2. STRATEGIC TRAINING UNIT

In a quest for becoming an organisation which is a great place to work, our Bank continues a planned, proactive training process for individual growth and organisational effectiveness. New techniques, and methodologies are being imported from all corners of the globe to establish a virtuous circle of teach/learn/teach/learn to enhance quality, transform employees into knowledge workers so that they can carry forward our initiatives towards creating customer delight. The training system functions under the overall supervision and guidance of the STU. The training apparatus at present consists of five Apex Training Institutes (ATIs) and 45 State Bank Learning Centres. Your Bank has been able to create a virtual Knowledge university within the institution, with a capacity of classroom training of 3350 employees per day in all areas of Banking, Economy, Leadership, Ethics, Marketing, Administration and Soft Skills, in addition to a robust digital learning system.

Principles that drive learning activities:

- A continuous process of learning from on-boarding – to “Transition to Retirement”.
- A culture of self-learning in the organisation, which is more cost effective and convenient in the long run, is being promoted.
- A robust e-learning platform to drive efficient e-learning is fully functional.
- Training programmes aligned with current corporate priorities of the Business Units.
- Constant upgrades of our training content and delivery, learning to be at par with global best practices being tried.
- In order to rekindle the energy and enthusiasm generated during Aarohan, our Mass Awareness Programme, an “Aarohan Continuum Capsule” has been designed and programmes have been conducted through Visiting Faculty Scheme at branches.

LEARNING DIGITALLY

e-Learning: In order to inculcate a culture of self learning amongst our employees, SBI has developed a robust e-learning platform “Gyanodaya”. 600 e-lessons of 50-60 minutes duration, 412 ‘e-Capsules’ (short duration e-lessons) and 601 ‘Mobile Nuggets’ are available on the portal, besides the Case Studies, Research Projects and e-publications under the e-library. During the FY2015-16, 28.48 lakh tests have been passed by the employees, out of 90 lakh attempts.

Harvard Manage Mentor is an online learning, performance support & peer collaboration platform from the

Harvard University. Our Bank has a tie-up for business content across 44 management topics and is mandatory for Senior Executives, which leads to Joint Certification between SBI and HMM.

Mentoring of Branches:

To ensure continued focus on improving and delivering improved customer service on a consistent basis SBI has initiated Mentoring of branches and this is more than the traditional understanding of Mentoring. In your Bank’s scheme, top executives of your Bank, Deputy General Managers and above, have been assigned 4 branches each.

The primary objectives behind branch mentoring are:

- to help branches achieve sustained improvement in customer service.
- to help branches achieve business growth.
- to help the team in realizing their full potential.

During the mentoring process, the mentor, notionally steps away from his administrative role and looks at these Branches from a developmental perspective. The mentor also interacts with the customers of the Branch and enables the branch team to evolve solutions. Currently there are 724 active mentors covering 2869 branches.

Certification Programme on Credit has been launched for officers of Scales I to V to develop adequate credit skills and to keep them updated at all times. It focusses on the Commercial Credit Skills required to handle the entire Loan Life Cycle of Advances.

Your Bank constantly strives to achieve quality standards for its State Bank

Learning Centres (SBLC) in terms of Training Resources, Infrastructure and Academic Activities. This year your Bank has made tremendous progress in this endeavour, with the result that, during FY2015, 23 SBLCs were accredited with the ISO 9001:2008 Certification, taking the total tally to 27 accredited centres out of a total of 45 SBLCs till date.

Training Initiatives

To evolve a strategy for raising the Bar and to reduce the gap between Campus to Corporate, 138 One Day Workshops on Soft Skills by External Finishing Schools / Institutes were arranged for the first time for Newly Recruited Associates. This enabled an exposure to the challenges and demands of the real world.

With technical knowledge, your Bank’s officers are also being coached to develop their physical and financial health, so that they can be contributing citizens. Aided with a strong set of Principles and Ethics, the training system actively promotes strong values in their programmes. Your Bank has also started a facebook page for new batch of Probationary Officers (2015) called “SBI STEPUP”. This is being used for both employee engagement and also for building a team spirit amongst new recruits.

A programme called ‘SBI Buddy’- ‘SAATHI’ has been started to allow Probationary Officers to clear their doubts related to technical and administrative activities in the initial days.

During the year, the website of the Strategic Training Unit was completely revamped to form the epicenter of where



all learning materials are accessible by all Apex Training Institutes and SBLCs in one place via the Intranet. It was inaugurated by Hon'ble Shri Jayant Sinha, Minister of State for Finance on the occasion of Gyan Sangam II at State Bank Academy, Gurgaon.

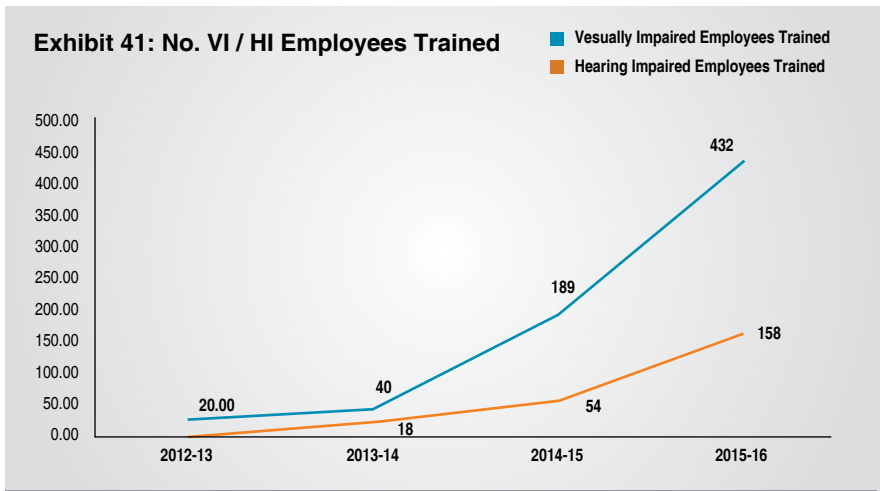
Your Bank's training footprint is getting inclusive and global. Your Bank has opened up its training system to other outside institutions including Public and Private Sector Bank officers and other Govt Departments. Using video conferencing, the STU has imparted training sessions on Time Management and Stress Management for Staff members of some of your Bank's foreign branches.

As part of its role in Nation Building, SBI also contributed to the Sakshar Bharat / National Literacy Mission, during the year, where the SBLCs took part in imparting sessions on Financial Literacy and Financial Inclusion in various Colleges, Schools and Government Agencies.

1.3. INCLUSION OF VISUALLY/HEARING IMPAIRED EMPLOYEES

During the year, an Inclusion Centre for Differently Abled Employees was created. The objective is enabling financial inclusion, training, empowerment and upgradation of skills of people with Different Abilities in a systematic way.

Your Bank has 722 Visually Impaired (VI) and 276 Hearing Impaired (HI) Employees along with Orthopedically Challenged staff. 73% of VI / HI Employees (Other than Sub-Staff) have received training during the year by partnering with NGOs for this mission.



Shri Manab, a Visually Impaired Employee working as an Associate, after undergoing an extensive Institutional Training Programme, his proficiency levels have improved considerably and he now attends to 200 letters a day on an average, through the Inward/Outward Dak along with other regular work.

Helen Keller Award 2015

Due to Specialised Training Initiatives for the VI & HI Employees, your Bank has been conferred with the "Helen Keller Award 2015" presented by National Centre for Provision of Employment to Persons with Disabilities (NCPEDP) for the Category "Role Model Company / NGO / Institution for its commitment towards promoting equal employments for people with disabilities."

2. INFORMATION TECHNOLOGY

State Bank of India is a strong proponent of leveraging information technology to deliver convenience to its customers. Your Bank has been offering innovative and cutting-edge products to its customers with the objective of enabling banking transactions at any time and from anywhere. Your Bank's technology strategy has evolved in tune with the current consumer trends of social collaboration, mobility, cloud-based platforms and big data analytics. Digitisation and excellence in operations has been core to your Bank's strategy in providing convenience to customers. It has resulted in a reduction in turnaround time and extended benefits to your Bank's customers.

Your Bank's Core Banking Solution (CBS) environment is based on an architecture that supports one billion accounts, over 250 million transactions per day and delivering a throughput of over 17,000 transactions per second. Biometric authentication as a second-factor authentication has been implemented in branches for all CBS users. The process for systematic and proactive risk identification, assessment, measurement, monitoring and mitigation of various risks in the IT vertical has been initiated.

1. ATMs

New Developments in ATM

1. PRM: Proactive Risk Management tool has been integrated with ATM Switches for Fraud Monitoring.
2. RTO Reduction: Recovery Time Objective (RTO), i.e. time taken for switching over to Disaster Recovery site in case of need, for Base 24 Switch

was reduced from 180 minutes to 60 minutes by parallelisation of activities and semi-automation of process using scripts.

3. Base 24 ATM Switch Upgradation: Upgradation of ATM Base 24 Switch has been done (with the procurement and installation of CPUs and HSMS within the timelines) to enable your Bank to increase the number of ATMs to the extent of 90000.

4. Chip enabled EMV Card Migration: EMV card migration for all variants completed on 01.12.2015. 1st Bank to do so in Indian banking industry against regulatory advisory to complete this exercise by Feb16.

5. Tele banking registration through ATM has been enabled.

6. Cash transfer from Card to Account through ATM has been introduced.

7. De-hot listing (Unblocking) of ATM Cards through INB has been introduced.

8. Green Personal Identification Number (PIN)- State Bank Debit card holder has been facilitated with a simpler process of Debit card PIN generation through various channels like IVR, INB instantaneously.

The project offers several benefits including:

- For Bank - savings of approx. 100 crore in printing and dispatch cost.
- For customer – convenience, less waiting time, particularly beneficial for NRI customers.
- For Branches – No custody of PINs (risk reduction / mitigation).
- Green Banking - Paperless initiative to considerably reduce carbon foot print.

■ Operational man power reduction could be used for other beneficial operational analysis.

■ Instant Money Transfer (IMT) Card less Withdrawal- A Beneficiary Customer who does not possess card can withdraw cash at ATM after receiving PIN from the benefactor.

■ Quick Cash- Quick Cash facility to the end customer has been provided. This facility shall allow the customer to withdraw a pre-set favourite amount every time he visits ATM.

■ Display of free transactions - The customer shall be informed about the number of free transaction left with him on ATM machine.

2. INTERNET BANKING

The Corporate Internet Banking (CINB) is well suited to Small, Medium and Large Corporate. It has also been immensely successful in establishing traction with Government Treasury & Accounts Departments as well. Online collection of fees/funds for Institutions, Corporate and Government Departments is being facilitated through Multi Option Payment System (MOPS), State Bank Collect and merchant-acquisition through independent aggregators. Internet based solutions also cater to the e-Tendering, e-Auction and bulk payments related requirements of the Government / PSUs / Large and Medium Corporate.

Some of the new features launched in Net Banking in FY2016 are:

- Overdraft against TDR/STDR/e-TDR/e-STDR through onlinesbi.com.
- Registration of PMJJBY & PMSBY through INB (Furthering Govt. Initiatives).



- Mobile number capture / change through INB.
- Resetting of profile password at any SBI Branch (only from home branch previously).
- Top-Up / recharge through RINB Portal.
- SBI General Insurance Renewal.
- Smart OTP for Retail INB
- Activation of ATM card through INB
- SBI Quick Transfer (Without Adding Beneficiary) in onlinesbi.com (Small transfers)
- CINB Online Registration
- CINB SARAL – Digital Signature Certificate enabled online payments
- Thomas Cook Recurring Deposit - creation of holiday savings account
- SBI Exclusif: Wealth Management - access to Miles portal & video assist for wealth management customers
- Issuance of debit card through INB
- Online Overdraft creation for Diamond and platinum variant CSP account holders
- Pehla Kadam Pehli Udaan (Allowing minors to create e-TDR / e-STDR / e-RD through INB)

3. TAB BANKING

Savings Bank Account Opening

Your Bank has launched Tab Banking services for opening accounts using Tab in Offline Mode. Staff will complete all account opening formalities by using tab, including taking photograph, uploading of KYC documents. Thereafter the account opening details will be loaded in CBS platform and account number will be advised to customer.

Home and Auto Loan in-principle Approvals

Tab Apps for giving in-principle sanction of Housing loan & Auto loan. Housing Loan / Auto Loan sales team visits the customer's place, staff capture the KYC details, particulars of income, deductions and details of proposed property on the tab. Based on data furnished and cost of project, applicant will be advised on approx. housing loan amount and the EMI amount.

Digital Inspection Application (DIA)

Tab Apps for recording the pre-sanction and post-sanction inspections of the customers has been launched for 7 products. DIA is integrated with LOS, CBS and HRMS where the customer data is pre-populated and field staff needs to capture the photographs of borrowers, collateral, factory, stock etc with the date, time and geo-coordinates. The inspection reports are automatically mailed to the field staff in their EMS mail ids. Application also has auto reminders for upcoming post-sanction inspections, stock and insurance expiry dates.

DIA - Lite Version for Mobiles & Desktop

The Digital Inspection App Lite version for SME has been launched for mobile phones. Field officers can capture the photographs with date, time and geo-coordinates using the Mobile App and then continue the data entry for inspection in the Desktop site. All features provided in the tab are available in the desktop site.

4. FOREIGN OFFICES (ITFO)

- Finacle Core Migration Project: Successfully migrated all 26 countries from Finacle version 7.6.1 to latest and powerful version 10.2.13 during FY2016
- E-Trade for Foreign Offices (FO): Successfully launched the separate and dedicated software platform for trade finance for all FO's during the FY2016
- Finassure: Launched a dedicated proactive monitoring service namely Finassure for monitoring critical applications of Foreign Offices



Smt. Arundhati Bhattacharya, Chairman, launching a new mobile App "State Bank no Queue"

DIRECTORS' REPORT

- SBI, South Korea: The 194th foreign branch of SBI went live in FY2016
- EOD Automation: Launched automated solution for EOD operations for Foreign Offices in 12 countries
- Anti Money Laundering Solution AMLOCK: Successfully rolled out for all FO's
- Business Continuity Plan (BCP) ISO 22301: Business Continuity Plan certified for ISO22301
- Compliance: Proved higher security standards set by local and foreign regulators

5. PAYMENT SYSTEM GROUP

Prepaid Cards: SBI issues Prepaid Cards in both INR and Foreign Currency. Different variants of INR Prepaid cards such as EzPay cards, Gift cards, Smart Payout cards, Quick Pay Cards, Imprest Cards, Achiever Cards etc are issued to individual & corporate customers. State Bank Foreign Travel Cards are available in eight foreign currencies namely the Japanese yen, the Canadian dollar, the Australian dollar, the Saudi riyal, the Singapore dollar, the U.S. dollar, the Euro and the British pound, providing safety, security and convenience to overseas travellers. In FY2016, we have issued 27,220 Foreign Travel cards and approximately 2,01,900 INR prepaid cards.

Funds Transfer and Settlement: Your Bank offers Real Time Gross Settlement ("RTGS"), National Electronic Fund Transfer ("NEFT") and National Electronic Clearing Service ("NECS") fund transfer facilities for qualifying transactions at its branches

as well as through internet banking. In addition, NEFT is offered through your Bank's mobile banking services. NEFT and RTGS continue to be the most cost effective and time efficient modes for remittance. The volume (number) of outward fund transfers through NEFT increased by 50.84%, in FY2016 compared to that in FY2015 and increased by 8.17% during 31st March, 2016. In fiscal 2015 and 2016, there were 187.4 million and 282.7 million NEFT fund transfers, respectively. Your Bank has established itself as a leader in NEFT, with a market share of 24.60% as of January 31, 2016 (as per latest data by RBI, February and March data yet to be published), and RTGS maintained a market share of 10.54% as of 29th February, 2016 (as per latest data by RBI, March data yet to be published). NEFT fund transfer transactions through your Bank's mobile banking service have also increased significantly in recent years.

6. NETWORKING

State Bank Connect is your Bank's secure and robust principal connectivity platform and is the backbone of its overall technology infrastructure. The State Bank Connect primary point-to-point links have recently been migrated to Multi Protocol Level Switching (MPLS) architecture for ensuring higher uptime and dynamic upgrade of bandwidth.

To provide a comfortable bandwidth to all our offices for better customer service, Bank have embarked on a bulk bandwidth upgrade project and have so far upgraded bandwidth at 10,235 branches and expect to cover all branches by December 2016.

7. DEVELOPMENT CHANNELS

Project CBS Roopantar: Bank have initiated "CBS Roopantar", a project aimed at reducing data entry and steps required to perform transactions by tellers, with improvement in existing processes, thereby increasing their efficiency and reducing the overheads both in terms of time and resources.

Standardisation of Passbook narrations: Narrations printed in passbook have been standardised for the convenience of customers.

De-duplication of CIFs: On line search facility for duplicate CIFs at the time of creation of a new CIF has been provided to branches to prevent duplicate CIFs from being created.

Linkage with SBI Mutual Fund: Facility for collection of Mutual Fund investments in CBS provided, by linking to Mutual Fund server, for fetching investor details.

Customer confirmation of high-value cheques: 'Fetch' button provided in the cheque posting screens at Maker level, along with an additional field for displaying phone/ mobile number, so that the contact numbers of the drawer of the cheque available in the system can be viewed by the teller for the purpose of contacting the customer / obtaining confirmation while paying high value cheques.

Flagging of 'Wealth' customers: Development completed for creation of CIF level flag to identify 'Wealth' customers, allowing CIF level changes from remote RM centre and wealth hub for all Wealth flagged accounts.



Flagging of Fraudsters' accounts: Accounts of fraudster will be flagged as "Fraudster's Account" and an alert message "Care - Suspected Fraudster" will be flashed on such account whenever these accounts are accessed.

8. EXECUTIVE SUPPORT SYSTEMS

Social Media

Subsequent to establishing our presence on external social media sites by engaging with the young generation customers, we have been ranked No.1 globally among Top 100 Banks using Social Media by The Financial Brand in their list of "Power 100 Ranks - Banks Q1 2016". We have adopted an aggressive social media strategy which has strengthened our foothold in the social space not just in the Indian market but on a global scale as well. SBI boasts having the highest fan-base on Facebook across the globe among banks. It also leads the chart on LinkedIn and Pinterest among Indian banks.



According to an article in Economic times, on 9th July, 2015, your Bank is amongst the most active banks in addressing customer complaints and queries on social media. It also mentioned that our Bank is the most active bank on Facebook, with the highest number of posts shared per day.

SBI's Face book Page which was launched on 7th November, 2013 is today the most popular page across all Indian Banks with more than 5 million followers. We have leveraged this platform to promote our latest products and services and provided responses to the innumerable comments that we receive on this platform. We are the first bank in India to have started live broadcasting of important events on Face book.

Your Bank's YouTube channel leads all Indian banks in terms of subscriber base, uploaded more than 220 videos that have garnered over 10 million views, indicating appreciation by the digital users.

Your Bank also has a significant presence on Twitter, and Instagram.

Aspirations

Your Bank also runs a vibrant internal social media platform—"SBI Aspirations" to promote collaboration among its employees for better productivity, a symbiotic work culture along with providing solutions to them. In its endeavour to make Bank's employees more innovative, productive, and knowledgeable,

The platform is also being used by senior functionaries (including the Chairman) as a medium of direct interaction with all the employees.

9. ANALYTICS

Your Bank is using analytics extensively to better understand and serve the customer by generating actionable insights to generate business and revenue while at the same time controlling costs. Customer Analytics is carried out to make key business decisions via market segmentation and predictive analytics with the objective of enhancing customer revenues through cross-sell, up-sell and customer retention.

Integrated Data Strategy, Processing and Management (IDSPM): Our Data warehouse is state of the art and contains over 200 TB of data, with 400 GB added daily through 50 million transactions. The data is used

DIRECTORS' REPORT

across Your Bank for reports and returns monitoring and is provided in a graphical and intuitive manner to business users including interactive and visualisation dashboard.

Business Intelligence: At SBI, Business Intelligence is at the heart of decision making and also helps optimise risk weighted capital to asset ratio. It turns data into ultimate value and, is the source of major reporting and analyses in your Bank. Centralised Project Ganga is the data cleansing utility of your Bank which has enabled us rectify 97% errors reported, thereby improving the data quality significantly.

IT-Budgeting & Cost Control: Your Bank has automated a large part of its IT-Budgeting and is ensuring optimal utilisation of scarce resources for efficient management and financial control. The vertical has also introduced Charge Back Model with a view to further ingrain ROI in the corporate culture.

10. BACK OFFICE AUTOMATION

Project it-asset management solution (itams): Your Bank has implemented an IT Asset Management Solution (ITAMS), which is an important business practice to maintain an accurate inventory, licensing information, maintenance and protection of hardware & software assets utilised across the organisation.

Data Centre & DR Centre: Availability of IT Infrastructure to support business operations is a critical aspect of technology adoption. Bank has built a robust disaster recovery architecture to ensure business operations in case of non-availability of primary IT

infrastructure. Each IT Application is designed to have an alternative IT infrastructure arrangement identical to their production environment. The processes of movement between primary and alternative sites are tested regularly to ensure the readiness.

Project Single Sign On (SSO): Your Bank is leveraging Active Directory Federation Services (ADFS) using the Active Directory Services infrastructure for implementation of Single Sign On (SSO), in a phased manner. SSO enables the user to have single set of user ID and password across multiple applications.

Project Command Centre: The Command Centre gives your Bank the capability to monitor all transactions end-to-end, starting from the customer engagement, processing by your Bank's IT application and acknowledgement to the customer on fulfilment of transaction. The Command Centre is a state of the art setup with 18 LED display panels for current use and future requirements.

11. CORE BANKING AUTOMATION

Setting up of Alternate Disaster Recovery Site (HOT Site): In view of criticality of Core Banking application, your Bank has setup an Alternate Disaster Recovery Site (Hot Site) with all the processing environment and in closer proximity to production site for resuming the Core Banking Operations in a short time span of 1 hour.

DB Layer Refresh & All-Flash Storage: We have refreshed the Database layer of Core banking application with the latest processor Intel chip 9560 Superdome at both primary and DR site. We also migrated the production environment with all-flash-storage replacing the old spinning disks. The benefits of introducing new technology of all-flash storage gave 30% gain in batch jobs; around 40% gain in transaction response time; and new setup can cater to the business need of 750+million accounts for SBI.

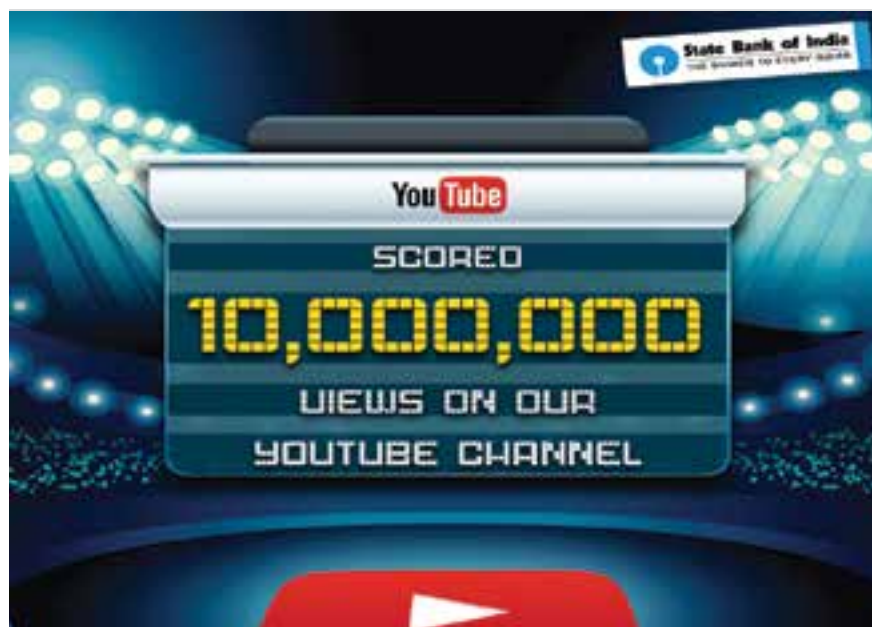




Exhibit 42: List of Technology Awards received during FY2016

Award	Category
IMC IT Awards 2015	<ul style="list-style-type: none"> Analytics
IDRBT Banking Technology Excellence Awards FY2015	<ul style="list-style-type: none"> Electronic Payment Systems (among large Public & Private Sector Banks) Managing IT Infrastructure (among large Public and Private Sector Banks)
2015 Gartner Financial Services Cool Business Awards	<ul style="list-style-type: none"> Most Innovative Digital Customer Service Enhancement SBI InTouch (Winner) - Digital Branch Most Innovative New Digital Product - SBI Quick (Runner Up)
Skoch Smart Technology Awards 2015	<ul style="list-style-type: none"> Best Smart Technology 2015 (SSK & GRC) 2 awards Best Digital Banking 2015 (SBI Digital In-touch Branch) Best Financial Inclusion Technology 2015 (Kiosk Banking & Direct Benefit Transfer) 2 awards
IDC Insights Award	<ul style="list-style-type: none"> Excellence in Innovation (Quick Overdraft facility through Internet Banking)
IBA Banking Technology Awards 2016	<ul style="list-style-type: none"> Best Financial Inclusion Initiative Best Risk Management, Fraud and Cyber Security Initiatives Best Technology Bank of the Year (Runner-up)

3. RISK MANAGEMENT

A. RISK MANAGEMENT OVERVIEW

Your Bank has an evolving and robust risk management model of proven effectiveness, aligned with regulatory standards and international best practices, and proportional to the scale and complexity of its activities. Your Bank is exposed to various risks that are an inherent part of any banking business. The major risks are credit risk, market risk, liquidity risk and operational risk which includes IT risk. Your Bank has policies and procedures in place to measure, assess, monitor and manage these risks systematically across all its portfolios. Your Bank is amongst the leaders to undertake implementation of the Advanced Approaches under Credit, Market and Operational risk. Your Bank has also undertaken the Enterprise and Group Risk Management Projects which aim to adopt global best practices. The projects are being implemented with support from external consultants.

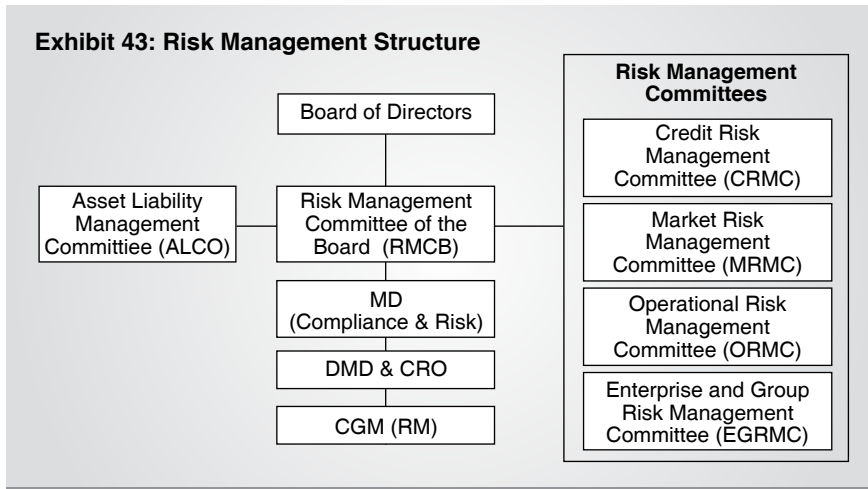
RBI Guidelines on Basel III Capital Regulations have been implemented and your Bank is adequately capitalised as per the current requirements under Basel III. An independent Risk Governance Structure, in line with international best practices, has been put in place, in the context of separation of duties and ensuring independence of Risk Measurement, Monitoring and Control functions. This framework visualises empowerment of Business Units at the operating level, with technology being the key driver, enabling identification and management of risk at the place of origination.



Bank received the IDRBT Banking Technology Excellence Award 2014-15 for 'Managing IT Infrastructure' in Large Banks category from Dr. Raghuram G Rajan, Governor, Reserve Bank of India.

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The various risks across Bank and the SBI Group are monitored and reviewed through the Executive level committees and the Risk Management Committee of the Board (RMCB) which meets regularly. Risk Management Committees at Operational unit and Business unit level are also in place.



New initiatives in Risk Management

Your bank has taken several new risk initiatives towards enhancing its risk management. Some key actions taken include:

- Adoption of an IT platform for credit appraisal process through a Loan Originating Software/Loan Lifecycle Management system (LOS/LLMS). This is steadily being augmented to cover the entire credit portfolio, which are interfaced with CIBIL's and RBI's defaulters list.
- The reporting and MIS capabilities of the LOS/LLMS system are being augmented, in order to allow the monitoring of your Bank's industry/exposure limit to be on a real time basis.
- An independent, second look is being given on all the sanctions through an Early Sanction Review for all loans having exposure between ₹1.00 crore. and ₹5 crore., and through the Loan Review Mechanism (LRM) for loans above ₹5 crore.

- In order to focus on capital conservation and maximisation of return on capital, your Bank has introduced Risk Based Budgeting (RBB). Reduction in risk and return on Capital is measured based on Return on Credit Risk Capital (RoCrC). Achievement of the budgeted advances levels will be subject to achievements under the specified levers. Risk Adjusted Return on Capital (RAROC) framework has been implemented from FY2016. Customer level RAROC calculation has also been digitised. Behavioral models for monitoring and scoring the retail borrower performance have been developed and hosted on Credit Risk Data Mart.
- Internal loss data, external loss data, RCSA (Risk and Control Self-Assessment) KRIs (Key Risk Indicators) and Scenario analysis are now an integral part of Bank's Operational Risk Management project for eventual migration to AMA, subject to RBI's final approval.

- Risk Awareness Workshops were conducted across your Bank by the Risk Management department covering 1.97 lakh employees at the operating level, to effectively implement risk monitoring and mitigation practices in the day to day functioning, especially in the areas of Credit & Operational Risks.

- 1st September was celebrated as Risk Awareness Day.
- Your Bank strengthened its internal control environment around pre-screening and post sanction compliance, through digitisation and centralised monitoring
- Risk culture is being embedded through training of staff at all levels through e-learning lessons.

- An Independent Risk Advisory is being established to ensure independent reviews of high value credit proposals.
- Group Risk is being measured through Contagion Risk, Concentration Risk, Strategic Risk and Reputation Risk Indices.
- Data from all source systems (CBS/MUREX/Finnacle) have been integrated to one platform to facilitate capital computation under the Standardised Measurement Method.

1. CREDIT RISK

Credit Risk is defined as the possibility of losses associated with the diminution in the credit quality of borrowers or counter-parties from outright default or from reduction in portfolio value. Credit Risk emanates from a bank's dealings with an individual, non-corporate, corporate, Bank, financial institution or sovereign.



Mitigation Measures

■ Your bank has strong credit appraisal and risk assessment practices in place for identification, measurement, monitoring and control of the credit risk exposures. Your Bank uses internal Credit Risk Assessment Models and score cards for assessing credit risk under different exposure segments. Internal ratings of your Bank are subject to comprehensive rating validation framework.

■ Your Bank's business units are armed with inputs on the developments, prospects and risks in the industries/sectors tracked by the Industries Study team. The current status and near to medium term prospects of 37 major industries/sectors and are monitored by this team. Industry-wise exposure ceilings are worked out on the basis of the industry prospects and the performance of your Bank's exposures to the industry concerned.

■ Analysis of industry developments is shared with the operating functionaries by way of Annual Reviews, Quarterly updates, and monthly snapshots of the industries/sectors. Research papers are prepared to assess the impact of major developments e.g. drop in crude oil prices, devaluation of Yuan, fall in Baltic Dry Index, spectrum trading, Ujwal Discom Assurance Yojana (UDAY) among others. A periodical named 'Commodity Watch' was launched this year for internal circulation, specifically to share developments in the commodity market (Oil, Steel, Aluminum, Sugar, Cotton, Edible oil) and their possible impact on your Bank's exposure.

■ RBI has allowed your Bank to participate in the parallel run process for Foundation Internal Ratings Based (FIRB) under the Advanced Approaches

for Credit Risk. The data under parallel run of FIRB is being submitted to RBI.

■ Models for estimation of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) are hosted in Credit Risk Data mart for computation of IRB capital.

■ The monitoring of Prudential Exposure norms for Single and Group borrowers, Substantial Exposure Norms and unsecured Exposures is being done regularly.

■ Bank regularly conducts Stress Test on its Credit portfolio. Stress Scenarios are regularly updated in line with RBI guidelines, Industry best practices and changes in macro economic variables.

2. MARKET RISK

Market Risk is the possibility of loss a Bank may suffer on account of changes in values of its trading portfolio, due to change in market variables, such as exchange rates, interest rates and equity price, among others.

Mitigation Measures

■ Your Bank's market risk management consists of identification and measurement of risks, control measures, monitoring and reporting systems.

■ Board approved policies for Market Risk Management, Trading in Foreign Exchange, Derivatives, Interest Rate Securities, Equities, Mutual Fund and Review of Market Risk Limits for Trading Book among others are in place.

■ Market risks are controlled through various risk limits, such as Net Overnight Open Position, Modified Duration, PV01, Stop Loss, Upper Management Action Trigger, Lower Management Action Trigger, Concentration and Exposure Limits.

■ Your Bank has Asset class wise risk limits for its trading portfolio and monitors the same on an ongoing basis.

■ Currently, market risk capital is computed under the Standardized Measurement Method (SMM). Your Bank has submitted Letter of Intent to

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the Reserve Bank of India for migration to Internal Models Approach (IMA) under the Advanced Approaches for market risk.

- Value at Risk (VaR) is a tool for monitoring risk in your Bank's trading portfolio. The VaR methodology is supplemented by conducting quarterly stress tests of the trading portfolio.

- The VaR and Stressed VaR for market risk are computed on a daily basis.

- Enterprise level VaR is calculated on a daily basis and back testing is also conducted daily.

3. OPERATIONAL RISK

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Mitigation Measures

- The continuously review systems and control mechanisms, create awareness of operational risk throughout your Bank, assign risk ownership, align risk management activities with business strategy, to ensure better capital management, to improve quality of Bank's Services/Products/Processes and ensure compliance with regulatory requirements, which are the key elements of your Bank's Operational Risk Management Policy.

- RBI has granted In-Principle approval to your Bank (on a solo basis) to migrate to AMA (Advanced Measurement Approach) for computation of operational risk capital charge on Parallel Run basis.

- Policies, manuals and framework documents in line with RBI guidelines on Operational Risk Management

Framework (ORMF) for eventual migration to AMA are in place.

- For FY2016, Bank on a stand-alone basis, had assigned capital for Operational Risk as per Basic Indicator Approach (BIA). Capital charge as per AMA has also been calculated as part of Parallel Run.

4. ENTERPRISE RISK

Enterprise Risk Management Project aims to put in place a comprehensive framework to manage various risks. It encompasses Global best practices like Risk Appetite, Risk Aggregation and Material Risk Assessment.

Mitigation Measures

As part of your Bank's Vision to transform the role of Risk into a Strategic function, aligned with Business Objectives, Bank has initiated the Enterprise Risk Management (ERM) module. Board approved ERM Policy delineates the roles and responsibilities of various Committees /Functionaries to manage risks.

Your Bank has a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) Policy. The Pillar 2 risks, such as Liquidity Risk, Interest Rate Risk in Banking Book (IRRBB), Concentration Risk etc, and overall Risk Management practices as well as adequacy of Capital under both normal and stressed conditions are assessed as per the Policy.

5. GROUP RISK

Group Risk Management aims to put in place standardized risk management processes in Group entities.

Mitigation Measures

- Policies relating to Group Risk Management, Arms Length and Intra Group Transactions & Exposures are in place.

- Exposure limits for Large Borrower Exposure and Capital Market Exposure as per RBI have been adopted for the Group. In addition, limits for Unsecured Exposures, Real Estate and Intra-Group Exposures have been set by your Bank.

- Monitoring of consolidated Prudential Exposures and Group Risk components is also being done regularly.

- A quarterly analysis of risk-based parameters for Credit Risk, Market Risk, Operational Risk and Liquidity Risk, among others, is presented to the Enterprise & Group Risk Management Committee (EGRMC) / Risk Management Committee of the Board (RMCB).

- The Group Internal Capital Adequacy Assessment Process (Group ICAAP) document includes an assessment of identified risks by Group entities, internal controls and mitigation measures, and capital assessment, under normal and stressed conditions. All Group entities where SBI has 20% or more stake and management control, including Nonbanking entities, carry out the ICAAP exercise and a Group ICAAP Policy is in place to ensure uniformity.

6. INFORMATION SECURITY RISK

Information Security risk seeks to establish stringent information security structure to prevent data loss and threats.



Mitigation Measures

■ Your Bank has implemented a robust IT Policy & Information Security Policy. These policies are in line with international best practices. They are reviewed periodically and suitably strengthened to address emerging threats.

■ Regular security drills and employee awareness programmes are conducted to ensure security and increase awareness. Business Continuity Management Systems (BCMS) have been implemented at your Bank's Global IT Centre. SBI is a forerunner in setting up of an in-house Security Operations Centre (SOC) for 24 x 7 monitoring of various attacks and threats on its IT infrastructure.

■ Bank's SOC is one of the largest in the Global Banking sector as it covers all 20,000+ strong network of Bank's offices (Domestic and Foreign) and Associate Banks. The SOC has the following attributes:

■ Capability of handling 60,000 Events Per Second (EPS) which is scalable up to 5 Lakh EPS

■ Visibility over the security threats from within and outside your Bank and improves Incident Reporting and Management.

■ Disaster Recovery Drills are conducted regularly as part of the implementation of the Business Continuity Management System (BCMS). Critical IT Systems of your Bank are compliant with the International BCMS Standard – ISO 22301:2012.

■ The application setups undergo security reviews before launching as also are reviewed periodically.

■ SBI also gives a lot of importance to Awareness campaigns for staff as well as general public. In addition to planning Newspaper advertisements & TV & Radio campaigns, SBI has run focussed citizen awareness campaigns in collaboration with Mumbai Police and Navi Mumbai Police.



Bank organized a citizen awareness campaign in collaboration with Mumbai Police and Navi Mumbai Police

B. INTERNAL CONTROLS

Keeping pace with the rapid digitalisation, your Bank has initiated technology driven intervention in conducting various audits and moving towards automation in your Bank's audit processes. Some key initiatives include the following:

■ Your Bank's Concurrent Audit System has been redesigned incorporating fully automated web based platform SBI eTHIC.

■ Web based Internal Verification Audit has been introduced replacing the manual Circle Audit.

■ Offsite Transaction Monitoring System (OTMS) to monitor exceptions observed in transactions.

■ Web based Loan Review Mechanism to review the sanction process of loans above ₹5 crore and Early Sanction Review (ESR) of loan proposals with exposure of above ₹50 lakh and up to & including ₹5 crore have been introduced.

■ Web based Modular Structure which is flexible, scalable and expandable with enhanced level of automation and more granular risk assessment is being introduced for Risk Focussed Internal Audit from 2016-17.

Your Bank has in-built internal control systems with well-defined responsibilities at each level. It conducts internal audit through its Inspection & Management Audit (I&MA) Department. Audit Committee of the Board (ACB) exercises supervision and control over the functioning of I & MA Department. The inspection system plays an important and critical role in identification, control and management of risks through the internal audit function, which is regarded as one of the most important components of Risk Management Process. Your Bank carries out mainly two streams of audits – Risk Focused Internal Audit (RFIA) and Management Audit, covering different facets of Internal Audit requirement. Your Bank's accounting units are subjected to RFIA. Your Bank's Management Audit covers administrative offices and examines policies and procedures, besides quality of execution thereof.

Besides, the department conducts Credit Audit, Information Systems Audit (Centralised IT establishments & Branches), Home Office Audit (audit of foreign offices), Internal Verification Audit, Audit of Outsourced Activities of your Bank and Expenditure Audit (at administrative offices) and also oversee policy and implementation of Concurrent Audit (domestic and foreign offices). To verify the level of rectification of irregularities by branches, audit of compliance at select branches is also undertaken. During the period FY2016, I & MA has audited 9,888 domestic branches/BPR entities under the Risk Focused Internal Audit.

Risk Focused Internal Audit (RFIA)

I&MA Department undertakes a critical review of the entire operations of audited units through RFIA, an adjunct to Risk Based Supervision as per RBI directives. The domestic branches have been broadly segregated into three groups (Group I, II & III) on the basis of business profile and risk exposures. While audit of Group I branches is administrated by the Central Audit Unit (CAU) headed by a General Manager, audit of branches in Group II and III category and Business Process Re-engineering (BPR) entities are conducted by 13 Zonal Inspection Offices, each of which is headed by a General Manager.

FEMA Audit

FEMA Audit which is being done as part of RFIA has been made a separate audit.

Management Audit

Management Audit encompasses Corporate Centre establishments / Circle Local Head Offices / Apex Training Institutions, Associate Banks and Regional Rural Banks (RRB) sponsored by your Bank. To enhance the effectiveness of Management Audit, periodicity has been reduced to once in two years. 50 establishments / administrative offices were audited under Management Audit During the period FY2016.

Credit Audit

Credit Audit aims at achieving continuous improvement in the quality of Commercial Credit portfolio of your Bank through critically examining individual large commercial loans with

exposures of ₹10 crore and above annually. The Credit Audit System also provides feedback to the business unit by way of warning signals about the quality of advance portfolio in the unit and suggests remedial measures. During the period FY2016, During the period FY2016 8,879 accounts were subjected to on-site Credit Audit.

Loan Review Mechanism (LRM)

Audit in high value credit area also has an off-site review mechanism (Loan Review Mechanism) of all the pre-sanction and sanction process of individual advances above ₹5 crore within 6 months of sanction / enhancement / renewal.

Early Sanction Review (ESR)

Early Sanction Review [ESR] has been introduced in audit system since September, 2014 to review sanctions of more than ₹50 lakh up to ₹5 crore. The objectives of ESR are:

- To capture the critical risks in the proposals sanctioned, at an early stage and apprise the Controllers of such risks for mitigation thereof at the earliest.
- Improve the quality of pre-sanction process / sanctions in respect of exposures falling in this category.
- Improve the quality of sourcing of loan proposals.
- During the period up to 31st March, 2016, a total number of 9650 accounts were reviewed under ESR.

Information System Audit (IS Audit)

All Branches are being subjected to Information System (IS) Audit to assess



the IT related risks as part of RFIA of the branch. IS Audit of centralised IT establishments is carried out by a team of qualified officials/ outside experts. During the period FY2016, IS audits of 99 centralised IT establishments were completed.

Foreign Offices Audit – Home Office Audit

During the period FY2016, Home Office Audit was carried out at 3 branches, Management Audit at 9 Representative offices / Country Head Offices and 4 Subsidiaries / Joint Ventures.

Concurrent Audit System

Concurrent Audit System is essentially a control process, integral to the establishment of sound internal accounting functions, effective controls and overseeing of operations on a continuous basis. Concurrent Audit System is reviewed on an on-going basis in accordance with RBI directives, so as to cover your Bank's Advances and other risk exposures as prescribed by the regulatory authority. I&MA department prescribes the processes, guidelines and formats for the conduct of concurrent audit at branches and BPR entities. Concurrent Audit System has been revamped, along with the introduction of a web-based solution, with external auditors appointed as Concurrent Auditors (External Chartered Accountant Firms).

Internal Verification Audit

Internal Verification Audit, which was a delegated audit till last year, has been taken over by I&MA to make it more effective. It covers low value credit areas, and is conducted between two RFIA's. This enables auditee unit to be

better prepared for the RFIA. During the period FY2016, 9,094 units were audited by the Internal Verification Audit Department.

Off-Site Transaction Monitoring System (OTMS)

Off-Site Transaction Monitoring System (OTMS), a web based solution, has been introduced to capture deviations and take corrective actions. Exception data is being generated by Data Warehouse (DW), based on certain business rules. At Present, 14 types of exceptions are being monitored and flagged to the branches for verification by them.

Legal Audit

Legal Audit was rolled out in all the Business Verticals in June, 2014 to cover all loan and Mortgage related documents pertaining to accounts with aggregate exposure of ₹5 crore and above. As on 31st March, 2016, Legal Audit was commenced in 8696 eligible accounts and has been completed in 7997 cases.

Audit of Outsourced Activities

Bank has outsourced 56 groups of activities to approximately 6014 vendors. I&MA has a policy approved by the Audit Committee of the Board and audit has been completed in 37 entities covering 12 activities. A full fledged outsourced audit department headed by a General Manager is being set up to oversee the audit of outsourced activities of your Bank.

4. OFFICIAL LANGUAGE

Your Bank is committed to the implementation of different provisions of the Annual Programme formulated by the Government of India. We continued our efforts to use Hindi and other Indian languages in your Bank. Some of the highlights are given below:

New Website of OL Dept. launched

A new website of Rajbhasha Dept. has been developed by our bank's Rajbhasha & System officers. This website is launched by our Chairman recently through video conferencing during All India Rajbhasha Adhikari Vaarshik Sammelan held at SBIRD, Hyderabad.

'Sugam Marathi' etc. books published

In the changed scenario Government of India is expecting from us that we shall make our staff conversant with the regional language also so that they can interact with the local people in their language and have a better understanding of their needs and achieve better results. Keeping in view, this need our Rajbhasha Dept has brought out following publications:

1. 'Aaiyey Seekhein' (To learn Bangla through Hindi)
2. 'Sugam Marathi' (To learn Marathi through Hindi)
3. 'Hamara Raasta Grahak ka Raasta, Hamari Bhasha Grahak ki Bhasha' (To learn Tamil through Hindi)
4. 'Chalo Seekhein Gujarati' (To learn Gujarati through Hindi)

Other Circles have also been instructed to bring out similar books to learn

DIRECTORS' REPORT

Telugu, Oriya, Assamese, Punjabi and Kannada through Hindi.

Thought of the day in Hindi

A new initiative has been taken during the year to present a thought in Hindi on Public Address System every day at 11 A.M. in your Bank.

Hindi Sentence Formation

Competition for Non-Hindi knowing staff

During the year we have introduced a bi-monthly sentence formation competition in Hindi for other than Hindi knowing staff.

Web application for online submission of Quarterly Progress Report

A new application has been developed and implemented by our own System and Rajbhasha Officers for online submission of the quarterly progress report.

Renowned Lyricist Neeraj & Late Poet Nida Fazli Felicitated

September month celebrated as Rajbhasha Month in Region 'A' & 'B' and a Rajbhasha week from 7th to 14th September 2015 celebrated in Region 'C' i.e. other than Hindi Speaking areas. Renowned Hindi poet Dr. Gopal Das Neeraj and renowned Hindi-Urdu poet Late Shri Nida Fazli felicitated on the eve of Hindi day at Corporate Centre of your Bank.

All India online Hindi Quiz

From this year, we have started an All India online Hindi Quiz in the Rajbhasha Month with different elimination rounds. More than 11,000 staff members from all over your Bank participated with lot of enthusiasm.

World Hindi Day

As a responsible Corporate, all offices of your Bank abroad celebrated 11th January 2016 (10th January 2016 being a holiday) as World Hindi Day. The objective of this day is to create a conducive environment for progressive use of Hindi there and also to encourage and motivate our staff members to use Hindi in their day to day work according to the target set in the Annual Programme. Among the highlights participation of foreign nationals is a very encouraging sign for the propagation of Hindi in those countries. Many foreign staff members won prizes in the competitions held on this day.

RBI Banking Terminology Committee Meeting

A meeting of the standing committee set up under the aegis of Reserve Bank of India to ensure uniformity in banking terminology in the banking industry was hosted by us at our Corporate Centre at Mumbai on 28th and 29th January 2016. The meeting concluded with finalization of 737 Hindi equivalents of banking terms. On this occasion a demonstration of online banking glossary portal of RBI was also made. In the opening session booklet published by your Bank named 'Aaiyey Seekhein' (Bangla through Hindi) presented to the Chief Guest and other participants

Compendium of Customer Information in bilingual

The staff members are required to refer different procedural literature in their day to day working in your Bank. A Compendium of Customer Information in bilingual comprising of policy documents viz. Cheque Collection Policy, Policy on Grievance redressal,

Security Repossession, Depositors Rights, Customers Rights, The Code of Bank's Commitment to Customers and detection and impounding of Counterfeit Notes etc. brought out during the year.

Publication of 'Banking Briefs' in bilingual

With the objective of bilingualisation of Bank's training material our Staff College brought out a 1040 pages 'Banking Briefs' (A Compendium of Articles Relevant to Bankers). 'Banking Briefs' is freely used by all the Apex Training Institutes and Learning Centres as training hand outs.

'StateBankBuddy' in 13 major Indian languages

Honourable Union Minister for Finance, Corporate Affairs and Information & Broadcasting launched State Bank Buddy the mobile app of your Bank in 13 major Indian languages.

SBI QUICK service launched in Hindi also

During the year your Bank has launched SBI QUICK service in Hindi also. Customer can register himself for SBI QUICK service and after registration SMS Hindi from his/her registered mobile number and enquire about his/her balance in the account and get a Mini statement through SMS in Hindi.

Awards –

- Bank's Quarterly Hindi house journal PRAYAS Adjudged among best magazines by the RBI.
- Aashirwad a literary – social - cultural organization awarded best magazine award to your Bank for its quarterly Hindi house magazine 'Prayas'.
- Shailaja Nair Foundation's In house Communication Excellence Award 2015



honour us for Hindi house magazine 'Prayas'.

- Many of the Town Level Official Language Implementation Committees convened by our Bank were awarded by Honourable Governors of respective states."

5. VIGILANCE MECHANISM

At SBI, there are three aspects to the vigilance function – Preventive, Punitive and Participative. In line with this year's theme "Preventive Vigilance as a tool of Good Governance" and having observed Vigilance Awareness Week from the 26th to 31st October, 2015, Preventive Vigilance is being given more importance as it inculcates a sense of honesty and integrity among its employees and reinforce internal Systems and Procedures to control malafide activities. In this connection, Preventive Vigilance Committee meetings are being held at the branches and at regular quarterly intervals.

The concept of Whistleblower is another effective tool for Preventive Vigilance. There is a well-defined Whistle Blower policy in our Bank, which acts as a deterrent for employees that may be prone to carrying out malicious activities. The Whistleblower is generally an insider, who has near full knowledge of the misdeeds of fellow worker or higher official, can provide evidence against the delinquent employees. We keep the secrecy of the whistleblower and give protection to them so that they continued proving an effective tool against wrongdoings without fear.

Where certain lapses of grave nature are observed, such branches are earmarked for Suo-motu investigations

so that possible fraudulent activities are checked and remedial measures taken. During the FY2015-16, a total of 1459 cases (993 new cases) were taken up for examination, out of which 1049 cases have since been concluded.

6. CORPORATE SOCIAL RESPONSIBILITY

State Bank of India has been a pioneer in the space of Corporate Social Responsibility within the Indian Banking ecosystem. Your Bank believes that it owes a solemn duty to the less fortunate and underprivileged members of the society to make sustainable social change in their lives. Social Responsibility is an integral part of its business and a key aspect of its corporate strategy since 1973. Your Bank has been setting aside 1% of its net profit for CSR initiatives and its CSR initiatives have made a true difference in the lives of millions from underserved communities. Your Bank is committed to the economic and social wellbeing of the socially and economically impoverished.



FY2016 saw the CSR activities of your Bank scale new heights of achievements.

Focus areas of SBI's CSR activities

- Supporting Health
- Supporting Education
- Supporting Persons with Disabilities
- Skill Development and Livelihood Creation
- Environment Protection.

The CSR spend of your Bank for the FY2016 stood at ₹143.92 crore. This is the fourth successive year, where its CSR spend has crossed the milestone of ₹1000 million. The sector wise spend during the FY2016 is as under:

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Exhibit 44: Focus Area wise Spend Amount

No.	Category	Amt. (₹in crore)
1	Healthcare	56.00
2	Education	19.50
3	Skill development	44.66
4	Sanitation	4.04
5	Disability	5.41
6	Environment	4.78
7	Sports	2.21
8	Culture	1.20
9	Natural calamities	2.16
10	Others	1.98
11	R & D Fund	1.98
Total		143.92

Supporting Healthcare: Health and hygiene are critical elements to enhance the quality of life. Healthcare in India is a neglected area. It is still inaccessible to many sections of the society, especially the most vulnerable and depressed section of the society. Lack of affordability, unavailability and lack of awareness are the major reasons for a low healthcare index in India.

The primary focus has always remained to provide the basic infrastructure to ameliorate the conditions of the common man. To deliver quality healthcare to those belonging to underprivileged and economically weaker sections of the society, your Bank has supported large number of hospitals.

Your Bank has donated 18,761 Wheel Chairs & 17,958 Stretcher Trolleys to large number of hospitals across the country. Your Bank has also donated ₹8.24 crore to over 50 charitable organisations for acquiring 57 Ambulances and Medical Vans.

Your Bank has donated ₹24.20 crore to 63 charitable organisations/hospitals for acquiring various medical/surgical equipments. This has improved the capacity and potential of the Hospitals to serve more & more needy patients. Your Bank has supported surgeries for poor and underprivileged section of the society by sponsoring 150 heart surgeries through Rotary Charitable trust Bangalore and Needy heart foundation. Your Bank has also donated ₹98 lakh for supporting the old age homes.

Exhibit 45: Amount (₹ In crore)

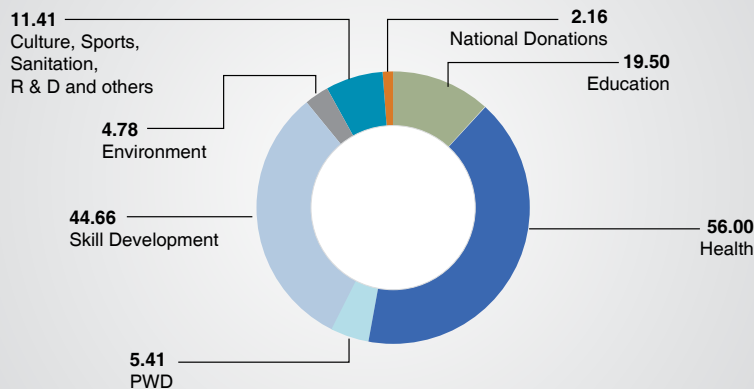
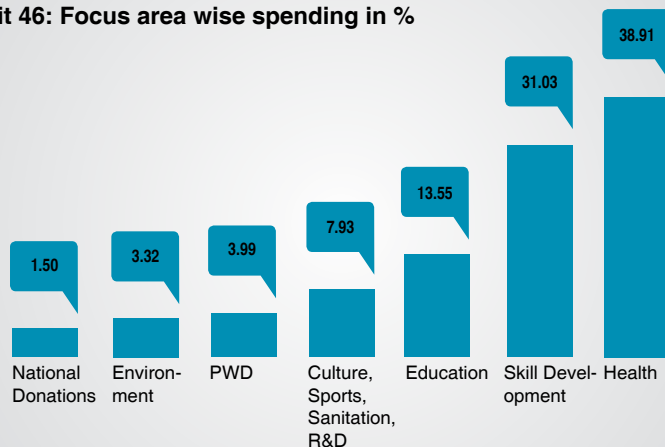


Exhibit 46: Focus area wise spending in %





Women’s Health: Your Bank organised a Community Outreach Programme under the title “Vanita Arogya Sampada” by conducting over 100 FREE health check-up cum awareness camps for women across the country.

It is commonly said “A healthy nation is always a wealthy nation”. Sport is an important part of our national culture. An Amount of ₹2.21 crore was spent for development of sport especially in North eastern region of the country.

Supporting Education: Education plays a vital role in improving the standard of life of an individual and is viewed as an effective tool for bringing social change through community development. State Bank of India always strives to support for education of a weaker social group in remote, unreachable & underdeveloped areas.

Holistic Support: Your Bank spent ₹2.59 crore in holistically supporting for food, shelter and sponsoring the cost of education. Your Bank also spent an amount of ₹3.22 crore on Computers, Equipments, Furniture support for Setting up Science Centres to rural schools; and the printing and distribution of one lakh note books among destitute girl students. Your Bank also donated ₹8.24 crore for acquiring 63 School buses/vehicles to help schools in rural areas to provide easy transportation to underprivileged children.

Rural Self Development Training Institutes (RSETIs): has 116 Rural Self Employment Training Institutes (RSETIs) across the country to mitigate the unemployment and underemployment problem among the youth in the country. This imparts formal

vocational training, hand holding, periodic skill up-gradation, capacity building, sustainable income generation, providing forward and backward credit linkages. The aim of training is to equip the rural youth to get employment or start a profitable micro-enterprise. Your Bank has spent ₹9.60 crore for the construction of 9 RSETI buildings and for providing other infrastructure to 12 RSETIs. The expenditure incurred for conducting skill development programs for youth was ₹28.69 crore at 116 RSETIs of your Bank across the country. Your Bank also donated ₹3.03 crore to reputed NGOs in this field for acquiring various equipment for skill development such as Sewing & knitting machines, buses and vans, computers, laptops, projectors, utility vehicles for welfare activities and also for setting up a call centre training facility for blind girls.



SBI Youth for India Fellowship program: To bridge the widening urban-rural divide and to organize and galvanize the youth, a unique CSR Programme was initiated by your Bank in 2011-12. It entails the urban educated youth to voluntarily get involved in various developmental projects in rural areas. Under the initiative, your Bank partnered with reputed NGOs that are engaged in development work in rural areas, for conceiving and working on innovative projects in which the enrolled youths take part. These youth were supported by a monthly fellowship from your bank. The fellow of the fourth batch are currently working at 23 locations in 12 states.



Shri Rajnish Kumar, Managing Director (NBG) Corporate Centre, Mumbai distributing donation to flood affected schools in Chennai.

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Swachh Bharat: To support the National mission towards mass movement for cleanliness, your Bank has extended its support to the 'Swachh Bharat – Swachh Vidyalaya Abhiyan' initiative. SBI has spent ₹3.90 crore during FY2016 for Construction of over 278 toilets and additional water facilities in rural schools of India.

Support to Persons with Disabilities (PwDs): Your Bank always remain in the forefront for Protection and Promotion of the Rights and Dignity of Persons with Disabilities (PwD). Some specific actions take were:

- An Amount of ₹5.41 crore was donated to reputed NGOs in this field for
- Distribution of artificial limbs, calipers, crutches, wheel chairs among others. to approx.4200 beneficiaries.
- Distribution of tricycles & Hearing aids to disabled women and children
- Community Based Rehabilitation project for mentally /physically challenged persons.

Environment & Sustainability: Environmental sustainability is defined as responsible interaction with the environment to avoid depletion and degradation of natural resources and maintain long term quality of the environment. Your Bank has spent ₹4.78 crore for acquiring, commissioning and maintaining of a number of Solar power plants, Solar lamp, Solar water heater, and Solar street lamps. It has also provided an animal ambulance and set up an operation theatre for injured animals.

Global Warming & Renewable Energy: Your Bank continues to remain committed to issues pertaining to global warming and renewable energy. To this end, your Bank has made significant contribution in several ways, by way of financial support and initiatives in the area of renewable energy, as well as adoption of various measures that reflect the importance attached to environmental concerns and energy conservation. Notable in this regard are installation of Windmill capacity aggregating 15 MW for captive use of clean power by your Bank's branches/offices in Maharashtra, Gujarat and Tamil Nadu, and several other in-house energy efficiency initiatives like switchover to LED lights, installation of star rated ACs, solar powered water heating among others. Other measures include adoption of green building norms, rain water harvesting, management of waste disposal, composting among others. in your Bank's premises. In line with the approach and commitment in the Renewable Energy space, your Bank has endorsed the International Financial Institutions' Statement on Energy Efficiency Finance which was presented at the Climate Change Conference in Paris, in November – December 2015 by the European Bank for Reconstruction & Development. In recognition of the leading role in Renewable Energy financing, your Bank received the Outstanding Performance Award – 2015 from the Government of India”.

National Donations (Assistance during natural calamities): Bank has always been in the forefront to help the

states affected by natural calamities. The following donations were made during the year.

- Chief Minister's Relief Fund of Assam for Assam Flood Relief measures – ₹1.00 crore.
- Chief Minister's Relief Fund of Tamil Nadu for Chennai Flood relief measures - ₹1.16 crore.

Research & Development Fund: Bank had set up a chair at the Asia Research Centre, London School of Economics (LSE) jointly with Reserve Bank of India in the year 2007 under the name “India Observatory & IG Patel Chair”. An amount GBP 200,000 was contributed during the year.

SBI Children's Welfare Fund: Your Bank constituted SBI Children's welfare Fund as a Trust in 1983, which extends grants to Educational Institutions engaged in the welfare of underprivileged children such as orphans and the destitute. The corpus of the fund is made by staff members and matching contribution provided by your Bank. During FY2016 Bank has donated ₹29.52 lakh to various educational institutes.



Awards: Your Bank has won 10 awards for its CSR initiatives during FY2016:

S r . No.	Name of the Award	Category	Award Instituted By
1	National Award for Excellence in CSR & Best Overall Excellence in CSR Sustainability		World HRD Congress
2	National Award for Excellence in CSR & Best Overall Sustainability Performance Sustainability		World HRD Congress
3	Asian Banking, Financial Services & Insurance (BFSI) Excellence Awards	Best CSR Practices	World HRD Congress
4	Asian Banking, Financial Services & Insurance (BFSI) Excellence Awards	Business Sustainability Initiative of the Year	World HRD Congress
5	Lokmat Banking, Financial Services & Insurance (BFSI) Excellence Awards	& Best Bank (Public Sector)	World CSR Day
6	ABP News CSR Leadership Awards	Best CSR Practices to SBI Foundation	World CSR Day
7	10th INDY's Awards	Best CSR Practices to SBI Foundation	Fun & Joy at Work
8	ABP News Banking, Financial Services & Insurance (BFSI) Awards	& Banks with Best CSR Practices to SBI Foundation	World CSR Day
9	Blue Star: Global CSR Excellence & Best CSR Practices Leadership Awards		World CSR Day
10	Golden Globe Tiger Award for Excellence & Best CSR Practices Leadership in CSR		World CSR Day



Shri V.G. Kannan, Managing Director (A&S), Corporate Centre, Mumbai handing over cheque to Hon'ble Chief Minister of Assam Shri Tarun Gogoi.

V. ASSOCIATES & SUBSIDIARIES

INTRODUCTION & PERFORMANCE HIGHLIGHTS

As a part of mission to provide the entire gamut of financial services across India, the State Bank Group, through its various subsidiaries, provides a whole

range of financial services, including Life Insurance, Merchant Banking, Trustee Business, Mutual Funds, Credit Card, Factoring, Security Trading, Pension Fund Management, Custodial Services, General Insurance (Non Life Insurance) and Primary Dealership in the Money Market.

ASSOCIATE BANKS

The five Associate Banks of SBI had a Market share of around 5.30% in deposits and 5.33% in advances as on 31st March, 2016. Associate Banks together have 6,798 branches and 8,964 number of ATMs.

Exhibit 47: The performance highlights of the Associate Banks as on 31.03.2016:

(₹in crore)

S No	Name of the Bank	SBI Share of Ownership Investment	Total Assets %	Agg. Deposits	Total Advances	Op. Profit	Net Profit	CD Ratio	CAR %	Gross NPAs%	Net NPA %	Return on Equity %	
1	State Bank of Bikaner & Jaipur	676.12	75.07	110336	93320	74743	2305.03	850.60	80.09	11.06	4.82	2.75	13.34
2	State Bank of Hyderabad	367.55	100.00	164597	139334	114369	3292.66	1064.93	81.56	11.62	5.75	3.37	10.65
3	State Bank of Mysore	628.63	90.00	82975	70244	55418	1251.53	357.85	78.89	12.43	6.56	4.18	7.92
4	State Bank of Patiala	2459.10	100.00	131036	105806	85941	1827.64	-972.39	81.22	11.50	7.87	3.98	-12.85
5	State Bank of Travancore	885.11	79.09	114507	100473	67004	1798.33	337.73	66.69	11.60	4.78	2.77	6.24

Awards and Accolades

Some key Social Initiatives taken by State Bank of Bikaner & Jaipur during the year include the extending of financial support for constructing 88 toilets for girl students and 78 general toilets in schools across Rajasthan; and extending help to the earthquake affected people of Nepal and the flood affected people in Chennai. The awards won by State Bank of Bikaner & Jaipur during the year include ranking 5th in "Best MID Size Indian Banks" by "Business Today"; Runner Up under "Best MSME Bank Award for Emerging Bank" by Chamber of Indian Micro, Small & Medium Enterprises (CIMSME), awarded by Shri Piyush Goyal, MoS for Power, Coal, New and Renewable Energy, Govt. of India.



Chairman Smt Arundhati Bhattacharya on behalf of SBT donated equipment to Rotary Institute of Children in Need of Special Care, Thiruvananthapuram



The notable awards won by State Bank of Hyderabad during the year include the SKOCH 'order-of-merit' award at the Smart Technology Awards 2015 for the e-payment solution provided to Government of Maharashtra in the Marathwada Region; the 'Drop Folder' utility project award under "Economic Value Add" category at the same event; and the Second Best Public Sector Bank award by the Kerala Bankers Club.

The notable achievements by State Bank of Patiala during the year include reaching 100% coverage of all their villages by engaging 752 Business Correspondents; the opening of more than 12 lakh accounts under the PMJDY scheme, mobilising deposits of ₹161.30 crore from these accounts; the issue of RuPay Debit cards to more than 94% of the accounts opened under the same scheme; and the "Run Against Drugs" across Punjab, Haryana and Chandigarh organised on the occasion of 99th Foundation Day of your Bank.

The notable achievements by State Bank of Travancore during the year include ranking 1st among PSBs on the basis of support given to NHGs in the form of linkage loan in Kerala award given by Kerala State Kudumbasree Mission; Eco-Tech Savvy Bank for Emerging Bank – Winner for "MSME Banking Excellence Awards-2015"; CSR & Business Responsibility Award for Emerging Bank- Winner for "MSME Banking Excellence Awards-2015"; SKOCH Awards for a) Kerala Government e-Tender / e-Procurement, b) Corporate Social Responsibility-Social Circle, c) Rural Self Employment Training Institute and d) OFAC Filtering in Remittances.

Subsidiaries

Exhibit 48: Non Banking Subsidiaries

(₹in crore)

Sr. No	Name of the Subsidiary Company	Ownership (State Bank interest)	% of Ownership	Net Profit (Losses) for FY2016
1	SBI Capital Markets Limited (Consolidated)	58.03	100	278.88
2	SBI DFHI Limited	139.15	63.78 *	72.19
3	SBI Mutual Fund Trustee Company Private Limited	0.10	100	0.33
4	SBI Global Factors Limited	137.79	86.18	0.86
5	SBI Pension Funds Private Limited	18.00	60*	0.51

*Group holding of SBI is 100% in SBI Pension Funds Private Limited (SBI 60%, SBI MF and SBI Capital 20% each) and in SBI DFHI State Bank holding is 72.17% (SBI 63.78%, ABs 5.27% and SBI Capital 3.12%).

Exhibit 49: Non Banking Subsidiaries: Joint Ventures

(₹in crore)

Sr. No	Name of the Subsidiary Company	Ownership (State Bank interest)	% of Ownership	Net Profit (Losses) for FY2016
1	SBI Funds Management Private Limited	31.50	63	165.36
2	SBI Cards & Payment Services Private Limited	471.00	60	283.96
3	SBI Life Insurance Company Limited	740.00	74	861.00
4	SBI-SG Global Securities Services Private Limited	52.00	65	8.66
5	SBI General Insurance Company Limited	150.22	74	(120)
6	GE Capital Business Process Mgt. Services Private Limited	9.44	40	38.52

A. SBI CAPITAL MARKETS LIMITED (SBICAP)

SBICAPs is India's leading investment bank, offering entire bouquet of investment banking and corporate advisory services to varied client base across three product groups – Infrastructure, Equity Capital Markets and Debt Capital Markets. These services include Project Advisory, Loan Syndication, Structured Debt Placement, Mergers & Acquisitions, Private Equity, Restructuring Advisory, Stressed Assets Resolution, IPO, FPO, Rights Issues, Debt and Hybrid Capital raising.

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On a standalone basis, SBICAPs posted a PBT of ₹425.29 crore during the period ended 31st March, 2016 as against ₹507.90 crore during the FY2015 and a PAT of 283.39 crore period ended 31st March, 2016 against ₹338 crore in FY2015.

SBICAPs declared 320% dividend during the period ended 31st March, 2016 against 430% in FY2015.

As a leader in its space, SBICAPs has attained recognition in the form of some of the most prestigious awards in the industry namely,

- Aban Holdings Limited (7) and ONGC Petro Additions Limited (OPaL) (9) listed in the top ten deals in Asia-Pac ex-Japan

- OPaL deal also listed (5) in the top ten Asia-Pac ex-Japan Loans: Largest Deals by Country

- Aircel Group 137.29 billion rupee funding facility deal bagged Telecom deal of the year award by ASSET TRIPLE A ASIA Infrastructure Awards 2015

1. SBICAP Securities Limited (SSL)

SSL, a wholly owned subsidiary of SBI Capital Markets Limited, besides offering equity broking services to retail and institutional clients both in cash as well as in Futures and Options segments, is also engaged in sales and distribution of other financial products like Mutual Funds, Tax Free Bonds, Home Loan, Auto Loan, Tractor Loan, among others.

SSL has over 100 branches and offers Demat, e-broking, e-IPO and e-MF services to both retail and institutional

clients. SSL currently has more than 10 lakh clients. The Company has booked gross revenue of ₹160.82 crore during the period ended 31st March, 2016 as against 114.02 crore in FY2015.

2. SBICAP Ventures Limited (SVL)

SVL is a wholly owned subsidiary of SBI Capital Markets Limited. DFID (Department for International Development) has joined hands with the SBI group to set up the "Neev Fund" which is being managed by SBICAP Ventures Limited. SVL is acting as the Asset Management Company.

The Neev Fund had its Initial close on 10th April, 2015 and current corpus of the Fund is ₹469.39 crore. Funds will be invested in Infrastructure sectors such as renewable energy, water and sanitation, agricultural supply chain in 8 identified states of India (Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan, Uttar Pradesh and West Bengal). SVL has started earning Management Fee.

3. SBICAP (UK) LIMITED (SUL)

SUL is a wholly owned subsidiary of SBI Capital Markets Limited. SUL is positioning itself as a relationship outfit for SBI Capital Markets Limited in UK and Europe. Relationships are being built with FIIs, Financial Institutions, Law Firms, Accounting Firms, etc to market the business products of SBICAP.

4. SBICAP (SINGAPORE) LIMITED (SSGL)

SSGL, is a wholly owned subsidiary of SBI Capital Markets Limited. SSGL commenced business with effect from December 2012. Relationships are being built with FIIs, Financial Institutions, Law Firms, Accounting

Firms, etc. to market the business products of SBICAP. It has been specialising in marketing of Foreign Currency Bonds and securing clients for SBICAP SEC.

5. SBICAP TRUSTEE CO. LIMITED (STCL)

SBICAP Trustee Co Limited (STCL), is a wholly owned subsidiary of SBI Capital Markets Limited. STCL commenced security trustee business with effect from 1st August, 2008. STCL posted Net Profit of ₹13.35 crore during the period ended 31st March, 2016 as against ₹11.16 crore during FY2015. STCL successfully launched an Online Will Creation service for the individuals in the name of 'My Will Service Online'. It also launched its 'Trustee Enterprise Management System' – an integrated system to address all the trustee related operations and thus has become the first and only Trustee Company in India to have full automation across all trustee related operations.

B. SBI DFHI LIMITED (SBI DFHI)

SBI DFHI Limited is one of the largest standalone Primary Dealers (PD) with a pan India presence. As a Primary Dealer (PD) it is mandated to support the book building process in primary auctions and provide depth and liquidity to secondary markets in G-Sec. Besides Government securities, it also deals in money market instruments, non G-Sec debt instruments, etc. As a PD, its business activities are regulated by RBI.



SBI group holds 72.17 % share in the Company. The Company posted Net Profit of ₹72.19 crore in the FY ended 31st March, 2016 as against ₹92.55 crore in FY2015.

The market share of SBI DFHI was 3.46% amongst all market participants and 20.37% amongst Standalone PDs as on 31st March, 2016.

C. SBI CARDS & PAYMENTS SERVICES PRIVATE LIMITED (SBICPSL)

SBICPSL, the stand-alone credit card issuing company in India, is a joint venture between State Bank of India and GE Capital Corporation, wherein SBI holds 60% stake.

SBICPSL is 3rd largest in the industry in terms of Cards in force with 15% market share with a base of 34.68 lakh as at Dec, 2015. The card base has grown by 17% over the last financial year. In terms of spends, the company has moved from 5th to 4th position in the current financial year with ~ 12% market share. The growth in spends continues to be amongst one of the highest in the industry @ 35% vs 26% growth in Industry.

The company is firmly on the path of profitable growth and has been in profits since FY2010-11. In FY2015-16, the company has reported PBT of ₹438 crore at a growth rate of 21% (Excluding one-off accounting adjustments in FY2014-15). Profit after Tax stands at ₹284 crore in FY2015-16 against ₹267 crore in FY2014-15. Lower growth in Profit after Tax is due to one-time deferred tax catch up of

₹54.1 crore in FY2014-15 post wiping out accumulated losses in the year. The company has proposed dividend @ 10% for FY2015-16 vs 5 % in previous year.

In the current year, the company has launched the “Simply Click” Card to tap into the e-commerce focussed younger generation, Co-branded Cards with Federal Bank, Lakshmi Vilas Bank, Capital One and Mumbai Metro.

In terms of new technology, the company has launched Pay-Wave Signature Card based on NFC technology for contactless usage.

SBI Cards received the following awards during the current year:

- ‘Simply CLICK Card’ awarded ‘Best Card Product/Program’ of the year at the Customer Fest Awards 2016 & ‘Best credit Card Program’ by Master Card Innovations awards 2016.

- SBI Card was awarded for its competitive and market leading practices in ‘Talent Management’ by Delhi Management Association in Annual Awards ceremony in 2015

- SBI Card’s learning tool ‘Little Master’ won National IT excellence Award under the category of ‘Leveraging IT for Business Performance’

- SBI Card awarded ‘Best Data Quality’ in NBFC segment for 2015-16 at Eighth Annual Credit Information Conference.

- SBI Card - Flexipay campaign has been selected as an ECHO leader at the 2015 DMA Asia ECHO™ Awards

- SBI Card awarded Most Trusted Brand by Reader’s Digest Trusted Brand Awards 2015

- SBI Card won International Gartner Award for the “Most Innovative Technology Legacy Transformation” for its Card One CRM tool.



Chairman, Smt. Arundhati Bhattacharya and Chief Executive Officer of SBI Card Shri. Vijay Jasuja during launch of Paywave Contactless SBI Card and SBI Intouch Debit Card.

DIRECTORS' REPORT

D. SBI LIFE INSURANCE COMPANY LIMITED (SBILIFE)

SBI Life Insurance Company Limited is a Joint Venture between State Bank of India and BNP Paribas Cardif in which SBI holds 74% stake. SBI Life has a unique multi-distribution model comprising Bancassurance, Retail Agency, Alternate, Group Corporate and Online Channels for distribution of insurance products.

The Company has proven its market leadership again in FY16 with a growth rate higher than the growth of the industry. The company witnessed a 29% growth in New Business Premium (NBP) vis-à-vis the private industry growth of 18%. The market share of SBI Life New Business Premium (NBP) among all private players as on March, 2016 is 17.3% vis-a-vis 15.9% last year. The Company has been ranked No. 1 in New Business Premium among the private industry. Further, the Company has achieved 37% growth in Individual Adjusted Premium Equivalent (APE) vis-a-vis 14% growth for private industry.

SBI Life witnessed a PAT of ₹861 crore in FY2016 against ₹820 crore in FY2015. Assets held as on 31st March, 2016 recorded a Y-o-Y growth of 13% at ₹83,429 crore.

Leveraging wider reach achieved through its network of 774 offices, SBI Life has systematically brought large rural areas under insurance. The company has sold 24% of total policies in this segment in FY2016. A total of 285,027 lives covered by the company are from the underprivileged

social sector. The Company has been substantially exceeding the minimum social and rural regulatory norms.

BNP Paribas Cardif have given their intention for dial-up to increase their stake by 10% by buying the same from SBI. The proposed divestment by SBI has been approved by SBI.

SBI Life has reinforced its outreach initiatives in the realm of child welfare, across different parts of the country, in line with its avowed CSR goals. SBI Life continues to remain focused on contributing towards improving the quality of life of children and engaging communities through healthcare facilities, educational and infrastructural improvement and rural development. The Company has engaged in societal sustainability through its partnership programmes with national and local organisations and has impacted

the lives of more than one lakh children and extended support to over 500 educational institutions and organisations across the nation.

The various awards received are a testimony to SBI Life's quality and commitment towards customer centricity and professional excellence. Awards and recognitions received during the year include:

- Won the 'The Indian Insurance Awards 2015' for under-served Market Penetration, Life Insurance (Large Companies Category).
- Adjudged the Best Life Insurance Company (Private Sector) at the Lokmat BFSI Awards 2015 by World HRD Congress.
- Won 'Marketing Campaign of the Year' award for Excellence in Branding and Marketing at 6th CMO Asia Awards.





- Won TISS Leapvault CLO Award 2015 for Best Program for Sales Enablement.
- Won Knowledge Management Leadership Award 2015 for “Use of Best Training Methods for Knowledge Management at the 14th Asia Pacific HRM Congress.
- Adjudged the ‘Most Trusted Private Life Insurance Brand’ by The Economic Times, Brand Equity and Nielsen Survey 2015 for the fifth consecutive year.
- Won IndIAA Awards 2015 for ‘Best Advertisement’ under the ‘insurance category’.
- Won Brand Excellence Award, 2015 in Life Insurance (Private Sector)’ presented by World Marketing Congress.
- Won the ‘Golden Peacock Award for Risk Management’ for the year 2015.
- Won award in ‘Best HR Technology’ category at ‘Inspiring Work Places Conference 2015’.
- Achieved ‘Gold’ level of recognition in the Aarogya Healthy Workplace Award 2015.
- Adjudged the “The Economic Times Best Corporate Brands 2016”.
- SBI Life won the Prime Time Award 2015 (Bronze) for the Great Dad advertising campaign under the ‘Best Creative Advertising – Single Ad or Campaign’ category in the BFSI sector.
- SBI Life wins ‘Stars Of The Industry Award for Excellence In Life Insurance’
- SBI Life was awarded ‘Golden Peacock National Quality Award’ for the year 2015 at IOD India’s ‘26th World Congress on Leadership For Business Excellence & Innovation’.

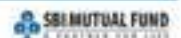
In FY2016, the focus was on designing products that cater to the changing market requirements and regulatory requirements. Based on an analysis of the customer needs and current product portfolio, new segments were identified and the products listed below were launched. Each of them is aimed to address a specific need and to contribute to comprehensiveness of the product portfolio.

E. SBI FUNDS MANAGEMENT PRIVATE LIMITED (SBIFMPL)

SBIFMPL, the Asset Management Company of SBI Mutual Fund, is the 5th largest Fund House in terms of Average “Assets Under Management” and a leading player in the market with over 4.7 million investors. SBIFMPL posted a PAT of ₹165.36 crore in FY2016 as against ₹163.43 crore earned during FY2015. The average “Assets Under Management” (AUM) of the company during the quarter ended March 2016 were ₹1,06,781 crore with a market share of 7.89% as against the average assets under management of ₹72,942 crore with a market share of 6.30% during the quarter ended March, 2015. The Company has a fully owned foreign subsidiary namely SBI Funds Management (International) Private Limited, which is based at Mauritius and manages Off-shore Fund. SBI Funds Management (International) Private Limited is a 100% subsidiary of SBIFMPL.

SBI FMAwards

	■ The Best Fund House in India
	■ The Best Long Term Equity Asset Management House
	■ Runner up for Best Debt fund house
	<ul style="list-style-type: none"> ■ Lipper Award (Best Group Over 3 Years) <ul style="list-style-type: none"> ■ SBI FM has won a Fund Family Award for the mixed asset classes. ■ Lipper Fund Awards <ul style="list-style-type: none"> ■ SBI Magnum Gilt Fund-Long Term-Growth won the Best Bond Award in the 3 years in Bond Indian Rupee – Government ■ SBI Small & Midcap-Growth won the best Equity Award in the 3 years category in Equity India
	<ul style="list-style-type: none"> ■ Morningstar Fund Category Award <ul style="list-style-type: none"> ■ SBI Bluechip is the winner in the Large Cap Category. The award recognizes the fund for strong 3 year and 5 year returns after adjusting for risk, in addition to outperformance of its peers in 1 year.



DIRECTORS' REPORT

F. SBI GLOBAL FACTORS LIMITED (SBIGFL)

SBIGFL is a leading provider of factoring services for domestic and international trade. SBI holds 86.18% share in the Company. Company's services are especially suitable for MSME clients for freeing up resources locked in book debts. By virtue of its membership of Factors Chain International (FCI), the Company is able to ameliorate credit risk from export receivables under the 2 factor model.

The Company has turned around in FY2015-16. Company has achieved PBT of ₹2.53 crore (as compared to loss of ₹59.21 crore last year) and PAT of ₹0.86 crore (as compared to loss of ₹46.23 crore last year). Turnover of the Company crossed ₹2,500 crore during FY2015-16 and was at ₹2,532 crore as compared to last year's turnover of ₹2,226 crore, representing a growth of 13.75%. FIU Level crossed ₹1,000 crore as of 31st March, 2016 and was at ₹1,008 crore as compared to last year level of ₹921 crore, a growth of 9.45%.

Gross NPA level of the Company was brought down to ₹297 crore and Net NPA level to ₹30 crore as on 31.03.2016 against Gross NPA level of ₹363 crore and Net NPA level of ₹91 crore as on 31.03.2015. Net NPA level is below 3% of total FIU as on 31.03.2016. Fresh Slippages during FY2015-16 were contained at ₹3.79 crore against much higher slippages during the last 2 years i.e. ₹85.02 crore in FY2014-15 and ₹108.83 crore in FY2013-14.

Export Factoring Turnover under 2-Factor model went upto EUR 32.80 Mio (INR 238 crore) during FY15-16 as compared to EUR 18.55 Mio (INR 138

crore) during 14-15, a growth of 76.82%. SBIGFL received 2015 Certificate of Recognition for "Best Service Quality Improvement as Export Factor" from Factors Chain International (FCI) in June 2015 at Singapore.

The Company is adequately capitalized with AAA / A1+ ratings from reputed rating agencies for its borrowing programmes.

G. SBI PENSION FUNDS PRIVATE LIMITED (SBIPF)

SBIPF is one of the three Pension Fund Managers (PFM) appointed by Pension Fund Regulatory & Development Authority (PFRDA) for management of Pension Funds under the National Pension System (NPS) for Central Government (except Armed Forces) and State Government employees. SBIPF, a wholly owned subsidiary of the State Bank Group, commenced its operations from April 2008. The total "Assets Under Management" of the company as on 31st March, 2016 were 46,019 crore (YOY growth of 47 %) against 31,407 crore in March 2015.

The Company maintained lead position amongst Pension Fund Managers in terms of AUM in both Government and Private Sectors. The overall AUM market share in Private sector was 69%, while in the Government sector it was 35%. The company maintained its number 1 rank in both Private Sector and Government Sector. The Company was adjudged the "Best Pension Fund House under NPS for the year 2015 by Outlook Money.

H. SBI GENERAL INSURANCE COMPANY LIMITED (SBIGIC)

SBIGIC is a joint venture between State Bank of India and IAG Australia in which SBI holds 74% stake. The company's strong focus is on disciplined pricing and fair and transparent claims management practices. The cornerstone of the company's growth aspiration is focussed on the Banca channel whilst selectively developing other channels and products that meet business objectives and drive profitable growth. The Company has entered in to strategic tie-ups with three large car manufactures to drive growth in the Motor portfolio.

Gross Written Premium (GWP) stood at ₹2039.8 crore in FY2016. The Company recorded 29.4% growth in GWP YOY against an industry growth of 13.8%. Overall market share among all general insurance companies increased from 1.9% to 2.1% and from 4.5% to 5.1% among Private Insurers in FY2016 as compared to FY2015. The Company's market ranking is 13th in the industry and 8th among the private players in FY2016. SBIGIC occupies 2nd position in "Personal Accident" in the industry and private insurers. The company ranks 2nd in "Fire" among private insurers and 6th position in the industry in FY2016. IAG has given their intention for dial-up to increase their stake by 23% by buying the same from SBI. The proposed divestment by SBI has been approved by SBI.



Awards and recognitions include Marketing Initiative of the Year 2015 by India Insurance Awards; and 50 Most Influential Digital Media Professionals 2015 by World Marketing Congress.

I. SBI SG GLOBAL SECURITIES SERVICES PRIVATE LIMITED (SBISG)

SBISG, a joint venture between State Bank of India and Societe Generale, was set up to offer high quality custody and fund administration services to complete the bouquet of financial services on offer by a financial conglomerate. SBISG commenced commercial operations in Custody in May 2010 and Fund Accounting Services in Sept 2010. The Company's Net profits was ₹8.66 crore in FY2016 as against ₹5.69 crore in FY2015.

The Assets Under Custody as on 31st March, 2016 rose to ₹2,20,902 crore as against ₹,69,587 crore as on 31st March, 2015, while the Assets Under Administration were at ₹1,32,152 crore in March 2016 as against ₹79,090 crore in March 2015.

SBI-SG has improved its ranking on the Global Investor Survey in the unweighted category from 3rd to 2nd in the 2016 survey for sub-custodians in India. SBI-SG was adjudged the best sub-custodian for India in the World's Best Sub Custodian Awards by Global Finance Magazine 2015. SBI-SG participated in the Global Custodian survey for sub-custodians in Emerging markets for the first time and was ranked 2nd best for technology and 3rd best for reporting.

J. SBI FOUNDATION (SBIF)

In order to consolidate the CSR activities of your Bank, its associates and subsidiaries and carrying out the same in a structured, planned and an impactful manner, an idea to establish a separate entity in the form of a Section 8 Company was conceived. SBI Foundation has been set up as a 100% subsidiary of State Bank of India as a Section 8 Company under the Companies Act 2013 for carrying out CSR activities for the State Bank Group. While forming the Foundation, it was envisaged that all the SBI Group entities would contribute to the Foundation for carrying out their CSR activities. The Foundation has received necessary approvals from RBI and registration with MoCA for carrying out its activities. It has also recently received registration under section 12A & section 80G of the Income Tax Act, 1961.

The aim of your Bank's CSR philosophy is to make a meaningful and measurable impact in the lives of economically, physically and socially deprived communities. Your Bank also aims to promote initiatives that preserve, restore and enhance environment, ecological balance, and natural resources, and improve sanitation and hygiene. Your Bank recognises the importance of good corporate governance and corporate social responsibility in promoting and strengthening the trust of its stakeholders and community at large. Its mission is to make available resources to the most vulnerable sections of the society directly and through strategic partnerships/collaborations with impact

making entities in the social and development sector to create inclusive sustainable development in the most transparent way.

The foundation will place its focus on the following areas:

- Healthcare & Sanitation
- Education, Livelihood & Skill Development
- Women Empowerment and Care for Senior Citizens
- Sustainability & Environment
- Rural Development

DIRECTORS' REPORT

VI. RESPONSIBILITY STATEMENT

The Board of Directors hereby states:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. that they have selected such accounting policies and applied them consistently and made judgements and estimates as are reasonable and prudent, so as to give a true and fair view of the state of affairs of your Bank as on the 31st March, 2016, and of the profit and loss of Your Bank for the year ended on that date;
- iii. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Banking Regulation Act, 1949 and State Bank of India Act, 1955 for safeguarding the assets of your Bank and preventing and detecting frauds and other irregularities;
- iv. that they have prepared the annual accounts on a going concern basis;
- v. that the internal financial controls had been laid down, to be followed by your Bank and that such internal financial controls are adequate and were operating effectively; and
- vi. that proper system had been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

VII. ACKNOWLEDGEMENTS

During the year, Dr. Rajiv Kumar, Shri Harichandra Bahadur Singh and Shri S.K.Mukherjee retired from the Board w.e.f. 5th August, 23rd September & 3rd October, 2015 respectively, consequent upon completion of their terms. Shri P. Pradeep Kumar, Managing Director - CBG retired on attaining superannuation on 31st October, 2015. Dr. Hasmukh Adhia, retired from the Board w.e.f. 2nd September, 2015 and Ms. Anjuly Chib Duggal, was nominated as Gol Nominee Director in his place w.e.f. 3rd September, 2015.

Shri Rajnish Kumar and Shri P.K.Gupta were appointed as Managing Directors under section 19(b) w.e.f. 26th May and 2nd November, 2015 respectively and Dr. Girish K. Ahuja and Dr.Pushpendra Rai were nominated as Directors under section 19(d) w.e.f. 28th January, 2016 on the Board.

The Directors place on record their appreciation for the contributions made by the respective outgoing Directors, namely, Dr. Rajiv Kumar, Shri Harichandra Bahadur Singh, Shri S.K. Mukherjee, Dr. Hasmukh Adhia and Shri P. Pradeep Kumar to the deliberations of the Board. The Directors welcomed the new Directors Ms. Anjuly Chib Duggal, Shri Rajnish Kumar, Shri P.K. Gupta, Dr. Girish K. Ahuja and Dr.Pushpendra Rai on the Board.

The Directors expressed their gratitude for the guidance and co-operation received from the Government of India, RBI, SEBI, IRDA and other government and regulatory agencies.

Above all, the Directors thank all the valued clients, shareholders, banks and financial institutions, stock exchanges, rating agencies and other stakeholders for their patronage and support, and take this opportunity to express their appreciation for the dedicated and committed team of employees of your Bank.

For and on behalf of the

Central Board of Directors

Chairman

Date: 27th May, 2016



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AND IT'S FASTER THAN
YOU IMAGINED.**

**State Bank Debit
and Credit Contactless Cards.**

Simply wave your Contactless Card at a secure reader, and your transaction is done*. It's fast, easy and incredibly convenient.



Look:
Look out for the contactless symbol during checkout.



Wave:
Just wave your card at a distance of 4 cms from the reader*.



Go:
Wait for the green light or the beep to confirm your payment* and go!

To apply: sbiINTOUCH Contactless Card - visit your State Bank home branch; SBI Signature Contactless Card - SMS WAVE to 5676791.

*A PIN will be required to verify the transaction. For detailed T&Cs - State Bank Debit Card: visit statebankofindia.com / sbico.in or call 18004251800 / 1800112211 (Toll free); SBI Credit Card: visit sbicard.com, SBICPSL, along with its direct affiliates are alone responsible for resolving all disputes and differences in relation to SBI Credit Cards without reference to the State Bank of India. However, State Bank of India along with its direct affiliates are solely responsible for resolving all disputes and differences in relation to State Bank of India without reference to the SBICPSL.