

## I. ECONOMIC BACKDROP AND BANKING ENVIRONMENT

### GLOBAL ECONOMIC SCENARIO

Global growth remained stagnant at 3.1%. On the global level, while the advanced economies' performance eased modestly in 2016 when compared to 2015, the emerging market and developing economies performed somewhat better. The US experienced a lower GDP growth since 2011, thereby, acting as a drag on the overall advanced economies' growth. UK slowed down against the backdrop of weaker net exports. Euro Area as a whole, however, registered a tad higher growth in 2016 when compared to 2015. Meanwhile, higher capital expenditure enabled Russia to come out of recession in Q4 2016, thereby pulling up overall growth of emerging and developing countries (4.1% in 2016).

Despite some headwinds, global economy has been recovering in 2017, with performance improving specifically amongst the advanced countries. Moreover, economic performance of Euro area is also showing an uptick with various indicators, including unemployment rate and factory output reflecting the improving dynamics this year. Activity in Japan has also surprised on the upside with pick-up in industrial output and exports. Though the US GDP growth eased in Q1 2017, the good thing is that a possible fiscal stimulus is expected to provide a push to economic growth.

Among the emerging and developing world, China continues to grow moderately with persistent support from the authorities. However, recently Moody's Investor's Service downgraded China to A1 from Aa3 and changed its outlook to stable from negative. The rating agency attributed this decision to expectations that China's economy-wide leverage would increase further over the coming years, planned reform program would likely slow down, but not prevent the rise in leverage, and sustained policy stimulus would cause rising debt across the economy.

Economic activity in India is expected to recover past the slowdown due to demonetisation.

The global trade slowed down to 2.2% in 2016 owing to sluggish investment and inventory adjustment. However, it is likely to benefit from expected increase in global demand, albeit increasing protectionist policies remain a matter of concern. The overall world GDP is expected to grow by 3.5% in 2017. However, deepening geo-political tensions in the Middle East and North Africa region, faster than expected Fed rate hike and increase in protectionism policies by the advanced economies are the key risks that can put downward pressure on global economic activity.

Another aspect that influences global growth is crude oil price, which has plummeted in recent weeks to go below \$50 per barrel. The sharp fall is driven by the market's deeper worry that OPEC's steps of a production cut may worsen structural imbalances. OPEC and other major producers had been enjoying higher prices since agreeing in November to slash production, a strategy designed to rid global markets of excess supply. Going forward, it is expected that dynamics of crude oil price will be driven by decision of Saudi Arabia and other OPEC members to implement production cut for at least 12-18 months to reduce the inventory glut.

### INDIA'S ECONOMIC SCENARIO

After witnessing demonetisation in FY2017, the Indian economy is going to see another major reform in the form of implementation of GST in FY2018. India's GVA growth, which is expected to expand by 6.7% in FY2017, is set to increase in the range of 7.4% in FY2018 (RBI estimates) due to accelerated pace of remonetisation, stepping up of capital expenditure, boosting of the rural economy, demand for affordable housing, a normal monsoon and roll-out of GST by July 2017.

Indian Meteorological Department (IMD) has forecasted that this year monsoon would be "Normal" or around 96% of Long Period Average (LPA) with an error of  $\pm 5\%$  and with a fair distribution of rainfall across major parts of country. If the forecast holds, it will boost rural demand and also alleviate rural distress.

As a result of very good rainfall during monsoon 2016 and various policy initiatives taken by the Government, the country has witnessed record foodgrain production in FY2017. As per Third Advance Estimates for FY2017, total foodgrain production in the country is estimated at 273.38 million tonnes, which is higher by 8.34 million tonnes than the previous record foodgrain production of 265.04 million tonnes achieved during FY2014 and significantly higher by 21.81 million tonnes than the last year's foodgrain production.

Both Wholesale Price Index (WPI) and Consumer Price Index (CPI) inflation have remained under control throughout FY2017. CPI inflation declined significantly from a high of 9.9% in FY2013 to 4.5% in FY2017. The inflation trajectory will remain in the range of 4-5% for the next 2 years with the possibility of a downward bias, thanks to Government initiatives, adoption of inflation targeting framework by RBI and constitution of MPC.

Based on new base year (2011-12), Index of Industrial Production (IIP) grew by 5.0% in FY2017 compared to 3.4% in FY2016, hence defying the negative impact of demonetisation. The manufacturing sector, which has been the most volatile, grew by 4.9% in FY2017 as against 3.0% growth in FY2016. Mining and Electricity grew by 5.3% and 5.8%, respectively in FY2017.

The year-wise number of investment proposals (greenfield as well as brownfield) on a calendar year basis as depicted under IEMs (Industrial Entrepreneurs Memorandum excluding Direct Industrial Licenses) grew from 1,909 in 2015 to 2,256 in 2016 - a growth of 18%. From January-March 2017 the number of investment proposals was 557 as against 543 in January-March 2016. In value terms, the proposed investments (excluding Direct Industrial Licenses) for calendar year 2016 were ₹4,10,422 crore (₹3,07,357 crore in 2015) - depicting a growth of more than 33%. Key sectors which attracted investments include Electrical Equipment, Transportation, Metallurgical industries, Chemicals (except Fertilisers), Cement and Textiles.



On the external front, the current account deficit (CAD) has been narrowing down progressively from 1.7% of GDP in FY2014 to 1.1% in FY2016 and is expected to improve further. The contraction in the CAD was primarily on account of a lower trade deficit brought about by a larger decline in merchandise imports relative to exports. India's export growth, which was in negative territory in the first half of FY2017, rebounded significantly in the second half and recorded a growth of 27.6% in the last month of FY2017. Imports also indicated a similar trend.

## BANKING ENVIRONMENT

Since the global financial crisis (GFC), leading Asia Pacific Region (APR) banks have outperformed the global banking sector. The region is already witnessing new types of competitors from the rapidly-developing Fintech sector and mega banks rising across the region (the recent SBI merger) enabling banks to operate more easily across borders.

Meanwhile, in FY2017, Indian banks remained in the limelight, initially due to the lingering asset quality issues and thereafter due to demonetisation. In H1 FY2017 for All Scheduled Commercial Banks (ASCB), both deposits and advances growth remained subdued and were moving in the range of 8-11%.

On 08 Nov 2016, Honourable Prime Minister demonetised the high value ₹500 and ₹1,000 notes, which amounted to ₹15.44 lakh crore (86% of the value of the total amount of currency in circulation). The concerted efforts by banks helped the Government to smoothly surpass the 50-days' time period given to deposit/change the demonetised notes. Demonetisation led to increase in deposits of the banks. The fortnightly data of ASCB indicates that aggregate deposits increased by 11.8% in FY2017, after declining in the last three years. Meanwhile, credit off-take (YoY) declined to a 63-year low of 5.1% in FY2017 compared to previous year's growth of 10.9%. The decline in credit is mainly due to low demand for credit from the corporate sector. There has been a shift of loan demand from the better rated entities to the bond market as yields offered in the primary markets have fallen below the base rate for certain maturities. Thus, incremental lending during the financial year has been mostly to the personal loan segment, especially Housing and other personal loans. Interestingly, banks have surpassed the target of ₹1.80 lakh crore of Mudra loans in FY2017 by sanctioning ₹1.81 lakh crore to 3.97 crore accounts. In the

last 2 years, banks have given Mudra loans to 7.46 crore MSME units. Thus, with the thrust of the Government and efforts by banks, Mudra loans now account for around 2% of the ASCB loan portfolio.

In the post demonetisation period (11 November 2016 to 31 March 2017), aggregate deposits have increased by ₹7.4 lakh crore, while credit off take during the same period has increased by ₹5.5 lakh crore. The huge inflow of deposits has pushed the share of CASA deposits in aggregate deposits by around 4 percentage points relative to the pre-demonetisation period. As the limits on withdrawals have been removed, people have started withdrawing their deposited money gradually.

Following the surfeit of liquidity and low credit growth, SBI has taken the lead (and followed by other banks) by slashing the MCLR rate by 90 bps to 8.0% on 01 Jan 2017. Following SBI, a number of public and private sector banks have reduced their MCLR in the range of 10-85 bps.

The process of demonetisation has opened up huge potential for digital channels. There has been a significant jump in transactions in all digital modes of payments like PoS, m-wallets, mobile banking, IMPS and UPI. The debit + credit card transactions at PoS increased to ₹686 billion in March 2017 (with peak reached in December 2016 at ₹892 billion), compared to merely ₹519 billion in October 2016. Also, the number of PoS terminals has increased from 14.0 lakh in April 2016 to 25.3 lakh as of March 2017. Just in a period of 5 months (November-March), Indian banks have been able to set up 10.2 lakh PoS terminals, almost 6,700 PoS terminals per day. The size of digital banking (including credit card + debit card transactions through PoS terminals, transactions through Prepaid Payment Instruments like m-Wallet, PPI cards etc. and mobile banking) has increased to around ₹2,500 billion from ₹950 billion in April 2016, with the lion's share captured by SBI.

State Bank of India has merged its five associate banks and Bharatiya Mahila Bank with itself from 1 Apr 2017. This is the first such large scale consolidation in the Indian Banking industry. With this merger, SBI has entered into the league of top 50 global banks (up from 55th position in 2016, Source: The Banker, July 2016) with a balance sheet size of ₹33 lakh crore, with 24,017 branches and 59,263 ATMs servicing over 42 crore customers. The increased balance sheet size

will enable the bank to command better terms in both international and domestic markets. The added branch network, customer base and staff strength will help it expand reach and enable the bank to rationalise resources and redundancies across the board. The Bank's endeavour will be to optimise costs and maximise revenues through the merger synergies, leading to significant cost savings and reduction in cost-to-income ratio.

Meanwhile, under the Pradhan Mantri Jan Dhan Yojna (PMJDY), banks have opened 28.6 crore of accounts with ₹64,365 crore deposits till 17 May 2017. In FY2017 alone, banks have opened 6.7 crore Jan-Dhan accounts, out of which 2.6 crore accounts were opened in the post demonetisation period. On a positive note, zero balance accounts under PMJDY have been continuously declining from 45% in September 2015 to 24% in March 2017.

Recently, RBI released a discussion paper on a new category of banks - wholesale and long-term finance banks, which will fund large projects. These banks will be focusing primarily on lending to infrastructure sector and small, medium & corporate businesses. They will also mobilise liquidity for banks and financial institutions directly originating priority sector assets, through securitization of such assets and actively dealing in them as market makers.

The stress in asset quality of Indian banks continued to remain elevated in FY2017. Due to a high proportion of 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. However, all possible solutions for resolution of stressed accounts are being worked out by the Government, RBI and the banks. The recent promulgation of the ordinance giving greater powers to RBI is a novel step to tackle the problem of asset quality. The ordinance has a provision under which the Government may authorise RBI to issue directions to any banking company to initiate insolvency in respect of a default under the provision of the Insolvency and Bankruptcy Code, 2016. It also has provisions for empowering the RBI to issue directions to banking companies for resolution of stressed assets. Further, measures like forensic audit in those accounts where there is lack of cooperation, operationalising commercial division of high courts, implementation of bankruptcy code among others are also likely to have a positive impact on the asset quality of banking system.

Meanwhile, Indian banks will need recapitalisation even as asset quality improves over medium term. Empirical evidence suggests that there are definite scale economies in banking when recapitalisation is introduced.

The interesting part is that as per the limited information available in public domain, China had injected \$127 billion into their banking system during 2004-07, while the US Fed injected \$2.27 trillion following the 2008 crisis. In contrast, during the period FY2006-FY2017, cumulative capital infusion into PSBs in India was at \$17 bn.

## OUTLOOK

The year 2017 will be the most crucial in the second decade of the 21st Century. The pressure points such as sluggish improvement in economic conditions worldwide, structural unemployment, underutilisation of capacity, growing digital trades, labour saving technology and geopolitical conflicts have reached a critical mass. Protectionism is on the rise in the US and EU and financial stability will be under stress in the EU. These factors will create a band of uncertainty around the global growth outlook in 2017, which is largely positive. The financial markets may, therefore, witness uncertainty during this year and beyond.

While the political discourse worldwide may indicate a decline in globalisation trends, the growing digital flows have become a new form of globalisation and the appreciation of this fact will take some time to percolate. The expansionary nature of global value chains that marked the liberalised regime in 1990 will now give way to more localised production. It is in this context that India is hoping to revive its growth prospects.

In the coming year, India's economy will have many challenges to surmount. The protectionism of the West may constrain our ability to cater to export markets. The economy's employment generating potential needs a further thrust. Doubling of farm incomes to support the aggregate demand needs to be pursued with full sincerity without hurting financial stability. Critical infrastructure such as internet connectivity, regional air connectivity, rail connectivity, water conservation and port connectivity need push on war footing. National Policy on Standards has waited too long and must be drafted and implemented at the earliest to realise the full potential of 'Make in India'. The implementation of GST, paving the way for a unified national market in goods and services, must reach its logical conclusion during this year. The Government has set a target to construct as many as 12 lakh houses under Pradhan Mantri Awas Yojana (Urban) in FY2018. This scheme was launched in 2015 to ensure housing for all by 2022. However, the Government has to overcome the challenge of land acquisition to successfully achieve this target.

India's growth fundamentals continue to remain intact. Low inflation, good agriculture growth and declining power shortages are indication towards a bright future. Thus, the time is opportune to take a decision on the Second Generation Reforms encompassing vital sectors such as banking, bureaucracy, judiciary and industry. The first generation of reforms has completed 25 years and the law of diminishing returns has now set in preventing a full scale revival. The consolidation in banking with mergers of Associate Banks may set a template for future consolidations. However, this needs to be supplemented with better HR practices to boost productivity, much higher standards of customer servicing and enduring value creation through judicious use of technology.

Overall, both monetary and fiscal policy will be conducive for stable economic growth. Even if the monetary policy is in neutral mode, ample liquidity post demonetisation will keep the interest costs down. Consolidation in the fiscal space will make room for private investment. We do not see any material departure from either the monetary or fiscal policy stance in the current fiscal.



## II. FINANCIAL PERFORMANCE

### ASSETS AND LIABILITIES

The total assets of your Bank have increased by 14.78% from ₹23,57,617.54 crore at the end of March 2016, to ₹27,05,966.30 crore as at the end of March 2017. During the period, the loan portfolio increased by 7.34% from ₹ 14,63,700.42 crore, to ₹15,71,078.38 crore. Investments increased by 33.06% from ₹5,75,651.78 crore to ₹7,65,989.63 crore as at the end of March 2017. 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 13.75% from ₹22,13,343.10 crore as on 31st March 2016 to ₹25,17,680.24 crore as on 31st March 2017. The increase in liabilities was mainly contributed by increase in deposits. The deposits rose by 18.14% and stood at ₹ 20,44,751.39 crore as on 31st March 2017 against ₹17,30,722.44 crore as on 31st March 2016. The borrowings declined marginally by 1.75% from ₹323,344.59 crore at the end of March 2016, to ₹317,693.66 crore as at the end of March 2017.

### NET INTEREST INCOME

Net interest income increased by 8.16% from 57,194.81 crore in FY2016 to 61,859.74 crore in FY2017. Total interest income has increased from ₹163,998.30 crore in FY2016 to ₹1,75,518.24 crore in FY2017 registering a growth of 7.02%, due to increase in Income from resources deployed in domestic treasury operations by 17.04%.

Total interest expenses have increased from ₹106,803.49 crore in FY2016, to ₹1,13,658.50 crore in FY2017. Interest expenses on deposits during FY2017 recorded an increase of 6.81%, compared to the previous year.

### NON INTEREST INCOME AND EXPENSES

Non-interest income increased by 27.35% to ₹35,460.93 crore in FY2017, as against ₹27,845.37 crore in FY2016. During the year, your Bank received an income of ₹ 688.35 crore (₹475.83 crore in the previous year) by way of dividends from Associate Banks/ subsidiaries and joint ventures in India and abroad, and ₹10,749.62 crore (₹5,168.80 crore in the previous year) by way of profit on sale of investments under all categories viz HFT, AFS and HTM, a whopping jump of 107.97%.

Cost to Income ratio improved by 138 basis points from 49.13% in FY2016 to 47.75% in FY2017 mainly because of control in staff expenses and higher growth in other income.

### OPERATING PROFIT

Your Bank registered a robust growth of 17.55% in Operating Profit in the current financial year. The Operating Profit of your Bank for FY2017 was at ₹50,847.90 crore as compared to ₹43,257.81 crore in FY2016. Your Bank posted a Net Profit of ₹ 10,484.10 crore for FY2017, as compared to ₹ 9,950.65 crore in FY2016, i.e. an increase of 5.36% even after higher provisioning requirements on NPAs.

### PROVISIONS & CONTINGENCIES

#### Major provisions made in FY2017 were as under:

₹32,246.69 crore for non-performing assets (as against ₹26,984.14 crore in FY2016), ₹2,499.64 crore towards Standard Assets (as against ₹2,157.55 crore in FY2016), ₹4,371.06 crore towards Provision for Tax (as against ₹3,823.41 crore in FY2016). An amount of ₹298.39 crore was provided for depreciation on Investments (as against ₹149.56 crore in FY2016).

### RESERVE & SURPLUS

An amount of ₹3,145.23 crore (as against ₹2,985.20 crore in FY2016) has been transferred to Statutory Reserves. An amount of ₹1,493.39 crore (as against ₹345.27 crore in FY2016) has been transferred to Capital Reserves. An amount of ₹3,740.14 crore (as against ₹4,267.35 crore in FY2016) has been transferred to Revenue and other Reserves which includes a transfer of ₹309.59 crore from revaluation reserve to General Reserve.

### REVALUATION OF FIXED ASSETS

The your bank has revalued immovable properties based on the reports obtained from the external independent valuers. The revaluation surplus was credited to revaluation reserve as on June 30, 2016 and the closing balance of revaluation reserve as at March 31, 2017, (net of amount

transferred to General Reserve), is ₹ 31,585.65 Crore. In terms of RBI circular No.DBR No.BP. BC.83/21.06.201/2015-16 dated 01.03.2016 on Basel III capital regulations, the revaluation reserves have been reckoned as CET I Capital at a discount of 55%.

### PROGRESS ON IMPLEMENTATION OF IND AS

"The Ministry of Corporate Affairs (MCA), Government of India has notified the Indian Accounting Standards (Ind AS) which are converged version of International Financial Reporting Standards (IFRS). Subsequently, RBI has issued a road map for implementation of Ind AS for Banks in India for accounting periods beginning from April 1, 2018, with comparatives for the periods ending March 31, 2018.

To monitor the progress and provide necessary guidance in implementation of Ind AS, your Bank has formed a Steering Committee headed by Managing Director (Compliance & Risk). Towards implementation of Ind AS, following measures have been initiated by your bank :

- Diagnostic analysis.
- Developing a model for computation of Expected Credit Loss (ECL).
- Policy changes.
- IT system changes including preparation of financials.
- Training to credit officials.



### III. CORE OPERATIONS

#### NATIONAL BANKING GROUP

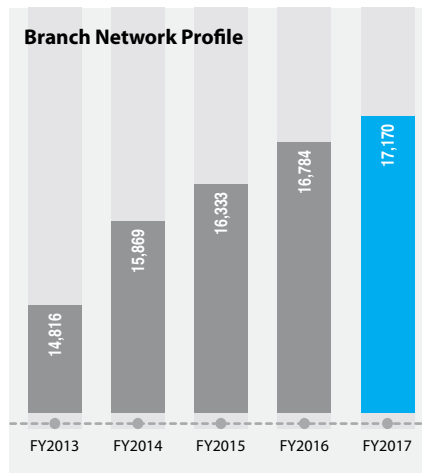
National Banking Group (NBG) is the largest business vertical of your Bank, anchoring 96.13% of total Domestic Deposits, and 53.56% of total Domestic Advances, as of 31st March 2017. The Group comprises of six strategic business units, and is the largest in terms of its Branch Network and Human Resources.

A steady stream of technology-driven innovations and changing customer preferences are transforming the retail banking landscape. Your Bank, through the launch of several innovative products and solutions geared towards enhancing the consumer experience, has been at the forefront of leveraging new technology in the banking system. Your Bank has a multi-channel delivery model, which allows to offer their customers the choice to carry out transactions through any channel, at any time, and at any place. All these initiatives have revamped the Bank’s process and tools, making it easier for the customers to conduct business. Your Bank also strives to anticipate the future needs of customers and deliver those expectations through technology-based solutions. In FY2017, your Bank increased its offerings across various channels – digital, mobile, internet, social media, in addition to physical branches.

Retail Banking is playing an increasing role in customer acquisition, and CASA growth on the liabilities side. Your Bank has continued to see strong momentum in the addition 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 and

to form a much larger proportion of total advances. To this end, your Bank Constantly endeavours to come up with customer centric products and processes in Retail, using technology to deliver a better customer experience. Your Bank has launched the concept of “SBI DIGITAL VILLAGE” to convert certain identified villages into a cashless eco system. 21 villages were launched on 1st July 2016 across the country under the scheme.

In line with the Government of India’s initiatives, your Bank has laid considerable emphasis on extending credit facilities to eligible units under different variants of the MUDRA scheme, and achieved 102% of targets set for the year 2016-17.



#### A. PERSONAL BANKING

Retail banking, the most visible face of banking for the general public and hence it has always been a focus area for your Bank. Customer service has always been the top priority of your Bank, and it strives to offer the best practices in terms of product offerings, technology, and customer service across its retail segment. Your Bank has successfully sailed through the demonetisation period and received a number of accolades from you all for its services.

Your Bank offers a wide range of services in the Personal Banking Segment as mentioned below.

##### 1. Home Loans

State Bank of India has the largest Home Loan portfolio in the Banking Sector and market share of over 25% as on 31st March 2017 amongst All Scheduled Commercial Banks (ASCBs). Home Loan portfolio constituted 17.35% of Whole Bank Advances as on 31st March 2017.

- Home Loan portfolio increased from ₹ 1,19,467 crore in March 2013 to ₹ 2,22,605 crore in March 2017 which has almost doubled in the last 5 years. Total Home Loan and Home Related Loan portfolio as on 31st March 2017 stood at ₹2,37,664 crore. The Bank has won the prestigious “Best Home Loan” Provider award from CNBC Awaaz during the year. The last time the Bank won this award was in 2008.



SBI Home Loans was awarded as the “Best Home Loan Provider” at the 11th CNBC Awaaz Real Estate Awards.



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CONDITIONS APPLY

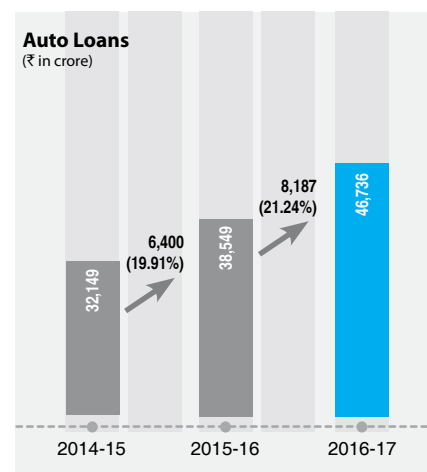
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During FY2017, several initiatives were taken by your Bank to give an additional thrust to its Home Loan portfolio. Some of the important initiatives in this regard are as under:-

- The Bank launched the following 6 new Home Loan Products :
  - ▶ SBI Privilege : Dedicated Home Loan customised for Govt Employees.
  - ▶ SBI Shaurya : A special home loan for Defence Personnel.
  - ▶ SBI Hamara Ghar : Exclusive Home Loan for Affordable Housing having a fixed interest rate for 2 years.
- ▶ Home Loan for Non Salaried Segment : Customized Home Loan for the non-salaried class having a risk based pricing mechanism.
- ▶ SBI Bridge Loan: Personal Loan for customers planning to upgrade their existing property.
- ▶ SBI Insta Top Up : An instant paperless e top up loan.
- Griha Tara 2 Home Loan Campaign: After the initial success of Griha Tara launched in the FY2016, the concept was taken forward. Around 60,000 staff members participated mobilizing business to the tune of ₹ 30,000 crore.

- Seal the Deal Campaign with Magicbricks.com : SBI Home Loans & Magicbricks.com partnered to have an online property festival which was a first in the industry only for SBI Approved Projects.
- Online Property Festival with Snapdeal.com: Snapdeal.com is the only e-commerce company in India to market real estate. SBI HL partnered with them to run an online property festival for real estate.
- MOU with CREDAI: CREDAI is the largest Real Estate Developers Association in the country. SBI Home Loans entered into an MOU with CREDAI to conduct joint marketing / CSR activities and build a strong bond with the builder fraternity.

## 2. Auto Loans



Your Bank's Car Loan Product, which is also available online, offers the best to customers in terms of competitive interest rates, finance on 'On-Road price', maximum repayment period of 7 years, no prepayment/foreclosure penalty, no advance EMI and an option for an overdraft facility. During the year, the Auto Loans portfolio achieved growth of 21.24% against a 9% growth, registered by the auto sales market. Your Bank has also provided a digital platform Online Customer Acquisition Solution (OCAS) to customers, enabling them to easily apply for a Car Loan online. Your Bank has introduced an "Assured Car Loan" scheme for eligible borrowers including Senior Citizens.

Your Bank has engaged SBI Caps Securities Ltd (SSL) as its Corporate Agency for sourcing Auto Loan products. This has resulted in an increased presence at dealership points, leading to the higher sourcing of proposals.

### 3. Education Loans (EL)

As on 31st March 2017, your Bank extended education loans (ELs) to 4,62,018 students, with a total loan outstanding of ₹ 15,755 crore. Out of the total loan outstanding, ELs of ₹ 13,796 crore are under Priority Sector. Your Bank introduced an EL Take Over Scheme, and modified SBI Global Ed-Vantage by adding some more student friendly features.

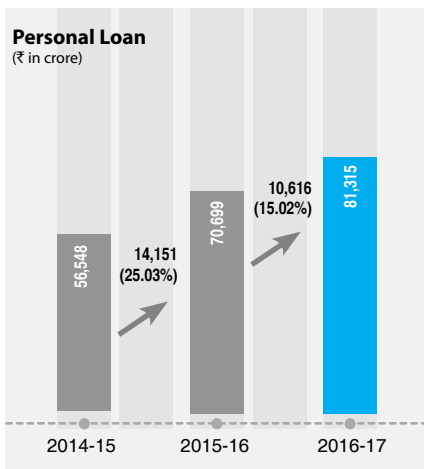
### 4. Personal Loans

Continuing the journey of introducing new customer friendly products, your Bank launched following initiatives during the year:

- Xpress Credit for IT Employees. The eligibility criteria for Xpress Credit is amended to widen the customer base.
- Xpress Elite: Unsecured Personal Loan scheme for Senior Officials of Central/State Government and Quasi Government/PSU who may not be maintaining salary account with the Bank.
- Xpress Credit to Non-Permanent Employees: Unsecured Personal loan scheme for employees who maintain salary accounts with the Bank, but are not permanent employees.
- Introduced New Pension Loan Scheme for Coal Mines Provident Fund (CMPF) pensioners.

The personal loans registered a growth of ₹10,616 crore during FY2017(15% Y-o-Y) despite the impact of demonetisation during the November to January period of the financial year.

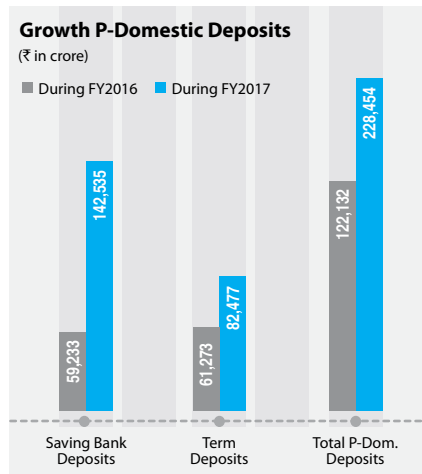
#### Personal Loans Portfolio



### 5. P-Domestic Deposits

The domestic deposit portfolio grew by 21.70% during FY2017. Domestic Savings Bank deposit registered a Y-O-Y growth of 29.90% ( From 13.17% in FY2016) while the Current Account deposits have grown by 36.41% ( From 9.62% in FY2016). The term Deposit portfolio despite declining interest rates has registered a growth of 14.56% during FY2017. Your Bank's market share in deposit also improved to 17.50% in March 2017 from 17.30% in March 2016.

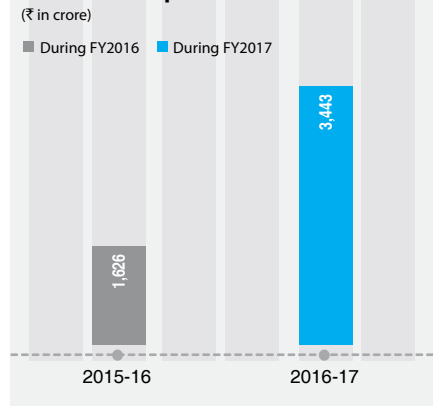
#### Growth in P-Domestic Deposits



Your Bank introduced and further enhanced the following offerings for the customers during FY2017:

- Allowing customers to transfer their Savings Bank A/Cs from one branch to the other branch through INB Channel.
- Enabled submission of Form 15G/15H through INB Channel to avoid deduction of TDS on interest income on fixed deposits.
- SBI QUICK- Missed call and SMS Banking garnered more than one crore registered users and new services such as Providing 6 months e –Statement, Education Loan and Home Loan Interest Certificates and Generation of Green PIN have been added in it.

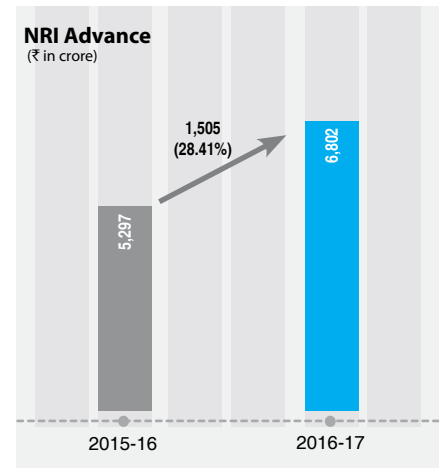
#### Growth in P-Domestic Current A/c Deposits



### 6. NRI Business

As of March 2017 your Bank enjoys a patronage of 17 lakh NRI customers, who in turn take pleasure in being served through our 79 dedicated NRI branches, and 100 NRI intensive branches. The NRI deposit of your Bank stood at ₹1,33,631 crore as at the end of March, 2017.

#### NRI Advances



The customer centric measures introduced for NRIs during FY 2017 are mentioned below:

- Delivery of Internet Banking Login password on registered email address.
- Introduction of Instant ATM / Debit card PIN.
- Mechanism for uploading KYC documents in Online Application Account Opening facility for preliminary KYC.
- Foreign outward remittance by branches through 'Fx-out' activated for NRE SB account at all branches.

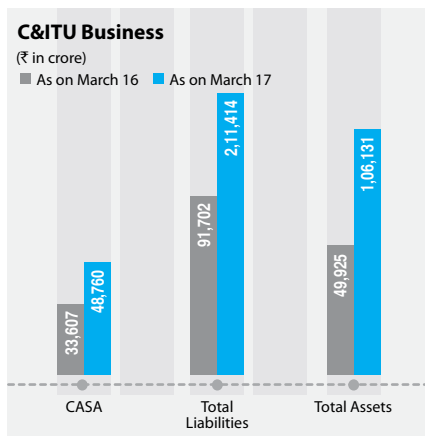


- Forward Contract permitted up to 5 years now in case of Foreign Currency Non Resident (FCNB) premium accounts.
- NRI housing loan leads at select centres now mapped to NRI/NRI intensive branches for faster response.

### 7. Corporate and Institutional Tie-Ups for Salary Packages:

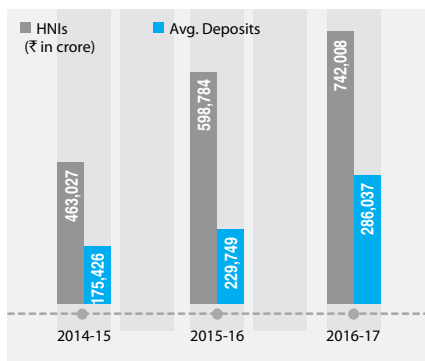
In addition to the Salary Accounts of Defence, Para Military, Railways, Central Government, State Governments, and Police employees/ personnel, employees of the Maharatna, Navratna, and Miniratna Corporates, as well as those of the Public and Private Sector Corporates and MNCs are with your Bank.

The total Salary Account customer base has reached 89.76 lakh as of 31st March 2017 in comparison to 82.04 lakh as on 31st March 2016.



### 8. Premier Banking Services

The number of High Network Worth Individual (HNI) Customers registered an increase of 23.92%. The growth in Deposit from HNI customers stood at 24.50% from ₹ 2,29,749 crore as of 31st March 2016 to ₹ 2,86,037 crore as of 31st March 2017.



As an additional convenience to HNIs, your Bank introduced the following new initiatives during the year:

- **SBI NO QUEUE App:** This App helps HNI customers to get a priority token, reducing their waiting time vis-a-vis other customers. This has been enabled in more than 3,500 branches, and over 50% of HNI customers can avail this facility in their Home & Non-home Branches.
- **A Book on Financial and Retirement Planning for HNIs:** It imparts knowledge about the concepts of financial planning through proper asset allocation, enabling HNIs to manage their portfolio in a better manner.
- **Exclusive HNI desk at Contact Centre:** This serves HNI customers' calls on priority basis.
- **SBI CapGains Plus:** As on 31st March 2017, the deposit base of SBI CapGains plus increased to ₹ 3,905 crore from ₹ 3,031 crore as on 31st March 2016, registering a growth of 29%.
- **'MyWILL Services Online' - Hindi Version:** A value added service that enables individual customers to create a 'Will' online in a hassle free and confidential manner.

### 9. Wealth Management

Your Bank has designed and rolled out 'SBI Exclusif', a unique suite of Wealth Management Services (WMS) for its high-net-worth customers. Wealth Management services are now available at 9 centres across 8 Circles. Three e-Wealth centres are now operational in Delhi, Mumbai and Bengaluru. These centres enable customers to interact with their Relationship Managers through voice/video services, beyond banking hours.



Shri Arun Jaitley, Finance Minister Govt. of India inaugurating 'SBI Exclusif' at New Delhi

The products suite on offer to high-net-worth customers of your Bank is mentioned below:

- Differentiated Wealth Savings Account
- Visa Signature Debit Card
- Mutual Fund Products of 17 AMCs (Online and Offline)
- Distribution of PMS Products (Tie up for distribution of Portfolio Management Service (PMS) with Motilal Oswal and ASK Investments, after proper due diligence).

- SBI Life products
- SBI General products
- Equity (through SSL)
- SBI Elite Signature Credit Card
- Full range of loan products.

Other facilities/ tie-ups to ensure customer delight:

- Tie up with leading service providers for the life style benefits.



- Tie up made with SBICAPS Trustees Ltd for Succession Planning
- Tie up made with Leading Tax Consultants for assistance in taxation matters.
- Your Bank's Wealth Management services are available to customers through:
  - ▶ Traditional Wealth Hubs for customers who prefer face to face interactions with the Relationship Manager.
  - ▶ e-Wealth Centre services with dedicated Relationship Managers, who can be accessed through voice/video services beyond banking hours.
  - ▶ Self Service portal to transact all Mutual Fund Transactions.

As on 31st March 2017, your Bank has on-boarded 3,849 customers with total Assets Under Management (AUM) of ₹ 2,917 crore which includes CASA, Term Deposits, Mutual Funds, Bonds and Portfolio Management Services (PMS).

## 10. Precious Metals

**Sovereign Gold Bonds:** The Government of India introduced Sovereign Gold Bonds in FY2016 with an intention of reducing the demand for physical gold as an investment asset. During FY2017, four tranches were opened for the subscription. Your Bank mobilised an aggregate amount of ₹ 796.82 crore (equivalent to 2,615 kgs of gold) achieving the highest market share amongst all participants.

### Other Initiatives:

- i) Gold Monetisation Scheme: The Gold Monetisation Scheme was announced in FY2016 by the Government for the purpose for mobilising gold held by households and institutions, facilitating its use for productive purposes. Since the launch of the scheme, your Bank started accepting gold under all three types of schemes - Short Term Bank Deposit, Medium Term, and Long Term Government Deposits. With mobilisation of 2,515 kgs of gold during FY2017, your Bank remained at the top of the league table amongst all banks.
- ii) Bullion Transactions: In order to sell gold to its customers, your Bank imports gold bars on a consignment basis. Your Bank earns a fee on such transactions. Your Bank accepts gold deposits and also borrows gold from overseas suppliers for further lending to jewellers.

## B. ANYTIME CHANNELS

As on	ATMs	Kiosks (MFK + SSK)	Cash Deposit Machines (CDMs), Recyclers	Total (SBI)
31st March 2015	42,454	2,595	1,849	46,898
31st March 2016	42,733	1,231	5,760	49,724
31st March 2017	42,222	986	6,980	50,188

### 1. ATMs/ Recyclers

Your Bank, along with its Associate Banks has one of the largest ATM networks in the world with more than 59,000 ATMs including Kiosks, Cash Deposit Machines and Recyclers as on 31st March 2017. During FY2017, your Bank replaced over 3,000+ old ATMs and Recyclers with new improved machines equipped with the latest technology. Your Bank has so far installed 6,400 Recyclers (SBG 7602) to provide 24x7 cash withdrawal and deposit facilities. With respect to population demographics, your Bank has a 50:50 ATM coverage of Metro/Urban and Semi-Urban/Rural areas. Nearly, 78% of the financial transactions of the Bank are routed through

Anytime Channels. With a 28.14% of market share (as per RBI Data), State Bank Group's (SBG) ATM network transacts 54.06% of the country's total ATM transactions (as of February, 2017). On an average, over 1 crore transactions per day are routed through our ATM network. On an average, ₹3,485 crore cash is being dispensed by the Group ATMs on a daily basis.

During demonetisation, your Bank was prompt to reconfigure its ATMs as per RBI directives and SBG ATMs were among the first to dispense new currency notes. The Cash Deposit Machines (CDMs) were also reconfigured to accept old 500/1000 notes till 30th December, 2016.

Over 1,200 e-Corners and 250 hi-tech sbi Intouch Branches have been set up across the country where customers can avail the entire gamut of services from this Channel.

Wherever possible, ramps and/or side railings have been provided to increase accessibility of our branches for differently able and senior customers. As a part of Go-Green Initiative, more ATMs are being equipped with a solar power back-up. ATM user-safety is also a concern, so apart from physical caretaker arrangement, 10,000 ATMs have been brought under 24\*7 Electronic surveillance.

### 2. Swayam: Barcode based Passbook Printing Kiosks

Your Bank rolled out more than 8,900 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. On a monthly basis, more than 3 crore transactions are recorded at these kiosks.

### 3. Green Channel Counter (GCC)

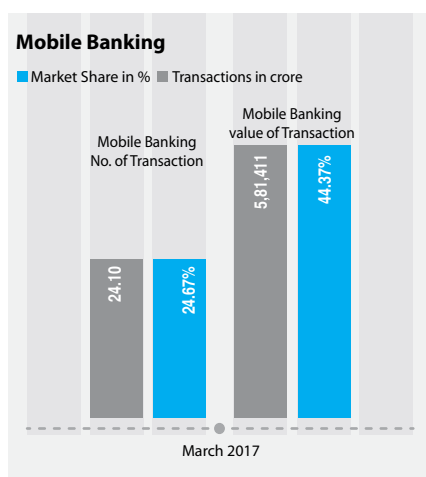
GCC is a POS terminal installed at counters in all retail branches. Transaction through GCC is done by swiping ATM-cum-Debit card followed by PIN validation. The services extended through GCC are cash withdrawal, cash deposit, fund transfer within SBI up to ₹40,000 per transaction. On an average 8.00 lakh transactions are being routed through GCC per day.

### 4. Green Remit Card (GRC)

SBI Green Remit Card initiative won the SKOCH award under Technology Product category in 2015. It is a deposit card for an individual who regularly remits money in a particular account specially the migrant depositors. With an average daily transaction of 1.12 lakh, over 3.19 crore transactions were carried out in FY2017 through GRC.

### 5. Banking on Mobile

Your Bank retained its numero uno position in Mobile Banking space, facilitating more than 40% of the total transaction amount on Mobile Banking platforms in the country.



Your Bank saw astronomical growth in transaction put through on its mobile banking platform during FY2017. The volume of transactions grew by over 56% and value of transactions by 507%.

## 6. State Bank Anywhere App

Your Bank revamped its Mobile Banking App and launched the State Bank Anywhere – Personal in January 2017. This App is an extension of Bank's Internet Banking Services, with the additional option of registering through a debit card. This also incorporates the features of Bank's popular App SBI Freedom.

The online opening and operation of fixed deposits, lock-or-limit your debit card, online nomination, and Inter/Intra Bank Funds Transfer facilities are some of the popular features on the App. The recently added feature of paying through Bharat QR Code is also gaining good traction. State Bank Anywhere (Saraal), and State Bank Anywhere (Corporate), are the mobile banking interfaces for small and large corporates respectively, and have taken banking 'on the go' to the next level for our corporate and government customers. The use of these apps by over 75,000 non-retail customers is a testimony to the increasing acceptance of digital channels.

## 7. Customer Experience Excellence Project (CEEP)

The Customer Experience Excellence Project CEEP has been rolled out at 4,525 branches across the country. These Branches are equipped with Anytime Channel machines as ATM, CDM/ Recycler, SWAYAM for Passbook Printing, Electronic Cheque Drop Box and Internet enabled PCs. An integrated Queue Management system is in place at

these branches to manage the crowds and ensure that the customers are serviced promptly without having to wait in queues at the counters. A Customer Feedback Tab is provided at these branches to enable the customers to give their feedback on the services of the branch. Real time monitoring and Branch choreography are undertaken at these branches to give the customers an excellent service experience.

Your Bank's Mobile App "State Bank No Queue" enables customers to self-generate e-tokens for availing Banking services at CEEP Branches. This App is available on both Android and iOS phones and it helps in reducing waiting time for customers at the branch. It also reduces crowding at a branch as the token is generated before the customer reaches the branch, so customers can skip the queue and avail banking services. As on date, the App has registered more than 10,00,000 (One Million) downloads. The usage of the App is increasing on daily basis. The HNI customers are tagged as Priority Customers at these branches.

Your Bank has also undertaken Customer Service Feedback Survey at select CEEP branches to assess the impact of the CEEP initiative on the quality of customer service. The feedback thus received is being used to improve the customer service and facilities available for the customers.

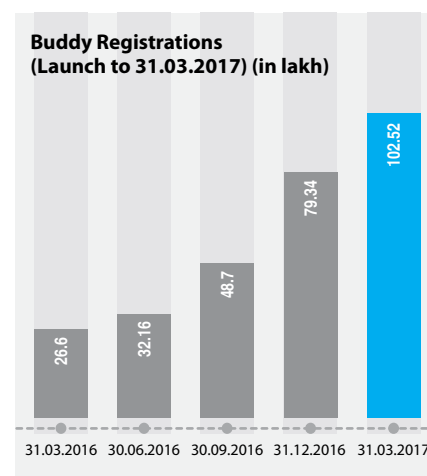
## 8. SBI Pay (UPI)

Launched in November 2016, SBI Pay is an inter-operable mobile-based payment solution, which rides on Unified Payment Interface (UPI) system of NPCI. The app is a payment solution for customers of SBI as well as of other banks. It offers the facility of sending and receiving money based on Virtual Payment Address (VPA) as a unique identifier. Customers having feature phones are encouraged to link their accounts with USSD based UPI option under \*99# facility. The inter-operability and payment through multiple modes (VPA, IFSC and A/c No. or Aadhar No. of the beneficiary) in UPI is expected to broad base the reach of this medium to a large number of customers, over the coming months.

## 9. State Bank Buddy

State Bank Buddy – the Mobile Wallet is another choice of payment-channel given available to the customers and non-customers. Launched in August 2015, the wallet is available in 13 languages. Since launch, Buddy has seen remarkable growth

in user-base, especially post demonetisation. The mobile wallet has reached a user base of 102.52 lakh as on 31st March 2017. Buddy offers its users facilities like Ask/Send Money, Mobile TopUp/ DTH Recharge, Book movie/ bus/flight/train tickets, apart from a host of other services. Buddy marketplace boasts of partnering with some of the biggest and the most popular names in the e-Commerce industry like Shopclues, Yatra, Make myTrip, IRCTC and BookmyShow, among others.



Your Bank's SBI Buddy Merchant allows merchants to accept/collect payments from their customers against sale of goods and services.

## 10. State Bank MobiCash

In order to expand Bank's reach to the rural populace and enable the benefits of digitisation to the masses, your Bank has rolled out an exclusive offering in 'assisted' mode - State Bank MobiCash. The wallet is launched in partnership with BSNL and is also available for basic/feature phone users along with smart phone users.

Mobicash users can approach CSPs (BSNL outlets) for wallet operations or initiate transactions themselves. State Bank Mobicash aims to bridge the gap between the urban and rural market and fulfill aspirations across all sections of our society, thus helping India move towards a cashless society.

All the Mobile Apps of State Bank Group can be viewed and downloaded from 'State Bank App Kart', which is available on both iOS and Android.

## 11. Digital Banking

Your Bank has always sought to provide futuristic technology at fingertips. One step in this direction was setting up the high-tech, one of its kind, banking outlets - sbiINTOUCH. Your Bank has seven sbiINTOUCH premium outlets in Ahmedabad, Bangalore, Chennai, Delhi, Kolkata, and Mumbai; and 250 sbiINTOUCH Branches equipped with state-of-the-art digital technology. These sbiINTOUCH branches cover more than 143 districts across the country.



At the sbiINTOUCH premium outlets/branches, your Bank provides banking services such as the opening of accounts and the printing of personalised debit cards in 15 minutes flat, made possible by revolutionary touch technology. These branches provide the car buyer with assisted decision making by displaying various detail – such as car models, dealer locations, and price variation among models – through the 'Digital Wall'. Your Bank's strategy is to create a 'Phygital' marketplace within these futuristic branches, to offer customers Banking through self-service kiosks and services of other SBI subsidiaries such as Life Insurance, General Insurance, Mutual Funds, Credit Cards, and online trading through SBI Cap Securities. Financial counselling through hi-definition Audio Video conferencing service is provided at outlets, where customers can interact with financial experts.

These 250 sbiINTOUCH branches have crossed the milestone of ₹2,400 crore in terms of aggregate business. Going forward, your Bank is committed to offer banking services through a seamless digital experience at these sbiINTOUCH branches.

## 12. Internet Banking

Your Bank's Net Banking website 'www.onlinesbi.com' is the fifth most visited online

banking site in the world and the only one from India to figure in the Top 5 Global Online Banking Sites (Source: Similar Web). This highly secured and cost-effective channel has enabled over 140 crore transactions during FY 2017, recording 13% growth over the previous year.

Your Bank provides robust and customer friendly Net Banking Platform to its Retail, Corporate and Government customers. The platform is periodically upgraded in line with the evolving consumer needs. Even during the financial year, Bank ensured up-gradation of 'Online SBI' to offer more user friendly interface and new features such as - facility to opt for account statement by email, online seeding of PAN number, register/inquire/cancel nomination, enhanced transaction limits under 'Quick Transfer' facility, and for Mutual Funds transactions by NRI customers, top-up of Buddy wallet through post log-in of Net Banking, and customisation of 'State Bank mCASH' for cashless gifting to friends/relatives on social/festive occasions.

## 13. Digital On-boarding of Merchants

Your Bank has been aggressively promoting e-Commerce and m-Commerce by merchant on-boarding and enabling them to receive payments from their customers/vendors

through the channels of their choice. Your Bank has collection solution for all, be it a large corporate, government entity or an SME client. Your Bank's State Bank Collect, SB-MOPS (Multi-Option Payment Solution), Buddy-Merchant app and the recently introduced UPI payment option are particularly popular with the collecting entities. In order to further strengthen the e-Commerce ecosystem through strategic partnerships, your Bank's digital offerings are upgraded continuously to also cover collections relating to e-Tendering, e-Auction, e-Freight and bulk payments as per the requirements of the partners. During FY2017, your Bank has entered into more than one lakh new merchant tie-ups on digital channels.

## 14. Cross selling

Your Bank is the Corporate Agent of SBI Life Insurance Co. Ltd and SBI General Insurance Co. Ltd. and has Distribution Agreement with SBI Mutual Fund, SBI Cards & Payment Services Pvt. Ltd and SBI Cap Securities Limited for distributing their products. Your Bank also distributes mutual fund 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 branches are authorised for opening pension accounts under National Pension System.

Key highlights of FY2017 are given below:

- (a) Cross Selling income increased from ₹489.04 crore as on 31st March 2016 to ₹776.61 crore as on 31st March 2017, recording a Y-o-Y growth of 58.80%.
- (b) Income from SBI Life increased from ₹ 337.18 crore as on 31st March 2016 to ₹ 464.60 crore as on 31st March 2017, recording a growth of 37.79%.
- (c) Income from SBI General increased from ₹ 73.09 crore as on 31st March 2016 to ₹107.05 crore as on 31st March 2017, recording a growth of 46.46% over the corresponding period of the last year.
- (d) In case of Mutual Funds, income increased from ₹61.91 crore as on 31st March 2016 to ₹ 178.72 crore as on 31st March 2017, recording a growth of 188.67% over the corresponding period of last year. Number of Systematic Investment Plan (SIP) Accounts has grown by 54.16% from 2,40,009 during FY2016 to 3,70,004 during FY2017.



- (e) 1.94 crore Personal Accident Insurance (PAI) policies and 6.72 lakh Health Insurance policies of SBI General were sold in FY2017. Number of Health Insurance policies issued, increased by 37.66% to 6,72,574 and premium increased by 29.25% to ₹137.08 crore over FY2016.
- (f) Income from State Bank Card & Payment Services Private Limited increased from ₹16.52 crore for FY2016 to ₹23.85 crore for FY2017. Over 3.04 lakh credit cards were issued through our branches in FY 2017.

### C. SMALL AND MEDIUM ENTERPRISES

Your Bank is a pioneer and market leader in SME financing. With over one million customers, the SME portfolio of ₹2,25,153 crore (as on 31st March 2017) accounts for nearly 13.83% of your Bank's total advances.

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

- a) Customer Convenience/Reach,
- b) Risk Mitigation,
- c) Technology based digital offerings.

#### a) Customer Convenience/Reach

Your Bank, has the largest number of touch points in terms of number of branches and other modes, reaching out to the public at large.

With a view to maximise its reach to the Small and Micro Enterprises, your Bank modified its existing delivery model – Small & Medium Enterprises Centres (SMEC) – to create Asset Management Teams (AMT), resulting in having an end to end relationship with the customers. The SMECs have also been fortified in terms of staff strength, which has resulted in improvement in service. Over 1,000 officers (Relationship Officer and Customer Support Officer) are deployed to focus on marketing and providing financial services to Small Enterprises across the country.

**Web based loan application and tracking system:** Your Bank is hosting an online loan application and tracking facility for MSME borrowers on the Corporate Website [www.sbi.co.in](http://www.sbi.co.in)

**Launching of a Portal "myloanassocham.com":** To further widen its reach through multiple and sustainable channels, your Bank joined as a lead partner Bank with ASSOCHAM, to launch an online loan application portal, wherein MSMEs can register and apply for loans. They can also upload KYC/Financial documents, after which the application moves to the Bank's nodal officers at various circles for evaluation, processing and sanction.

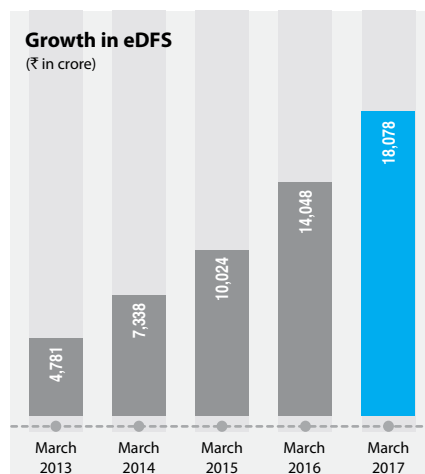
**Participation in Business Conclaves/Summits:** Your Bank has been actively participating in Business Conclaves and Summits to reach out to entrepreneurs and understand their requirements.

#### b) Risk Mitigation

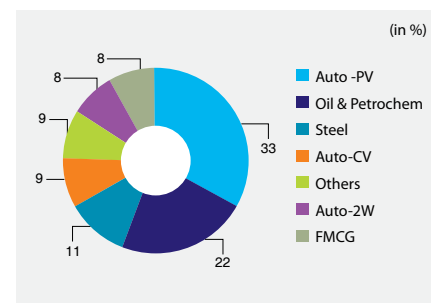
Your Bank has been increasingly shifting focus towards Risk Mitigated Products, which includes Supply Chain finance, Asset Backed Loans, Overdraft against Bank Deposits/ Government Securities, Bills Discounting facility and CGTMSE covered loans, among others. The percentage of this portfolio as on 31st March 2017, is 35.54% of the total SME Advances.

**Supply Chain Finance:** Leveraging the state-of-the-art technology and branch network, your Bank is further strengthening its relationship with the Corporate World and has emerged as a major player in Supply Chain finance.

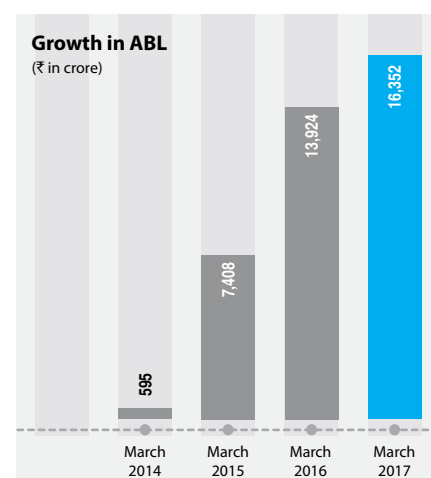
During the fiscal, your Bank entered into 42 new e-DFS (Electronic Dealer Finance Scheme) and 16 new e-VFS (Electronic Vendor Finance Scheme) tie-ups covering 251 Industrial Majors and 17,300 of their dealers and vendors. The number of oil dealers (Petrol Pumps) on e-DFS crossed 10,000 during the last fiscal. There has been 29% y-o-y growth in e-DFS portfolio.



The market segment wise and sector wise diversification of eDFS portfolio is represented in the pie-chart below:



**Asset Backed Loans (ABL):** Loans are sanctioned to businesses backed by the security of tangible collaterals at moderate rates of interest:



**MUDRA Loan:** In line with the initiatives of the Government of India, your Bank has laid considerable emphasis on extending credit facilities to eligible units under different variants of MUDRA scheme and has achieved 102% of its targets for the year FY2017.

**Credit flow to Micro and Small Enterprises under CGTMSE:** Your Bank has been a pioneer in supporting MSMEs and for Micro and Small (MSE) business. Your Bank is extending collateral free lending upto ₹2 crore under guarantee of CGTMSE. The cost of guarantee cover for working capital facilities upto ₹50 lakh is being borne by your Bank. SBI has a portfolio of ₹11,404 crore under CGTMSE as on 31st March 2017.

#### c) Digital offerings

Your Bank is leveraging technology in every aspect of the value proposition in sourcing business, designing products, streamlining process, improving delivery to monitoring.



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

In FY2016, Ecosystem Financing (Project Shikhar) was introduced by your Bank to take advantage of the growing e-commerce footprint in the economy. Your Bank focused on digital banking platform by launching various facilities for SMEs based on technology. Your Bank developed the Credit Risk Model to provide an automated instant sanction of loans under e-tailer financing which is a truly disruptive offering. Under this model, a loan to the seller is given at the click of a button and in-house 'Digital Tool' is being used for instant sanctioning of loans under taxi aggregators.

Apart from this, your Bank is leveraging technology to capture early warning signals and has introduced digital inspection of units.

**Project Vivek**

Your Bank is in the process of revamping its credit underwriting process to move away from the traditional balance sheet based underwriting, and towards revised financial modules - balance sheet augmented by recasted cash flow from multiple sources. It will significantly reduce dependency on the financial statements and the risks related to it.

The new Credit Underwriting Engine will be rolled out across your Bank in the SME segment during FY2018.

**Loan Origination Software (LOS-SME) and Loan Life Cycle Management System (LLMS):** With a view to adopt and follow uniform standards of credit dispensation, ensure quality, and preserve Corporate memory, LOS and LLMS have been introduced for small value and high value loans, respectively.

**Digital Inspection Application (DIA-SME):** This is a Tab and Mobile based application for recording inspection of SME units as a process of digitisation of pre sanction/ post sanction processes of SME units. Your Bank also records collateral security, location of the properties and place of business with photograph and geo-coordinates (date and time) through this Digital application.

**Early Warning Signal Mechanism:** Your Bank has introduced this application in August 2016, for the early detection of the delinquent accounts through the system in

line with the RBI guidelines. EWS for the high value SME accounts of ₹ 1 crore and above were introduced in October 2016 for SME intensive Branches. Accounts with ₹ 50 crore and above are being monitored at frequent intervals to control delinquency and facilitate timely reporting to regulators.



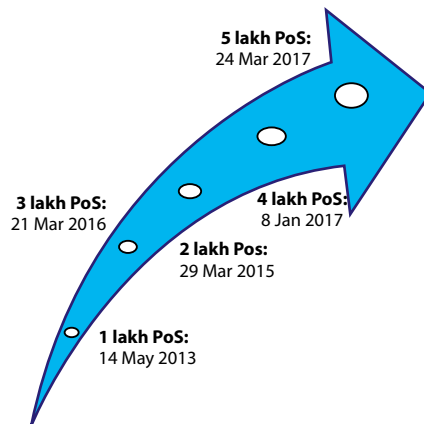
Celebration of 1000 crore Portfolio with Honda Motorcycle and Scooter India

**Introduction of Simplified Rehabilitation Scheme:** A simplified model of rehabilitation for MSME units with credit facilities of less than ₹ 10 crore was launched to cover stressed/sub-standard units. The scheme envisages extension of financial assistance/support to such units on concessionary terms.

**Cards Acceptance Infrastructure (Merchant Acquiring Businesses)**

Your Bank realised the need for doing banking the Smart way early on. In its pursuit as an enduring value creator 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 26 crore State Bank Group Debit Cards as on 31st March 2017, your Bank continues to lead in Debit Card issuance in the country. A concerted effort by your Bank to empower the customers to enjoy 'Anytime Anywhere Banking' through Debit Cards has resulted in improvement in its market share in Debit Cards spends from 26.29% (March, 2016) to 29.23% (March 2017, as per RBI data), which is far ahead of any other bank.





In sync with the focus of Government of India to create a digital economy, your Bank has strengthened its position as top merchant acquiring Bank by installation of 2.06 Lakh Point of Sale (PoS) terminals during FY2017 and thereby taking the numbers to over 5.09 lakh, up by 69% over last year with a market share of 20.16% of PoS terminals.

Your Bank has deployed over 1.55 lakh PoS terminals during a short span of four months post demonetisation.

During FY2017, your Bank has registered a growth of 196% in terms of number of transactions and 157% in value of transactions. Post demonetisation, the Bank took following initiatives to ease out the cash crunch:

- Deployed Mobile Vans for Cash@PoS
- Installed PoS terminals at small merchant locations like vegetable and fruit vendors, milk booths, artisans and others
- Deployed PoS Terminals at Railway Counters/Toll Plazas/ Fuel Outlets/Post-Offices/Hospitals/Important Temples/ Government Departments etc.

With a view to move the base of Debit Cardholders to PoS terminals and e-Commerce websites, awareness campaigns are being run on a regular basis. These measures zoomed the Debit Card spends over PoS and e-Commerce for the State Bank Group to over ₹96,600 crore for the FY 2017, an increase of 124% from the previous year and taking the market share to over 29.23%. 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 the Bank in the top slot in terms of Debit Card spends.

In order to move towards less cash economy, your Bank has launched alternate digital merchant payment acceptance solutions like Bharat QR and Aadhaar Based Payments viz. BHIM-Aadhaar-SBI. In addition to basic acquiring services, the Bank is also providing the Value Added Services like Cash@PoS for cash dispensation to debit card holders, DCC – (Dynamic Currency Conversion) and EMI on PoS terminals.

For FY2018, your Bank has set challenging target to ramp up the Merchant Payment Acceptance Touch Points by deploying additional half a million physical and digital PoS terminals.

## 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 ensuring 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 the emergence of new business opportunities.

Your Bank has always been in the forefront to ensure national priorities. Your Bank surpassed the Agri credit flow target set by Government of India during FY2017, as it has done in the past as depicted in the table below:

Year	Target	Disbursement	% Achievement
FY2014	73,500	74,970	102%
FY2015	84,500	86,193	102%
FY2016	89,781	102,423	114%
FY2017	95,168	1,25,270	132%

### 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 FY2017, your Bank introduced various technology based solutions and products to make farmers' lives easier, while 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 53.64 lakh Kisan Credit Card (KCC) borrowers upto 31st March 2017. 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:** In addition to the products like Asset Backed Agri Loan, and Tatkal Tractor Loan launched in FY2016, your Bank has launched new products for financing Poly House/Net House/ Green House cultivation, financing farmers' receivables and financing for Solar Photovoltaic Water Pumping systems, among others.



A Customer Service Point

3. **Corporate Tie-ups:** In order to make agriculture lending more sustainable and to reduce risks in the portfolio, your Bank is focusing on supply chain finance through strategic 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 FY 2017, 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. Your Bank has also launched the concept of 'SBI Digital Village' to convert the identified villages into cash less eco-system. Your Bank has formally launched this initiative in 21 villages on 1st July, 2016, which have moved on to the digital platform.

### 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, characterised by small value transactions. The BC model, with over 52,340 Customer Service Points (CSPs) across the country, provides various products and services such as savings, term deposits, micro loans, remittances, loan repayments. Micro insurance and Pensions. The BC Channel services are engaged for Aadhaar Seeding and linking Accounts with mobile. 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 8.57 crore accounts up to 31st March 2017 and issued 5.85 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 9.28 crore in FY2016, to 11.73 crore in FY2017. The value of transactions handled through Business Correspondents has increased by 27% from ₹58,217 crore in FY 2016 to ₹73,819 crore in FY2017.

Your Bank has actively participated in SHG-Bank Credit linkage programme since its inception in 1992. As on 31st March 2017, your Bank is the market leader in SHG financing with a credit deployment of ₹6,139 crore to 3.57 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 will eventually help towards developing a cashless society ecosystem, promising great social benefit.

### Regional Rural Banks (RRBs)

Your Bank has sponsored 14 RRBs covering 155 districts in 15 States, with a network of 3,977 branches. Your Bank's investment in equity of 14 RRBs is ₹481.95 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, e-Commerce and Micro ATM, among others, which have been implemented in Public Sector Banks. Under PMJDY, RRBs have opened 81.30 lakh accounts and it is also extending the benefit of Social Security Schemes viz. Prime Minister Suraksha Bima Yojna, Prime Minister Jeevan Jyoti Bima Yojna and Atal Pension Yojna to their customers.

### Empowering Rural Youth

To mitigate unemployment and under employment problem among rural youth in the country, your Bank has set up 116 Rural Self Employment Training Institutes (RSETIs) across the country that are imparting comprehensive, free of cost residential trainings in personality and skill development. In addition 34 RSETIs are sponsored by the Associate Banks. Some of your Bank's RSETIs are located in the geographically and socially challenged areas. These institutes are playing a vital role in providing training and enabling settlement in vocation to unemployed rural youth. RSETIs have conducted 13,681 programmes and trained 3,65,848 candidates of which 2,34,935 trainees have been gainfully settled in vocation/employment since inception.

#### Rural Youth Candidates Trained by RSETIs

Sl. No.	Particulars	Current Year	Cumulative (Since 2011)
1	No of Programmes Conducted	2,833	13,681
2	No of Candidates Trained	76,971	3,65,848
3	Cumulative settlement of candidates	-	2,34,935

### Training for Debt Recovery Agents (DRAs)

To supplement in-house resources for recovery of Bank's dues, your Bank is engaging its BCs/CSPs as Debt Recovery Agents (DRAs) by facilitating them to undergo the mandatory training and qualify in the examination for DRAs. Over 7,800 BCs/CSPs have been imparted DRA training upto FY2017.

### 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 246 Financial Literacy Centres (FLCs). During FY2017, a total of 15,584 financial literacy camps at villages across the country were conducted by these FLCs.





### Financial Literacy Camps conducted (Cumulative)

FY2014	FY2015	FY2016	FY 2017
7,913	28,879	37,734	53,318

## 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, have become 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. Further, Payments Bank and Small Finance Banks have also been launched. The competitive scenario is, therefore, getting intense and changing rapidly.

### 1. 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 40 banks for providing seamless Internet Banking options to the customers. It is uniquely positioned to assimilate the assisted model of Digital Seva Kendras in its system. PayPal has also been added as a new channel in SBlePay for accepting international payments.

With its focus on C2G and B2G, SBlePay is well positioned to support the Government on its cash less and less cash society aspirations.

SBlePay has enabled NTRP (Non Tax Revenue Portal) of Controller General of Accounts, for online receipts of all Central Government ministries. It has also provided its aggregator services to GRAS (Government Receipts and Payments System) of the States of Maharashtra, Rajasthan and is in the process of extending it to Assam, Gujarat, and Puducherry State Governments. Indian Railways eProcurement system (IREPS) has identified SBlePay for their online procurement payments.

SBlePay is proud to be associated with the Government of India's noble initiative of launching a portal called 'Bharat Ke Veer' for contributing to the families of the Martyrs. It continues to provide its services to e-Visa of MEA. It has partnered itself with all the digital initiatives of Delhi Government

PSUs such as HPCL, IOCL and Gail Gas Limited are some of the major PSU clients of SBlePay for LPG refill payments and new connections. It provides services for topping up of the IOCL fleet card. SBlePay is also available for refilling Toll Tags (Fast Tag) under National Electronic Toll Collection project of NCPI. SBlePay aims to be the one stop solution for processing all online Government Receipts and a leading player in C2G and B2G segment.

### 2. Enterprise Wide Loyalty Programme: State Bank Rewardz

In line with our vision statement to keep 'Customer First', your Bank has been the first bank to launch Enterprise Wide Loyalty Program-State Bank Rewardz, to reward its customers for the unstinted trust reposed. Your Bank envisions strengthening its relationship with its customers by recognising their continued faith and long term association with your Bank.

As on 31st March 2017, 24.84 lakh customers have joined the State Bank Rewardz program for availing the benefits of the program, out of which 10.77 lakh have joined during the period April, 2016 - March, 2017.

Now, customers earn reward points for their various transactions like payment through Debit Cards, Internet Banking transactions, usage of Mobile Banking, Personal Banking, Agri Business, Home Loans and Current Accounts. These reward points can be redeemed through multiple 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 and App Store. For enhancing customer experience and for providing improved functionalities, your Bank has revamped the Mobile Application during the year and also introduced iOS version. For providing better convenience to the customers for redemption, the reward points can also be redeemed at select Merchant partner outlets as well. Total Reward Points awarded to the customers during the year stood at 1,307 crore.

### 3. National Electronic Toll Collection - SBI FASTag:

In line with Government's vision to collect the toll electronically at the Toll Plaza across the country, your Bank has rolled out the project of national importance as 'SBI FASTag' in December 2016. SBI FASTag enables the Customers to pay the toll electronically across all the National Highway Toll plazas without stopping their vehicles. Gradually, the State Highway Toll plazas also will join the NETC program. The states of Madhya Pradesh and Maharashtra have joined the program.

Through SBI FASTag, customers can pay their toll electronically and can also top up/recharge their SBI FASTag wallet through various modes like Debit Cards, Credit Cards, Internet Banking and IMPS, among others. The customer also have the access to customer portal through which they can recharge their SBI FASTag online and enquire history of their vehicle.

## 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 70% 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.



**Government Turnover Government Commission**

(₹ in crore)

	FY2016 (As on 31st March)	FY2017 (As on 31st March)
Turnover	40,06,660	45,52,054
Commission	2,095	2,488

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

**State Government Receipt Business:** States with Cyber treasury (CT) facility use e-mode for tax collections and receipts. Your bank is integrated with 32 States/Union Territories who are on CT.

**State Government Payment Business:** Your Bank has provided e-solution to 17 States/ Union Territories who are making payments through e-mode.

**Various e-Initiatives during the year:**

- Centralised Funding cum distributed limits (CFDL): Launched new customised product with dash board for National Highway Authority of India.
- e-Trade facility: It has been provided to Air force, Navy and DRDO and is being operationalised.
- Non Tax Receipt Portal of Government of India (NTRP): Your Bank has been integrated with 'NTRP' for online collection of all non-tax revenue of Government of India.
- Visa on arrival: This facility was enabled for Japanese nationals at 6 centres and e-Tourist visa facility which started last year with 44 countries has been extended to 150 countries. Visa fee is being collected through SBI e-pay.
- Migration of Salary/Vendor payments to e-mode: Migrating Salary/Vendor payments of Rajya Sabha, Railways, State Government of Assam, Manipur and Mizoram to e-platform has brought in more efficiency and standardisation in handling government payments.
- E-Governance in State Governments: Launched 29 e-initiatives for various State Governments.
- Digital Workshops: Digital Workshops were conducted across India, for all States Governments and Central Ministries to facilitate 'Cash less Payments'.

- Direct Benefit Transfer for LPG: Your Bank is the sole banker to process LPG subsidy. During the year, ₹ 14,434 crore were disbursed over 104 crore transactions.
- Other Direct Benefit Transfers: Your Bank has processed 16.76 crore subsidy transactions involving ₹ 54,090 crore during FY2017.
- Pension Payments: Your Bank has been administering pension payment to more than 42.5 lakh pensioners through its 14 CPPCs. During the year, your Bank successfully disbursed arrears of second tranche of OROP and arrears of 7th CPC, among others. The total amount disbursed is more than ₹11,000 crore. Your Bank has added 2.05 lakh new pension accounts during this period and out of the total 42.5 lakh pensioners over 89% of accounts are seeded with Aadhar details.
- Small Savings Schemes: Your Bank services more than 62 lakh PPF and 7.60 lakh Sukanya Samridhhi accounts. It is the highest among all the authorised banks.

**G. EFFICIENCY AND COST CONTROL**

Your Bank's Insurance cell was set up at Corporate Centre for procuring Insurance Policies for your Bank's assets. It is working as per the guidelines of Advance Measurement Approach (AMA) under Basel II norms to reduce the requirement of risk based capital. This has enabled your Bank to achieve improved claim settlement. 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 45 Currency Chests have been closed during FY2017, saving a recurring cost of approximately ₹ 25 crore per annum.

Outsourcing Model of Stationery Management has been rolled out in 8 Circles during the year to reduce costs incurred on hiring of premises, management of storage, obsolescence of stationery items, manpower, and transportation costs. The Project entails centralisation of stationery purchase as well as reduction and rationalisation / standardisation of registers/ forms. Your Bank is in the process of rolling out the Project in all Circles during the FY 2018. Your Bank has also made suitable arrangements for supply of essential stationery items to all the added branches / offices of five Associate Banks (ABs) and Bharatiya Mahila Bank (BMB).

Electronic Data Management System (EDMS) Project, which was introduced during the FY20116 for Digitisation and hassle-free retrieval of Account Opening Forms (AOFs), picked up momentum this year. Your Bank has scanned 12.69 crore AOFs, out of the total stock of 14.84 crore held in LCPCs as on 31st March 2017.

During the year, roll out of Centralisation of Cheque Printing Project was completed, with the objective of improving the security of your Bank's Cheque Printing ecosystem, and reducing establishment cost of LCPCs.

As a result of the above initiatives, your Bank will continue to manage efficiently the increased volume of customer transactions through standardisation, improved skills and economies of scale.

**CORPORATE BANKING GROUP**

The Wholesale Banking business ecosystem at your Bank focuses on servicing corporate customers, through customised financial solutions, and is comprised of several teams focused on specific areas to facilitate specialisation and customised product offerings to your Bank's clients.

**A. CORPORATE BANKING**

The Corporate Accounts Group, provides banking services to large corporates and institutions, including state-owned enterprises. The Corporate Account Group caters to customers with total credit exposure in excess of ₹500 crore. The Corporate Banking Group includes strategic business sub-groups which are mentioned below:



## Corporate Accounts

The Corporate Accounts unit focuses on the Bank's prime corporate clients across India. Each client is assigned a dedicated accounts management team led by a relationship manager to coordinate the client's banking requirements. The Corporate Accounts unit aims to leverage its corporate relationships to grow its fund-based, non-fund-based, and fee-based products.

With the quality of services offered and confidence generated amongst its customers, in the Reader's Digest Trusted Brand survey 2016, your Bank was voted and conferred with Gold Award in the category of Loan. It was also selected as the India's best Bank by Financial Express in September 2016. The total outstanding loans to clients in the Corporate Accounts unit stood at ₹3,29,026 crore and ₹3,38,578 crore in respect of fund-based products, and ₹1,98,933 crore and ₹1,89,599 crore in respect of non-fund-based products as of 31st March 2016 and 31st March 2017 respectively.



Partners to L&T - ONGC MHN Process Platform Complex, Mumbai High

## Ancillary Services

Your Bank offers products and services including corporate cash management, trade finance and other corporate banking services to Corporate Banking Group customers.

### ► Cash Management Product (CMP)

Your Bank provides cash management services to corporate customers under SBI FAST. As on 31st March 2017, customers had access to over 1950 CMP branches across India, with pooling facilities at various branches, connected to the Bank's central processing center in Mumbai. The dedicated teams at CMP centres provides client support, including account reconciliation.

The payment solutions offered by the Bank as a part of corporate cash management make it possible for corporate customers to outsource their accounts payable and have payments processed using electronic and paper products.

CMP provides centralised payment solutions to a number of state governments. As part of the National e-Governance Projects (neGP), the Bank's CMP is also handling Union Ministry Expenditure Accounts for a large number of Pay and Accounts Offices (PAOs) relating to certain accredited Ministries and Departments. In addition, your Bank's CMP also handles e-payment of certain non-civil ministries and departments of the Government including the Ministry of

Defence and the Ministry of Communication and Technology and Railways.

### ► Trade Finance

Trade finance services offered by your Bank include the issuance and advising of domestic and foreign letters of credit, the confirmation of export letters of credit, the issuance of guarantees on behalf of domestic customers in favour of domestic and foreign beneficiaries, and on behalf of foreign correspondent banks to beneficiaries in India, domestic and foreign bill discounting against letter of credit as well as non-letter of credit bills and similar services. These services are also available online on e-trade SBI, a web-based portal which has enhanced efficient access of trade finance services to customers. Your Bank has been awarded the prestigious 'Best Trade Finance Bank' award in March, 2017 by the Global Finance Magazine.

### ► Supply Chain Finance

Supply chain finance services include an IT-driven supply chain financing product, namely the electronic vendor financing schemes and electronic dealer financing scheme. These have been developed in-house. These products are designed to ensure efficient management of working capital cycle and sustained growth of the business partners. As on 31st March 2017, your Bank had approximately 166 Industry Majors, 17,292 Dealers and 7,107 Vendors who migrated to the electronic supply chain financing platforms.

### ► Other Corporate Banking Services

Your Bank offers loan syndication services to Corporate Banking Group customers.

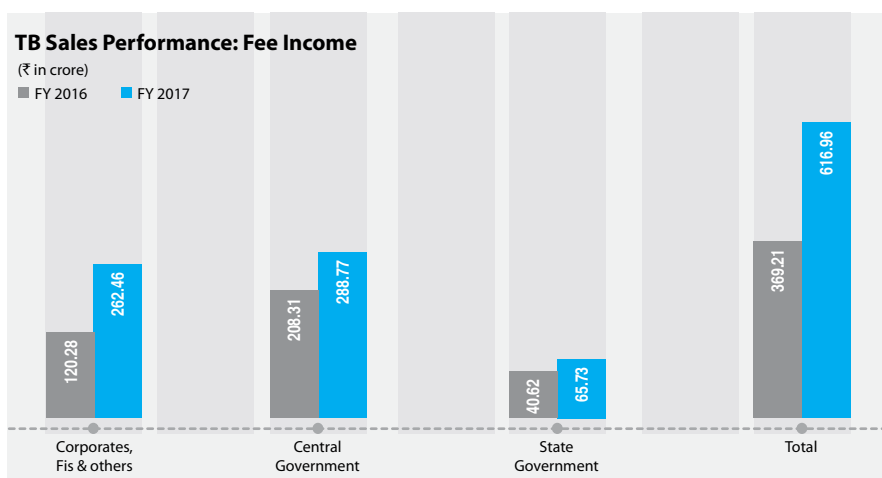
Through its subsidiary, SBI Capital Markets Limited, your Bank has developed significant syndication capabilities, structuring and arranging syndication of large financial transactions. Your Bank seeks to leverage these syndication capabilities to arrange project and corporate finance for its corporate customers and earn fee income. Your Bank also seeks to increase its advisory business with respect to mergers and acquisitions, infrastructure projects, and securitisation. By leveraging the experience of SBI Capital Markets Limited and the extensive customer relationships of the Bank, this strategic association has made a significant contribution to your Bank's ability to cross-sell the products and services of its various business groups and subsidiaries.

## B. TRANSACTION BANKING UNIT

Transaction Banking Unit offers a range of products to Corporates, Government Departments, NBFCs, Insurance Companies, Mutual Funds, SME Clients and others to facilitate their fund management requirements. The core focus of the vertical is to handle and provide solution to the client requirements where bulk payments and receipts are involved. Though Corporate Customers continue to be the main focus area, NBG clients and Government (Central Govt and State Govts) have also emerged as key target segments.

Your Bank upgraded its technological platform and new payment portal was hosted for Corporate Customers and Government Payments. The new payment portal has reduced the processing time considerably, processing transactions on almost real time basis. Your bank has successfully transitioned from manual processing of transactions during FY2017. A Product Development Department has been created to keep abreast with market requirements and ensuring quick response to client's requirements.

TBU Fee income from operations rose from ₹369.21 crore during FY2016 to ₹616.96 crore in FY2017, registering a 67.10% growth.



**NBG Operations of TBU:** Fee Income from NBG clients for Transaction Banking Services, grew from ₹257.29 crore in FY 2016 to ₹258.61 crore in FY2017. Commission income from Government Business was a key driver in TBU's growth. Fee income from this segment grew from ₹248.93 crore in the previous year to ₹354.50 crore in FY2017. Some of the key business development for this business segment has been that the two states of Jharkhand and Meghalaya; and three Union Territories of Andaman & Nicobar, Chandigarh and Daman & Diu, were migrated on TBU platform for payments; and an electronic solution for handling procurement business of Indian Railways has also been offered during this financial year.

**Other Institutional Clients (OIC):** It offers wide range of TBU products to NBFCs, Mutual Funds, Banks, Insurance Companies, Micro Finance Institutions, Brokers and Co-operative Banks. OIC has 127 Institutional Clients as on 31st March 2017 (NBFCs -64,

Insurance Companies -16, Mutual Funds - 17, Banks - 14, Brokers - 11, MFIs - 4 and Aggregators - 1). A product encompassing comprehensive solution for NBFCs is being developed.

**CAG & MCG verticals:** It provides transaction banking solutions consisting wide range of products to Corporates and Mid Corporates. The penetration among CAG clients improved from 39.41% to 61.71% during FY2017 and among MCG clients improved from 15.96% to 24.95% during FY2017. The fee income registered a robust growth and improved from ₹93.31 crore and ₹18.61 crore in the previous year to ₹229.00 crore and ₹29.35 crore respectively for CAG and MCG.

Your Bank was voted as the 'Best Local Cash Management Bank in India' by Large Cap Companies in the Cash Management Poll 2016 conducted by ASIAMONEY.

**Product Development Team:** The TBU is focusing on development, re-designing and re-engineering of products and processes for providing the best customer experience to Government and Corporate Clients.

The team understands the project objectives, specific client requirements, challenges in existing process flows, client's line of activity and level of technology used at client location. According to this assessment, your Bank provides a technology based futuristic solution to clients. The team provides support to all verticals of TBU in acquiring new businesses. It also keeps track on the market developments to keep TBU products and processes updated and ahead of our Competitors.

**Liability & Transaction Products (L&TP):** This has been made part of the Transaction Banking Unit to bring more focus on Current Accounts (CAs). Your Bank is fine-tuning its Liability Schemes on a regular basis, based on the feedback received from operating functionaries and reviews service charges, to have competitive edge in the market. The Department also educates and drives front line staff across your Bank in marketing the various Current Account products.

## C. PROJECT, FINANCE AND LEASING

The project finance environment continued to remain challenging during FY2017 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 and 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.





**Project Finance and Leasing Business Performance** (₹ in crore)

	FY2015	FY2016	FY2017
Project Cost	1,67,551	77,227	83,434
Project Debt	1,12,981	59,094	50,527
Sanctioned Amount	19,718	18,125	26,557
Syndication Amount	8,845	18,082	5,809

Project Finance has sanctioned new capacities in both green field and brown field projects in FY2017 under various sectors.

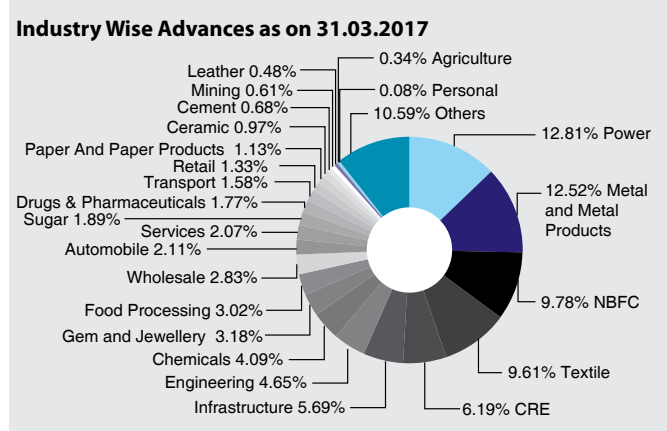
During FY2017, fund based and non-fund based exposure aggregating ₹10,099 crore (₹7,249 crore in FY2016) were disbursed to such projects. Despite the challenges in the sector, there is a marginal increase in credit off take for large projects.

**D. MID CORPORATE BANKING**

Your Bank's Mid Corporate Group (MCG) operates through its 14 Regional Offices across Ahmedabad, Bangalore, Chandigarh, Chennai (2), Hyderabad, Indore, Kolkata (2), Mumbai (2), New Delhi (2) and Pune. MCG has 54 branches as on 31st March 2017 with 21 branches in metro centres and 33 branches in other urban centres.

The forex turnover of the Group improved by 23.75% from ₹ 2,76,231 crore as on 31st March 2016 to ₹ 3,41,837 crore as on 31st March 2017. During the year, MCG has facilitated transformation to digital banking for its customers. Various digital products like CMP (317), PoS (2,073), CINB (534) and Prepaid Cards (1,04,996) have been booked during the year.

The Group continues to partner with its customers in India to expand their activities and provide 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).

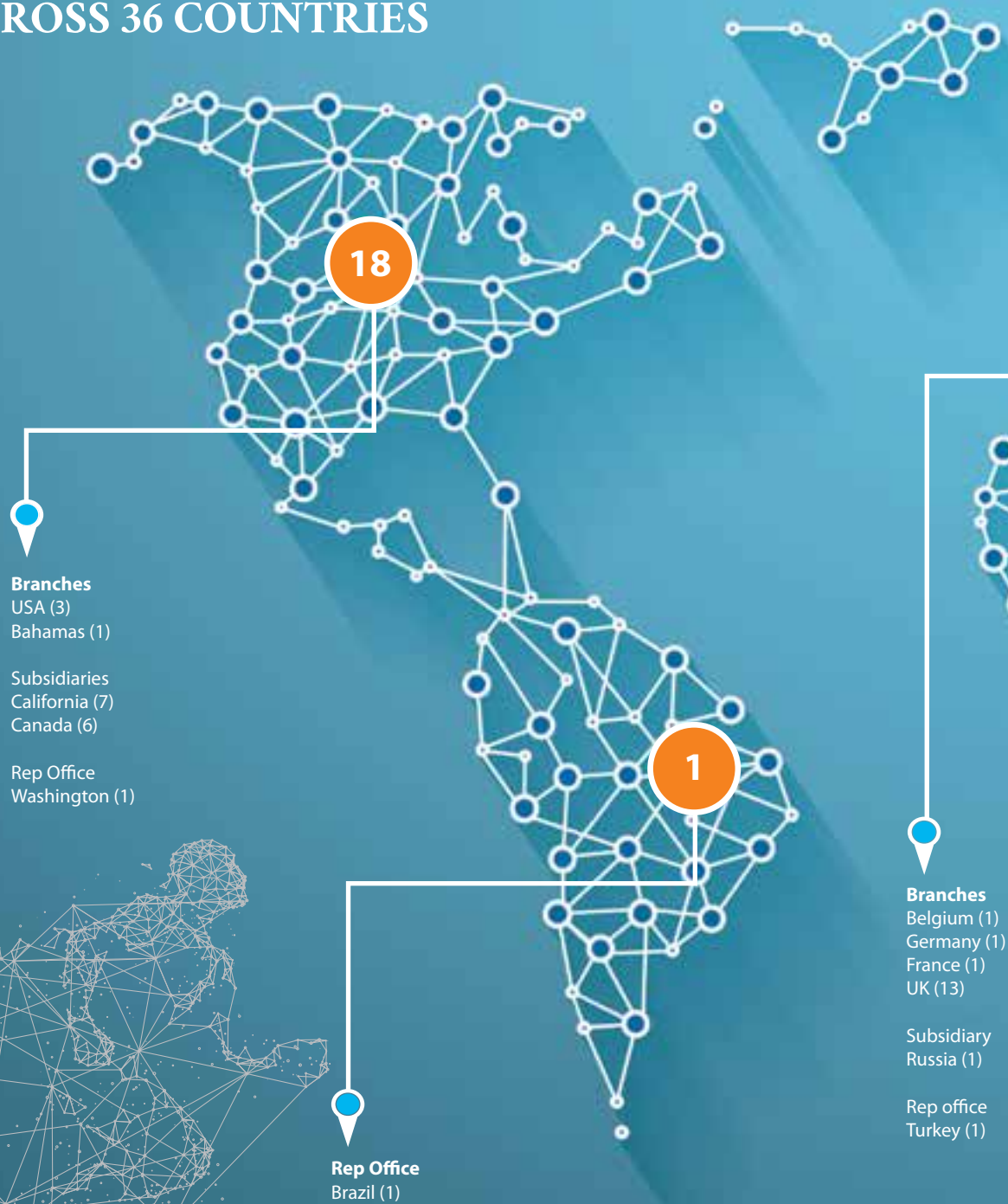


Solar Energy Project Financed by SBI



## E. INTERNATIONAL OPERATIONS

# INTERNATIONAL BANKING NETWORK OF 195 OFFICES ACROSS 36 COUNTRIES





**Branches/Sub Office**

- Maldives (3)
- Sri Lanka (6)
- Bagladesh (13)
- Myanmar (1)
- Singapore (6)
- Hong Kong (2)
- China (2)
- S. Korea (1)
- Japan (2)
- India (1)

**Subsidiary**

- Indonesia (14)
- Nepal (69)
- Bhutan (1)

- Rep Office**  
Philippines (1)

18

122

11

24

1

**Branches/Sub Office**

- Bahrain (3)
- S. Arabia (1)
- Oman (1)
- UAE (2)
- Qatar (1)
- Israel (1)

- Rep Office**  
Iran (1)

- Exchange Co.**  
Oman (1)

**Branches/Sub Office**

- S Africa (7)

- Subsidiary**  
Mauritius (14)  
Botswana (1)

- Investment**  
Nigeria (1)

- Rep Office**  
Egypt (1)

- Branch**  
Australia (1)

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

Your Bank has been the most trusted brand in the banking horizon in India. With its remarkable global presence, your Bank aims to become a truly International Bank.

Your Bank has an overseas presence through 195 foreign offices spread across 36 Countries. These offices are being managed by the International Banking Group of your Bank.

	Overseas Offices as on 31st March 2016	Offices opened during FY2017	Offices closed during FY2017	Overseas Offices as on 31st March 2017
Branches /Sub-Offices / Other Offices	75	4*	5	74
Subsidiaries / JV	(8)	-	-	(8)
Offices of Subsidiaries/JV	113	3	3	113
Representative Offices	7	-	2*	5
Associates / Managed exchange Cos / Investments	3	-	-	3
<b>Total</b>	<b>198</b>	<b>7</b>	<b>10</b>	<b>195</b>

\* The Yangon Representative Office in Myanmar has been upgraded to Branch and status of IVAC, Rajshahi has been changed from on-site to off-site.

During FY2017, your Bank opened two new branches - IBU GIFT City, Gujarat and SBI Yangon, Myanmar (upgraded from Representative Office). Nepal SBI Bank Limited, a subsidiary of SBI has opened three branches. During the same period Rajshahi branch in Bangladesh, Clementi branch in Singapore, Kowloon branch in Hong Kong, Riffa sub-office in Bahrain, Chatsworth sub-office in South Africa, and Representative Office in Milan were closed. SBI California and Mauritius also closed their three branches during the year.

Your Bank is consistently creating value for the investors by giving good returns and profits. The International Banking arm of your Bank has consistently been a major contributor to the profits.

Financial Years	2014	2015	2016
Contribution of Foreign Offices to Net Profit of the Bank (Solo)	21%	24%	42%

The Group has dedicated verticals for 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. The International Banking Group supports your Bank, as well as its major stakeholders, through its various business functions as detailed below:



NFIA MEETING-NETHERLAND

## 1. ECBs & Syndications

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 FY2017.
- APLMA (Asia Pacific Loan Market Association) awarded State Bank of India as Syndicated Loan House of the Year - India
- 9 Syndications aggregating US\$ 735.50 million.
- 17 Bilateral Loans aggregating US\$1396.68 million to Indian corporates on a bilateral basis.

## 2. Overseas Corporate Credit

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

### Highlights

- Introduction with amendments of Enhanced Bidding Power Scheme (EBPS) at major offices for prompt sanction of Syndicated Loans.
- Introduction of Loan Lifecycle Management System (LLMS) across all Foreign Offices for sanction, prompt monitoring and better control and supervision of loan accounts. All Credit committee meetings are now being conducted over LLMS.
- Creation of Korea desk at Mumbai to promote Indo-Korean collaboration.

## 3. Retail & Remittances

Through specialised 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

- Launched Nepal SBI Payment Gateway between India and Nepal.
- Developed Service Package for Nepal Army and Police at Nepal SBI Bank Ltd.
- Implemented facility of remittance to India through ATM at SBI Singapore.
- Launched LOS / LMS for Retail Advances at SBI Singapore.

## 4. Financial Institutions Group

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

### Highlights

- Working towards 'Customer One View', through an IT enabled CRM solution, for managing the Correspondent Relationships with various Financial Institutions. Once implemented the solution will provide a 360 degree view of the engagements with the correspondent banks.
- To bring synergy and efficiency in operations, International Services Branch (ISB) was brought under Global Link Services (GLS) from the administrative control of Mumbai Circle.

## 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 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 synergising Domestic and Foreign offices for maximising returns.

### Highlights

- Trade Finance assets outstanding as on 31st March 2017 was US\$ 16.87 billion, accounting for 38.67% of IBG's Net Customer Credit.

- Non-fund based business done by our Foreign Offices during FY2017 stood at US\$ 7.59 billion.
- New product 'Export Credit Agencies (ECA) / Multilateral Agency (MLA)' backed Bank exposure in trade finance was launched and rolled out in select Foreign Offices.
- Five ECAs were on-boarded and a business of US\$ 101.24 million was booked during the FY 2017.
- SBI has been adjudged as 'The Best Trade Finance Provider 2017' by Global Finance Magazine for the fifth time in a row.
- Eight new Partner Banks were added to the MRPA list and 13 global MRPA's were signed during FY2017. As on 31st March 2017 your Bank has MRPA's with 55 partner banks (36 global MRPA's and 19 standalone MRPA's)

## 6. Global Link Services

Global Link Services (GLS), a specialised outfit, caters to online inward remittances from overseas locations to India, Foreign Currency Cheque collection and facilitates centralised processing of Export Bills collection.

### Highlights

- Tie-up with 31 Exchange Companies and Six Banks for channelising inward remittances from Middle-East Countries to India. GLS is also facilitating online remittance from other geographies through web based Non-Rupee Products viz. SBI Express Remit Canada, SBI Express Remit UK and SBI Express Remit World Wide.
- During FY2017, GLS (on behalf of domestic branches) handled 62,867 Export Bills (in USD and EURO currencies) and 54,255 Foreign Currency Cheque collections aggregating to US\$ 13.97 billion.
- During FY2017, GLS handled 9.87 million online inward remittance transactions amounting to US\$ 5.95 billion received globally.

## 7. International Banking - Domestic

International Banking- Domestic (IBD) department is a single point of contact for all Foreign Offices as well as Correspondent Banks for all matters relating to domestic IB business. IBD is also actively involved in skill

development and product innovation for domestic branches apart from overseeing policy and procedures relating to Trade Finance on domestic front. IBD is also co-ordinating and acting as a liaison with Trade bodies and ICC subgroups for developing Trade Finance Business. It is also monitoring timely submission of RBI/ FEMA related returns. In FY 2017 Centralised Co-ordination Cell- Foreign Bank Guarantee (CCC-FBG) was established for handling all Bank Guarantees backed by Counter Guarantees from Foreign Correspondent Banks/ FOs as one stop contact for co-ordination and administrative approvals.

## 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. Digital Transformation at Foreign Offices/Subsidiaries

As a truly Digital Bank, your Bank has taken a holistic approach towards digital transformation by digitising processes to offer tailor made products.

### A. Digital Transformation Initiatives:

- Multi-country migration to Finacle 10.2 across all foreign offices and foreign subsidiaries, which will support a wide range of APIs (Application Programming Interface).
- Implemented Trade Finance Solution-TI Plus (e-Trade) in all Foreign Offices/ Subsidiaries to enable 24x7 customer online interface for Trade Finance requirements of Corporates.
- Latest e-Banking Application made live for UK operations on pilot basis. The roll-out in all remaining FO's/subsidiaries is expected to be completed by December, 2017.
- Rolled-out predictive tool (Fin Assure) to monitor performance of all critical applications, networks and



infrastructure to dynamically manage unforeseen peak loads.

- Implemented bank-level CRM solution using Big Data Analytics to improve deep understanding of customer needs and behaviour. This also enhances customer stickiness leading to successful retention.
- Development of Exclusive Mobile Application for Remittance to India, Bangladesh, Bhutan, Nepal and Sri Lanka.

### B. Information Security Initiatives:

- Data Loss Prevention (DLP) for Encryption of Data (Customer and Non-Customer).
- Security Operations Centre (SOC) for monitoring and blocking of unauthorised external access to servers and networks.
- Personal Data Protection (PDP) for masking of customer data.
- Vulnerability Assessment and Penetration Testing (VAPT) to prevent hacking, malicious Contents and to secure gaps.
- Privileged Identity Management System (PIMS) to control and monitor internal access in servers and networks.
- Table top exercise for awareness against cyber attacks and post-attack responses.

## F. STRESSED ASSET MANAGEMENT

For the last few years, the entire banking sector has been under stress due to a spurt in the growth of Non-Performing Assets. Rising NPA levels and fresh slippages across sectors can be attributed to the following factors:

- Inadequate pickup in the global economy and negative spill overs from global financial markets.
- Less than adequate pickup in domestic growth and declining exports.
- Cancellation of coal blocks.
- Delay in realisation of receivables due to subdued demand, reduced market confidence, etc.
- Stress in steel sector due to volatility in prices of steel, low capacity utilisation and cheap imports from other countries.

Further imposition of trade barriers by countries and inverted duty structure adversely impacted the sector.

- Stress in power sector due to delayed tariff revisions, issues in environmental clearances and land acquisition, high Aggregate Technical & Commercial (AT&C) losses and poor financial health of DISCOMS.
- Delay in execution of infrastructure projects and related escalation of costs coupled with increase in receivable days and unbilled WIP impacted EBITDA margins, stalled projects, highly leveraged business model and lower than expected equity returns for promoters / sponsors.
- Stress in other major sectors like Textiles, Telecom, Sugar and Aviation, among others.

According to the Financial Stability Report of RBI December 2016, risks to the banking sector remained elevated due to continuous deterioration in asset quality, low profitability and liquidity. Furthermore, results of macro stress tests for credit risk at system, bank group and sectoral levels (to test the resilience of the Indian banking system against macroeconomic shocks) predicts a worrying picture where the PSBs may record the highest GNPA ratio and lowest capital to risk-weighted asset ratio (CRAR) among bank-groups, although the CRAR at the system – as well as bank-group levels – are expected to remain above the regulatory required minimum.

The movement of NPAs and recovery in Written-off accounts during the last 4 years are furnished below:

	(₹ in crore)			
	FY 2014	FY 2015	FY 2016	FY 2017
Gross NPA	61,605	56,725	98,173	1,12,343
Gross NPA%	4.95%	4.25%	6.50%	6.90%
Net NPA%	2.57%	2.12%	3.81%	3.71%
Fresh Slippages + Increase in O/s	41,516	29,444	64,198	43,374
Cash Recoveries/				
Up-gradations	17,924	13,011	6,987	8,634
Write-Offs	13,176	21,313	15,763	20,570
Recoveries in Written-off Accounts	1,543	2,318	2,859	3,477

In line with your Bank's focus on resolution of NPAs, the 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 a strong team and specialised focus, SAMG has turned into a centre of excellence for the NPA resolution effort of the Bank. Besides initiating hard recovery measures, SAMG introduced certain innovative methods which provided first mover advantage to the Bank in areas like arranging Mega e-Auction of large number of properties on Pan-India basis, identification of un-encumbered properties of the borrowers/guarantors and arranging for attachment of properties before judgement.

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 legal constraints, your Bank has approached the concerned authorities at appropriate levels and represented to relevant forums like Gyan Sangam, IBA and others. Government and RBI have responded by enacting new laws, issuing new instructions and amending some of the existing ones, wherever required. Fresh amendments in the RDBFSI Act and SARFAESI Act; and introduction of the Bankruptcy and Insolvency Code, 2016 are likely to bolster your Bank's legal remedies.

In these testing times, when the NPA levels in Banks have risen to unprecedented levels, their management and expeditious resolution has attained significant importance. The Banking sector needs to reorient towards evolving innovative and far reaching solutions to recover NPAs.



Following are some of the initiatives adopted by SAMG in that endeavour:

- Sale of properties under Symbolic possession (SARFAESI Act).
- Encouraging sale of properties through Private Treaty as per recent amendments in the SARFAESI Act.
- Examining engagement of specialised agencies for scouting of buyers for sale of high value properties.
- Engaging services of Multiple Resolution Agents, after failure of first auction, for sale of each property through e-Auction.

Other Measures taken to Control NPAs:

- Involving business correspondents, business facilitators and Self Help Groups in recovery of Agricultural NPAs.
- Arranging Bank Adalat and actively participating in Lok Adalats for recovery.
- 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.
- Introduced E-auction for increased transparency and better price realisation.
- 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.
- Using Resolution Agents to take possession of properties mortgaged to the Bank and arranging for their auction.
- Considering Debt Asset swaps in some cases.
- Engaging investigation agencies to trace out unencumbered assets of promoters and guarantors and obtaining attachment before judgement over these properties.
- Publishing photographs of defaulters in newspapers where warranted.
- 'Mega e-Auction' is organised every quarter of the year. A number of properties were successfully sold across all geographies during the FY 2017.
- Properties available for auctions are also showcased in 'Property Mall', wherein, space is taken in shopping malls of prominent locations, to display pictures/videos of properties being put up for auction.

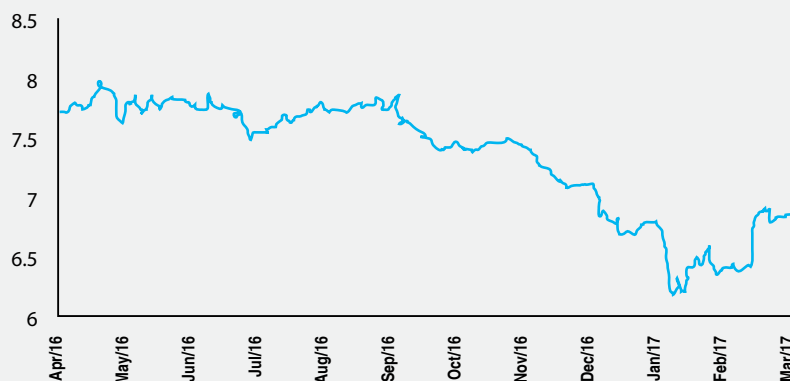
- The web based Assets Tracking & Monitoring (AT@M) software is adopted to enable all stakeholders to have a common view to monitor and track assets. It covers monitoring of SMA as well as sub-standard accounts in PER, SME and AGL accounts. An SMS is sent to all customers at Risk Grade I level followed by further reminders by way of an SMS.
- Assets Tracking Centres at circle level track and monitor probable NPA accounts (SMAs) in SME and Agriculture segments, by making calls on the customers and follow up for recovery.

## TREASURY OPERATIONS

Your Bank's treasury has recorded another year of strong growth. A 114% increase in profit from sale of investments was recorded, despite a high base of an 85% and 44% increase in the previous two fiscal years. A 31% increase in profit from foreign exchange and derivative transactions was also achieved during FY2017, helping your Bank increase its income from treasury operations by 94% on a Y-o-Y basis.

Your Bank's Global Markets Group is responsible for managing the Bank's SLR portfolio, as well as liquidity management which includes maintenance of CRR and HQLAs for Liquidity Coverage Ratio (LCR). The year saw yields fall sharply as RBI continued to ease policy rates and Government demonetisation move brought in significant liquidity into the banking system. Policy repo rate fell from 6.75% to 6.25% during the year, with RBI also moving to a neutral liquidity stance. The Benchmark 10 year yield which was trading at 7.46% on 31st March 2016, fell to a low of 6.19% in November 2016 (on closing basis) before ending the year at 6.68% as RBI MPC changed its stance from accommodative to neutral.

10 Years G-Sec Yield

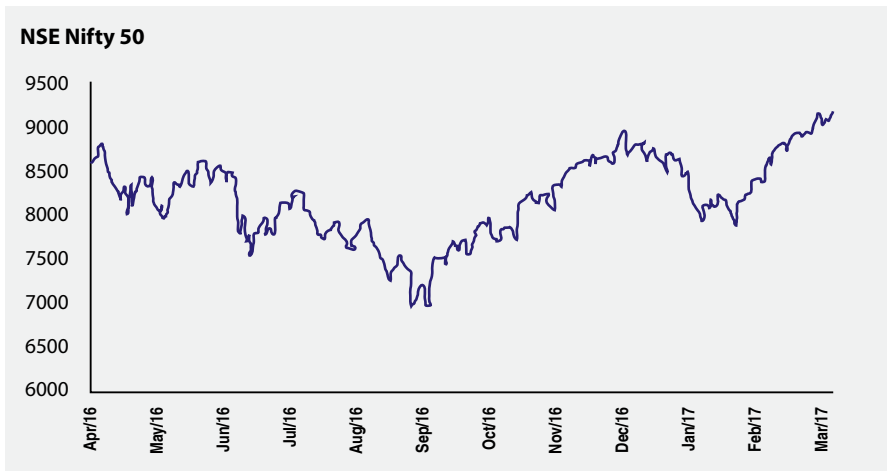


SBI declared as Best Domestic Provider of FX Services in India by Asia Money Foreign Exchange Poll 2016

Your Bank was able to use the sharp midyear drop in yields to increase profits in the interest rate portfolio by 105% over the previous fiscal year. In spite of the drop in market yields, interest income from treasury investments grew 17% Y-o-Y.

To improve the portfolio yield and to optimally utilize the available liquidity, your Bank has increased its Commercial Paper and Corporate Bond portfolio by 118% on a Y-o-Y basis. In the area of liquidity management, we continue to save costs through efficient management of CRR as compared to the industry average. This year, we have set up a new team to handle interest rate derivatives and/or non-deposit fund raising.

The Indian equity market continued its post budget rally till early September, with Benchmark NIFTY gaining around 16% during this period. But after that, the index corrected by more than 1000 points with demonetisation and the results of the US presidential elections leading to a selloff by FPIs, who withdrew more than ₹27,500 crore from the equity markets between November and January. But investors returned in the last two months of the fiscal year in a big way, with NIFTY ending the year at 9174, as FPIs added close to ₹31,000 crore in February and March 2017. Your Bank managed its equity portfolio well to earn an YTD return of 21.81%, as against a NIFTY YTD return of 18.55%. In addition to the investments in secondary market, we continue to invest profitably in IPOs to improve the return on our portfolio.



In order to improve transparency and minimise risk, we are placing our equity market trades through an 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.

The Global Markets Group also handles the foreign exchange business of your Bank, providing 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 Pre & Post shipment Export Finance in foreign currency to its customers. Foreign exchange and derivatives business continued to contribute handsomely to profits of your Bank, reporting a 31% Y-o-Y increase in profits despite the fall in trade flows during the first two quarters of the financial year.

Treasury Marketing Group is the customer engagement arm of Global Markets and plays a pivotal role in marketing of Treasury Products to Institutional and Corporate clients of the Bank. 'Treasury Marketing Units' located across the country, are the face of Global Markets to the customers. They interact with the customers on a daily basis, identifying their felt and unmet needs, and coordinate with other business units for pricing, product structuring and delivery. They are supported by our in house macro-economic and market research teams. Your Bank has also taken steps to leverage technology to reduce cost and add value to the customers.

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 Towers,

Airport, Thermal Power, Hydro power and NHAI road assets. Fund is in exit phase and has recently exited from two road assets.

The Oman India Joint Investment Fund (OIJIF), a JV set up in 2010 in partnership with State General Reserve Fund of Oman, has completed its investments for Fund-I of US\$100 million. Moreover, the Fund has made 2 full exits and 1 partial exit from the investee companies. Based on the success of Fund-I, both the partners (SBI and SGRF) decided to launch Fund-II with a corpus of US\$ 300 million. Till date Sponsors have committed US\$ 200 million to Fund-II and USD 18 million has been raised from various domestic financial institutions. Accordingly, first close of Fund-II with USD 218 million was achieved in January 2017. Fund raising for the remaining amount is in progress and the JV is pitching to various domestic as well overseas investors.

Your Bank picked up a 9.9% stake in the Receivables Exchange of India Ltd (RXIL), a joint venture promoted by SIDBI and NSE. RXIL operates the Trade Receivables e-Discounting System (TReDS) which is an online electronic platform that serves as an exchange to facilitate MSMEs to convert their receivables to cash, before maturity. The platform supports multi-financier bidding for invoices through market determined rates for factoring the invoices. The platform 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.

Your Bank is also the largest fund manager in the country. Portfolio Management Services, which manages the pension and provident funds of clients, increased its AUM by an impressive 16.89% Y-o-Y to ₹3.76 lakh crore. We were also ranked the no 1 fund manager by Coal Mines Provident Fund Organisation (CMPFO) for December 2016 quarter out of a total of 3 fund managers.



## IV SUPPORT AND CONTROL OPERATION

### 1. HUMAN RESOURCE AND TRAINING

#### 1.1 PEOPLE ARE THE MOST VALUABLE ASSET

Your Bank witnessed various challenges during the year but remained on a growth path by transforming itself. This was made possible by the entire bank being guided by a common vision, shared values, and following high standards of integrity and governance. The powerful performance of your Bank is the outcome of a talented and hardworking set of employees, constantly motivated towards driving your Bank's success. The HR policy of your Bank is constantly being synchronised to meet business goals, and increase employee empowerment. Your Bank is committed to provide an enabling workplace, ensuring employee welfare and offering opportunities to develop and grow.

The Summarised HR Profile of the Bank is as under:

**2,09,567**  
Total Employee Strength

**5th**  
Largest Employer in India

**23%**  
Proportion of women employees

**45.16%**  
Diversity – Proportion of SC, ST & OBC employees

**13,000 +**  
New Talent Additions in FY 2017

Your Bank's HR vision has been built around principles of inclusiveness, empowerment and development. Its people are its strength and your Bank is proud of its performance oriented and meritocratic culture. Your Bank's Career Development System (CDS) has been highly successful in ensuring a credible, data backed and performance evaluation process. The system ensures strong accountability, performance visibility, and greater alignment between individual and organisation goals. Besides bringing fair and transparent assessment, CDS also drives employee development through a thorough competency assessment every year.

For a bank with a large footprint and diversified set of roles, specialisation of skills becomes very important to drive success. To foster optimum expertise and ensure deep domain knowledge, your bank has defined career paths for its Scale II-V officers along with 7 Job Families– Credit & Risk, Sales, Marketing & Operations, HR, Finance & Accounts, Treasury & Forex, IT and Analytics.

Based on officer's interest and expertise, they specialise and rotate within roles of any of these job families. To ensure optimum

exposure and 'Right person for the Right job', your Bank is in the process of deploying a scientific postings allocation process through the use of our automated tool 'PROSPER'.

A strong and eminent leadership team, coupled with an engaged and enthusiastic young talent group has been a strong force in driving your Bank's success. Your Bank is focused on developing processes to attract the best talent within the country. It has revamped the recruitment process and developed a stronger employee value proposition to attract better talent. Opportunities of overseas exposures at junior levels has been introduced for attracting newer talents to come on board. The recruitment strategy is strongly being supported by campus re-branding activities, greater engagement through recruitment portals and digital marketing plans.

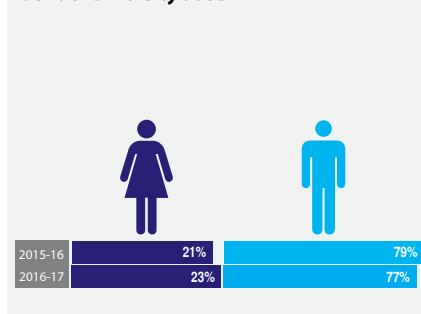
In FY2017, Your bank added 13,097 young tech savvy and customer friendly employees. The list includes over 2000 POs, 160 Management Trainees, over 100 domain experts in wealth management, Digital and e-Commerce and clerical employees.

#### The total staff strength of the Bank is as under:

Category	As on 31st March 2016	As on 31st March 2017
Officers	80,818	81,041
Associates	88,606	92,979
Subordinate Staff & Others	38,315	35,547
<b>Total</b>	<b>207,739</b>	<b>209,567</b>

Inclusiveness and diversity: With the growing scale, your Bank ensures adherence to the core principles of inclusiveness and gender equality. Your Bank employs over 46,676 women employees across geographies and at different levels of hierarchy. Nearly 2,000 branches are being headed by women officers. Your bank has laid utmost emphasis to ensure a healthy and conducive work environment for its women employees.

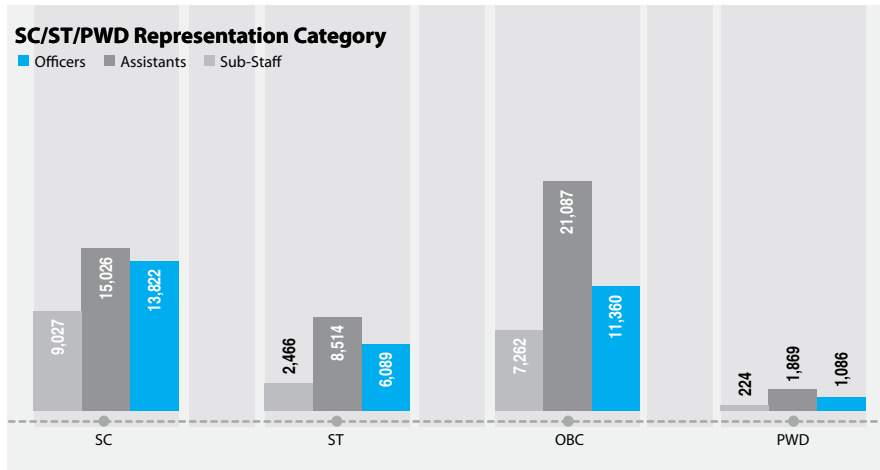
#### Gender Diversity at SBI





Your Bank maintains a zero tolerance policy against sexual harassment at workplace and has put in place an appropriate mechanism for prevention as well as redressal of complaints. The affirmative action as directed by GoI is taken care of during the recruitment as well as promotion process. Out of 21 cases of sexual harassment reported during the year, 15 have been disposed off.

Furthermore, your Bank provides reservations, as per GoI directives, for Scheduled Castes, Scheduled Tribes and Other Backward Classes in its workforce. It therefore, has a share of SC, ST, OBC and differently-abled persons, amongst all cadres in the work force. Apart from the corporate center, Liaison officers have been designated at all 14 circles to effectively redress grievances of SC/ST employees.



It has been the constant endeavor of your Bank to adopt best in-class industry practices and processes in people management. Few key recent interventions undertaken by your Bank are mentioned below:

- Performance Linked Incentive (PLI) scheme has been re-designed to make it more broad-based and in-line with Career Development System grade as benchmark. Separate 'Reward and Recognition' scheme was introduced to appreciate achievements beyond normal course of business.
- Leveraging advanced technologies, a 'Work from Home' policy has been introduced in your Bank. This is an employee friendly measure to help them balance personal and professional aspirations.
- For attracting and retaining talent and making SBI the first choice amongst young generation, your Bank is also in the process of restructuring its compensation package. Your Bank is in the process of introducing 'Smart Compensation Package' for officers up to Scale III from FY2018 onwards.
- Compensations in the form of leased housing, medical reimbursements, cashless treatment at over 100 hospitals, and other employee

friendly policies like sabbatical, flexi-time scheme and medical insurance for retired employees has been formulated to attract young talent.

- With the focus of promoting ethics in the organisational fabric, an Ethics and Business Conduct department has been set-up, and is headed by the Chief Ethics Officer of your bank.

### A Learning Culture

People development is at the heart of your Bank's agenda. It offers a slew of learning interventions not only at each stage of the employee lifecycle, but also specialist programs according to the nature and role of the employee's function. Such focused learning interventions, aimed at enhancing the technical and managerial competencies, have not only helped groom managers in their current role, but are also focused on their evolution as future leaders and visionaries of your Bank. Furthermore, your Bank is in the process of designing individual development plans for each of its potential leaders to empower and enable them in their growth path.

### Industry Relations

Your Bank has a strong focus on industrial relations. It holds consultative meetings with Associations and Unions as a part of having a

constructive dialogue for understanding and addressing grievances of various employees. These consultations are regularly carried out at Corporate Centre, as well as the Circles. Various issues raised by federations are examined and necessary action is undertaken.

## 1.2 STRATEGIC TRAINING UNIT

Towards the objective of maintaining the brand of an enduring value creator and a great place to work, your Bank continues a planned, proactive training process for individual growth and organisational effectiveness. New techniques and methodologies are adopted and imported on a regular basis from across the globe to establish a virtuous circle of teach and learn to enhance quality of training and 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 43 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 3,400 employees per day in all areas of Banking, Economy, Leadership, Ethics, Marketing, Administration and Soft Skills, in addition to a robust digital learning platform. It is creating links and providing training support to neighbouring countries and in the Middle East

### Other Training Initiatives:

**Agradoot :** A specially designed mass-communication programme named 'Agradoot' was organised country wide for subordinate staff including Bank guards to focus on the relevance and importance of their role in your Bank; and motivating them towards enhanced customer service. Around 32,000 members of subordinate staff were trained and many of them expressed it was for the first time in their careers that they felt highly cared for.

**Certification Programme on Credit:** It was launched to develop adequate credit skills and to keep the officials updated at all times. It focuses on the commercial credit skills required to handle the entire loan life cycle of Advances.

**Certification Programme for Branch Managers (CPBM):** It has been developed for officers placed in operations and marketing mainly for the first time/prospective Branch Managers.



**Mentoring of Branches:** The initiative of Branch Mentoring by Top Executives has a renewed focus on inclusive mentoring with qualitative impact on the branches which are facing issues like customer complaints, NPA and IR etc. Each mentor is engaged with only two branches identified by the Circle.

**Quizzing Culture:** Promotion of Quizzing Culture continued with holding of regular products/processes quiz contest by business verticals/departments. A 'Mega Quiz' spread over four levels is also organised at the corporate level.

**Sweating of Assets:** 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 Government Departments.

**Contribution to Nation Building:** Your Bank's training system contributes in many ways towards nation building. SBLCs have contributed extensively to financial Literacy/financial inclusion by conducting classes in various schools/engineering colleges and in villages. During the demonetisation period, your Bank conducted several onsite/offsite awareness workshops/seminars for the masses on digital transactions. Your Bank also trained personnel for various payment Banks, which are recent additions to India's financial landscape.

### Digital Initiatives:

**Mobile App for POs & TOs:** An Application has been created to serve as a dashboard for tracking and monitoring the progress of newly joined PO's and TO's. This can be used for broadcasting inspiring quotes and videos, announcements, lesson completion status, trainings attended and various other requirements for the entire period of probation.

**Video Lab:** A state-of-the-art video lab has been established, wherein video lessons of your Bank's faculty on various subjects will be recorded. The lab will also be used for digital storage of photographs and videos of important training events across the country, with the aim of creating in-house audio-visual content for training.

**STU Website:** The website of the Strategic Training Unit has been completely revamped. It is now the epicenter, where all learning materials are accessible by all Apex Training Institutes and SBLCs at one place via the Intranet.

**Feedback for External Trainings:** A web based application for providing feedback by officials attending external trainings has been developed and rolled out.

**Training Dash Board:** An in-house tool 'Training Dash Board' has been developed and made available to all the HR functionaries to arrive at data of trained/untrained staff for easy follow-up.

### Inclusion Centre:

An Inclusion Centre for differently-abled employees is operational with an objective to enable financial inclusion, training, empowerment and upgradation of skills of people with different abilities in a systematic way. Some of the activities / initiatives undertaken by your Bank are mentioned below.

- Specially designed programmes have been conducted for differently-abled employees like training for visually and hearing impaired employees of your Bank.
- Employees have been sensitised for inclusion and mainstreaming of employees with different abilities during post training – field implementation.
- Grievance redressal for differently abled employees has been entrusted to Inclusion Centre located at Corporate Centre.
- Provided Talking software and OCR Readers/Scanners to VI employees.
- Created three Specialised Communities in SBI Aspirations for Differently Abled Employees (VI /HI / OH).
- Identified four SBLCs on pilot basis to promote complete barrier free accessibility for persons with different ability.

### Training Challenge of Merger:

On the face of stiff challenge to train large number of employees of five Associate Banks and Bhartiya Mahila Bank on the products and processes of SBI within the quickest possible time, your Bank has geared up the training machinery with various special programmes designed and scheduled. Further, with a view towards easing the transition of these employees into the Bank, a ready reckoner on popular asset products of P-segment, SME segment, Agri segment, REH&HD and Tech products has been distributed. Twelve Training establishments of Associate Banks will come into the fold of SBI from day one of merger.

### State Bank Institute of Management (SBIM) Kolkata:

The new 'Centre of Excellence' will become operational in the second quarter of FY2018.

### Awards:

Your Bank is the humble recipient of the following awards for its training initiatives:

- **Golden Peacock National Training Award:** As a mark of outstanding performance in the area of training to its employees 'State Bank of India' has been declared as the Winner of 'Golden Peacock National Training Award' for the year 2017 in the sector of financial services (Banking).
- **National Award 2016:** Awarded for Empowerment of Persons with Different Abilities in the sub-category Best Employer-2016 by Government of India, Ministry of Social Justice and Empowerment.



Smt. Arundhati Bhattacharya Chairman receiving National Award for Empowerment of Persons with Different Abilities in the sub-category Best Employer-2016 from Shri Pranab Mukherjee, the President of India.

- Helen Keller Award 2016:** It was presented by National Centre for Promotion of Employment for Disabled People (NCPEDP) for the second successive year in the category Role Model Company/NGO/Institution for its commitment towards promoting equal employment opportunities for Differently Aabled Persons.

**ISO Certification:**

Your Bank constantly strives to achieve quality standards for its Learning Centres in terms of training resources, infrastructure and academic activities. All the five Apex Training Institutes (ATIs) and 40 SBLs out of 43 are accredited with certification, of which 13 SBLs were accredited during FY2017.

**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 anytime 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.

**1. Internet Banking**

Internet Banking solutions cater to the various payments, fund-transfers, e-Tendering, e-Auction and bulk payments

related requirements of the Government/ PSUs/Large and Medium Corporate as well as for Retail Internet Banking (RINB) customers. 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. Online collection of fees/funds for institutions, corporate and government departments is being facilitated through Multi Option Payment System (MOPS) and State Bank Collect. Merchant-acquisition is facilitated through aggregators.

This cost-effective channel has enabled more than 140 crore transactions during FY2017, achieving 12.9% growth over the previous year. Your Bank's robust Retail Internet Banking (RINB) platform has also been optimised for visually impaired customers following WCAG (Web Content Accessibility Guidelines).

**Internet Banking Users (No. in lakh)**

2013	2014	2015	2016	2017
130	177	220	263	327

During FY2017, your Bank has continued to be a major player in the e-Commerce space in the country. Over 50,027 merchant tie-ups were done, directly or via State Bank Collect/e-Commerce aggregators. Your Bank has facilitated more than 37 crore e-Commerce transactions up to 31st March 2017.

Some of the new features launched in Net Banking during FY 2017 are as follows:

- Online PAN Updation
- Online OD for e-Commerce purchases (Flip kart)

- INB Infrastructure Transformation and database segregation to meet future growth
- Submission of stock statement through CINB
- Direct integration with 102 merchants/ government departments
- NPS Online account opening
- Personalised Image Based Gift Card Issuance Facility
- IMPS facility for SARAL Users
- Spend Analyser
- Facility to register for receiving account statement by email at periodic intervals
- Online locker enquiry
- Quick transfer for SARAL
- Mobile number registration in CBS through Contact Center
- Delivery of INB password through email to NRI
- Setting up Auto Sweep (transfer to MODs)
- NPS contribution and unfreezing
- Facility to download PPF account statement financial year wise
- Save Now Travel Later - Cox & Kings: Recurring Deposit
- SBI FLEXI RD
- Issuance of ATM PIN Pre Printed Kit through INB Branch Interface
- Direct integration with EPFO for contribution by corporate

**2. Analytics**

Your Bank is using analytics extensively to maximise operating efficiency. Predictive analytics and customer segmentation are used with the objective of enhancing customer revenues through cross-selling and up-selling. Risk Analytics is used both for appraisal of fresh applications and for ongoing monitoring of the loan portfolio. Analytics is also used to improve ATM, network availability and performance, to fine tune target setting for and performance tracking of the Bank's employees, and to optimise deployment of capital against revenue opportunities. Analytics-driven, pre-qualified lending programs launched in 2016 have generated significant business, while reducing cost of acquisition. Improved



and timely intelligence delivery to branches/ operating functionaries has also resulted in quantifiable growth in customer retention and wallet share.

### 3. TAB Banking

#### Digital Inspection Application (DIA)

Tab Apps for recording the pre-sanction and post-sanction inspections of the customers is available for seven 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 and others with date, time and geo-coordinates. The inspection reports are automatically mailed to the field staff in their EMS mail address. The Application also has auto reminders for upcoming post-sanction inspections, stock and insurance expiry dates.

#### DIA - Lite Version for Mobiles and Desktop

The Digital Inspection App Lite version for SME and Agri are available 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. SBI Workspace

#### Business Challenge

In order to prevent unauthorised access to data on mobile device, your Bank decided to set up an Enterprise Mobility Management (EMM) infrastructure to facilitate Bring Your Own Device (BYOD) through SBI Workspace.

This solution provides a cost efficient way of delivering applications on mobile devices, providing data security and flexibility of operations to the end users. It protects mobile devices such as smart phones and tablets used by Bank officials from malicious software, hackers, data leakage, and unauthorised access. It also provides secure and controlled access to Bank's intranet websites, apps, e-mails and files, among others.

### 5. Core Banking Development

Project CBS Roopantar was implemented during the year to deliver faster customer service. It offers a unique user experience to your Bank's over 1,60,000 tellers, thereby achieving an increase in their productivity through data entry reduction, maker checker process enhancements and enables various applications/tools as widgets on the CBS login screen.

### 6. IT Special Projects

During the year, e-wealth hubs were made operational at New Delhi and Mumbai centres for UHNI/HNI customers offering portfolio management, investment advisory through self service portal and video assist services.

'Branch Infrastructure Management System (BIMS)' – A web application has been developed and customised, to enable the Branch Officials and their Controllers to have a comprehensive view of the infrastructure/ physical assets of a branch / office.

### 7. Social Media

Your Bank's social media presence was established in November 2013. In a short span of 3.5 years, your Bank's social media strategy has come a long way. Your Bank has been consistently ranked number one globally among Top 100 Banks using Social Media by The Financial Brand in their list of 'Power 100 Ranks'. 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. Your Bank boasts of having the highest fan-base on Facebook globally, among banks. It also leads the chart on LinkedIn and Pinterest among Indian banks.

SBI's Facebook Page was launched on 7th November, 2013. Today it is the most popular page amongst all Indian Banks with more than 10 million followers. Your Bank has leveraged this platform to promote its latest products and services and provided responses to the innumerable comments received on this platform.

Keeping in view the young customers of the Bank, your Bank has also launched SBI Mingle - the Social Media Banking Platform which offers a host of banking services on Social Media. Services like account enquiries, cheque book request, SMS alert registration and fund transfer including P2P transfer is available through the platform.

Your Bank's YouTube channel leads all Indian banks in terms of subscriber base. It uploaded more than 400 videos that have garnered over 40 million views and has over 44,000 subscribers, indicating appreciation by the digital users.

Your Bank has figured in Twitter advertising index for 6 weeks in a row. The Instagram handle also garnered more than 2.3 lakh followers. In the current financial year, your Bank also launched its presence on Quora.

### 8. Integrated Data Strategy, Processing and Management (IDSPM)

After persistent efforts, IDSPM has achieved T+1 status (T+5 on month ends) of data. This is best of class in the industry. This has significantly reduced time taken for generation of reports and updating of dashboards.

IDSPM has provided more than 100 types of data/reports related to demonetisation at T+0 / daily/weekly/ monthly intervals to various government authorities and top management.

On the Big Data front, in order to cater to the ever-increasing volume and types of data, your Bank is in the process of setting up of a data lake. This will facilitate faster processing of large volume of structured and unstructured data and perform advanced analytics with a view to gain insights for business decision and development of new products.

### 9. Project Management Office

Your Bank has put in place a Project Management Office which created a seamless process through which business requirements came to IT in a standard and structured manner. Projects are planned in a standard manner considering elements such as Schedule management, RAID, stakeholder management and Interface Management. These customised processes are implemented through a workflow based toolset. All the project managers in GITC are given hands on training. A majority of business users are also given training on these tools. Senior management fully supported the uptake of these capabilities. A comprehensive set of dashboards are designed for business and IT leaders to provide insight into project performance.

### 10. Customer Relationship Management Solution

Customer Relationship Management (CRM) as a concept has always been integral to the customer centric vision of your Bank. It has always been a pioneer in implementing new age solutions to enhance the customer experience and increase the moments of customer delight. Your Bank has also been a forerunner in catering to the need of the customers in this digital age.

In the context of the present 'Always-on-Always-Connected' day and age, your Bank's customers demand and deserve a consistent, high quality service experience, across all interaction points – at the branch, online,



over the phone or at any of the self-service stations. Customers expect a continuity of context/conversation across interactions that they have had with the bank over time. Towards that end, the Bank is implementing a robust full featured CRM system to deliver efficient and seamless high quality customer experience. The CRM system will leverage the Bank's Data Warehouse and Analytics capabilities to proactively address customer's needs and offer the right product/services at the right time. Apart from increased cross-sell and up-sell capabilities, reduced turn-around-time, Customer 360° view, automated and streamlined processes, improved reporting and effective decision making would be some of the key benefits of the CRM system.

### 11. ATMs

In a constant endeavour to improve technology to enhance customer satisfaction and convenience, ATM channel during the year made several technology advancements which includes the following:

- ATM Switch Consolidation to handle approximately 90,000 ATM terminals.
- Debit Card Management system (DCMS) to Single DCMS for better performance and prompt dealing with various customer requests related with linking/delinking, blocking and unblocking of the Debit Card.
- Green Pin through channels viz. ATM, INB, IVRS, SMS.
- Disabling ATM receipt printing at customer's option.
- Quick Cash facility enabling State Bank Customers to withdraw favourite cash in shortest time.
- Ping Module for quick fault identification by segregating connectivity issues from other local issues for quick resolution of the ATMs which are down.
- Tool on Internet with 24\*7 monitoring of ATM, which resulted in high availability of ATMs.
- IMT (Instant Money Transfer) facility through which cardholder can send money instantly to any mobile number in India. The receiver can withdraw the money through an ATM without using a debit card.
- Deposit Transaction Limit increased from ₹49,900 to ₹2 lakh in all SBI CDM and Cash Point Machines.

- SBI Finder helped in real-time monitoring of ATM/CDM status especially during the demonetisation phase.



### 12. Payment System Group

**Prepaid Cards:** Your Bank issues Prepaid Cards in both Indian and Foreign Currency. Different variants of INR Prepaid cards such as EzPay cards, Gift cards, Smart Payout cards, Quick Pay Cards, Imprest Cards and Achiever Cards, among others are issued to individual and 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 to provide safety, security and convenience to overseas travellers. During FY2017, there has been a growth of 100% in INR prepaid cards. In FY 2017, your Bank issued over 32,200 foreign travel cards and 3,68,400 INR prepaid cards.

### 13. 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 during FY 2017 were 229.70 million. Bank has established itself as a leader in NEFT, with a market share of 13.45% as of 31st January, 2017 (as per latest data by RBI). In RTGS, Bank maintained a market share on 10.34% as on

28th February, 2017 (as per latest data by RBI). NEFT fund transfer transactions through your Bank's mobile banking service have also increased significantly in recent years.

### 14. Lotus Project

Being the largest and the most trusted bank for over 300 million customers in India, your Bank continues to be a key driver with its bouquet of technology-driven solutions to spearhead banking and financial participation in India.

Your Bank continues to modernise its IT architecture; by optimising and modernising the IT landscape with a view to increase efficiency and improve control.

Technology driven channels through the digital transformation aims to bring about efficiencies in cost/income ratios as well as higher customer satisfaction scores. It also brings apart from a positive change in the working culture of the Bank and sets it at par with the most modern global banks. Your Bank's capabilities are driven by a cutting edge cognitive infrastructure capable of understanding customer needs accurately and satisfying the same in the preferred manner. In the delivery of the digital transformation, for the first time in its history, your Bank has adopted agile methodology with a design thinking approach, to address the business needs through this initiative. Market recognition of these transformational aspects in technology has been recognised globally resulting in several rewards and accolades by prestigious industry bodies.



## 15. New Developments in FI&GS (Financial Inclusion & Government Schemes)

- Enabled inter-operable ATM Card based Transactions BC/CSP Outlet.
- Merchant Transactions menu for CSPs through Kiosk Application provided convenience of e-payment for goods/services purchased by customer from CSP outlet.
- Rolled out of SBI Aadhaar Pay Merchant App, facilitating less cash economy.
- OTP based refund facility under IMPS helped easy refund of failed IMPS transactions to the authentic customer.
- BUDDY integration with Kiosk Banking enabled cash deposit and withdrawal from Buddy at Kiosk Channel.
- Deployment of robust Direct Benefit Transfers solution to handle higher volumes and provide T+0 processing with complete accounts and funds reconciliation.
- New Solution for processing State Government subsidies offers DBT services to state level subsidy paying agencies.

### List of IT - Awards received during FY 2017

Award	Category
IDRBT Banking Technology Excellence Awards for the year 2015-16.	(1) Innovative Use of Technology (in Large Bank category) (2) Digital Banking (in Large Bank category)
CSI IT Innovation and Excellence Awards 2016	Best Bank in terms of Big Data Analytics implementation
SKOCH Award	EMI for e-Commerce, SBI Mingle
Finnoviti Awards 2017	EMI for e-commerce, Automation of Credit Risk related tranche
IBA Banking Technology Awards 2017	Best Technology Bank of the year, Best Digital & Channels Technology (Runner-up), Best Use of Analytics (Runner-up), Best Financial Inclusion Initiatives (Runner-up), Best Financial Inclusion Initiatives (Runner-up)
Netapp Innovation Award 2017	Innovative Use of Data Storage, Green IT
NPCI - National Payments Excellence Award	Special Recognition Award for winning in all categories

### List of Awards received for BEST CIO, FY2017

Award	Category
CIO 100 by IDG Media Pvt. Ltd.	Best CIO
BFSI IT Leadership Award 2016	Best CIO
CSI IT Innovation and Excellence Awards 2016	Best CIO
Hosted by UBS Transformance	Life Time Achiever Award

## 3. RISK MANAGEMENT

### A. RISK MANAGEMENT OVERVIEW

Risk Management at your Bank includes risk identification, risk assessment, risk measurement and risk mitigation and its main objective is to minimise negative impact on profitability and capital. 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. 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.

### 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 put in strong credit appraisal and risk management frameworks in place for identification, measurement, monitoring and control of the risks in credit exposures. Industrial environment is scanned, researched and analysed in a structured manner by a dedicated team for deciding your Bank's outlook and growth appetite for each of the identified 37 industries/sectors, which constitute about 70% of the Bank's total domestic exposure. Risks in these sectors are monitored continuously and wherever warranted, the industries concerned are reviewed immediately. Impact of events like BREXIT, demonetisation, telecom tariff war, falling prices of power and the upheaval in commodity prices to name a few, were

analysed and appropriate responses to these situations were strategised by your Bank to mitigate possible risks. Exposure to sensitive sectors like Real Estate are reviewed at regular intervals. Sectors like Power, Telecom, Iron & Steel, Textiles, which are going through a challenging phase, are watched continuously and analysis of new developments are shared with the business groups to enable them to make informed credit decisions. Knowledge sharing sessions are conducted for the benefit of the Top Executives and for the operating staff.

Credit rating thresholds for each industry are decided on the basis of the outlook.

Your Bank uses various internal Credit Risk Assessment Models and scorecards for assessing borrower wise credit risk. Models for internal credit ratings of the borrowers have been developed in-house. They are reviewed through cycles of comprehensive validation and back testing frameworks.

Your Bank has adopted an IT platform for credit appraisal processes through a Loan Originating Software/Loan Lifecycle Management system (LOS/LLMS). Models developed by the Bank are hosted on these platform which are interfaced with CIBIL and RBI defaulters lists.

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 level are subject to scrutiny under the specified levers. Risk Adjusted Return on Capital (RAROC) framework has been implemented from FY2016. The Customer level RAROC calculation has also been digitised. Further behavioural models for monitoring and scoring the retail borrower performance have been developed and hosted on Credit Risk Data Mart.

Your Bank has put improved mechanism in place to manage Credit Concentration Risk, by way of introduction of risk sensitive Internal Prudential Exposure Limits framework for single as well as group borrowers. These limits are fixed on the basis of the internal risk rating of the borrower. This framework is one step ahead of the regulatory prescription of Prudential Exposure norms, which is 'one size fits all' in nature. These exposure norms are monitored regularly at a defined periodicity.

Your Bank conducts Stress Tests every half-year on its Credit portfolio. Stress Scenarios are regularly updated in line with RBI guidelines, industry best practices and changes in macro economic variables.

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. Independent Risk Advisory (IRA) is a new initiative launched by your Bank in its efforts to strengthen Credit Risk Management. Medium and High value credit proposals are examined by the Independent Risk Advisory department.

## 2. MARKET RISK

Market Risk is the possibility of loss that Bank may suffer on account of change in value of its trading portfolio, on account of market variables such as exchange rate, interest rate 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.

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 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 used for monitoring risk in your Bank's trading portfolio. Enterprise level VaR of the bank is calculated on a daily basis and also back tested daily. The Stressed VaR for market risk is also computed on a daily basis. The VaR methodology is supplemented by conducting quarterly stress tests of the trading portfolio.

## 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

Key elements of your Bank's Operational Risk Management Policy, among others, include ongoing review of systems and controls, creation of awareness of operational risk throughout the Bank, timely incident reporting, enhancing operational risk awareness through Risk & Control Self-Assessment (RCSA) process, improving early warning information through implementation of Key Indicators (KIs) (comprising of Key Risk Indicators (KRIs), Key Control Indicators (KCI) and Key Process Indicators (KPI)), the resolution of risk issues by effectively tracking and follow-up of outcomes of assessment, assigning risk ownership, aligning risk management activities with business strategy. All these policies ensure better capital management and improve quality of Bank's services/products/processes, besides ensuring compliance with regulatory requirements.

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.

For FY 2017, 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.

Your Bank celebrated Risk Awareness Day on 1st September. Risk culture is being embedded through training staff at all levels through e-learning lessons.

## 4. ENTERPRISE RISK

Enterprise Risk Management aims to put in place a comprehensive framework to manage various risks and alignment of Risk with Strategy at the whole Bank level. It encompasses global best practices such as Risk Appetite, Material Risk Assessment and Risk Aggregation, among others.

### Mitigation Measures

As part of your Bank's vision to transform the role of Risk into a Strategic function, a Board approved Enterprise Risk Management (ERM) Policy is in place.





Your Bank is currently implementing Material Risk Assessment by identifying risks material to the organisation, measuring the levels of risks and aggregating the same to provide an enterprise level risk profile.

Your Bank conducts a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) exercise on a yearly basis with respect to adequacy of Capital under normal and stressed conditions. The Pillar 2 risks, such as Liquidity Risk, Interest Rate Risk in Banking Book (IRRBB), Concentration Risk and others along with the Pillar 1 risks such as Credit, Market and Operational risks are covered under ICAAP.

### 5. GROUP RISK

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

#### Mitigation Measures

Policies relating to Group Risk Management, Group Liquidity and Contingency Funding Plan (CFP), Arms Length and Intra Group Transactions and Exposures are in place.

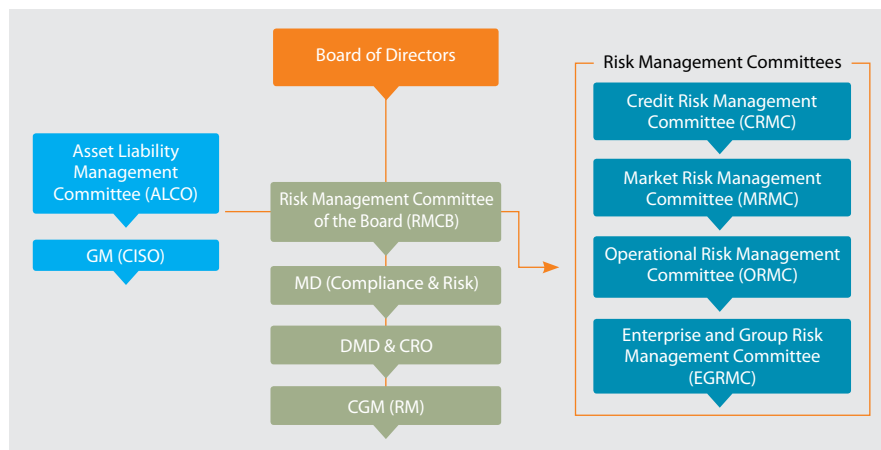
Monitoring of consolidated Prudential Exposures and Group Risk components is also being done regularly. A quarterly analysis of risk-based parameters for Credit Risk, Market Risk, Operational Risk and Liquidity Risk, among others, is presented to the Enterprise & Group Risk Management Committee (EGRMC)/Risk 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. BASEL IMPLEMENTATION

Your Bank has been identified as D-SIB by the Regulator and has to keep additional Common Equity Tier 1 (CET1) 0.60% of RWAs applicable from April 1, 2016 in a phased manner and it will become fully effective from April 1, 2019. Your Bank has also started maintaining CCB in a phased manner and will reach 2.5% by March 2019. Your Bank is fully equipped to comply with all regulatory norms with reasonable cushion over the minimum regulatory capital requirement.

### Risk Management Structure



### B. INTERNAL CONTROLS

Your Banks' internal audit function independently evaluates the adherence to internal processes and procedures. The internal audit function also undertakes a comprehensive risk based audit of all operating units of your Bank in line with regulatory guidelines relating to Risk Based Supervision. Keeping pace with the rapid digitization, 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:

- Web based Concurrent Audit System covering the higher band of business exposures prescribed by the regulators
- Offsite Transaction Monitoring System(OTMS) to monitor exceptions observed in transactions

- Web based Early Review Mechanism to ensure early review of quality of loans of ₹50 lakh and above
- Web based RFIA (Risk Focused Internal Audit) which is flexible, scalable and expandable with enhanced level of automation
- Loan product based modules in RFIA for audit of loans under different schemes / products
- Online self-audit by branches, for self-assessment by branches and vetting by controllers.
- Audit findings are made available on MIS dash board on T+1 basis, ensuring monitoring of compliance by Management.

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.

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. The Bank's Management Audit covers administrative offices and examines policies and procedures, besides quality of execution thereof.

Besides, the I&MA department conducts Credit Audit, Information Systems Audit (Centralised IT establishments & Branches), Home Office Audit (audit of foreign offices), Concurrent Audit, FEMA Audit, Audit of Outsourced Activities of the Bank and Expenditure Audit. Also, to verify the level of rectification of irregularities by the branches, Compliance Audit is conducted at select branches.

#### 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 and III), on the basis of business profile and risk exposures. During FY 2017, I&MA has audited 10,349 domestic branches/BPR entities under RFIA.

#### FEMA Audit

FEMA Audit which was being done as part of RFIA, has been made a separate audit and is conducted by the officials who are well versed with Foreign Exchange business and FEMA/RBI guidelines. During FY2017, 575 auditee units were covered, under FEMA 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 the Bank. During FY2017, 35 establishments/administrative offices were audited under Management Audit.

#### Credit Audit

Credit Audit aims at achieving continuous improvement in the quality of Commercial Credit portfolio of the Bank, through critically examining individual large commercial loans with exposures of ₹ 10 crore and above

annually. High Risk Accounts with exposure of ₹ 100 crore and above are reviewed at half-yearly intervals. The Credit Audit System also provides feedback to the Business Units, by way of warning signals, about the quality of advance portfolio in the unit and suggests remedial measures.

#### Loan Review Mechanism (LRM)

Audit in high value credit areas has an off-site review mechanism (Loan Review Mechanism) of all the pre-sanction and sanction process of individual advances ₹5 crore and above, within 3-6 months of sanction/enhancement/renewal. LRM has been integrated with LLMS for online review, submission of ATR and monitoring by controllers.

#### Early Sanction Review (ESR)

Early Sanction Review (ESR) was introduced to review sanctions of more than ₹ 50 lakh up to ₹ 5 crore, to capture the critical risks in the proposals sanctioned at an early stage and apprise the controllers of such risks, for mitigation thereof.

#### Information System Audit (IS Audit)

All Branches are 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 FY2017, IS Audits of 32 centralised IT establishments were conducted.

#### Foreign Offices Audit – Home Office Audit

During the year FY2017, Home Office Audit was carried out at 51 branches, Management Audit at four Representative offices, one Country Head Office and one Subsidiary / Joint Venture.

#### Concurrent Audit System

Concurrent Audit system is essentially a control process, integral to the establishment of sound internal accounting functions and effective controls. Concurrent Audit covers your Bank's Advances and other risk exposures as prescribed by the regulatory authority. Concurrent Audit System has been revamped by introducing a web-based solution and made more efficient.

#### Off-site Transaction Monitoring System (OTMS)

Off-Site Transaction Monitoring System (OTMS), a web based solution, was introduced, to further strengthen the transaction audit,

to capture the deviations without much loss of time and take corrective actions, through continuous offsite monitoring. Exception data is being generated by Data Warehouse (DW), based on certain business rules and monitored continuously. At Present, 27 types of exceptions are being monitored and flagged to the branches for verification by them. The exceptions are periodically reviewed and enlarged, depending upon the need and certain triggers.

#### Legal Audit

Legal Audit was rolled out in all the Business Verticals in 2014, to cover all loan and Mortgage related documents of high value loans of ₹5 crore and above. As on 31st March 2017, Legal Audit has been completed in 9,170 accounts.

#### Audit of Outsourced Activities

A full fledged Department has been set up under GM (CAU), to oversee the Audit of Outsourced Activities of your Bank.

## C. COMPLIANCE RISK MANAGEMENT

Your Bank has been ascribing highest level of importance to Compliance risk management and has taken number of initiatives to strengthen compliance function keeping in view the scale and complexities of business operations. Some key initiatives are:

- All new products, process, policies are vetted from the regulatory perspective before they are approved and operationalised. The review of the existing policies/process/products are also subjected to Compliance vetting. This will help your Bank in improving the level of compliance;
- A Compliance Risk Management Committee (Comp RMC) has been constituted comprising of Senior Executives from Business Verticals and Support functions, to oversee all compliance related issues. The committee meets regularly and extends necessary guidance to the all concerned in smooth implementation of Risk Based Supervision (RBS). The committee has further formed Review and Validation Groups, comprising senior officials, to oversee quality and consistency of information / data points as per the prescribed process framework, and ensure timely submission under RBS Information System;



- Compliance Testing of RBI's regulations and guidelines is regularly carried out to assure that the control mechanisms are in place, and adequate to comply with regulatory guidelines. Feedbacks are also given to various stakeholders to improve control mechanisms and also to design new ones wherever warranted.

## D. AML-CFT MEASURES:

- Your Bank has a dedicated AML/CFT department for effective Transaction monitoring with a view to prevent misuse of banking channels. To address emerging complexities in AML/CFT space, your Bank in the process of upgrading its software in tune with that prevalent in major global banks;
- A number of initiatives has been undertaken to bring greater awareness amongst Bank staff about KYC and AML/CFT compliances. For creating awareness of KYC Compliance amongst all staff, e-lessons have been made mandatory for all Staff members. Online quiz is being conducted across your Bank to actively involve the Staff. AML-CFT Day is being observed on 2nd November every year. Pledge has been taken on that day at all branches / processing centres and Administrative Offices. Similarly 1st August is observed as KYC Compliance and Fraud Prevention day.

## 4. OFFICIAL LANGUAGE

Your bank made concerted efforts to promote Official Language Hindi and other Indian languages in the Bank. The key highlights are given below :

### Learning of Regional Languages through Hindi

The Government of India expects that staff of the banks should have knowledge of local language so that they can connect with the customers in their language and provide them better customer service. In order to meet this expectation, Official Language Departments at Circles brought out following publications to make their staff conversant with local language through Hindi medium:

- Aaiyey Assamia Seekhein
- Aaiyey Seekhein Hindi se Odia

- Hindi-Punjabi Samvad-Sahayika
- Hindi bhasha ke madhyam se Kannad Seekhein - Kannada Kali
- Aaiyey Malyalam Seekhein

### Observance of World Hindi Day

World Hindi Day was observed on 10th January 2017 in all the foreign offices of your Bank with the objective of creating favourable environment for the progressive use of Hindi and to motivate and encourage staff members to do their work in Hindi as required in Annual Programme. To mark the occasion, different competitions and activities were held on this day. A list of some of the competitions and activities conducted are given below:

- Hindi Crossword competition
- Hindi General Knowledge Quiz competition
- Competition on creating advertisements and slogans in Hindi
- Audio-visual display of popular Hindi stories and related questions-answers session
- Staging of popular dramas
- Singing of Hindi songs competition
- Hindi book reading competition
- Panel discussion on promotion and propagation of Hindi language abroad

### All India Online Hindi Quiz Competition

An all India Online Hindi Quiz Competition for the staff of your Bank was conducted during the months of August and September. Over 13,000 staff members participated in the competition. This competition was organised on the newly developed website of OL Dept. During this period, number of hits made on it crossed 1,20,000 mark.

### Rajbhasha Fortnight observed in all the 3 linguistic regions

During the year Rajbhasha Fortnight was celebrated in your Bank in all the three regions i.e. 'A', 'B' and 'C'. A video message of Honorable Chairman Smt. Arundhati Bhattacharya was recorded on the eve of Hindi Day - 14th September 2016 and was broadcasted for to all the staff members.

### Felicitations of Shri Prasoon Joshi

State Bank of India felicitates eminent personalities who have given valuable contribution to enrich Hindi language and literature. The Chairman of your Bank Smt. Arundhati Bhattacharya felicitated renowned Hindi writer, poet, lyricist and Ad Guru Shri Prasoon Joshi during FY2017.

### Shields to circles for excellence in use of Hindi

Corporate Centre awarded shields and certificates to circles in linguistic region 'A', 'B' and 'C' East and South for excellence in implementation of Official Language Policy. During the year, New Delhi, Ahmedabad, Kolkata and Hyderabad circle bagged first place and Lucknow, Mumbai, Bhubaneswar and Bengaluru circle lifted the runners up shield respectively.

### Inspection by Committee of Parliament on OL

The Committee of Parliament on Official Language inspected your Bank's Corporate Centre, Sansad Bhavan branch and RBO, Udaipur during the year. Your Bank has been entrusted with the coordination work during the inspection/tour programme of the Committee. Your Bank efficiently coordinated with the Committee members and also ensured effective implementation of the recommendations. An appreciation letter from the Convener of the Committee addressing your Bank's Honorable Chairman was received for excellence in arrangements made during the inspection.

A training programme for Rajbhasha Officers and officers associated with the work of implementation of Official Language Policy at LHOs and AOs in linguistic region 'A' & 'B' was organised at SBLC, Panchkula on 18th June 2016 and for Region 'C' at SLC, SBT, Ernakulam on 18th March 2017. Topics like compilation of questionnaire for the Committee and related preparations/arrangements were covered during the training programme.

A bilingual Compendium of Important Guidelines for Top Executives for inspection of Committee of Parliament on Official Language was brought out during the year and uploaded on Rajbhasha Department Website on State Bank Times.

### 'Prayas' got Rajbhasha Kirti Award from the Honorable President of India

'Prayas' the quarterly Hindi house journal of your Bank got Rajbhasha Kirti Award from the Honorable President of India.



Smt. Arundhati Bhattacharya, Bank's Chairman felicitated with 'Rajbhasha Ratna' Award

### Bank's Chairman felicitated with 'Rajbhasha Ratna' Award

Your Bank's Chairman Smt. Arundhati Bhattacharya was conferred with Rajbhasha Ratna Award for the year 2016 by the renowned literary-social-cultural organisation 'Aashirwad'.

### TOLICs under Bank's leadership got shields for best performance

Town level Official Language Implementation Committees were formulated under your Bank's leadership got prizes for best performance. These shields were conferred by Honorable Governors of respective states. Your Bank's Hindi in house journal 'Prayas' was also adjudged among best magazines by the Reserve Bank of India.

## 5. MARKETING AND COMMUNICATION

The Banking sector has, since the past three years witnessed radical disruptions led by fintech companies, and as a result, conventional Banks have had to modify / augment their business strategies, especially in the area of technology based customer value propositions. Besides, even conventional products have been put to test by way of smart and increased marketing initiatives by leading public and private sector banks.

With this intent your Bank's management appointed a Chief Marketing Officer (CMO) in March 2016. The CMO heads the Marketing & Communications (M&C) department which

has been set up at the Corporate Centre of your Bank. With the setting up of this department, the erstwhile Corporate Communications & Change department was subsumed into this department. The M&C department is responsible for your Bank's initiatives for all brand and product marketing, public relations and corporate social responsibility. With the objective of optimising its efforts in promoting your Bank's products and services adopting contemporary marketing approach and to give impetus to the bank's digital initiatives to connect with the youth, the M&C department's key responsibilities include developing and implementing integrated marketing strategies to address business challenges of different divisions of your Bank including Indian and overseas operations of the Bank. This department comprises of domain skilled professionals/ specialists drawn from various relevant fields – media, marketing communications, advertising and public relations.

The department has started work on all business groups and other functions of your Bank. Some key successful initiatives rolled out by the department during FY 2017 include the Hope Loans Campaign - a novel concept to support NGOs working in different areas of social work whilst promoting the Bank's asset products viz Home, Auto and Personal Loans. Through this initiative, your Bank could give away ₹ 3.88 crore to 5 NGOs working in the area of education, health/ shelter, clean energy and mobility solutions. Besides this, another major campaign was rolled out to address the opportunity on the back of demonetisation scenario the country witnessed in the 3rd quarter. The campaign titled #cashkiadatbadlo has been

received reasonably well, the success of which is evidenced in highest ever number of transactions of debit cards, downloads of e-wallet State Bank Buddy and SBI Pay, the UPI digital payments solution. Towards the end of March, the M&C department also developed the advertising campaign for the merger of SBI's associate banks with your Bank. Besides these campaigns, it has been overwhelming for the Bank to receive positive feedback, especially from customers and staff about the fresh approach to its advertising execution. Going forward, besides working on other marketing initiatives, especially in the area of digital marketing, your Bank hopes to leverage the might of State Bank Group to strengthen its marketing thrust to stay relevant and competitive given the evolving and dynamic financial services industry landscape.

## 6. VIGILANCE MECHANISM

At your Bank, there are three aspects to the vigilance function – Preventive, Punitive and Participative. During this year, Vigilance Awareness Week was observed from 31st October 2016 to 5th November 2016, with the theme 'Public participation in promoting integrity and eradicating corruption'. As a part of observance of Vigilance Awareness Week, 'Integrity Pledge' has been administered to staff and the public at large. Further, SBI as a Corporate has also undertaken the Integrity Pledge. To create awareness, Gram Sabhas have been organized and Integrity Pledge has been administered at these Sabhas also.





Smt. Arundhathi Bhattacharya releasing Vigilance Journal

The concept of Whistleblower is another effective tool for Preventive Vigilance. To highlight any malpractices, under Whistle Blower Scheme, a portal has been launched by the Bank. Whistle Blower can lodge a complaint online and also monitor the progress made in this regard. There is already a well-defined Whistle Blower policy in your Bank, which acts as a deterrent for the employees to keep themselves away from malicious activities. We keep the secrecy of the whistleblower and give protection to them so that they continue to be an effective tool against wrongdoings without fear.

Branches, where certain lapses of grave nature are observed, are identified and Suo-motu investigations are conducted so that possible fraudulent activities could be checked and remedial measures are undertaken.

During FY2017, a total of 1163 cases (753 new cases) were taken up for examination, out of which 805 cases have since been concluded.

## 7. ASSET AND LIABILITY MANAGEMENT (ALM)

- Asset and Liability Management occupies the centre stage in the overall management of financial institutions. ALM practices require specialised knowledge and skill to efficiently handle dynamic and evolving challenges in the financial sector.
- Your Bank has effective ALM Management team in place with requisite skills to manage the Balance Sheet. While the ALM Management of your Bank is guided by Regulatory

guidelines, your Bank is in the forefront in developing effective management models in the domain of ALM by bringing in the best global practices.

- The Asset Liability Management Committee (ALCO) of your Bank oversees the Interest Rate and Liquidity Risks, reviews the components of balance sheet and sets up benchmarks for efficient management of these risks. ALCO, inter alia, reviews the Interest Rate scenarios, pattern of growth of liability products, credit growth and liquidity management and approves appropriate pricing of Bank's products. In terms of regulatory requirements, your Bank has moved to Marginal Cost of Funds based Lending Rates (MCLR) with effect from 1st April 2016.
- Studies are conducted to gauge the behavioural pattern of assets and liabilities, which do not have any definite contractual maturity, to assist the ALM teams. These behavioural studies encompass the embedded options available to customers, off-balance sheet exposures, impact of probable loan losses etc.
- Your Bank has put in place appropriate policies for conducting 'Asset & Liability Management', 'Stress Testing' the Balance Sheet components. In line with the regulatory requirements, the Liquidity Risk Management approach is built on the premise of ensuring optimal liquidity position and avoiding concentration of funding. As part of contingency planning for liquidity, appropriate 'Contingency Funding Plan' is in place.

- The guidelines of Basel Committee on Banking Supervision (BCBS) on Liquidity Risk to promote Short term resilience by maintaining mandated Liquidity Coverage Ratio (LCR) is strictly followed by the Bank. The levels of High Quality Liquid Assets (HQLA) are effectively monitored in a highly dynamic environment.
- Advanced approach of assessing the impact on Earnings at Risk (EaR) and Market Value of Equity (MVE) determines the likely erosion of Net Interest Income (NII) under the Interest Risk Management. Permissible limits are pre-defined and continuously monitored. Proactive steps are initiated whenever warranted.
- In line with the regulatory requirements, your Bank has evolved Internal Capital Adequacy Assessment Process (ICAAP) with robust methodology, responses and an effective framework in place.

ALM Department of your Bank, being the support group to ALCO is equipped with robust systems and processes and conducts the above functions in a professional way.

## 8. ETHICS & BUSINESS CONDUCT

Your Bank has ceaselessly been showing its unflinching commitment with the highest professional and ethical standards regardless of its growing size, scope and reach. It has also been providing visionary thought leadership to Indian Banking over the years. In spite of the large staff complement, vast network of branches and spread in all the time zones, our Vision, Mission and Values form the fabric that holds us together wherever we are and whatever we do.

Upholding the same ethos of more than 200 years, the Bank has taken one more seminal initiative by envisaging and creating the position of the Chief Ethics Officer in the Bank who will establish and oversee an independent Ethics and Business Conduct Function in the organisation. Idea is to anchor, promote, nurture and institutionalise a positive ethical culture in the organisation leading to enhanced brand equity and market reputation. The position of Chief Ethics Officer has been constituted for the first time in any Indian public sector organisation.



## 9. CORPORATE SOCIAL RESPONSIBILITY

Social Responsibility is deeply ingrained in the culture of your Bank. The Bank has been undertaking social welfare initiatives much before the formal CSR concept became common practice or an industry norm. 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. Your Bank has always placed the interest of the common man, especially the most marginalised, at its core. SBI has always been a caring and enabling organisation and sustainable business practices is at the heart of our business operations. 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.

### Focus areas of SBI's CSR activities

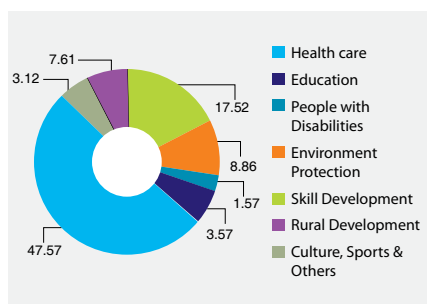
- Healthcare
- Education
- Skill Development and Livelihood Creation
- Environment Protection.

### CSR spend during 2016-17

The CSR contribution of your Bank for FY 2017 was ₹ 109.82 crore. The Bank's local head offices (Circles) spent ₹ 89.82 crore and the remaining ₹ 20 crore was donated to SBI Foundation.

This is the fifth successive year, when your Bank's CSR spend has crossed the milestone of ₹ 1000 million. The sector wise spend is as mentioned hereunder:

### Sector-wise break up of CSR spends by Circles (₹ 89.82 crore)



### Supporting Healthcare

More than 66% of India's population still lives in rural area and has no or very limited access to medical care. Lack of proper healthcare infrastructure and high vulnerability of children are major concerns in rural India. Unaffordability, unavailability and lack of awareness are the major reasons behind low health care 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. The major initiatives of the Bank in health care sector are as under:

**Medical Vans:** Your Bank donated ₹ 6.87 crore to over 49 charitable organisations for acquiring ambulances and medical Vans.



Smt. Arundhati Bhattacharya our Chairman, handing over the ceremonial Key of Ambulance to St. Joseph Home for the Aged & Desitute, Coimbatore

**Health Equipments and Surgeries:** Your Bank donated ₹ 7.52 crore to 23 charitable organisations/hospitals for acquiring various medical/surgical equipments like Stress Test Machine, Dialysis Machine, Eye Equipment, X-Ray Machine, ICU facility and New Born care unit. This has improved the capacity and potential of the hospitals to serve the deprived patients.

**Old Age Homes and Mobility Solutions:** Your Bank donated ₹1.50 crore for supporting old age homes and providing relief to Divyangjan (PwDs).

**Community Outreach Programmes:** Your Bank organised camps to focus on curative and preventive healthcare for the under privileged rural population. The areas covered are given below:

- Eye Check-up
- Cancer detection
- Reproductive healthcare check-up
- Basic health check-up (Blood Pressure, HB etc.)
- Diabetes check up

Reputed local NGOs played a pivotal role in organising these camps.



## Supporting Education

Education is the backbone of a country's social and economic development. Several areas of the country lack basic schooling facilities, especially rural areas. Lack of infrastructure, transportation facilities and basic amenities are the key hindrances for education in rural India. Your Bank always strives to support education for economically weaker social groups in remote, unreachable and underdeveloped areas. The key contributions in the education sector are mentioned below:

**Holistic Support:** Your Bank contributed ₹ 1.35 crore towards supporting infrastructure across several schools located in rural/remote areas.

**Computers and Peripherals:** Your Bank contributed ₹1.15 crore towards setting up of computer labs/IT labs. Many NGOs were also supported for acquiring computers, soft boards and setting up digital classrooms.

**Schools Buses/Vehicles:** Your Bank donated ₹3.99 crore for acquiring 35 school buses/vehicles to help schools in rural areas to provide transportation facility to underprivileged children.

### Support to Persons with Disabilities (PwDs):

An amount of ₹ 1.57 crore was donated to reputed NGOs for the following activities:

- Distribution of artificial limbs, callipers, crutches and wheel chairs among others
- Distribution of other aids and devices
- Community Based Rehabilitation project for mentally/physically challenged persons
- Braille Embosser System
- Special Vehicles for disabled



Smt. Arundhati Bhattacharya our Chairman, handing over a cheque to Shishu Sarothi Spastic Society, Guwahati

## Environment and Sustainability

Your Bank is committed to environment protection and contributes positively to reduce the carbon footprint. Responsible interaction with environment to avoid depletion and degeneration of natural resources and maintain long term quality of the environment is a priority for your Bank. Your Bank has contributed ₹ 3.57 crore in the following areas for:

- Acquiring solar power plant, solar lamp, solar water heater, solar street lamps.
- Purchase, commissioning and maintenance of a number of solar power plants.

## Skill Development initiatives and Livelihood Creation

### Rural Self Development Training Institutes (RSETIs)

India is one of the youngest nations in the world with over 54% of its population below

25years of age. Employability of the growing young demography is one of the important factors in the economic development of the country. Your Bank has set up 116 Rural Self Employment Training Institutes (RSETIs) across the country as institution to help mitigate the unemployment and underemployment problem among youth in the country.

Your Bank has contributed ₹12.84 crore for construction of 10 RSETI buildings and other infrastructure support. The Recurring expenditure for Skill development programs for youth was ₹ 34.73 crore across 116 RSETIs of the Bank .

## SBI Youth for India Fellowship program

SBI Youth for India is a Fellowship program initiated, funded and managed by your Bank in partnership with reputed NGOs. It entails the urban educated youth to voluntarily get involved in various developmental projects in rural areas. Under this initiative, your Bank partnered with seven reputed NGOs, and engaged in development work in rural areas to deploy the youth enrolling for the fellowship. The fourth batch of 61 fellows are working at 32 locations across nine states. They are working on various projects to understand the need of rural community and address them with innovative solutions. Most of these projects fall within the scope of Sustainable Development Goals (SDGs) which include No Poverty, Good Health and Well-Being, Quality Education, Affordable and Clean Energy, Reduce Inequality/Life on Land and Climate Action, among others.

## SBI Children's Welfare Fund

Your Bank constituted the SBI Children's welfare Fund as a Trust in 1983. It extends grants to educational institutions engaged in the welfare of underprivileged children such as orphans, physically challenged and destitute. The corpus of the fund is made by staff members and matching contribution is provided by your Bank. During FY2017, your Bank donated ₹ 71 lakh to various educational institutes.

## Awards and accolades:

Your Bank won the prestigious Golden Peacock Award for Sustainability.

## V. ASSOCIATES AND SUBSIDIARIES

### INTRODUCTION AND 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 5.02% in deposits and 4.41% in advances as on 31st March 2017. Associate Banks together had 6,847 branches and 9,075 number of ATMs.

#### The performance highlights of the Associate Banks as on 31st March 2017 (₹ in crore)

S. No	Name of the Bank	SBI Share of Ownership	Total Assets	Agg. Deposits	Total Advances	Op. Profit	Net Profit	CD Ratio	CAR %	Gross NPAs%	Net NPA %
		Investment %									
1	State Bank of Bikaner & Jaipur	676.12 75.07	1,16,293	1,03,662	68,774	1,942.14	-1,368.33	66.34	9.25	15.52	10.53
2	State Bank of Hyderabad	367.55 100.00	1,63,190	1,42,955	87,715	2,909.86	-2,760.26	61.36	11.73	20.76	12.84
3	State Bank of Mysore	628.63 90.00	88,996	77,769	38,608	913.58	-2,006.26	49.64	12.41	25.68	16.90
4	State Bank of Patiala	4,859.10 100.00	1,22,829	1,00,507	77,100	1,454.83	-3,579.46	76.71	12.43	23.15	15.48
5	State Bank of Travancore	885.11 79.09	1,25,917	1,14,323	52,506	1,503.32	-2,152.46	45.93	12.19	16.79	10.22

#### State Bank of Bikaner and Jaipur

##### Awards and Accolades

Some of the awards and accolades received by the Bank during the current year are mentioned below:

- Awarded the 'Rajbhasa Kirti Prize' by Hon'ble President of India for best performance in Rajbhasa Niti during FY 2016.
- Best Performance Award (3rd prize amongst all PSBs) conferred by PFRDA for implementation of Atal Pension Yojna Phase-II.
- SME Excellence award 2016 in category of Micro Lending by ASSOCHAM.
- Second best performing public sector Bank for FY2016 by State Forum of Bankers Club, Kerala.

#### State Bank of Hyderabad (SBH)

##### Awards and Accolades

- Received Second Prize in Region 'C' under 'Rajbhasa Kirti Puraskar' from the Government of India, Ministry of Home Affairs, Dept of Official Language, New Delhi.
- Awarded by 'Dun & Bradstreet' as 'India's Top Bank's & Banking Awards 2016' for completing 75 years of operation.
- Awarded 'IDRBT Banking Technology Excellence Award' by Sri Raghuram Rajan, Ex-Governor of RBI.

#### State Bank of Mysore

##### Awards and Accolades

- Awarded with Eco-Technology Savvy Bank Award- Winner(Emerging Category)by CIMSME for the year 2016-17.
- MIPSSED, Tumakuru, RSETI sponsored by State Bank of Mysore is awarded with 'AA'Grading (the highest grading) for 2015-16 by MoRD. GOI.

#### State Bank Of Travancore

##### Awards and Accolades

- Skoch Award for segment leadership in MSME received on 8th June 2016.
- Skoch Award for Social Inclusion received on 8th June 2016.
- Skoch Order of merit to SBT RSETI's for qualifying in SBT Rural Development Trust.
- National Award for Excellence in Lending to Micro Enterprises from Government of India, Ministry of Micro Small and Medium Enterprises (Special Award - amongst the Associates of SBI).
- SMEs Excellence Award 2016 - Best MSME Bank from Associated Chambers of Commerce and Industry of India (ASSOCHAM).



## Non- Banking Subsidiaries

(₹ crore)				
Sr. No	Name of the Subsidiary Company	Ownership (SBI interest)	% of Ownership	Net Profit (Losses) for FY 2017
1	SBI Capital Markets Ltd. (Consolidated)	58.03	100.00	251.80
2	SBI DFHI Ltd.	139.15	*63.78	176.44
3	SBI Mutual Fund Trustee Company Pvt Ltd.	0.10	100.00	2.42
4	SBI Global Factors Ltd.	137.79	86.18	1.01
5	SBI Pension Funds Pvt. Ltd.	18.00	*60.00	1.03

\*Group holding of SBI is 100% in SBI Pension Funds Pvt. Ltd. (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%).

## Non- Banking Subsidiaries: Joint Ventures

(₹ crore)				
Sr. No	Name of the Subsidiary Company	Ownership (SBI interest)	% of Ownership	Net Profit (Losses) for FY 2017
1	SBI Funds Management Pvt. Ltd.	31.50	63	224.32
2	SBI Cards & Payment Services Pvt. Ltd.	471.00	60	390.41
3	SBI Life Insurance Company Ltd.	701.00	70.10	955
4	SBI-SG Global Securities Services Pvt. Ltd.	52.00	65	11.74
5	SBI General Insurance Company Ltd.	159.47	74	153
6	GE Capital Business Process Mgt. Services Pvt. Ltd.	9.44	40	47

## A. SBI CAPITAL MARKETS LIMITED (SBICAP)

SBICAPs is India's leading investment banker, 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.

On a standalone basis, SBICAPs posted a PBT of ₹312.57 crore during FY2017 as against ₹425.29 crore during the FY2016 and a PAT of ₹217.95 crore for FY2017 against ₹283.39 crore in FY2016.

SBICAPs declared dividend at 200% during FY 2017 as against 320% in FY 2016.

### 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 12 lakh clients. The Company has booked gross revenue of ₹250.35 crore during FY2017 as against ₹160.82 crore in FY2016.

## 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. Fund 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 Fees.

## 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 FIs, 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 from December 2012. Relationships are being built with FIs, 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 ₹11.68 crore during FY2017 as against ₹13.35 crore during FY2016. 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 ₹176.44 crore in the FY 2017 as against ₹72.19 crore in the FY2016. Total balance sheet assets was ₹3,187.70 crore as on 31st March 2017 as against ₹5,836.20 crore as on 31st March 2016.

The market share of SBI DFHI was 2.97% amongst all market participants and 19.13% amongst Standalone PDs as on 31st March 2017.

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

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

During the year ended 31st March 2017, SBI Card delivered a strong business performance. The Company's Card base has grown by 26% Y-o-Y with total number of credit cards reaching to a level of ₹45.69 lakh. Similarly, Company achieved card spends of ₹43,436 crore with Y-o-Y growth rate of 51%. The Company has registered Profit after Tax of ₹390 crore at a growth rate of 38% as compared to the previous year.

In terms of industry rankings SBI Card became 2nd both in Cards & Spends category during the current financial year.

- On Card base, it has moved from 3rd position to 2nd position with market share of 15%.
- On spends, it has moved from 4th position to 2nd position with market share of 13%.

The Company has launched five new products during the year to strengthen the bouquet of product offerings to cardholders:

- SBI Elite Card (Product refresh of erstwhile SBI Signature Card)
- SBI Unnati Card
- Co-branded Cards like Central SBI Select & Select+ Cards
- Co-branded banking cards such as SBI South Indian Bank Card and SBI Karnataka Bank Card

SBI Cards received the following awards during the current year:

- SBI Card bagged five awards at the 25th World HRD Congress in partnership with TIMES Ascent (Times of India group):
  - ▶ CEO with HR Orientation
  - ▶ Most Influential HR Leader in India
  - ▶ Best workplace practices
  - ▶ Award for Managing health at work
  - ▶ Best advance in employee engagement
- Adjudged as the 14th best 'Dream Company to work for, selected amongst the top 75 companies across the country
- Readers' Digest Most Trusted Brand Award 2016
- 'Best Credit Card Program' for SimplyCLICK at the MasterCard Innovation Awards 2016.
- The Compliance Register Platinum Awards: Runners up in two categories Best Compliance Team – Regulated Firms and Best Head of Compliance.
- Bronze Award for 'Achievement in Audio Visual Film' for SBI SimplySAVE Card at WOW Awards Asia 2016.
- At the Global Compliance Register Platinum Award Ceremony in London, SBI Card won the award for 'Compliance Excellence' and also bagged the Runner Up award in

'Best Head of Regulatory Compliance' category.

- Awarded 'Excellent Compliance Performer-2016' across Indian industries at the Annual Compliance 10/10 awards.
- SBI Card also won 'Compliance Team of the Year-Overseas' award at GRCI Annual Awards 2016 across Australia.
- Legal team has been awarded the 'Best In-House Legal Team of the Year (Mid-Size)' at the Indian Legal Awards organized by Legal Era Magazine.
- Awarded for Best Loyalty Program in Financial Sector: Non-Banking, during The Customer FEST Show at the 10th edition of Loyalty Summit.
- SBI Card team has been awarded "Best Data Quality" in NBFC Category for second time in the row at the recently concluded CIBIL conference awards.

## D. SBI LIFE INSURANCE COMPANY LIMITED (SBILIFE)

SBI Life Insurance is a joint venture between State Bank of India (SBI) and BNP Paribas Cardif. SBI owns 70.1% of the total capital and BNP Paribas Cardif holds 26%, while Value Line Pte. Ltd. (an affiliate of KKR Asian Fund II L.P.) and MacRitchie Investments Pte. Ltd. (an indirect wholly owned subsidiary of Temasek Holdings Pvt. Ltd.) hold 1.95% each. SBI Life has a unique multi-distribution model encompassing vibrant Bancassurance, Retail Agency, Institutional Alliances and Corporate Solutions distribution channels.

The Company has proven its market leadership again in FY 2017 with a growth rate higher than the growth of the industry. The company witnessed a 43% growth in New Business Premium (NBP) vis-à-vis the private industry growth of 24%. The market share of SBI Life New Business Premium (NBP) among all private players as on March 31, 2017 is 20.0% vis-a-vis 17.3% last year. The Company has been ranked No. 1 in New Business Premium among the private industry. Further, the Company has achieved 38.9% growth in Individual Adjusted Premium Equivalent (APE) vis-a-vis 26.4% growth for private industry.

SBI Life witnessed a PAT of ₹955 crore in FY 2017 against ₹861 crore in FY 2016. Assets held as on 31st March 2017 recorded a Y-o-Y growth of 23% at ₹102,240 crore.



Leveraging wider reach achieved through its network of 801 offices, SBI Life has systematically brought large rural areas under insurance. The Company has sold 24% of total policies in this segment in FY 2017. A total of 589,932 lives covered by the company are from the underprivileged social sector.

The Company's primary commitment is to its customers and during the year, the Company has improved its Death Claim Settlement Ratio to 98% and further reduced complaints related to mis-selling to 0.20% of the policies sold, which is the best in the industry. The Company's focus in the coming times will be on further enhancing its distribution efficiency, lowering operational cost, introducing innovative products and continue to be customer centric.

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:

1. 'Life Insurance Company of the Year' and 'Bancassurance Leader Life Insurance (Large Category)' at the Indian Insurance Awards 2016 organised by Fintelekt.
2. Won LIMRA and LOMA Silver Bowl Award 2016 under "Best use of Social Media from a Company Operating outside of the U.S." category.
3. Won in 'CLO Chief Learning Officer Summit India – 2016' in the following categories:
  - a) Induction Training Program
  - b) Mobile Learning Program
4. One of the 'Most Trusted Brand, 2016' for the Sixth consecutive year by The Economic Times Brand Equity - Nielsen survey
5. iCMG Global Awards for
  - a) IT Service Management - Architecture Excellence
  - b) Top 30 Global CIO Award
6. Plaque award for commended Annual Report from Institute of Chartered Accountants of India (ICAI) for Excellence in Financial Reporting for FY 2016

Adjudged the runner up of the 'Outlook Money Awards 2016' in the Life Insurance category.

## 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 5.8 million investors. SBIFMPL posted a PAT of ₹224.32 crore in FY2017 as against ₹165.36 crore earned during FY2016. The average "Assets Under Management" (AUM) of the Company during the quarter ended March 2017 were ₹1,57,025 crore with a market share of 8.58% as against the average assets under management of ₹1,06,781 crore with a market share of 7.89% during the quarter ended March, 2016. 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.

## 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. The 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 sustained its profitability during FY2017 also, and has reported a PBT of ₹3.25 crore (PY - PBT ₹2.53 crore) & PAT of ₹1.01 crore (PY - PAT ₹0.86 crore). Turnover for FY2017 is ₹3,047 crore as compared to turnover of ₹2,532 crore in previous year (i.e. an increase of 20%). FIU as on 31st March 2017 is ₹1,059 crore as compared to ₹1,008 crs as on 31st March 2016. Turnover in EF under 2 Factor Model for FY2017 is equivalent to EUR 41.91 Mio (PY EUR 32.80 mio). In INR terms, the EF turnover touched ₹306.58 crore for FY2017, as against ₹237.52 crore in previous year.

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

## G. SBI PENSION FUNDS PRIVATE LIMITED (SBIPFPL)

SBIPFPL has been appointed as Pension Fund Manager along with 6 others to manage the pension corpus under NPS. SBIPFPL 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. SBIPFPL, 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 2017 was ₹66,723 crore (YoY growth of 45%) against ₹46,019 crore in March 2016.

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 62%, while in the Government sector it was 35%.

The Company has a full-fledged dealing room adequately managed by experienced Bond and Equity markets specialists.

The Company was adjudged the "Best Pension Fund Manager" under Pension Fund Manager category for the year 2016 by Outlook Money for the 2nd consecutive year.

## 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 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 ₹2,607 crore for FY2017. In the seven years of operation, for the first time in FY2017 SBIG has achieved profit, to the tune of ₹153 crore. The Company recorded 27.7% growth in GWP Y-o-Y against an industry growth of 32.4%

including crop whereas excluding Crop SBIGIC recorded growth of 18.6% against Industry growth of 17.5% for FY2017. SBIGIC has grown by 194% in Crop Insurance for FY2017 by participating in the PMFBY schemes and extending our geographies. The Overall market share among all general insurance companies stands at 2.04% and 4.9% among private insurers. The Company's market ranking is 14th in the industry and 8th among the private players in YTD December 2016. SBIGIC occupies 2nd position in "Personal Accident" among private insurers & 3rd position in the industry FY2017. The company ranks 2nd in "Fire" among private insurers and 6th position in the industry in FY2017. Share of health business increased from 11% to 14.3%, for SBI this has translated to a growth of 73% Y-o-Y against Industry growth of 23.8%. Health Insurance ranking improved from 17th to 13th at an overall industry level. IAG has given their intention for dial-up to increase their stake to 49%.

SBI General won at the India Insurance Awards 2016 in the "Under-served Market Penetration" and in the "Commercial Lines Growth Leadership; and SBI General was adjudged as a "Best ET BFSI Awards 2016" by Economic Times. The company has been certified as a "Great Place to Work" in FY2017.

## I. SBI SG GLOBAL SECURITIES SERVICES PRIVATE LIMITED (SBI SGGSSPL)

SBISG, a joint venture between State Bank of India and Societe Generale with 65 % holding by SBI, was set up to offer high quality custody and fund administration services to complete the bouquet of financial services offered by the SBI Group. SBISG commenced commercial operations in 2010. The Company's Net Profit was ₹11.74 crore in FY 2017 as against ₹8.66 crore in FY 2016. Accumulated profit is ₹20 crore.

Average Assets Under Custody in March 2017 rose to ₹3,27,158 crore from ₹2,10,370 crore as in March 2016, while the Average Assets Under Administration were at ₹1,83,779 crore in March 2017 as against ₹1,31,254 crore in March 2016.

SBISG was rated as the best sub custodian by Global Finance Magazine in 2015.

## J. SBI FOUNDATION

During FY2017, SBI Foundation (the company promoted by your Bank, under Section 8 of Indian Companies Act) has undertaken CSR projects in almost all the focus areas outlined in CSR Rules of Companies Act. During the year, the Foundation approved 26 projects worth ₹ 24.71 crore and disbursed an amount of ₹ 9.89 crore. The projects have disbursement schedule running into the current year FY2018 also. Major projects undertaken by SBI Foundation are as under:

### 1. Healthcare:

- Lifeline Express (Mobile hospital on train)
- Eye Care (Cataract surgeries)
- SBI- Anugraha (Home based hospice and palliative care)
- Cancer Cure
- Shraavan Shakti (Cochlear Implant surgeries)
- Care for Senior Citizens
- Jeevan Daan (Organ donation)
- Sanjeevani – Clinic on Wheels
- Mauli Seva (Care for mentally ill and destitute women)
- Health checkup for female inmates of Byculla Jail (Mumbai)

### 2. Education:

- Beti Padhao Kendras (Girl Child Education in five states)
- Bodhshala (Community Schools)
- Digital Class (In four states)
- Khelwadi (Play School for underprivileged children)
- Disha (Career guidance and counseling)
- Virtual Eye (Computer education for visually impaired)

### 3. Environment:

- Protect Himalayas (Plantation of trees)
- Harith Kalingdwar (Plantation of trees)

### 4. Rural Development :

- Draught Proofing of Villages

## 5. Women Empowerment & Gender Equality:

- Samridhhi–Action for Adolescent Girls (UNFPA Project)

## 6. Promoting inclusive workplace and environment:

- Centre of Excellence for PwDs

## 7. Sanitation:

- Swachh Belur Math (Construction of toilet block of 203 units)

## 8. Poverty and Hunger:

- Supporting Mid-Day Meals (Akshaya Patra)

## 9. Skill Development

- Kaushal Vikas (paramedical and allied health training)

## K. SBI INFRA MANAGEMENT SOLUTIONS PVT. LTD.

Bank's wholly owned subsidiary "SBI Infra Management Solutions Pvt. Ltd." have been incorporated on 17th June, 2016 to look after the following works related to real estate of SBI:

### (i) Transaction Management/ Advisory Services:

Buying, selling or leasing of premises, renewal of leases etc. and providing advisory services on existing and upcoming business centres, identification of strategic locations.

### (ii) Project Management:

Planning, execution & monitoring of construction of new building, interior and furnishing of all SBI premises, landscaping etc. and also major changes/repair projects.

### (iii) Facility Management:

Repair and Management Services to create a safe, pleasant, efficient and productive environment for the Bank officials and their customers.



## 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 2017, 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. ACKNOWLEDGEMENT

1. During the year, Shri Tribhuwan Nath Chaturvedi retired from the Board w.e.f 28th August 2016, consequent upon completion of his term. Shri V.G. Kannan, Managing Director-A&S retired on attaining superannuation on 31st July 2016. Dr. Urjit R. Patel, retired from the Board w. e. f. 27th September 2016 consequent upon his appointment as RBI Governor and Shri Chandan Sinha, was nominated as RBI Nominee Director in his place w. e. f. 28th September 2016. Shri Sunil Mehta resigned from the Board w. e. f. 15th March 2017, consequent upon his appointment as Non-Executive Chairman of Punjab National Bank.
2. Shri Dinesh K. Khara was appointed as Managing Director under section 19(b) w. e. f 9th August 2016 on the Board.
3. The Directors place on record their appreciation for the contributions made by the respective outgoing Directors namely, Shri Sunil Mehta, Shri Tribhuwan Nath Chaturvedi, Dr. Urjit R. Patel and Shri V.G.Kannan to the deliberations of the Board.. The Directors welcomed the new Directors Shri Chandan Sinha and Shri Dinesh K. Khara on the Board.
4. The Directors also expressed their gratitude for the guidance and co-operation received from the Government of India, RBI, SEBI, IRDA and other government and regulatory agencies.
5. The Directors also 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 the Bank.

For and on behalf of the  
Central Board of Directors

Chairman

Date: 19th May, 2017