PROSPECTUS
Dated October 5, 2010

STATE BANK OF INDIA

(Constituted under the State Bank of India Act, 1955)
Central Office: State Bank Bhavan, Madame Cama Road, Mumbai 400 021, Maharashtra
Tel: (91 22) 2274 0000/ 2274 1000; **Website**: www.statebankofindia.com, www.sbi.co.in
Compliance Officer: Mr. Shyamal Sinha, General Manager (Compliance); **E-mail**: gm.compliance@sbi.co.in
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PUBLIC ISSUE BY THE STATE BANK OF INDIA ("BANK" OR "ISSUER") OF SERIES 1 LOWER TIER II BONDS OF FACE VALUE OF RS. 10,000 EACH AND SERIES 2 LOWER TIER II BONDS OF FACE VALUE OF RS. 10,000 EACH (TOGETHER REFERRED TO AS THE "BONDS") AGGREGATING TO RS. 5,000 MILLION, WITH AN OPTION TO RETAIN OVER-SUBSCRIPTION UPTO RS. 5,000 MILLION FOR ISSUANCE OF ADDITIONAL BONDS AGGREGATING TO A TOTAL OF UPTO RS. 10,000 MILLION (THE "ISSUE")

The Issue is being made pursuant to the provisions of Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended (the "SEBI Debt Regulations")

GENERAL RISKS

Investors are advised to read the Risk Factors carefully before taking an investment decision in relation to this Issue. For taking an investment decision, Investors must rely on their own examination of the Bank and the Issue including the risks involved. **Investors are advised to refer to section "Risk Factors" before making an investment in this Issue.**

THE BONDS ARE CAPITAL INSTRUMENTS AND NOT DEPOSITS OF THE BANK AND THEY CAN NOT BE USED AS COLLATERAL FOR ANY LOAN MADE BY THE BANK OR ANY OF ITS SUBSIDIARIES OR AFFILIATES. BONDS ARE DIFFERENT FROM FIXED DEPOSITS AND ARE NOT COVERED BY DEPOSIT INSURANCE. UNLIKE THE FIXED DEPOSITS WHERE DEPOSITS ARE REPAID AT THE OPTION OF DEPOSIT HOLDER, THE BONDS ARE NOT REDEEMABLE AT THE OPTION OF THE BONDHOLDERS OR WITHOUT THE PRIOR CONSENT OF RBI.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus, contains all information with regard to the Issuer and the Issue, which is material in the context of this Issue, that the information contained in this Prospectus is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other material facts, the omission of which makes this Prospectus as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.

CREDIT RATING

The Bonds proposed to be issued by the Issuer have been assigned a rating of "CARE AAA" by CARE vide its letter dated August 25, 2010. The instruments with this rating are considered to be of the best credit quality, offering highest safety for timely servicing of debt obligations. Such instruments carry minimal risk. The Bonds proposed to be issued by the Issuer have been assigned a rating of "AAA/ Stable" by CRISIL vide its letter no. MS/FSR/SBI/2010-11/834 and dated September 17, 2010. This rating of the Bonds indicates highest degree of safety with regard to timely payment of interest and principal on the instrument. The above ratings are not a recommendation to buy, sell or hold securities and investors should take their own decision. The ratings may be subject to revision or withdrawal at any time by the assigning rating agency and should be evaluated independently of any other ratings. Please refer to section "General Information" for rationale for the above ratings.

PUBLIC COMMENTS

The Draft Prospectus was filed with the Designated Stock Exchange pursuant to the provisions of the SEBI Debt Regulations. The Draft Prospectus was open for public comments.

LISTING

The Bonds offered through this Prospectus are proposed to be listed on the National Stock Exchange of India Limited ("NSE"). Application for 'in-principle' listing approval has been made to NSE vide letter dated September 23, 2010. For the purposes of the Issue, the Designated Stock Exchange shall be the NSE.

LEAD MANAGERS TO THE ISSUE			REGISTRAR TO THE ISSUE
Citigroup Global Markets India Private Limited 12th Floor, Bakhtawar Nariman Point Mumbai 400 021 Tel: (91 22) 6631 9999 Fax: (91 22) 6646 6056 E-mail: sbi.debtissue@citi.com Website: www.citibank.co.in Contact Person: S. Ashwin Investor Grievance ID: investors.cgmib@citi.com Compliance Officer: Mr. Vinod Patil SEBI Registration No. INM000010718	**Kotak Mahindra Capital Company Limited** 1st Floor, Bakhtawar 229, Nariman Point Mumbai 400 021 Tel.: (91 22) 6634 1100 Fax.: (91 22) 2284 0492 Email: sbi.debtissue@kotak.com Website: www.kotak.com Contact Person: Mr. Chandrakant Bhole Investor Grievance ID: kmccredressal@kotak.com Compliance officer: Mr. Ajay Vaidya SEBI Registration No. INM000008704	**SBI Capital Markets Limited*** 202, Maker Tower 'E' Cuffe Parade Mumbai 400 005 Tel: (91 22) 22178300 Fax: (91 22) 2218 8332 Email: sbi.debtpublicissue@sbicaps.com Website: www.sbicaps.com Contact Person: Mr. Ashish Sable Compliance Officer: Mr. Bhaskar Chakraborty SEBI Registration No. INM000003531 **SBI Capital Markets Limited, being a subsidiary of the Issuer, shall only be involved in the marketing of the Issue*	**Datamatics Financial Services Limited** A 16 & 17, MIDC Part B Crosslane, Marol Andheri (East) Mumbai 400 093 Tel.: (91 22) 6671 2187 Fax.: (91 22) 6671 2204 Email: sbiretailbonds@dfssl.com Website: www.dfssl.com Contact Person: Mr. R.D Kumbhar (General Manager) Investor Grievance ID: sbi_eq@dfssl.com SEBI Registration No. INR000000874

ISSUE PROGRAMME	
ISSUE OPENS ON	**ISSUE CLOSES ON**
October 18, 2010	October 25, 2010

The subscription list for the Issue shall remain open for subscription during the banking hours for the period indicated above, except that the Issue may close on such earlier date as may be decided by the Executive Committee of the Central Board of the Bank. In the event of an early closure of subscription list of the Issue, the Bank shall ensure that notice of the same is provided to the prospective investors through newspaper advertisements at least three days prior to such earlier date of Issue closure.

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DEFINITIONS AND ABBREVIATIONS

Definitions of certain capitalized terms used in this Prospectus are set forth below:

Bank Related Terms

Term	Description
"SBI", "Issuer", or "the Bank"	Unless the context otherwise requires refers to, the State Bank of India, constituted under the State Bank of India Act, 1955, having its central office at State Bank Bhavan, Madame Cama Road, Mumbai 400 021, Maharashtra
Associate Banks	The associate banks of the Bank as listed out in the section "*Our Subsidiaries, Associate Banks and Joint Venture Companies*"
Central Board	Central Board of Directors of the Bank
Central Office	Central office of the Bank located at State Bank Bhavan, Madame Cama Road, Mumbai 400 021, Maharashtra
Capital or Share Capital	Issued and paid up share capital of the Bank
Directors	The directors on the Central Board of the Bank
ECCB	Executive Committee of the Central Board of the Directors of the Bank
Joint Venture Companies	The joint venture companies of the Bank as listed out in the section "*Our Subsidiaries, Associate Banks and Joint Venture Companies*"
Subsidiaries	The subsidiaries of the Bank as listed out in the section "*Our Subsidiaries, Associate Banks and Joint Venture Companies*"
The Group	The Bank and its Subsidiaries, Associate Banks and other consolidated entities. References to specific data applicable to particular Subsidiaries, Associate Banks or other consolidated entities are made by reference to the name of that particular entity

Issue related terms

Term	Description
Allotment/Allot/Allotted	Unless the context otherwise requires, the allotment of Bonds to the successful Applicants pursuant to the Issue
Allottee	A successful Applicant to whom the Bonds are allotted pursuant to the Issue
Applicant	Any person who applies for issuance of Bonds pursuant to the terms of this Prospectus and Application Form
Application Amount	The aggregate value of the Bonds indicated in the Application Form
Application Form	The form in terms of which the Applicant shall make an offer to subscribe to the Bonds and which will be considered as the application for issue of the Bonds pursuant to the terms of this Prospectus
Auditor to the Issue	Kalyaniwalla & Mistry, who have been appointed by the Bank for issuance of the audit report dated September 20, 2010 in relation to the audited consolidated and unconsolidated financial statements of the Issuer for the Fiscal Years ended March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006 and for issuance of the limited review report dated September 20, 2010 in relation to the unaudited unconsolidated financial statements of the Issuer for the three months ended June 30, 2010
Bond Certificate(s)	Certificate issued to the Bondholder(s) pursuant Allotment
Bondholder(s)	A holder of the Bond(s)
Bonds	Series 1 Lower Tier II Bonds and Series 2 Lower Tier II Bonds proposed to be issued by the Bank pursuant to the Issue
Capital Adequacy Guidelines	Reserve Bank of India Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework dated July 1, 2010
CDSL Agreement	Tripartite agreement dated March 24, 2010 between the Bank, Datamatics Financial Services Limited and CDSL for offering depository option to the Bondholders
Consolidated Certificate	In case of Bonds rematerialised by the Bondholder in physical form, a single

Term	Description
	certificate that will be issued to the Bondholder for the aggregate amount for each option of Bonds allotted to him.
Debenture Trustee/Trustee	Trustees for the Bondholders in this case being IDBI Trusteeship Services Limited
Deemed Date of Allotment	Deemed Date of Allotment shall be the date on which the Central Board or the ECCB or any committee thereof approves the Allotment of the Bonds
Default	Defaults as listed in the section "*Terms of the Issue*"
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository(ies)	NSDL and/ or the CDSL
Designated Stock Exchange/ DSE	NSE
DP/ Depository Participant	A depository participant as defined under the Depositories Act
Draft Prospectus	The draft prospectus dated September 23, 2010 filed by the Bank with the Designated Stock Exchange in accordance with the provisions of SEBI Debt Regulations
DT Agreement	Debenture Trustee Agreement
Early Redemption Amount	Amount payable upon the occurrence of an event of default and shall be as detailed in the DT Agreement.
Equity Share(s) or Share(s)	The equity share(s) of the Bank having a face value of Rs. 10 each unless otherwise specified in the context thereof
Equity Shareholder or Shareholder	A holder of the Equity Shares
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Applicants will issue cheques or drafts in respect of the Application Amount when submitting an Application
Escrow Agreement	Agreement to be entered into by the Bank, the Registrar to the Issue, the Lead Managers and the Escrow Collection Bank(s) for collection of the Application Amounts and where applicable, refunds of the amounts collected from the Applicants on the terms and conditions thereof
Escrow Collection Bank/ Banker to the Issue	The banks which are clearing members and registered with SEBI as Bankers to the Issue with whom the Escrow Account will be opened and in this case being State Bank of India.
Extraordinary Resolution	A resolution passed at a meeting of the Bondholders with the consent of the Bondholders holding in the aggregate more than 50% in nominal value of the Bonds held and outstanding under the respective schemes from those present and voting.
High Net-worth Individual/ HNI	Individual Applicants who have applied for the Bonds for an aggregate amount more than Rs. 500,000 in the Issue (including HUFs applying through their Karta)
Issue	Public issue of Series 1 Lower Tier II Bonds and Series 2 Lower Tier II Bonds aggregating to Rs. 5,000 million, with an option to retain over-subscription of upto Rs. 5,000 million for issuance of additional Bonds aggregating to a total of upto Rs. 10,000 million
Issue Closing Date	October 25, 2010
Issue Opening Date	October 18, 2010
Lead Managers	Citigroup Global Markets India Private Limited, Kotak Mahindra Capital Company Limited and SBI Capital Markets Limited. SBI Capital Markets Limited, being a subsidiary of the Issuer, shall only be involved in the marketing of the Issue
LT S1 Call Option	Call option on the principal amount outstanding of the Series 1 Lower Tier II Bonds together with accrued interest after 5 (five) years following the Deemed Date of Allotment subject to the prior approval by RBI
LT S1 Call Option Date	5 (five) years and one day after the Deemed Date of Allotment
LT S1 Interest Payment Date	April 2 each year (except for the last interest) when interest on Series 1 Lower Tier II Bonds becomes payable, starting from March 31, 2011. The last interest payment will be made along with repayment of the principal amount on LT S1 Redemption Date. In case of a non Working Day, it will be the next Working Day
LT S1 Redemption Date	The payment date falling 10 years after the Deemed Date of allotment when the Series 1 Lower Tier II Bonds will be redeemed at their principal amount outstanding

Term	Description
	together with accrued interest.
LT S2 Call Option	Call option on the principal amount outstanding of the Series 2 Lower Tier II Bonds together with accrued interest after 10 years following the Deemed Date of Allotment subject to the prior approval by RBI
LT S2 Call Option Date	10 years and one day after the Deemed Date of Allotment
LT S2 Interest Payment Date	April 2 each year (except for the last interest) when interest on Series 2 Lower Tier II Bonds becomes payable, starting from March 31, 2011. The last interest payment will be made along with repayment of the principal amount on LT S2 Redemption Date. In case of a non Working Day, it will be the next Working Day
LT S2 Redemption Date	The payment date falling 15 years after the Deemed Date of allotment when the Series 2 Lower Tier II Bonds will be redeemed at their principal amount outstanding together with accrued interest.
Market Lot	One Bond
Non-allottee	An unsuccessful Applicant to whom the Bonds are not allotted pursuant to the Issue
Non-Retail Applicants	All Applicants other than Retail Applicants
NSDL Agreement	Tripartite agreement dated September 19, 2003 between the Bank, Datamatics Financial Services Limited and NSDL has been executed for offering depository option to the Bondholders
Prospectus	This Prospectus to be filed with the DSE after incorporation of the comments received from the public on the Draft Prospectus, pursuant to the provisions of the SEBI Debt Regulations
Qualified Institutional Buyers/ QIBs	Includes public financial institutions, statutory corporations, commercial banks, cooperative banks and regional rural banks, provident, superannuation and gratuity funds, mutual funds in India and National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India and does not include foreign institutional investors and overseas corporate bodies
Record Date	15 (fifteen) days prior to the LT S1 Interest Payment Date or the LT S2 Interest Payment Date or the Relevant Redemption Date or early redemption date or any other date on which interest and/ or principal is due and payable
Redemption Date/(s)	LT S1 Redemption Date and LT S2 Redemption Date
Registrar MoU	Memorandum of understating to be entered into between the Bank and the Registrar to the Issue
Registrar to the Issue or Registrar	Datamatics Financial Services Limited
Relevant Redemption Date	LT S1 Redemption Date or LT S2 Redemption Date, whichever relevant
Retail Applicants	Individual Applicants who have applied for the Bonds for an aggregate amount not more than Rs. 500,000 in the Issue (including HUFs applying through their Karta)
SBI Register	The register of Bondholders maintained by the Bank at its registered office (or such other place as permitted by law) containing the particulars of the legal owners of the Bonds issued by the Bank
Series 1 Lower Tier II Bonds	Rs. 10,000 9.25% due 2020
Series 2 Lower Tier II Bonds	Rs. 10,000 9.50% due 2025
Stock Exchange(s)	The NSE
Subordinated Indebtedness	All indebtedness of the Bank which by its terms is subordinated, in the event of the winding up of the Bank, in right of payment to the claims of unsubordinated creditors of the Bank and so that, for the purpose of this definition, indebtedness shall include all liabilities, whether actual or contingent, under guarantees or indemnities
Tripartite Agreements	The NSDL Agreement together with the CDSL Agreement
Working Days	All days excluding Saturday and Sundays and bank holidays in Mumbai

Technical and Industry related terms

Term	Description
ATMs	Automated Teller Machines
BIFR	Board for Industrial and Financial Reconstruction
BPR	Business Process Reengineering
Basel II	The Basel II framework which was drafted by the Basel Committee on Banking Supervision, which is a committee of the Bank of International Settlements. It is the new risk-based capital framework to be followed by banks across countries and it has been designed to be risk-sensitive across various types of banking assets, including securitization exposure. Basel II is based on the following three mutually reinforcing pillars that allow banks and supervisors to evaluate properly the various risks that banks face: i minimum capital requirements, which seek to refine the present measurement framework; ii supervisory review of an institution's capital adequacy and internal assessment process; and iii market discipline through effective disclosure to encourage safe and sound banking practices.
CDR	Corporate Debt Restructuring
CRAR	Capital to Risk Weighted Assets Ratio
CRR	Cash Reserve Ratio
DGCIS	Directorate General of Commercial Intelligence and Statistics
ECS	Electronic Clearing Services
IFSC	Indian Financial System Code
GIR Number	General Index Registry Number
LIBOR	London Inter Bank Offered Rate
MICR	Magnetic Ink Character Recognition
NPAs	Non-Performing Assets
PFRDA	Pension Fund Regulatory and Development Authority
RTGS	Real Time Gross Settlement
SAMG	Stressed Assets Management Group
SLR	Statutory Liquidity Ratio
SME	Small and Medium Enterprises
Tier I capital	The core capital of a bank, which provides the most permanent and readily available support against unexpected losses. It comprises paid-up capital and reserves consisting of any statutory reserves, free reserves and capital reserves as reduced by equity investments in subsidiaries, intangible assets, and losses in the current period and those brought forward from the previous periods
Tier II capital	The undisclosed reserves and cumulative perpetual preference shares, revaluation reserves (at a discount of 55.0%), general provisions and loss reserves (allowed up to a maximum of 1.25% of risk weighted assets), hybrid debt capital instruments (which combine certain features of both equity and debt securities), investment fluctuation reserves and subordinated debts

General and Conventional terms and Abbreviations

Term	Description
AS	Indian Accounting Standard
Applicable Law	guidelines, rules, regulations, notifications and any statutory modifications or re-enactments relating to the issue of capital and listing of securities, or in relation to the Bank, issued from time to time by SEBI, the Government of India, RBI, NSE and/or other authorities
Act	The State Bank of India Act, 1955, as amended
BSE	Bombay Stock Exchange Limited

Term	Description
BR Act	The Banking Regulation Act, 1949, as amended
CARE	Credit Analysis and Research Limited
CDSL	Central Depository Services (India) Limited
Companies Act	The Companies Act, 1956, as amended
CRISIL	CRISIL Limited
DIN	Director Identification Number
DP ID	Depository Participant's Identification
Depository/(s)	NSDL and CDSL
EPS	Earnings per share
ESPS - 2008	Employees Share Purchase Scheme, 2008
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FEDAI	Foreign Exchange Dealers Association of India
FEMA	Foreign Exchange Management Act, 1999
FI	Financial Institutions
FII(s)	Foreign Institutional Investors as defined in and registered with SEBI under the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended
FY/ Fiscal Year	Financial year ending March 31
GDR	Global Depository Receipt of the Bank
GOI/ Government/ Central Government	Government of India
HNI	High Net-worth Individual
IT	Information Technology
Indian GAAP	Generally accepted accounting principles in India
IRDA	Insurance Regulatory and Development Authority
Income Tax Act	The Income Tax Act, 1961 as amended
MAT	Minimum Alternate Tax
Mn	Million
MoU	Memorandum of Understanding
MoF	Ministry of Finance, Government of India
NAV	Net Asset Value
NBFC	Non-Banking Finance Company
NEFT	National Electronic Funds Transfer
NII(s)	Non Institutional Investor
NR	Non-Resident
NRI/Non-Resident Indian	A Person resident outside India, as defined under FEMA, and who is a citizen of India or a Person of Indian Origin and such term as defined under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB	Overseas Corporate Bodies. A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000, as amended. OCBs are not permitted to invest in this Issue
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit before Tax
PSU	Public Sector Undertaking
Rs./ Rupees	Indian Rupees
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934, as amended

Term	Description
RRB	Regional Rural Bank
RTGS	Real Time Gross Settlement
SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended
SEBI	Securities and Exchange Board of India
SBI Regulations	The State Bank of India General Regulations, 1955, as amended
SCB	Scheduled Commercial Banks
SCRA	The Securities Contract (Regulation) Act, 1956, as amended
SCRR	The Securities Contract (Regulation) Rules, 1957, as amended
SEBI Act, 1992	The Securities and Exchange Board of India Act, 1992, as amended
SEBI Debt Regulations	Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008
TDS	Tax Deduction at Source
USD	United States Dollar
WDM	Wholesale Debt Market

PRESENTATON OF FINANCIAL INFORMATION AND MARKET DATA

The Bank prepares its financial statements in Rupees in accordance with Indian GAAP. Industry and market share data in this Prospectus are derived from data of the RBI or the DGCIS and calculated by the Bank where applicable. Indian economic data in this Prospectus is derived from data of the RBI, the economic surveys of the Government of India and other sources. Certain financial and statistical figures have been rounded to the nearest tenth of a decimal place.

Unless stated otherwise, the financial information used in this Prospectus is derived from the Bank's consolidated audited financial statements as of March 31 for the years ended 2010, 2009, 2008, 2007 and 2006 prepared in accordance with Indian GAAP and applicable regulations, included in this Prospectus.

Market and industry data used in this Prospectus, has been obtained from industry publications and governmental sources. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable and that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Bank believes that market data used in this Prospectus is reliable, it has not been independently verified.

Exchange Rate

Exchange rate for the previous five Fiscal Years as on March 31 for USD into Rs. is as follows:

Currency	**Exchange Rates** *(in Rs.)*				
	March 31, 2010	**March 31, 2009**	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**
USD*	45.14	50.95	39.97	43.59	44.61

***** *Source: www.rbi.org.in*

FORWARD LOOKING STATEMENTS

The Bank has included statements in this Prospectus which contain words or phrases such as “will”, “would”, “aim”, “aimed”, “will likely result”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will achieve”, “anticipate”, “estimate”, “estimating”, “intend”, “plan”, “contemplate”, “seek to”, “seeking to”, “trying to”, “target”, “propose to”, “future”, “objective”, “goal”, “project”, “should”, “can”, “could”, “may”, “will pursue”, “our judgment” and similar expressions or variations of such expressions, that are “forward-looking statements”. Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the Bank’s expectations with respect to, but not limited to, the actual growth in demand for banking and other financial products and services, its ability to successfully implement its strategy, including its use of the Internet and other technology and its rural expansion, its ability to integrate recent or future mergers or acquisitions into its operations, its ability to manage the increased complexity of the risks the Bank faces following its rapid international growth, future levels of impaired loans, its growth and expansion in domestic and overseas markets, the adequacy of its allowance for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal, tax or regulatory proceedings in India and in other jurisdictions the Bank is or will become a party to, the future impact of new accounting standards, its ability to implement its dividend policy, the impact of changes in banking regulations and other regulatory changes in India and other jurisdictions on the Bank, including on the assets and liabilities of SBI, a former financial institution not subject to Indian banking regulations, its ability to roll over its short-term funding sources and its exposure to credit, market and liquidity risks. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net interest income and net income could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Prospectus include, but are not limited to, the monetary and interest rate policies of India and the other markets in which the Bank operates, natural calamities, general economic, financial or political conditions, instability or uncertainty in India, southeast Asia, or any other country, caused by any factor including terrorist attacks in India or elsewhere, military armament or social unrest in any part of India, inflation, deflation, unanticipated turbulence in interest rates, changes or volatility in the value of the rupee, instability in the sub prime credit market and liquidity levels in the foreign exchange rates, equity prices or other market rates or prices, the performance of the financial markets in general, changes in domestic and foreign laws, regulations and taxes, changes in the competitive and pricing environment in India, and general or regional changes in asset valuations. For a further discussion on the factors that could cause actual results to differ, see the discussion under section “*Risk Factors*”.

RISK FACTORS

Prospective investors should carefully consider all the information in this Prospectus, including the risks and uncertainties described below, before making an investment decision in relation to the Bonds. The occurrence of any of following risks, or other risks that are not currently known or are now deemed immaterial could have a material adverse effect on the Bank's business, including its ability to grow its asset portfolio, the quality of its assets, its liquidity, its financial performance, its stockholders' equity, its ability to implement its strategy and its ability to repay the interest or principal on the Bonds in a timely manner or at all.

Risks Relating to the Bank's Business

1. The Bank's business is particularly vulnerable to interest rate risk, and volatility in interest rates could adversely affect its net interest margin, the value of its fixed income portfolio, its income from treasury operations and its financial performance.

The Bank could be materially adversely impacted by a rise in generally prevailing interest rates on deposits, especially if the rise were sudden or sharp. If such a rise in interest rates were to occur, the Bank's net interest margin could be adversely affected because the interest paid by the Bank on its deposits could increase at a higher rate than the interest received by the Bank on its advances and other investments. The requirement that the Bank maintain a portion of its assets in fixed income Government securities could also have a negative impact on its net interest income and net interest margin because the Bank typically earns interest on this portion of its assets at rates that are generally less favorable than those typically received on its other interest-earning assets. The Indian financial markets experienced volatility and increases in interest rates during the first half of fiscal 2009 which, in conjunction with significant growth in deposits without a commensurate growth in advances, adversely impacted the Bank's net interest income and net interest margin during the year. In the future, if the yield on the Bank's interest-earning assets does not increase at the same time or to the same extent as its cost of funds, or if its cost of funds does not decline at the same time or to the same extent as the yield on its interest-earning assets, its net interest income and net interest margin would be adversely impacted.

The Bank is also exposed to interest rate risk through its treasury operations and through one of its subsidiaries, SBI DFHI Limited, which is a primary dealer in Government securities. A rise in interest rates or greater interest rate volatility could adversely affect the Bank's income from treasury operations or the value of its fixed income securities trading portfolio. Sharp and sustained increases in the rates of interest charged on floating rate home loans, which are a material proportion of its loan portfolio, would result in extension of loan maturities and higher monthly installments due from borrowers, which could result in higher rates of default in this portfolio.

2. If the Bank fails to maintain desired levels of customer deposits or loans, its business operations may be materially and adversely affected.

Customer deposits are the Bank's primary source of funding. However, many factors affect the growth of deposits, some of which are beyond the Bank's control, such as economic and political conditions, availability of investment alternatives and retail customers' changing perceptions toward savings. For example, retail customers may reduce their deposits and increase their investment in securities for a higher return, while SME and mid-corporate customers may reduce their deposits in order to fund projects in a favourable economic environment. If the Bank fails to maintain its desired level of deposits, the Bank's liquidity position, financial condition and results of operations may be materially and adversely affected. In such event, the Bank may need to seek more expensive sources of funding, and it is uncertain whether the Bank will be able to obtain additional funding on commercially reasonable terms as and when required. The Bank's ability to raise additional funds may be impaired by factors over which it has little or no control, such as deteriorating market conditions or severe disruptions in the financial markets.

Conversely, the Bank may not be able to reduce its deposits in order to reduce surplus liquidity. Consumers shifted significant amounts of Rupees into India's state-owned banks, and above all into the Bank, during the recent global financial crisis, and from March 31, 2008 to March 31, 2010, the Banks total deposit grew from Rs. 5,374.0 billion to Rs. 8,041.2 billion. In response to this trend, the Bank aggressively expanded its lending, cut interest rates, promoted home loans, car loans and small business loans and provided lower deposit rates than private-sector banks. Nevertheless, the net interest margin of the Bank declined from 3.07% for the year ended March 31, 2008 to 2.66% for the year ended March 31, 2010, primarily due to the fact that the Bank experienced significant growth in deposits over the period without a commensurate growth in loans and advances. If the Bank cannot secure sufficient loan volumes or earn sufficient interest on its lending due to economic conditions or other factors, its ability to earn income maintain and increase its net interest margin may be materially adversely affected.

3. The Bank has a large portfolio of Government securities that may limit its ability to deploy funds into higher yielding investments.

As a result of Indian reserve requirements, the Bank is more structurally exposed to interest rate risk than banks in many other countries. Under the regulation of the RBI, the Bank's liabilities are subject to the statutory liquidity ratio ("SLR") requirement which requires that a minimum specified percentage of a bank's demand and term liabilities be invested in approved securities, and such reserve requirements are subject to increases by the RBI in order to curb inflation or absorb excess liquidity. The SLR currently stands at 25.0% since its increase in October 2009 from the previous level of 24.0%. Government securities represented 82.0% of the Bank's domestic investment portfolio as of March 31, 2010, comprising 28.20% of the Bank's demand and term liabilities as of March 31, 2010. The Bank earns interest on such Government securities at rates which are less favorable than those which it typically receives in respect of its retail and corporate loan portfolio. In addition, the market and accounting value of such securities could be adversely affected by overall rising interest rates.

Due to a period of lower credit growth during the year ended March 31, 2010, the Bank invested surplus capital in fixed-income Government securities. Although many of these securities are short-term in nature, the market value of the Bank's holdings could decrease if interest rates increase to higher levels. Under such a scenario, the Bank would face a choice either to liquidate its investments and realize a loss or to hold the securities and possibly be required to recognize an accounting loss, either of which outcomes could adversely impact its results of operations.

4. The base rate system is a new method for pricing loans, and its impact on the future results of the Bank is unclear.

As of July 1, 2010, RBI guidelines replacing the benchmark prime lending rate regime with a base rate regime became effective. The Bank plans to implement the new base rate regime and has declared that its initial base rate, the minimum benchmark lending rate that banks can charge customers, is to be set at 7.5% per annum. Because the base rate regime is newly-enacted, its long-term effects on the lending practices of the Bank and other banks are unclear as of the date of this Prospectus. If the base rate regime is successful in promoting transparency and enhancing competition in the bank lending markets in India, the Bank may lose business to its competitors, who may benefit more from the new regime than the Bank does. As banks are unable to lend at rates below their effective base rate, regardless of the creditworthiness of the borrower, it is possible that the Bank will be restricted from making loans that would otherwise result in a profit, thereby adversely affecting the Bank's results of operations. It is also possible that the base rate regime will increase deposit rates, which would raise the Bank's cost of funding, lower the Bank's net interest margin and adversely affect its financial condition and results of operations.

5. A substantial portion of the Bank's income is derived from its Government operations, a slowdown in which could adversely affect the Bank's business.

The Government generates significant business activity in the Economy. For the year ended March 31, 2010, total Government business turnover was Rs. 20,654.3 billion. For the year ended March 31, 2010, the Bank earned commission from Government transactions of Rs. 15.2 billion, or 17.21% of the Bank's other (non-interest) income, and handled 58.8% of the Government's aggregate receipts and payments as well as 65.1% of state governments' payments and receipts. In many instances, the Bank acts as the sole agent for certain Government transactions. While the Bank has enjoyed a strong working relationship with the Government in the past, there is no assurance that this relationship will continue in the future. The Government is not obligated to choose the Bank to conduct any of its transactions. If the Government does choose another bank to perform such tasks, the Bank's business and thereby the income derived from its Government operations, will be adversely affected.

6. If the Bank is not able to control or reduce the level of NPAs in its portfolio, its business will be adversely affected.

The Bank's net NPAs as of March 31, 2010, were Rs. 108.7 billion or 1.72% of its net advances. The Bank's NPAs can be attributed to several factors, including increased competition arising from economic liberalization in India, variable industrial growth, a sharp decline in commodity prices, the high level of debt in the financing of projects and capital structures of companies in India and the high interest rates in the Indian economy during the period in which a large number of projects contracted their borrowings, which reduced profitability for certain of the Bank's borrowers. Although the Bank's loan portfolio contains loans to a wide variety of businesses, financial difficulties could increase the Bank's level of NPAs and adversely affect its business, future financial performance, shareholders' funds and the price of the Bonds.

7. Further deterioration of the Bank's NPA portfolio and an inability to improve its provisioning coverage as a percentage of gross NPAs could adversely affect the price of the Bonds.

Although the Bank believes that its total provisions made in accordance with RBI guidelines will be adequate to cover all known losses in its asset portfolio, there can be no assurance that there will not be a further deterioration in the provisioning coverage as a percentage of gross NPAs or otherwise or that the percentage of NPAs that the Bank will be able to recover will be similar to its past experience of recoveries of NPAs. Any further deterioration in its NPA portfolio could adversely affect its business, its future financial performance and the trading price of the Bonds.

8. Recent Reserve Bank of India requirements that all Indian banks increase their provisioning coverage as a percentage of gross NPAs could adversely affect the Bank's business.

Indian banks are being required by a new RBI policy to increase their total provisioning coverage ratio, including floating provisions and prudential/technical write-offs, to 70% by September 30, 2010. The RBI has granted the Bank an extension of this deadline up to September 30, 2011, subject to the fulfillment of certain specified conditions. The Bank's net provisioning coverage ratio at March 31, 2010, computed as per the RBI guidelines was 59.2%. Increased provisioning by the Bank in order to comply with the recently mandated increase in provisions against the Bank's NPA portfolio or any future RBI-mandated increases or changes to its policy could lead to an adverse impact on the Bank's business, future financial performance and the price of the Bonds.

9. The Bank's loan portfolio contains significant advances to the agricultural sector.

The Bank's loan portfolio contains significant advances to the agricultural sector, amounting to Rs. 637.23 billion and including indirect finance to agriculture amounting to Rs. 841.51 billion. The Government's proposed agricultural lending plans may contemplate state-owned banks, including the Bank, lending at below market rates in the agricultural sector. The RBI guidelines stipulate that the Bank's agricultural advances be 18.0% of adjusted net bank credit. The Bank has achieved 18.08% of Adjusted Net Bank Credit ("ANBC") as on March 31, 2010.

10. The Bank may experience delays in enforcing its collateral when borrowers default on their obligations to the Bank, which may result in failure to recover the expected value of collateral security, exposing it to a potential loss.

A substantial portion of the Bank's loans to corporate customers are secured by real assets, including property, plant and equipment. The Bank's loans to corporate customers also include working capital credit facilities that are typically secured by a first charge on inventory, receivables and other current assets. In some cases, the Bank may have taken further security of a first or second charge on fixed assets, a pledge of financial assets like marketable securities, corporate guarantees and personal guarantees. A substantial portion of the Bank's loans to retail customers is also secured by the financed assets, predominantly property and vehicles. Although in general the Bank's loans are over-collateralized, an economic downturn could result in a fall in relevant collateral values for the Bank.

In India, foreclosure on immovable property generally requires a written petition to an Indian court or tribunal. An application, when made, may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the immovable property. Security created on shares of a borrower can be enforced without court proceedings. However, there can be delays in realization in the event that the borrower challenges the enforcement in an Indian court. In the event a corporate borrower makes a reference to a specialized quasi-judicial authority called the Board for Industrial and Financial Reconstruction ("BIFR"), foreclosure and enforceability of collateral is stayed. The Bank may not be able to realize the full value on its collateral as a result of, among other factors, delays in bankruptcy and foreclosure proceedings, defects in the registration of collateral and fraudulent transfers by borrowers. A failure to recover the expected value of collateral security could expose the Bank to a potential loss. Any unexpected losses could adversely affect the Bank's business, its future financial performance and the trading price of the Bonds.

11. The Indian banking industry is very competitive and the Bank's growth strategy depends on its ability to compete effectively.

The Bank faces competition from Indian and foreign commercial banks in all its products and services. The Bank also faces competition from Indian and foreign commercial banks and non-bank finance companies in its retail products and services. In addition, since the Bank raises funds from market sources and individual depositors, it will face increasing competition for such funds. Additionally, the Indian financial sector may experience further consolidation, resulting in fewer banks and financial institutions. The Government permits foreign banks to establish wholly-owned subsidiaries in India and invest up to 74.0% in Indian private sector banks. The RBI is due to publish a discussion paper in 2010 on the presence of foreign banks in India. In addition, private sector financial services companies, non-bank finance companies and their affiliates may be entitled to commence banking operations which may further increase competition. In August 2010, the RBI released the discussion paper on "Entry of New Banks in the Private Sector" which, inter alia, includes discussion on the minimum capital requirements for new banks and promoters contribution, foreign shareholding in the new banks, whether industrial or business houses should be permitted to promote banks and whether non-banking financial companies should be entitled to convert to banks. The Government is also actively encouraging banks and other financial institutions to significantly increase their lending to the agricultural sector, which will make this segment more competitive. Due to competitive pressures, the Bank may be unable to successfully execute its growth strategy and offer products and services at reasonable returns and this may adversely impact its business, future financial performance and the trading price of the Bonds.

12. The Bank is subject to credit, market and liquidity risk which may have an adverse effect on its credit ratings and its cost of funds.

To the extent any of the instruments and strategies the Bank uses to hedge or otherwise manage its exposure to market or credit risk are not effective, the Bank may not be able to mitigate effectively its risk exposures in particular to market environments or against particular types of risk. The Bank's balance sheet growth will be dependent upon economic conditions, as well as upon its determination to sell, purchase, securitize or syndicate particular loans or loan portfolios. The Bank's trading revenues and interest rate risk exposure are dependent upon its ability to properly identify, and mark to market, changes in the value of financial instruments caused by changes in market prices or rates. The Bank's earnings are dependent upon the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting estimates and the adequacy of its allowances for loan losses.

To the extent its assessments, assumptions or estimates prove inaccurate or not predictive of actual results, the Bank could suffer higher than anticipated losses. The successful management of credit, market and operational risk is an important consideration in managing its liquidity risk because it affects the evaluation of its credit ratings by rating agencies. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a reduction in its ratings. Any reduction in the Bank's ratings (or withdrawal of ratings) may increase its borrowing costs, limit its access to capital markets and adversely affect its ability to sell or market its products, engage in business transactions, particularly longer-term and derivatives transactions, or retain its customers. This, in turn, could reduce its liquidity and negatively impact its operating results and financial condition.

13. The Bank has high concentrations of loans to certain customers and to certain sectors and if a substantial portion of these loans were to become non-performing, the quality of its loan portfolio could be adversely affected.

As of March 31, 2010, the Bank's total exposure to borrowers (fund-based and non-fund based, including guarantees) was Rs. 9,179.1 billion (including principal outstanding, accrued interest and 100.0% of the nominal amount of non-fund based exposures). The ten largest individual borrowers in the aggregate accounted for 9.0% of the Bank's total exposure and its ten largest borrower groups in aggregate accounted for 12.9% of its total exposure. The largest borrower as of March 31, 2010 accounted for 1.6% of the Bank's total exposure and 16.1% of the Bank's total capital funds. The largest borrower group as of March 31, 2010 accounted for approximately 2.6% of the Bank's total exposure and for 25.9% of the Bank's total capital funds. Credit losses on these large single borrower and group exposures could adversely affect the Bank's financial performance and the trading price of the Bonds.

The Bank has extended loans to several industrial sectors in India. The table below sets out the Bank's five largest domestic industry exposures (fund-based, excluding retail) as of March 31, 2010.

Industry	**Fund-based** *(Rs. in millions)*
Non-banking financial companies and Trading	1,570,947
Infrastructure	378,981
Iron and Steel	278,930
Petroleum	237,196
Engineering	167,054
Total	**2,633,108**

These exposures, totalling Rs. 2,633.1 billion, constituted 48.4% of the Bank's gross domestic advances (excluding retail) and 41.0% of its total gross advances as of March 31, 2010. The global and domestic trends in these industrial sectors may have a bearing on the Bank's gross financial position. Although the Bank's portfolio contains loans to a wide variety of businesses, financial difficulties in these industrial sectors could increase the level of NPAs and restructured assets, and adversely affect the Bank's business, its future financial performance, shareholders' funds and the price of the Bonds.

14. A substantial portion of the Bank's loans have a tenor exceeding one year, exposing the Bank to risks associated with economic cycles and project success rates.

As of March 31, 2010, loans with a remaining tenor exceeding one year constituted 68.0% of the Bank's total customer loans. The long tenor of these loans may expose the Bank to risks arising out of economic cycles. In addition, some of these loans are project finance loans. There can be no assurance that these projects will perform as anticipated or that such projects will be able to generate cash flows to service commitments under the loans. The Bank is also exposed to infrastructure projects that are still under development and are open to risks arising out of delay in execution, failure of borrowers to execute projects on time, delay in getting approvals from necessary authorities, and breach of contractual obligations by counterparties, all of which may adversely impact the projected cash flows. Although the Bank has in place certain procedures to monitor its project finance borrowers, these procedures may not be effective, especially given the size and scope of the Bank's loan portfolio and the number of its borrowers. Risks arising out of a recession in the economy and a delay in project implementation or commissioning could lead to rise in delinquency rates and, in turn, adversely impact the Bank's future financial performance and the trading price of the Bonds.

15. ***The Bank's funding is primarily short-term and if depositors do not roll over deposited funds upon maturity the Bank's business could be adversely affected.***

The maturity profile of the Bank's assets and liabilities shows a negative liquidity gap in the three months to one year time period. The negative gap has arisen mainly because the Bank's deposits and other liabilities are of shorter average maturity than its loans and investments. Most of the Bank's incremental funding requirements are met through short-term funding sources, primarily in the form of deposits. However, a large portion of the Bank's assets have medium- or long-term maturities, creating potential funding mismatches. The Bank's customer deposits are both demand deposits and term deposits, with approximately 35.8% having maturities of up to one year as of March 31, 2010. If a substantial number of the Bank's depositors do not roll over deposited funds upon maturity, its liquidity position could be adversely affected. The failure to obtain rollover of customer deposits upon maturity or to replace them with fresh deposits could have a material adverse effect on the Bank's business, future financial performance and the trading price of the Bonds.

The most recent parliamentary elections were completed in May 2009, which the Indian National Congress Party won with Dr. Manmohan Singh as the Prime Minister of India. Although there has been no significant change in the Government's policies since May 2009, current macroeconomic conditions could lead to certain policy and administrative steps which in turn could result in a wider fiscal deficit and, consequently, a downgrade in sovereign ratings, which would adversely affect exchange rates and interest rates. Any significant change in the Government's economic liberalization and deregulation policies could adversely affect business and economic conditions in India and could also adversely affect the Bank's business, its future financial performance and the trading price of the Bonds.

16. ***The Bank is exposed to fluctuations in foreign exchange rates.***

As a financial organization with operations in various countries, the Bank is exposed to exchange rate risk. The Bank complies with regulatory limits upon its unhedged foreign currency exposure by making foreign currency loans on terms that are generally similar to its foreign currency borrowings and thereby transferring the foreign exchange risk to the borrower or through active use of cross-currency swaps and forwards to generally match the currencies of its assets and liabilities.

However, the Bank is exposed to fluctuations in foreign currency rates for its unhedged exposure. Adverse movements in foreign exchange rates may also impact the Bank's borrowers adversely, which may in turn impact the quality of its exposure to these borrowers. Volatility in foreign exchange rates could adversely affect the Bank's business, future financial performance and the price of the Bonds.

17. ***The Bank's risk management policies and procedures may leave the Bank exposed to unidentified or unanticipated risks, which could negatively affect its business or result in losses.***

The Bank's hedging strategies and other risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risk are based upon observed historical market behavior. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, clients or other matters. This information may not in all cases be accurate, complete, up to date or properly evaluated. Management of operational, legal or regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. Although the Bank has established these policies and procedures, they may not be fully effective.

18. There is operational risk associated with the Bank's industry which, when realized, may have an adverse impact on its business.

The Bank, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing its business activities), or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. The Bank outsources some functions to other agencies. Given its high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, its dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. The Bank may also be subject to disruptions of its operating systems arising from events that are wholly or partially beyond its control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to a deterioration in customer service and to loss or liability to the Bank. The Bank is further exposed to the risk that external vendors may be unable to fulfill their contractual obligations to the Bank (or will be subject to the same risk of fraud or operational errors by their respective employees as the Bank is), and to the risk that its (or its vendors') business continuity and data security systems prove not to be sufficiently adequate. The Bank also faces the risk that the design of its controls and procedures may prove inadequate, or are circumvented, thereby causing delays in detection or errors in information. Although the Bank maintains a system of controls designed to keep operational risk at appropriate levels, like all banks, the Bank has suffered losses from operational risk and there can be no assurance that the Bank will not suffer losses from operational risks in the future that may be material in amount, and its reputation could be adversely affected by the occurrence of any such events involving its employees, customers or third parties.

19. Significant security breaches could adversely impact the Bank's business.

The Bank seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptions caused by the Bank's increased use of technology including the internet. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. There may be areas in the system, that have not been properly protected from security breaches and other attacks. The Bank employs security systems, including firewalls and password encryption, designed to minimise the risk of security breaches. Although the Bank intends to continue to implement security technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will be adequate or successful. Failed security measures could have a material adverse effect on the Bank's business, its future financial performance and the trading price of the Bonds. The Bank's business operations are based on a high volume of transactions. Although the Bank takes adequate measures to safeguard against system related and other fraud, there can be no assurance that it would be able to prevent fraud. The Bank's reputation could be adversely affected by significant fraud committed by employees, customers or outsiders.

20. System failures could adversely impact the Bank.

Given the increasing share of retail products and services and transaction banking services in the Bank's overall business, the importance of systems technology to the Bank's business has increased significantly. The Bank's principal delivery channels include ATMs, call centres and the internet. Any failure in the Bank's systems, particularly for retail products and services and transaction banking, could significantly affect the Bank's operations and the quality of its customer service and could result in business and financial losses and adversely affect the trading price of the Bonds.

21. Banking is a heavily regulated industry and material changes in the regulations which govern the Bank could cause its business to suffer.

Banks in India are subject to detailed supervision and regulation by the RBI. In addition, banks are generally subject to changes in Indian law, as well as to changes in regulations, government policies and accounting principles. The laws and regulations governing the banking sector, including those governing the products and services that the Bank provides or proposes to provide, such as its life insurance or asset management business, or derivatives and hedging products and services, could change in the future. Any such changes may adversely affect the Bank's business, future financial performance and the price of the Bonds by, for example, requiring a restructuring of the Bank's activities or increasing its operating costs.

The lending norms of the RBI require every scheduled commercial bank to extend 40.0% of its net bank credit to certain eligible sectors, such as agriculture, small-scale industries and individual housing finance up to Rs. 2 million (which are categorized as "Priority Sectors"). Economic difficulties are likely to affect those borrowers in Priority Sectors more severely. As of March 31, 2010, the Bank's lending to Priority Sectors accounted for 41.0% of adjusted net bank credit, with 18.1% of net credit going to the agricultural sector.

22. Regulatory changes in India or other jurisdictions in which the Bank operates could adversely affect its business.

The laws and regulations or the regulatory or enforcement environment in any of those jurisdictions in which the Bank operates may change at any time and may have an adverse effect on the products or services the Bank offers, the value of its assets or its business in general. Throughout calendar year 2007 and roughly the first half of 2008, the RBI enacted gradual increases in the repo rate and the cash reserve ratio ("CRR"), respectively, from 7.75% and 6.25% in March 2007 to a peak of 9.0% for both with effect from mid year 2008.

During the second half of calendar year 2008 and the first half of 2009, in response to the economic crisis the RBI relaxed its reserve and provisioning requirements in order to promote activity in the lending and credit markets. On May 15, 2008, the risk weight on residential housing loans to individuals was reduced from 75.0% to 50.0%. In November 2008, the provisioning requirements for all standard assets (except for the agriculture and SME sectors) were reduced to a uniform level of 0.4%. With effect from November 15, 2008 the risk weight for commercial real estate exposure was reduced from 125.0% to 100.0%. The repo rate was reduced incrementally until it reached a low of 4.75% from April 21, 2009. The CRR was reduced incrementally until it reached 5.0% effective January 17, 2009.

In the second half of calendar year 2009, the RBI indicated that it would begin to reverse its previous expansionary measures in order to subdue inflationary pressures while preserving growth momentum. It implemented a range of measures, such as restoring the SLR to 25.0% from its previous level of 24.0%, and adjusting or discontinuing special rules in connection with special refinance facilities for commercial banks. In the third quarter review of monetary policy in January 2010, the RBI increased the CRR by 75 basis points from 5.0% to 5.75% in a phased manner effective February 2010. On March 19, 2010, the RBI increased the repo and reverse repo rates by 25 basis points with immediate effect. In the annual policy review in April 2010, the RBI announced a 25 basis point increase in the CRR to 6.0%. The RBI, in its credit policy announcement on September 16, 2010, hiked repo by 25 basis points and the reverse repo by 50 basis points. The repo now stands at 6% while reverse repo stands at 5%.

Regulatory or legislative changes as a result of litigation involving the RBI and other Government bodies with respect to derivatives could affect the Bank's derivative business, as the Bank may be unable to continue to enter into certain types of income earning transactions or may incur increased administrative costs.

Future changes in the stance of the RBI could have an adverse impact on the Bank's capital adequacy and profitability. Any change by the RBI to the directed lending norms may result in the Bank being unable to meet the Priority Sector lending requirements, as well as requiring the Bank to increase its lending to relatively riskier segments which could result in an increase in NPAs in the Bank's directed lending portfolio. Consequently, the Bank's levels of yield-generating assets may be reduced or the Bank may be forced to recognize accounting losses, which could materially adversely affect its recognized profits, financial condition and results of operations.

23. ***The Bank is required to maintain its capital adequacy ratio at the minimum level required by the RBI for domestic banks. There can be no assurance that the Bank will be able to access capital as and when it needs it for growth.***

The RBI requires Indian banks to maintain a minimum Tier I capital adequacy ratio of 6.0% and a minimum risk weighted capital adequacy ratio of 9.0%. As per Basel II norms, the Bank's standalone Tier I and total capital adequacy ratios were 9.45% and 13.39%, respectively, while the Group's consolidated Tier I and total capital adequacy ratios were 9.28% and 13.49%, respectively, as of March 31, 2010. The Bank is exposed to the risk of the RBI increasing the applicable risk weight for different asset classes from time to time. The Bank's current capitalization levels are in line with these requirements. However, unless the Bank is able to access the necessary amount of additional capital, any incremental increase in the capital requirement may adversely impact the Bank's ability to grow its business and may even require the Bank to withdraw from or to curtail some of its current business operations. There can also be no assurance that the Bank will be able to raise adequate additional capital in the future at all or on terms favorable to it. Moreover, if the Basel Committee on Banking Supervision releases additional or more stringent guidance on capital adequacy norms which are given the effect of law in India in the future, the Bank may be forced to raise or maintain additional capital in a manner which could materially adversely affect its business, financial condition and results of operations.

24. ***As the Bank's majority shareholder, the Government controls the Bank and may cause the Bank to take actions which are not in the interests of the Bank or of the holders of the Bonds.***

In accordance with the Act, the Government, in consultation with the RBI, has the power to appoint and/or nominate the Chairman, two Managing Directors and a majority of the directors of the Bank's Central Board, which determines the outcome of the actions relating to the general direction of the affairs of the Bank, including payment of dividends. Furthermore, under the Act, the Government, after consultation with the RBI and the Chairman of the Bank, may issue directives on matters of policy involving the public interest that may affect the conduct of the business affairs of the Bank. Further, under the Act, the Bank is required to obtain approval from the Government for any increase in its authorized share capital. Further amendments to the Act has also enabled the Bank to issue preference shares. There can be no assurance that the Act will not be repealed or significantly amended in the future. In addition, there can be no assurance that the RBI or the Government will not take action or implement policies that are adverse to investors in the Bonds.

25. ***The legal requirement that the Government maintain a majority shareholding interest in the Bank of at least 51% may limit the ability of the Bank to raise appropriate levels of capital financing.***

The Act, pursuant to the State Bank of India (Amendment) Act, 2010, restricts the Government's shareholding interests in the Bank from falling below 51.0%. This requirement could result in restrictions in the equity capital raising efforts of the Bank as the Government may not be able to fund any further investments that would allow it simultaneously to maintain its stake at a minimum of 51.0% and seek funding from the capital markets. As the Indian economy grows, more businesses and individuals will require capital financing. In order to meet and sustain increasing levels of growth in capital demand, the Bank will need to accrete its capital base, whether through organic growth or (more likely) capital market financing schemes. If the Bank is unable to grow its capital base in step with demand, its business, financial prospects and profitability may be materially and adversely affected.

26. ***If the Bank does not effectively manage its foreign operations, these operations may incur losses or otherwise adversely affect the Bank's business and results of operations.***

As of March 31, 2010, the Bank had a network of 142 international offices in 32 countries and intends to further expand its international operations. As the Bank has such a large number of foreign branches, foreign subsidiaries, joint ventures and associates, it is subject to additional risks related to complying with a wide variety of national and local laws, restrictions on the import and export of certain intermediates, banking regulations, technologies and multiple and possibly overlapping tax structures. As a result, successful foreign expansion requires substantial capital, and it will be costly for the Bank to fund organic growth and to conduct acquisitions of foreign businesses. Acquisitions involve various risks that are difficult for the Bank to control and the Bank cannot be certain that any acquired or new businesses will perform as anticipated.

In addition, the Bank faces competition from banks in other countries that may have more experience and resources in those countries or in international operations generally. With the exception of certain countries, such as the Maldives, the Bank remains a small to mid-size operator in the international markets and many of its competitors have much greater resources.

The Bank may also face difficulties integrating new facilities in different countries into its existing operations, as well as integrating employees that the Bank hires in different countries into its existing corporate culture or complying with unfamiliar laws and regulations. If the Bank does not effectively manage its foreign operations and expansion, it may lose money in these countries, which could adversely affect the Bank's business and results of operations.

27. The Bank may not be successful in implementing its growth strategies or penetrating new markets.

One of the Bank's principal business strategies is to expand into new businesses and financial services product offerings. To this end, the Bank has launched initiatives in general insurance, private equity funds and cash management services, among other businesses, in recent years. This strategy exposes the Bank to a number of risks and challenges including, among others, the following:

- growth will require greater marketing and compliance costs than experienced in the past, diverting operational, financial and managerial resources away from the existing businesses of the Bank;
- growth plans may not develop and materialize as the Bank anticipates and there can be no assurances that new product lines or businesses will become profitable;
- the Bank may fail to identify appropriate opportunities and offer attractive new products in a timely fashion putting its businesses at a disadvantage as compared to its competitors;
- compliance with new market standards and unfamiliar regulations will place new demands upon management and create new and possibly unforeseen risks to the Bank;
- the Bank will need to hire or retrain skilled personnel who are able to supervise and conduct the relevant new business activities, adding to the Bank's cost base; and
- competitors in the different business segments that the Bank operates in may have more experience and resources than the Bank which may affect its ability to compete.

In addition, the Bank's growth strategy in the future may involve strategic acquisitions and reconstructions, partnerships, joint ventures and exploration of mutual interests with other parties. These acquisitions and investments may not necessarily contribute to business growth and the Bank's profitability or may be unsuccessful. In addition, the Bank could experience difficulty in assimilating personnel, integrating operations and cultures and may not realize the anticipated synergies or efficiencies from such transactions. These difficulties could disrupt the Bank's ongoing business, distract its management and employees and increase its expenses.

28. If the Bank is not able to integrate any future acquisitions, the Bank's business could be disrupted.

The Bank may seek opportunities for growth through acquisitions or be required to undertake mergers mandated by RBI. Any future acquisitions or mergers may involve a number of risks, including deterioration of asset quality, diversion of its management's attention required to integrate the acquired business and failure to retain key acquired personnel and clients, leverage synergies, rationalise operations, or develop the skills required for new businesses and markets, or unknown and known liabilities, some or all of which could have an adverse effect on its business.

29. The Bank's business growth, both in terms of its new businesses and financial services, may add complexities to its current operations, which, if not managed properly, may result in operational volatility whether within or across its branches and business units.

The Bank's expansion into new businesses and financial services product offerings will require proper oversight and management. The new businesses will need to be set up and run profitably and the formation of new strategic business units will need to be streamlined into the Bank's existing operations. These new businesses and business units will be formed across India, as well as internationally. Integrating the operations, not only domestically throughout India, but also throughout the international offices, will increase the need for high level management. In addition, not only are the financial prospects of the new businesses uncertain, but they may also shift the financial and managerial resources away from other areas of its operations. In such a case, the Bank's other operations may suffer and the Bank's performance as a whole may also decline. If the Bank is unable to manage this growth process properly, its business prospects, financial position and profitability may be materially adversely affected.

30. The proposed merger of the Associate Banks with the Bank may engender opposition against the Bank and lead to business disruptions, such as labour strikes, and adversely affect the Bank's operations.

The Bank is considering the merger of certain of its Associate Banks into the Bank, but has faced and may continue to face opposition to such consolidation by employees of the Bank or the Associate Banks. In 2008, the merger of one such Associate Bank, the State Bank of Saurashtra, into the Bank was effected by a Government order and notification dated August 13, 2008. Although a settlement was signed with the All India State Bank Staff Federation, which represents non-officer employees, the All India State Bank Officers' Federation opposed the merger and observed a one-day strike on August 13, 2008, which affected the functioning of branches for one day. At the time, the union also threatened to intensify its opposition and impose a lengthier strike. In recent years, other one- to two-day strikes have taken place from time to time manifesting protests related to the proposed mergers, as well as other issues such as wages and employment levels. Although none of these strikes materially impacted the Bank's or the Associate Banks' operations, future union and popular opposition to any merger of Associate Banks into the Bank may harm the Bank's reputation and disrupt business operations and the delivery of banking services to customers.

In 2010, the merger of another such Associate Bank, the State Bank of Indore, into the Bank was effected by a Government order and notification dated July 28, 2010 effective from August 26, 2010.

31. If the Bank is unable to adapt to rapid technological changes, its business could suffer.

The Bank's future success will depend in part on its ability to respond to technological advances and to emerging banking industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that the Bank will successfully implement new technologies effectively or adapt its transaction processing systems to meet customer requirements or emerging industry standards. If the Bank is unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, its business, the future financial performance of the Bank and the trading price of the Bonds could be materially affected.

32. The Bank implements new information technology systems as it expands and may experience implementation technical difficulties.

The Bank implemented and continues to implement new information technology systems to facilitate and complement its growth. As additional IT platforms are introduced and become integral to the Bank's product offering, unforeseen technical difficulties may cause disruption in the Bank's operations. These disruptions may affect customer services, internal operations and data management. As the Bank's risk management systems evolve and as its operations become more reliant upon technology to manage and monitor its risk, any failure or disruption could materially and adversely affect its operations and financial position.

33. The Bank depends on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or to enter into other transactions with customers and counterparties, the Bank may rely on information furnished to the Bank by or on behalf of customers and counterparties, including financial statements and other financial information. The Bank may also rely on certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit, the Bank may assume that a customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. The Bank's financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or with other information that is materially misleading.

34. The Bank may not be able to properly manage and gradually reduce its number of employees, which would negatively impact its business.

As of March 31, 2010, the Bank employed a total of 200,299 employees, after completing a significant hiring campaign in Fiscal Year 2009 resulting in more than 30,000 new hires. To expand and to replace retired employees, the Bank plans to recruit additional employees during the current Fiscal Year. There can be no assurances, however, that the Bank will be able to continue the implementation of its plan to increase its number of employees successfully in the future to the targeted levels. If the Bank is not successful in recruiting sufficient numbers to execute its strategies, or training and maintaining its standards across a large employee population, or retaining its growing population of employees, this may have a material adverse effect on the future financial performance of the Bank.

35. Any inability to attract and retain talented professionals may negatively affect the Bank.

The Bank employs some officers on a contract basis for various purposes. The salaries offered are market competitive. However, the number of officers on market competitive salaries is minimal. An inability to attract and retain such talented professionals or the resignation or loss of key management personnel, especially in light of its continued expansion, may have an adverse impact on the Bank's business, future financial performance and trading price of the Bonds.

36. The Bank's remuneration scheme may not be as attractive as other banks with which it competes and may hurt the Bank's ability to attract and maintain a skilled and committed workforce.

The remuneration of employees across all of India's public sector banks is uniform. The Bank's employee remuneration scheme is guided by industry level negotiations between the bank management, which is represented by the Indian Banks' Association, and bank workers represented by their respective associations. All negotiations are subject to final approval by the Government, which limits the Bank's flexibility in implementing performance-based pay. If the general banking industry increasingly moves toward incentive-based pay schemes, the Bank may not be as competitive as other banks. This may increase the possibility that the Bank's skilled personnel may go elsewhere for more attractive employment packages.

37. The Bank's employees are highly unionised and any union action may adversely affect the Bank's business.

Approximately 98% of the Bank's clerical and non-officer employees belong to a union, the All India State Bank Staff Federation. A significant number of the Bank's officers belong to a separate union, the All India State Bank Officers' Federation. While the Bank believes it has a strong working relationship with its unions, there can be no assurance that the Bank will continue to have such a relationship in the future. In recent years, one- to two-day strikes by the unions have taken place from time to time to protest mergers of certain Associate Banks into the Bank, as well as other issues such as wages and employee levels. If the staff or officers' union was to call for a work stoppage or other similar action, the Bank may be forced to suspend all or part of its operations until the dispute is resolved. If such a work stoppage was to occur, the Bank's business could be adversely affected.

38. The Bank is involved in various litigation matters. Any final judgment awarding material damages against the Bank could have a material adverse impact on its future financial performance, stockholders' equity and the price of the Bonds.

The Bank and its subsidiaries and associates, or their directors or officers, are often involved in litigation matters (including civil or criminal) for a variety of reasons, which generally arise because the Bank seeks to recover from borrowers or because customers seek claims against it. The majority of these cases arise in the normal course of business. Although it is the Bank's policy to make provisions for probable loss, the Bank does not make provisions or disclosures in its financial statements where its assessment is that the risk is insignificant. The Bank cannot guarantee that the judgments in any of the litigation in which the Bank is involved would be favorable to it and if its assessment of the risk changes, its view on provisions will also change. Increased provisioning for such potential losses could have a material adverse effect on the Bank's results of operations and financial condition. If the Bank's provisioning is inadequate relative to actual losses on final judgment, such additional losses could have an adverse impact on the Bank's business.

39. The Bank has contingent liabilities.

As of March 31, 2010, the Bank had contingent liabilities of approximately Rs. 5,484.5 billion on account of guarantees covering its customers, letters of credit, underwriting commitments, liabilities for partly paid commitments, claims against the Bank not acknowledged as debt, and disputed tax and legal claims, compared to contingent liabilities of Rs. 7,236.9 billion in the year ended March 31, 2009. In the year ended March 31, 2010, the Bank saw a significant decline in its contingent liabilities on account of a decline in forward exchange contracts and other items for which the Bank is contingently liable. If the Bank's contingent liabilities are realized, this may have an adverse effect on the Bank's future financial performance and the trading price of the Bonds.

40. Increased volatility or inflation of commodity prices in India could adversely affect the Bank's business.

In recent months, consumer and wholesale prices in India have exhibited marked inflationary trends, with particular increases in the prices of food, metals and crude oil. Inflation measured by the Wholesale Price Index increased from 1.31% at March 31, 2009 to 11.04% at March 31, 2010. Any increased volatility or rate of inflation of global commodity prices, in particular oil and steel prices, could adversely affect the Bank's borrowers and contractual counterparties. Although the RBI has enacted certain policy measures designed to curb inflation, these policies may not be successful. Because of the importance of its retail banking portfolio and the importance of its agricultural loan portfolio to its business, any slowdown in the growth of the housing, automobile and agricultural sectors could adversely impact the Bank's business, financial condition and results of operations.

41. A significant increase in the price of crude oil could adversely affect the Indian economy and the Bank's business.

India imports approximately 70.0% of its requirements of crude oil, which comprised approximately 30.6% of total imports in Fiscal Year 2010; accordingly, a significant increase from current levels in the price of crude oil could adversely affect the Indian economy. Since 2004, there have been several periods of sharp increase in global crude oil prices due to both increased demand and speculation and pressure on production and refinery capacity, and political and military tensions in key oil-producing regions, among other factors. A sharp increase in global crude oil prices during calendar year 2008 caused the Indian Wholesale Price Index to peak at 12.8% in August 2008. In June 2010, the Government eliminated subsidies on petroleum products, which will significantly increase the price of gasoline, diesel and kerosene. Any further increase or volatility of oil prices suffered by consumers could have a material adverse impact on the economy and on the banking and financial system in particular, including through a rise in inflation and market interest rates and a higher trade deficit.

42. A significant change in the Government's policies could adversely affect the Bank's business and the trading price of the Bonds.

The Bank's assets and customers are predominantly located in India. The Government has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. The Government's economic policies have had and could continue to have a significant effect on public sector entities, including the Bank, and on market conditions and prices of Indian securities, including securities issued by the Bank.

43. Financial instability in India, other countries where the Bank has established operations, or globally could adversely affect the Bank's business and the trading price of the Bonds.

The Indian economy is influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. The Bank has also established operations in several other countries, including in the United States and certain European countries. A loss of investor confidence in the financial systems of other emerging markets and countries where the Bank has established operations or any worldwide financial instability may cause increased volatility in the Indian financial markets and, directly or indirectly, adversely affect the Indian economy and financial sector and its business.

The global credit and equity markets have recently experienced substantial dislocations, liquidity disruptions and market corrections. The dislocation of the sub-prime mortgage loan market in the United States since September 2008 led to increased liquidity and credit concerns and volatility in the global credit and financial markets in Fiscal Years 2009 and 2010. In recent months, the European sovereign debt crisis has led to renewed concerns of global financial stability and increased volatility in debt and equity markets. These and other related events have had a significant impact on the global credit and financial markets as a whole, including reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in the United States and global credit and financial markets.

In response to such developments, legislators and financial regulators in the United States and other jurisdictions, including India, implemented a number of policy measures designed to add stability to the financial markets. However, the overall long-term impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have had the intended stabilizing effects. Any significant financial disruption in the future could have an adverse effect on the Bank's cost of funding, loan portfolio, business, future financial performance and the trading price of the Bonds. Adverse economic developments overseas in countries where the Bank has operations could have a material adverse impact on the Bank and the trading price of the Bonds.

44. Natural calamities could adversely affect the Indian economy, the Bank's business and the price of the Bonds.

India has experienced natural calamities such as earthquakes, floods and drought in recent years. The extent and severity of these natural disasters determine their impact on the Indian economy. For example, in fiscal year 2003, many parts of India received significantly less than normal rainfall. As a result of the drought conditions during fiscal year 2003, the agricultural sector recorded a negative growth of 7.0%. Also, the erratic progress of the monsoon season in fiscal year 2005 adversely affected sowing operations for certain crops and resulted in a decline in the growth rate of the agricultural sector from 10.0% in fiscal year 2004 to negligible growth in fiscal year 2005. The agricultural sector grew by 5.9% in fiscal year 2006, 3.8% in fiscal year 2007 and 4.9% in fiscal year 2008. In fiscal years 2009 and 2010, the agricultural sector was affected by one of the worst drought spells in the last 40 years, and grew by an estimated 1.6% and 0.2%, respectively. Further prolonged spells of below or above normal rainfall or other natural calamities could adversely affect the Indian economy and the Bank's business, especially in view of the Bank's sizeable exposure to agricultural borrowers.

45. If regional hostilities, terrorist attacks or social unrest in some parts of the country increase, the Bank's business and the trading price of the Bonds could be adversely affected.

India has from time to time experienced social and civil unrest and hostilities both internally and with neighbouring countries. Present relations between India and Pakistan continue to be fragile on the issues of terrorism, armament and Kashmir. In November 2008, several coordinated shooting and bombing attacks occurred across Mumbai, India's financial capital, which resulted in the loss of life, property and business. India has also experienced terrorist attacks in other parts of the country. These hostilities and tensions could lead to political or economic instability in India and a possible adverse effect on the Bank's business, its future financial performance and the trading price of the Bonds. Further, India has also experienced social unrest in some parts of the country. If such tensions spread and lead to overall political and economic instability in India, it may adversely affect the Bank's business, future financial performance and the trading price of the Bonds.

46. Financial difficulties and other problems in certain financial institutions in India could adversely affect the Bank's business and the price of the Bonds.

The Bank is exposed to the risks inherent in the Indian financial system. These risks are driven by the financial difficulties faced by certain Indian financial institutions, whose commercial soundness may be closely interrelated as a result of credit, trading, clearing or other relationships amongst them. This risk, which is sometimes referred to as "systemic risk," may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom the Bank interacts on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and adversely affect the Bank's business and the trading price of the Bonds. As the Indian financial system operates within an emerging market, the Bank faces risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme.

47. An outbreak of avian or swine influenza or other contagious diseases may adversely affect the Indian economy and the Bank's business.

Since late 2003, a number of countries in Asia, including India, as well as countries in other parts of the world, have had confirmed cases of the highly pathogenic H5N1 and H1N1 strains of influenza in birds and swine. Certain countries in Southeast Asia have reported cases of bird to human transmission of avian and swine influenza resulting in numerous human deaths. The World Health Organization and other agencies have issued warnings on a potential avian or swine influenza pandemic if there is sustained human to human transmission. Future outbreaks of avian or swine influenza or a similar contagious disease could adversely affect the Indian economy and economic activity in the region. As a result, any present or future outbreak of avian or swine influenza or other contagious diseases could have a material adverse effect on the Bank's business.

48. The effects of the planned convergence with and adoption of IFRS are uncertain.

The Institute of Chartered Accountants of India, the accounting body that regulates the accounting firms in India, has announced a road map for the adoption of, and convergence with IFRS. The Bank will be required to prepare its annual and interim financial statements under IFRS commencing from the fiscal period starting April 1, 2013. Because there is a significant lack of clarity on the adoption of and convergence with IFRS and there is not yet a significant body of established practice on which to draw in forming judgments regarding its implementation and application, the Bank has not determined with any degree of certainty the impact that such adoption will have on its financial reporting. Further, the new accounting standards will change its methodology for estimating allowances for probable loan losses. New accounting standards may require it to value its non-performing loans by reference to their market value (if a ready market for such loans exists), or to calculate the present value of the expected future cash flows realizable from its loans, including the possible liquidation of collateral (discounted at the loan's effective interest rate) in estimating allowances for probable losses. This may result in the Bank recognizing higher allowances for probable loan losses in the future. Therefore, there can be no assurance that the Bank's financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IFRS than under Indian GAAP. In the Bank's transition to IFRS reporting, the Bank may encounter difficulties in the ongoing process of implementing and enhancing its management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements. There can be no assurance that the Bank's adoption of IFRS will not adversely affect its reported results of operations or financial condition.

49. This Prospectus includes unaudited unconsolidated limited review financial statements for the three months ended June 30, 2010, which may not completely reflect the exact financial position of the Bank

The Bank being governed by the Act is required to prepare its financial statements only at the end of each Fiscal Year. However, in compliance with stock exchange requirements and RBI disclosure norms, the Bank submits its unaudited unconsolidated limited review quarterly financial results to the stock exchanges (the "Limited Review Financial Statements"). These Limited Review Financial Statements for the three months ended June 30, 2010 have been included in this Prospectus. These, being unaudited financial statements on an unconsolidated basis, may not completely reflect the exact financial position of the Bank.

Risks Relating to India

1. Any downgrading of India's debt rating by an international rating agency could adversely affect the Bank's business and its liquidity.

Because the Bank's foreign currency ratings are pegged to India's sovereign ceiling, any adverse revision to India's credit rating for international debt will have a corresponding effect on the Bank's ratings. Any adverse change in the Bank's ratings may limit its access to capital markets and decrease its liquidity.

2. The proposed new taxation system could adversely affect the Bank's business and the price of the Bonds.

In its Union Budget for Fiscal Year 2010, the Government proposed two major reforms in Indian tax laws, namely the Goods and Services Tax and the Direct Taxes Code, both of which are proposed to be effective April 1, 2011. The goods and services tax would replace the indirect taxes on good and services such as central excise duty, service tax, customs duty, central sales tax, surcharge and cess currently being collected by the central and state governments. The Direct Taxes Code was released for public comments in August 2009. It aims to reduce distortions in tax structure, introduce moderate levels of taxation and expand the tax base. It seems to consolidate and amend laws relating to all direct taxes like income tax, dividend distribution tax, fringe benefit tax and wealth tax and facilitate voluntary compliance.

Because the taxation system is going to be overhauled its long-term effects on the Bank and other banks are unclear as of the date of this Prospectus and it could adversely affect the Bank's business, future financial performance and the price of the Bonds.

3. If the Bank is unable to complete the Issue, it may be required to find alternative methods of increasing its core Tier I and II capital ratios.

The purpose of the Issue of the Bonds is to allow the Bank to strengthen its capital position and to achieve increase the Tier 1 capital and Tier II capital. If the Bank is unable to complete the Issue, it will need to assess its capital position and may be required to find alternative methods for achieving requisite capital ratios. There can be no assurance that any of these alternative methods would be successful in increasing the Bank's capital ratios sufficiently or on the timetable currently envisaged. If the Bank is unable to increase its core Tier II capital ratios sufficiently, its credit ratings may drop and its cost of funding may increase, thereby affecting profitability.

Risks relating to investment in Bonds

1. The Bonds are not guaranteed by the Republic of India.

The Bonds are not the obligations of, or guaranteed by, the Government. Although the Government owns 59.41% of the Bank's issued and paid up share capital as of April 1, 2010, the Government is not providing a guarantee in respect of the Bonds. In addition, the Government is under no obligation to maintain the solvency of the Bank. Therefore, investors should not rely on the Government ensuring that the Bank fulfills its obligations under the Bonds.

2. There has been no prior public market for the Bonds

The Issue will be a new issue of bonds and the Bonds have no established trading market. Before this Issue, there has been no public market for these Bonds. Although an application has been made to list the Bonds on the NSE, there can be no assurance that an active public market for the Bonds will develop, and if such a market were to develop, there is no obligation on us to maintain such a market. The liquidity and market prices of the Bonds can be expected to vary with changes in market and economic conditions, our financial condition and prospects and other factors that generally influence market price of Bonds. Such fluctuations may significantly affect the liquidity and market price of the Bonds, which may trade at a discount to the price at which you purchase the Bonds. There may be market making facility for the Bonds, in order to enhance the liquidity of the Bonds, provided by certain entities appointed by the Bank, however there is no assurance of such a market making facility or that this facility would provide any liquidity for the Bonds nor that this would result in an active market developing for the Bonds. Further, the market making facility may only be for a limited period.

3. There is a risk of volatility in the price of the Bonds.

The market price of the Bonds may be affected by a variety of factors including, but not limited to, general market conditions, changes in sentiments regarding the Bank, variations in the Bank's operating results compared with the expectations of market analysts and investors, its business developments or those of its competitors, the operating performance of its competitors, speculation about the Bank's business in the press, media or investment community and the publication of research reports by analysts, or regulatory changes affecting the Bank's operations. The Bondholders should be aware that the value of the Bonds could fluctuate and may not always reflect the underlying asset values or prospects of the Bond.

4. Payments made on the Bonds is subordinated to certain tax and other liabilities preferred by law.

The Bonds will be subordinated to certain liabilities preferred by law such as to claims of the Government on account of taxes, and certain liabilities incurred in the ordinary course of the Bank's trading or banking transactions. In particular, in the event of bankruptcy, liquidation or winding-up, the Bank's assets will be available to pay obligations on the Bonds only after all of those liabilities that rank senior to these Bonds have been paid. In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the Bonds.

5. The Bonds are subordinated and have only limited rights of acceleration.

The Bonds are subordinated debt instruments of the Bank. Payments on Bonds will be subordinated in right of payment upon the winding-up or liquidation of the Bank to the prior payment in full of all deposits and other liabilities of the Bank, except those liabilities which rank equally with each of the Bonds. The Bonds and any amounts of interest due thereon are unsecured obligations of the Bank and, in the event of the winding up of the Bank, the claims of the holders of the Bonds and any relative interest pursuant thereto will be subordinated in right of payment to the claims of all other creditors. As a consequence of these subordination provisions, in the event of a winding-up of the Bank's operations, the holders of the Bonds may recover proportionately less than the holders of the Bank's deposit liabilities or the holders of its other unsubordinated liabilities. As of March 31, 2010, all of the Bank's outstanding liabilities (including deposits, borrowings, call money, guarantees and acceptances and other liabilities, but excluding provisions), rank senior to the Bonds.

Only those events described in the section "*Terms of the Issue – Default, Events of Default*", regarding the Bank's winding-up or liquidation, will permit a holder of the Bonds to accelerate payment of such Bonds. The Bank may be wound up only by order of the Central Government. Accordingly, in those events described in the section "*Terms of the Issue – Default, Events of Default*", the only action the holder may take in India against the Bank is certain actions to cause, or make a claim in, the Bank's liquidation or reorganisation. Furthermore, if the Bank's indebtedness were to be accelerated, its assets may be insufficient to repay in full borrowings under all such debt instruments, including the Bonds.

For the avoidance of doubt, the claims of the holders of the Bonds shall be senior to the claims of holder of instruments that constitute the upper Tier II capital and Tier I capital.

6. The Bonds may not qualify as Tier II capital.

There is no guarantee that the Bonds qualify as Tier II capital under the Capital Adequacy Guidelines published by the RBI. The failure of the Bonds to qualify as Tier II capital due to any reason (including changes in law, regulations or interpretations of the RBI or other government authorities) would adversely affect the Bank's capital adequacy ratio.

7. The Bank may pre-pay Series 1 Lower Tier II Bonds after five years of issuance and Series 2 Lower Tier II Bonds after ten years subject to RBI approval

The Bank may, subject to the approval of RBI, pre-pay the payments under the Bonds issued by the Bank. Such pre-payment can only take place after five years of issuance of Series 1 Lower Tier II Bonds and after ten years of issuance of Series 2 Lower Tier II Bonds and is subject the approval of RBI. In the event the Bank decides to pre-pay the payments due on the Bonds before the Redemption Date, and receives an RBI approval for the same, then the Bondholder may receive lesser payment on the redemption of the Bonds, than the payment that he would have received, in case the Bonds would have been redeemed on the Redemption Date.

8. No Debenture Redemption Reserve ("DRR") for the Bonds.

The Department of Company Affairs General Circular No.9/2002 No.6/3/2001-CL.V dated April 18, 2002 specifies that "no DRR is required for debentures issued by All India Financial Institutions ("AIFIs") regulated by RBI and banking companies for both public as well as privately placed debentures". Therefore the Bank will not be maintaining debenture redemption reserve in respect of the Bonds issued and the Bondholders may find it difficult to enforce their interests in the event of or to the extent of a default.

9. The Bank is not prohibited from issuing further debt which ranks above the Bonds

There is no restriction on the amount of debt securities that the Bank may issue that ranks above the Bonds. The issue of any such debt securities may reduce the amount recoverable by investors in the Bonds upon the Bank's bankruptcy, winding-up or liquidation. As of March 31, 2010, the Bank had Rs. 9564104.919 millions of indebtedness outstanding that ranks above the Bonds.

10. Any downgrading in credit rating of the Bonds may affect the value of Bonds and thus our ability to raise further debts.

This Bonds have been rated by CARE as having a rating "CARE AAA" and by CRISIL as having a rating "AAA/ Stable". The Bank cannot guarantee that this rating will not be downgraded. Such a downgrade in the credit rating may lower the value of the Bond\s and may also affect the Banks ability to raise further debt.

NOTES TO RISK FACTORS:

1. This is a public issue of Bonds by the Bank aggregating Rs. 5,000 million, with an option to retain over-subscription upto Rs. 5,000 million for issuance of additional Bonds, aggregating to Rs. 10,000 million.

2. For details on interests of the Bank's Directors, please refer to the sections titled "*Our Management*".

3. The Bank has entered into certain related party transactions as disclosed in the section "*Auditor Examination Report and Financial Statements – Related Party Disclosures*".

4. Any clarification or information relating to the Issue shall be made available by the Lead Managers and our Bank to investors at large and no selective or additional information will be available for a section of investors in any manner whatsoever.

5. Investors may contact the Registrar to the Issue, the Contact Person of the Bank or the Lead Managers for any complaints or queries pertaining to the Issue. In case of any specific queries on allotment / refund, investors may contact the Registrar to the Issue.

6. In the event of oversubscription to the Issue, allocation of Bonds will be as per the section "*Issue Structure - Basis of Allotment*".

7. Investors may note that this being a public issue of Bonds, as per the SEBI Debt Regulations, this Prospectus and the Draft Prospectus has not been submitted to SEBI for comments. However, the Draft Prospectus had been filed with the NSE on September 23, 2010 for receipt of public comments till October 1, 2010.

8. Investors may note that:

   The Bonds are capital instruments and not deposits of the Bank and they can not be used as collateral for any loan made by the Bank or any of its subsidiaries or affiliates. Bonds are different from fixed deposits and are not covered by deposit insurance.

   Unlike the fixed deposits where deposits are repaid at the option of deposit holder, the Bonds are not redeemable at the option of the Bondholders or without the prior consent of RBI.

THE ISSUE

The following is a summary of the Issue. The summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in the section "*Terms of the Issue*".

Common Terms of the Bonds

Issuing Bank	State Bank of India
Issue	Public Issue of the Bonds aggregating to Rs. 5,000 million with an option to retain over subscription upto Rs. 5,000 million, aggregating to Rs. 10,000 million. The Bank intends to deploy the Issue proceeds to augment its capital base in line with its growth strategy.
Stock Exchange proposed for listing of the Bonds	NSE
Issuance and Trading	Compulsorily in dematerialized form
Market Lot/Trading Lot	One Bond
Depositories	NSDL and CDSL
Security	Unsecured
Rating	The Bonds proposed to be rated under this Issue have been rated by CARE for an amount of upto Rs. 10,000 million vide their letter dated August 25, 2010 and by CRISIL for an amount of upto Rs. 10,000 million vide their letter dated September 17, 2010.
Issue Schedule *	The Issue shall be open from October 18, 2010 to October 25, 2010 with an option to close earlier as may be determined by ECCB.
Deemed Date of Allotment	Deemed Date of Allotment shall be the date on which the Central Board or the ECCB or or any committee thereof approves the Allotment of the Bonds.

***The subscription list for the Issue shall remain open for subscription during the banking hours for the period indicated above, except that the Issue may close on such earlier date as may be decided by the Executive Committee of the Central Board of the Bank. In the event of an early closure of subscription list of the Issue, the Bank shall ensure that notice of the same is provided to the prospective investors through newspaper advertisements at least three days prior to such earlier date of Issue closure.*

The specific terms of each instrument are set out below:

Options	**Series 1 Lower Tier II Bonds**	**Series 2 Lower Tier II Bonds**
Frequency of Interest Payment	Annual	Annual
Minimum Application	Rs. 10,000	Rs. 10,000
In Multiples of	Rs. 10,000	Rs. 10,000
Face Value of the Bond (Rs./Bond)	Rs. 10,000	Rs. 10,000
Issue Price (Rs./Bond)	Rs. 10,000	Rs. 10,000
Mode of Interest Payment	Through various modes available*****	Through various modes available*****
Coupon (%) p.a.	9.25 % per annum	9.50 % per annum
Effective Yield (per annum)		
1) Assuming Call Option is exercised	9.25 % per annum	9.50 % per annum
2) Assuming Call Option is not exercised	9.445% per annum	9.598% per annum
Put Option	There is no 'put' option.	There is no 'put' option.
Call Option	The Bank has a "call option" in an amount of the principal amount outstanding of the Series 1 Lower Tier II Bonds after 5 (five) years following the Deemed Date of Allotment being the payment date falling 5 (five) years and one day after the Deemed Date of Allotment of the Series 1 Lower Tier II	The Bank has a "call option" in an amount of the principal amount outstanding of the Series 2 Lower Tier II Bonds after 10 (ten) years following the Deemed Date of Allotment being the payment date falling 10 (ten) years and one day after the Deemed Date of Allotment of the Series 2 Lower Tier II Bonds, Bank subject to the

Options	Series 1 Lower Tier II Bonds	Series 2 Lower Tier II Bonds
	Bonds, Bank subject to the prior approval of RBI.	prior approval of RBI.
Step Up Coupon	If the Bank fails to exercise the call option, the Series 1 Lower Tier II Bonds will accrue interest at a higher rate, being the Coupon rate plus 0.50%. The step up option will be exercised only once during the whole life of the instrument in conjunction with the Call Option.	If the Bank fails to exercise the call option, the Series 2 Lower Tier II Bonds will accrue interest at a higher rate, being the Coupon rate plus 0.50%. The step up option will be exercised only once during the whole life of the instrument in conjunction with the Call Option.
Lock-in Clause for interest payments/principal payment	Nil	Nil
Tenor	10 years	15 years
Redemption Date	10 years from the Deemed Date of Alloment These Bonds are not redeemable at the option of the Bondholders or without the prior consent of RBI.	15 years from the Deemed Date of Alloment These Bonds are not redeemable at the option of the Bondholders or without the prior consent of RBI.
Redemption Amount (Rs./Bond)	Rs. 10,000	Rs. 10,000
Nature of Indebtedness and Ranking	In terms of the Capital Adequacy Guidelines, to be eligible for inclusion in as Series 1 Lower Tier II Bonds are fully paid up, unsecured, subordinated to the claims of all other creditors	In terms of the Capital Adequacy Guidelines, to be eligible for inclusion in as Series 2 Lower Tier II Bonds are fully paid up, unsecured, subordinated to the claims of all other creditors
Credit Rating	CARE “AAA” by CARE and “AAA” Stable by CRISIL	CARE “AAA” by CARE and “AAA” Stable by CRISIL

***** *For various modes of interest payment, please refer to the section “Issue Structure”*

SUMMARY FINANCIAL INFORMATION

The following tables present the summary financial statements which are extracted from the unconsolidated and consolidated audited financial statements of the Bank for the years ended March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006. These should be read in conjunction with the audit report thereon issued by our Auditors and statement of significant accounting policies and notes to accounts on the financial statements contained in the section "*Auditor Examination Report and Financial Information*".

Summarised Statement of Assets and Liabilities (Unconsolidated)

(Rs. in millions)

		As on	31-Mar-06 Audited	31-Mar-07 Audited	31-Mar-08 Audited	31-Mar-09 Audited	31-Mar-10 Audited
A		**ASSETS**					
	1	**CASH AND BALANCES**					
		WITH RESERVE BANK					
		OF INDIA					
	i	Cash in hand (including foreign currency notes and gold)	20,802.31	25,301.19	32,203.11	42,955.16	68,410.13
	ii	Balances with Reserve Bank of India in Current Account	1,95,724.73	2,65,463.06	4,83,143.05	5,12,506.57	5,44,498.52
		Total	2,16,527.04	2,90,764.25	5,15,346.16	5,55,461.73	6,12,908.65
	2	**BALANCES WITH BANKS**					
		& MONEY AT CALL &					
		SHORT NOTICE					
	I	In India	86,836.35	74,999.73	1,04,725.13	2,48,223.77	1,21,510.69
	ii	Outside India	1,42,236.61	1,53,922.91	54,592.06	2,40,352.49	2,27,419.08
		Total	**2,29,072.96**	**2,28,922.64**	**1,59,317.19**	**4,88,576.26**	**3,48,929.77**
	3	**INVESTMENTS**					
	i	Investments in India	15,72,862.05	14,33,363.22	18,43,301.02	26,94,710.76	27,75,684.61
	ii	Investments outside India	52,480.36	58,125.61	51,711.69	64,828.81	82,216.09
		Total	**16,25,342.41**	**14,91,488.83**	**18,95,012.71**	**27,59,539.57**	**28,57,900.70**
	4	**ADVANCES**					
	i	Bills purchased and discounted	2,48,537.49	3,07,871.01	3,67,334.90	4,71,839.66	4,27,747.32
	ii	Cash Credits, overdrafts and loans repayable on demand	9,58,567.73	12,54,761.73	15,20,000.00	22,36,799.27	27,51,504.96
	iii	Term Loans	14,10,904.14	18,10,732.19	22,80,347.06	27,16,393.11	31,39,889.24
		Total	**26,18,009.36**	**33,73,364.93**	**41,67,681.96**	**54,25,032.04**	63,19,141.52
	5	**FIXED ASSETS**	27,529.34	28,188.67	33,734.81	38,378.47	44,129.06
	6	**OTHER ASSETS**	2,23,808.43	2,52,923.06	4,44,170.29	3,77,332.74	3,51,127.60
		TOTAL (A)	**49,40,289.54**	**56,65,652.38**	**72,15,263.12**	**96,44,320.81**	1,05,34,137.30
B		**LIABILITIES**					
	1	**DEPOSITS**					
	I	Demand Deposits					
	i	From Banks	70,135.06	1,09,748.10	1,23,134.07	1,07,618.42	89,044.70
	ii	From Others	6,09,821.44	7,10,231.64	8,58,201.23	9,99,917.34	11,36,749.63
	II	Savings Bank Deposits	11,27,239.21	12,91,364.96	15,42,292.87	19,82,242.68	25,74,602.98
	III	Term Deposits					
	i	From Banks	51,830.94	46,134.86	70,654.77	1,36,571.60	1,43,378.31
	ii	From Others	19,41,433.90	21,97,731.33	27,79,756.47	41,94,381.24	40,97,386.65
		Total	**38,00,460.55**	**43,55,210.89**	**53,74,039.41**	**74,20,731.28**	80,41,162.27

		As on	31-Mar-06 Audited	31-Mar-07 Audited	31-Mar-08 Audited	31-Mar-09 Audited	31-Mar-10 Audited
	2	**BORROWINGS**					
	i	Borrowings in India	66,423.82	58,197.73	1,28,025.40	3,08,527.05	3,86,450.31
	ii	Borrowings outside India	2,39,988.63	3,38,835.62	3,89,248.72	5,32,052.24	6,43,665.70
		Total	**3,06,412.45**	**3,97,033.35**	**5,17,274.11**	**8,40,579.29**	10,30,116.01
	3	**OTHER LIABILITIES &**					
		PROVISIONS					
	i	Other Liabilities & Provisions	5,07,117.58	4,56,115.67	6,45,804.58	8,03,533.27	8,03,367.04
	ii	Subordinate Debts	49,858.10	1,44,306.90	1,87,818.40	-	-
		Sub Total	**5,56,975.68**	**6,00,422.57**	**8,33,622.98**	**8,03,533.27**	**8,03,367.04**
		TOTAL (B)	**46,63,848.68**	**53,52,666.81**	**67,24,936.51**	**90,64,843.85**	**98,74,645.32**
		NET ASSETS (C=A-B)	**2,76,440.86**	**3,12,985.57**	**4,90,326.62**	**5,79,476.96**	**6,59,491.98**
		Represented By					
		SHARE CAPITAL	5,262.99	5,262.99	6,314.70	6,348.80	6,348.82
		RESERVES & SURPLUS					
	I	Statutory Reserves	1,70,209.24	2,03,790.37	2,52,181.09	3,07,266.89	3,71,077.77
	II	Capital Reserves	4,181.05	4,181.44	4,225.84	12,673.07	13,813.62
	III	Share Premium	35,105.73	35,105.73	2,00,989.68	2,06,579.25	2,06,583.08
	IV	Investment Fluctuation Reserve	-	-	621.79	0	0.00
	V	Foreign Currency Translation Reserve	2,934.00	2,686.04	1791.81	15,748.43	6,449.56
	VI	Revenue and Other Reserves	58,744.46	61,955.61	24,198.31	30,857.13	55,215.74
	VII	Balance in Profit and Loss Account	3.39	3.39	3.39	3.39	3.39
		TOTAL (E)	**2,71,177.87**	**3,07,722.58**	**4,84,011.91**	**5,73,128.16**	6,53,143.16
		TOTAL (D+E)	**2,76,440.86**	**3,12,985.57**	**4,90,326.62**	**5,79,476.96**	**6,59,491.98**
		CONTINGENT					
		LIABILITIES					
	I	Claims against the bank not acknowledged as debts	17,048.17	38,089.88	7,997.30	21,918.16	6,554.51
	II	Liability for partly paid investments	28.00	28.00	28.00	28.00	28.00
	III	Liability on account of outstanding forward exchange contracts	13,43,502.87	19,72,853.05	31,04,575.17	28,94,292.40	24,50,314.50
	IV	Guaranteed given on behalf of constituents	2,68,869.80	3,76,211.98	4,96,630.16	7,29,616.95	10,10,016.11
	V	Acceptances, endorsements and other obligations	3,70,254.83	4,70,506.43	7,47,060.94	10,90,934.91	11,85,267.11
	VI	Other items for which the banks is contingently liable	2,89,110.11	208210.83	37,51,673.24	25,00,207.15	8,32,288.62
		Total	**22,88,813.78**	**3065900.17**	**81,07,964.81**	**72,36,997.57**	**54,84,468.85**
		Bills for collection	**2,05,929.54**	**2,33,675.11**	**1,89,468.00**	**4,38,705.67**	**4,79,223.28**

Summarised Statement of Profit and Loss Account (Unconsolidated)

(Rs in millions)

		For the Financial Year	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10
			Audited	Audited	Audited	Audited	Audited
A		**INCOME**					
1		Interest Earned					

		For the Financial Year	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10
			Audited	**Audited**	**Audited**	**Audited**	**Audited**
	1	Interest/Discount on Advances Bills	1,76,962.96	2,48,391.77	3,52,281.12	4,64,047.15	5,06,326.39
	1	Income on Investments	1,39,775.28	114929.92	1,19,441.64	1,55,741.15	1,77,362.96
	1	Interest on Balances with RBI and other Inter Bank Funds	21,217.30	27196.03	12,000.74	14,743.77	15,119.22
	1	Others	21,840.15	4392.53	5779.58	3,352.27	11,130.61
		Total	**3,59,795.69**	**394910.25**	**4,89,503.07**	**6,37,884.34**	**7,09,939.18**
2		**Other Income**					
	2	Commission, exchange and brokerage	39,961.99	48,045.03	59,142.55	76,172.35	96,408.60
	2	Profit / (Loss) on sale of investments (Net)	5,871.71	5,677.81	16,498.39	25,672.90	21,167.92
	2	Profit / (Loss) on revaluation of investments (Net)	-	-16775.14	-7,035.01	-5.65	0.00
	2	Profit / (Loss) on sale of land, buildings and other assets (Net) including leased assets	19.39	121.27	110.41	-29.54	-104.56
	3	Profit on exchange transactions (Net)	10,012.66	3733.99	6,926.98	11,792.49	15,871.35
	3	Income by way of dividends from subsidiaries/companies and or joint ventures abroad or in India	3,171.83	5969.68	1,974.06	4,096.03	5,734.83
	3	Income from Financial Leases	1,177.91	836.34	318.64	266.70	91.85
	3	Miscellaneous income	14,136.53	10,083.50	9,013.27	8,942.61	10,511.53
		Total	**74,352.02**	**57692.48**	**86,949.28**	**1,26,907.89**	**1,49,681.52**
		Total Income	**4,34,147.71**	**4,52,602.73**	**5,76,452.36**	**7,64,792.23**	**8,59,620.70**
B		**EXPENDITURE**					
1		Interest Expended					
	1	Interest on deposits	1,81,321.85	190835.80	2,70,725.81	3,79,368.47	4,33,342.85
	1	Interest on Reserve borrowings Bank of India/ Inter-bank	13,215.58	21415.55	29,384.40	25,550.11	12,280.48
	1	Others	9,367.04	22116.86	19180.56	24,234.36	27,601.45
		Total	**2,03,904.47**	**234368.21**	**3,19,290.77**	**4,29,152.94**	**4,73,224.78**
2		**Operating Expenses**					
	2	Payments to and provisions for employees	81,230.44	79,325.81	77,858.69	97,473.12	127,546.46
	2	Rent, taxes and lighting	7,963.51	8,965.01	9,934.18	12,951.37	15,895.75
	2	Printing & Stationery	1,756.39	1,738.73	1,888.78	2,328.21	2,423.24
	2	Depreciation	7,291.32	6,023.92	6,799.79	7,631.41	9,326.64
	3	Directors' fees, allowances and expenses	12.33	10.78	12.32	9.98	6.11
	3	Auditors' fees and expenses (including branch auditors' fees and expenses)	635.6	622.83	973.46	1,036.97	1,115.98
	3	Law charges	494.86	573.60	604.51	746.12	966.19
	3	Postages, Telegrams, Telephones, etc.	1,022.48	1,181.69	2,165.77	2,797.33	3,215.80
	3	Repairs and maintenance	1,702.71	1,891.50	2358.27	1,605.88	3,279.07
	2	Insurance	3,407.64	3,552.86	4,158.44	5,290.19	6,838.34

		For the Financial Year	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10
			Audited	**Audited**	**Audited**	**Audited**	**Audited**
	2	Other Expenditure	11,733.69	14,348.44	19,331.85	24,616.46	32,573.22
		Total	**1,17,250.97**	**1,18,235.17**	**1,26,086.06**	**1,56,487.04**	**2,03,186.80**
		Total Expenditure	**3,21,155.44**	**352603.38**	**4,45,376.83**	**5,85,639.98**	**6,76,411.58**
		Profit Before Provisions and taxation & extraordinary items	1,12,992.27	99,999.35	1,31,075.53	1,79,152.25	1,83,209.12
		Less: Extraordinary Items	-	-	-	-	0.00
		Profit Before Provisions and taxation	1,12,992.27	99,999.35	1,31,075.53	1,79,152.25	1,83,209.12
3		**Provision & Contingencies:**					
	3	Provision for Income Tax (Current tax)	16,827.08	29793.14	38,235.03	59,715.20	61,666.20
	3	Provision for Income Tax(Deferred tax)	3,578.94	-198.33	-2194.26	-10,551.03	-14,077.47
	3	Provision for Fringe Benefit Tax	4,580.00	885.00	1050.00	1420.00	0.00
	3	Provision for other taxes	8.80	4.90	7.00	10.00	11.60
	4	Provision for NPAs	1,478.01	14,295.03	20,009.36	24749.66	51,478.53
	4	Provision for Standard Assets	4,051.72	5,891.90	5669.67	2348.16	800.58
	4	Provision for Depreciation on investments	38,984.97	3,792.20	-1,237.07	7071.72	-9,879.90
	4	Provision for Other Assets/ Contingencies	-583.96	122.44	2244.55	3176.27	1,549.05
		Total	**68,925.56**	**54,586.29**	**63,784.28**	**87,939.98**	**91,548.59**
		Net Profit for the year	**44,066.71**	**45,413.07**	**67,291.25**	**91,212.27**	**91,660.53**
		Add/ Less Adjustments	-	-	-	-	0.00
		Adjusted Net Profit for the year	44,066.71	45,413.07	67,291.25	91,212.27	91,660.53
		Add: Balance of Profit Brought forward from previous year	3.39	3.39	3.39	3.39	3.39
		Add: Transfer from General Reserve	-	28.86	0.94	0.00	0.00
		Profit Available for Appropriation	**44,070.10**	**45,445.32**	**67,295.57**	**91,215.66**	**91,663.92**
		APPROPRIATIONS					
		Transfer to Statutory Reserves	29,337.74	33,581.13	48390.72	52,917.93	63,810.89
		Transfer to Revenue and	5,175.20	3,240.40	3,000.00	3,068.93	5,295.07
		Other Reserves					
		Transfer to Investment Reserve	-	0.00	621.79	0.00	0.00
		Transfer to Capital Reserves	1,152.20	-	44.40	8,265.53	1,140.54
		Dividend	7,368.18	7,368.18	13,576.61	18,411.53	19,046.48
		Corporate Tax on Dividend	1,033.39	1,252.22	1,658.66	2,480.35	2,367.55
		Loss from State Bank of Saurashtra	-	-	-	6068.00	0.00
		Balance carried to Balance Sheet	3.39	3.39	3.39	3.39	3.39
		Total	44,070.10	45,445.32	67,295.58	91,215.66	**91,663.92**
		Break up of Non-Recurring					
		Items Included above:					

		For the Financial Year	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10
			Audited	**Audited**	**Audited**	**Audited**	**Audited**
		Income:					
		Profit on sale of investments	-	-	16,498.39	2,56,72.90	21,167.92
		Interest on Income tax refund	16,384.60	-	-	147.30	5,526.57
		Write back of Depreciation	-	174.70	-	-	0.00
		Write back of provisions	1,280.00	-	-	-	0.00
		Write back of provisions towards securities transactions	-	-	-	-	0.00
		Exchange gain on India Millennium Deposits	5,315.40	-	-	-	0.00
		Miscellaneous Income - Unreconciled net credit on inter-branch accounts	3,166.00	-	-	-	
		Sub-total (A)	**26,146.00**	**174.70**	**16,498.39**	**25,672.90**	**26,694.49**
		Expenses:					
		Voluntary Retirement Scheme	722.4	4,783.00	-	-	0.00
		Reduction in Provision for depreciation on investments	-868.6	-	-	-	-9,685.96
		Payments to and provisions for employees	3,128.70	-	4,256.70	14,690.00	25,590.00
		Interest on Income Tax	-	2,647.60	-	-	0.00
		Interest on India Millennium Deposits	-5,635.20	-	-	-	0.00
		Provision against PV of loss of interest on amount receivable from eligible farmers under AGRI Debt Relief Scheme 2008	-	-	-	1400.00	0.00
		Sub-total (B)	**-2,652.70**	**7,430.60**	**4,256.70**	**16,090.00**	**15,904.04**
		Total (A-B)	**28,798.70**	**-7,255.90**	**12,241.69**	**9,582.90**	**10,790.45**
		Tax impact thereon	**9,650.56**	**-1,551.15**	**-**	3,783.15	375.42
		Net impact on profit	**19,148.14**	**-5,704.75**	**-**	5,947.05	10,415.03
		· *Interest on Swaps netted off.*					

Summarised Statement of Assets and Liabilities (Consolidated)

(Rs. in millions)

Sr. No.	Particulars	31-Mar-06 Audited	31-Mar-07 Audited	31-Mar-08 Audited	31-Mar-09 Audited	31-Mar-10 Audited
A	**Assets**					
1	**CASH AND BALANCES WITH**					
	RESERVE BANK OF INDIA					
I	Cash in hand (including foreign currency notes and gold)	25,194.41	31,472.50	37,910.61	54,624.93	86,572.21
II	Balances with Reserve Bank of India	286,093.45	419,188.51	710,261.94	686,985.74	7,35,383.60
	Total	**311,287.86**	**450,661.01**	**748,172.55**	**741,610.67**	**8,21,955.81**
2	**BALANCES WITH BANKS & MONEY**					
	AT CALL & SHORT NOTICE					

Sr. No.	Particulars	31-Mar-06 Audited	31-Mar-07 Audited	31-Mar-08 Audited	31-Mar-09 Audited	31-Mar-10 Audited
I	In India	120,803.27	98,900.98	77,881.09	257,312.23	1,57,613.05
II	Outside India	141,274.07	175,206.64	64,230.53	253,694.06	2,38,921.14
	Total	**262,077.34**	**274,107.62**	**142,111.62**	**511,006.29**	**3,96,534.19**
3	**INVESTMENTS**					
I	Investments in India	2,220,408.92	2,098,485.65	2,675,873.34	3,652,326.11	39,39,925.23
II	Investments outside India	58,901.56	66,724.84	62,543.90	69,988.37	87,616.09
	Total	**2,279,310.48**	**2,165,210.49**	**2,738,417.24**	**3,722,314.48**	**40,27,541.32**
4	**ADVANCES**					
I	Bills purchased and discounted	328,321.31	392,073.83	506,939.97	591,749.22	5,51,867.41
II	Cash Credits, overdrafts and loans repayable on demand	1,404,644.37	1,817,496.03	2,223,464.45	3,003,534.24	36,12,148.17
III	Term Loans	2,011,796.72	2,663,289.79	3,301,814.99	3,908,340.39	45,31,000.84
	Total	**3,744,762.40**	**4,872,859.65**	**6,032,219.41**	**7,503,623.85**	**86,95,016.42**
5	Fixed Assets	39,563.14	39,993.75	46,627.90	52,234.77	60,138.92
6	Other Assets	332,917.01	348,911.59	565,146.47	517,467.35	5,00,252.99
	Total (A)	**6,969,918.23**	**8,151,744.11**	**10,272,695.19**	**13,048,257.41**	**1,45,01,439.65**
B	**LIABILITIES**					
1	**DEPOSITS**					
I	Demand Deposits					
I	From Banks	80,657.61	124,082.45	144,514.30	125,865.75	1,06,163.35
Ii	From Others	764,777.24	866,085.47	1,051,653.49	1,194,878.77	13,44,489.57
II	Savings Bank Deposits	1,504,538.88	1,726,084.57	2,053,934.18	2,570,085.08	33,11,526.09
III	Term Deposits					
I	From Banks	54,528.76	53,870.74	70,988.92	126,004.53	1,85,928.18
Ii	From Others	3,035,740.16	3,592,605.54	4,443,074.30	6,103,049.14	62,16,538.46
	Total	**5,440,242.65**	**6,362,728.77**	**7,764,165.19**	**10,119,883.27**	**1,11,64,645.65**
2	**BORROWINGS**					
I	Borrowings in India	94,995.89	123,042.73	230,339.69	5,01,862.93	5,58,654.91
II	Borrowings outside India	274,753.10	363,575.58	429,892.02	5,50,711.52	6,62,090.81
	Total	**369,748.99**	**486,618.31**	**660,231.71**	**10,52,574.44**	**12,20,745.72**
	OTHER LIABILITIES & PROVISIONS					
I	Other Liabilities & Provisions	682,848.07	657,904.74	898,954.57	1,129,613.03	12,58,379.75
II	Subordinate Debts	90,708.12	202,236.44	316,698.68	-	-
	Sub Total	**773,556.19**	**860,141.18**	**1,215,653.25**	**1,129,613.03**	**12,58,379.75**
	Total (B)	**6,583,547.83**	**7,709,488.26**	**9,640,050.15**	**12,302,070.75**	**1,36,43,771.12**
C	**NET ASSETS (C=A-B)**	**386,370.40**	**442,255.85**	**632,645.04**	**746,186.66**	**8,57,668.53**

Sr. No.	Particulars	31-Mar-06 Audited	31-Mar-07 Audited	31-Mar-08 Audited	31-Mar-09 Audited	31-Mar-10 Audited
H	**CONTINGENT LIABILITIES**					
I	Claims against the bank not acknowledged as debts	18,902.29	40,254.91	11,930.87	25,548.33	10,451.99
II	Liability for partly paid investments	373.18	34.49	30.00	31.19	31.19
III	Liability on account of outstanding forward exchange contracts	1,835,987.20	2,587,355.44	4,155,746.10	3,913,482.00	35,20,363.64
IV	Guaranteed given on behalf of constituents:	325,492.48	467,112.74	615,455.33	890,486.95	11,84,100.62
(a)	India	262,342.98	321,088.72	464,293.00	618,609.44	8,11,653.59
(b)	Outside India	63,149.50	146,024.02	151,162.33	271,877.51	3,72,447.03
V	Acceptances, endorsements and other obligations	449,547.53	586,129.09	901,134.20	1,257,392.61	14,06,167.04
VI	Other items for which the bank is contingently liable	300,465.48	2,436,448.29	3,773,405.58	2,519,919.74	8,51,836.72
	Total	**2,930,768.16**	**6.117,334.96**	**9,457,702.08**	**8,606,860.82**	**69,72,951.21**
	Bills for collection	247,807.52	283,375.37	252,259.08	499,383.53	5,64,914.29

Summarised Statement of Profit & Loss Account (Consolidated)

(Rs. in millions)

A	For the Financial Year/Half Year Ended		31-Mar-06 Audited	31-Mar-07 Audited	31-Mar-08 Audited	31-Mar-09 Audited	31-Mar-10 Audited
	INCOME						
1	**INTEREST EARNED**						
	1.1	Interest / discount on advances/ bills	258,992.72	368,328.11	519,200.68	672,851.18	7,22,987.39
	1.2	Income on Investments	193,136.21	151,637.04	174,063.23	220,793.07	2,46,140.74
	1.3	Interest on balances with Reserve Bank of India and other inter-bank funds	24,402.76	21,323.52	14,425.48	17,834.98	18,265.42
	1.4	Others	22,389.48	2,345.75	7,268.77	5,190.92	13,413.77
		TOTAL	**498,921.17**	**543,634.42**	**714,958.16**	**916,670.15**	**10,00,807.32**
2	**OTHER INCOME**						
	2.1	Commission, exchange and brokerage	53,380.75	66,622.92	78,238.70	97,222.78	1,18,587.19
	2.2	Profit/ (Loss) on sale of investments (Net)	11,477.72	9,711.10	27,806.02	175,80.39	49,304.38
	2.3	Profit/ (Loss) on revaluation of investments (Net)	227.90	(6407.43)	(8,567.54)	(6,292.51)	30,229.81
	2.4	Profit/(Loss) on sale of land, buildings and other assets and Leased Assets (Net)	4.74	78.77	107.08	(42.07)	(99.48)
	2.5	Profit on exchange transactions	12,181.07	5,436.55	9,514.27	14,607.34	18,666.07

		(Net)					
	2.6	Dividends from Associates/Joint ventures in India/ abroad	250.42	78.91	156.25	131.04	150.87
	2.7	Income from Financial Leasing	1,393.82	1,104.15	425.56	313.88	104.17
	2.8	Credit Card membership/ service fees	1,746.03	3,579.08	4,245.68	2,668.64	1,910.91
	2.9	Life Insurance Premium	10,730.93	29,234.39	56,112.05	72,023.88	99,203.94
	2.10	Share of earnings from associates	(130.93)	1,888.55	1,953.77	(136.41)	2,144.35
	2.11	Miscellaneous income	20,477.12	16,280.01	17,238.10	16183.88	17,508.72
		TOTAL	**111,739.57**	**127,607.00**	**187,229.94**	**214,260.84**	**3,37,710.95**
		TOTAL INCOME	**610,660.74**	**671,241.42**	**902,188.10**	**1,130,930.99**	**13,38,518.27**
B	**EXPENDITURE**						
1	**INTEREST EXPENDED**						
1.1	Interest on deposits		253,662.50	284,078.34	417,132.34	554,224.80	6,10,806.13
1.2	Interest on Reserve Bank of India/ Inter-bank borrowings		14,957.77	15,379.63	32,044.21	31,161.04	14,059.89
1.3	Other		12,408.71	27,842.66	30263.85	40,878.81	41,509.06
	TOTAL		**281,028.98**	**327,300.63**	**479,440.40**	**626,264.65**	**6,66,375.09**
2	**OPERATING EXPENSES**						
	2.1	Payments to and provisions for employees	107,637.97	105,974.74	104,575.10	129,971.94	1,63,310.64
	2.2	Rent, taxes and lighting	11,169.05	12,676.73	14,084.74	17,809.25	21,361.53
	2.3	Printing & Stationery	2,398.20	2,293.13	2,565.05	3,034.49	3130.06
	2.4	Depreciation	11,334.02	9,500.70	10,383.34	9,244.62	13,215.65
	2.5	Directors' fees, allowances and expenses	38.38	40.80	50.32	55.95	81.04
	2.6	Auditors' fees and expenses (including branch auditors' fees and expenses)	996.64	1,039.24	1,577.69	1,622.54	1,737.89
	2.7	Law charges	672.50	759.76	815.21	1,014.21	1,298.02
	2.6	Postages, Telegrams, Telephones, etc.	1,700.19	2,007.08	2,979.92	3,611.00	4,085.42
	2.7	Repairs and maintenance	2,142.12	2,397.28	3,022.57	2,395.12	4,158.54
	2.8	Insurance	4,651.19	5,137.32	6,171.54	7,706.82	9,406.62
	2.9	Amortisation of deferred revenue expenditure	179.03	132.80	-	58.32	69.03
	2.10	Operating Expenses relating to Credit Card Operations	1,386.52	2,054.56	3,170.43	1,761.76	2,319.04
	2.11	Operating Expenses relating to Life Insurance	11,707.77	28,434.27	53,959.29	46,386.35	1,41,712.87
	2.12	Other Expenditure	19,999.45	27,569.41	36,077.14	41,044.83	58,267.58
		TOTAL	**176,013.03**	**200,017.82**	**239,432.34**	**265,717.20**	**4,24,153.94**
		TOTAL EXPENDITURE	**457,042.01**	**527,318.45**	**718,872.74**	**891,981.85**	**10,90,529.02**
		Gross Profit Before Provisions (including for income tax & extraordinary Items)	153,618.73	143,922.97	183,315.36	238,949.14	2,47,989.24
		Less: Extraordinary Items					-
		Gross Profit Before Provisions (including for income tax)	153,618.73	143,922.97	183,315.36	238,949.14	2,47,989.24

	3	**Provisions & Contingencies:**					
	3.1	Provision for Income Tax (Current tax)	21,016.76	41,112.95	51,288.29	75.982.32	79,807.5
	3.2	Provision for Income Tax (Deferred tax)	5,070.90	(775.60)	(4,830.26)	(10,759.69)	(13,157.1)
	3.3	Provision for Fringe Benefit Tax	6,195.96	1247.60	1,354.70	1,746.33	-
	3.4	Provision for other taxes	12.07	(14.53)	(35.44)	248.72	33.4
	3.5	Provision for NPAs	4,140.64	17,758.92	28,040.47	36,163.02	62,287.7
	3.6	Provision for Standard Assets	5,854.43	9,454.23	7,732.10	3,048.25	1,526.7
	3.7	Provision for depreciation on investments	5,5395.51	8,294.86	1,531.56	13,527.67	(13,551.0)
	3.8	Provision on other assets/ Contingencies	586.96	57.40	4132.70	513.89	9,298.87
	3.9	Other Provisions	(1,269.30)	589.16	1972.90	6747.97	1,606.83
		Total	**97,003.93**	**77,724.99**	**91187.02**	**127,218.48**	**1,27,852.86**
		Net Profit for the year	**56,614.80**	**66,197.98**	**92,128.34**	**111,730.66**	**1,20,136.38**
		Less: Minority Interests	1,315.60	2,554.25	2,522.23	2,177.79	2,798.06
		Group Profit	55,299.20	63,643.73	89,606.11	109,552.87	1,17,338.32
		Add: Brought forward Profit attributable to the group	134.16	3,863.76	1,190.17	877.42	2,159.97
		Transfer from General Reserv	-	28.86	0.94	0.00	0.00
		TOTAL	**55,433.36**	**67,536.35**	**90,797.22**	**110,430.29**	**1,19,498.29**
		APPROPRIATIONS:					
		Transfer to Statutory Reserves	34,537.00	40,062.84	55,734.38	59,869.45	71,536.15
		Transfer to Other Reserves	8,631.03	17,662.94	18,291.53	26,892.77	25,114.71
		Dividend	7,368.18	7,368.18	13,576.61	18,411.53	19,046.48
		Corporate Tax on Dividend	1,033.39	1,252.22	2,317.28	3,096.57	3,215.14
		Balance carried to Balance Sheet	3,863.76	1,190.17	877.42	2,159.97	585.81
		Total	**55,433.36**	**67,536.35**	**90,797.22**	**1,10,430.29**	**1,19,498.29**

RECENT DEVELOPMENTS

Limited Review Report on the Unaudited Financial Results for the period ended 30th June, 2010.

To,
The Board of Directors,
State Bank of India,
State Bank Bhavan,
Madam Cama Road,
Mumbai - 400 021

Dear Sirs,

Re: Proposed initial public issue by the State Bank of India (the "Issuer") of Lower Tier II Bonds of face value of Rs. 10,000 each (the "Bonds") aggregating to Rs. 5,000 million, with an option to retain over-subscription upto Rs. 5,000 million by way of issuance of additional bonds aggregating to a total of upto Rs. 10,000 million (the "Issue")

1. We have examined the attached unconsolidated unaudited financial results for the three months ended June 30, 2010 and June 30, 2009 of State Bank of India (the "Bank"), which is proposed to be included in the draft prospectus and prospectus of the Bank in connection with the proposed issue of the Lower Tier II Bonds of face value of Rs. 10,000 each (the "Bonds") aggregating to Rs. 5000 million with an option to retain over subscription of Rs. 5000 million for issuance of additional Bonds.

2. The Unconsolidated Interim Results were subjected to limited review and reported upon by the auditors of the Bank in accordance with Auditing and Assurance Standard 33 (AAS33) / Standard on Review Engagement (SRE) 2400, "*Engagement to Review Financial Statements*" issued by the Institute of Chartered Accountants of India, except for the disclosures regarding 'Public shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited. The financial results is the responsibility of the Bank's Management and has been approved by the Board of Directors. The auditors responsibility is to issue a report on these financial statements based on their review.

3. This SRE requires that the auditors plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Bank personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. No audit has been performed and accordingly, the auditors do not express an audit opinion. The limited review for the respective periods has been carried out by the auditors as mentioned herein below:

For the period ended	Name of the auditors
June 30, 2009	D.P. Sen & Co.; G.M. Kapadia & Co.; R.G.N. Price & Co.; S.K. Mittal & Co.; Vardhaman & Co.; V.K. Jindal & Co.; Jain Kapila Associates; A.K. Sabat & Co.; Datta Singla & Co.; Dutta Sarkar & Co.; Gupta & Shah; Guha Nandi & Co.; A.R. Viswanathan & Co.; Chokshi & Chokshi
June 30, 2010	B. M. Chatrath & Co.; Kalyaniwalla & Mistry; Essveeyar; K. K. Soni & Co.; Venugopal & Chenoy; V. K. Jindal & Co.; K. G. Somani & Co.; A. K. Sabat & Co.; M. Verma & Associates; Dutta Sarkar & Co.; Gupta & Shah; K. C. Mehta & Co.; Dagliya & Co.; Krishnamoorthy & Krishnamoorthy

4. The financial results incorporate the relevant returns of **42** (2009 - 42) branches reviewed by the statutory auditors, **56** (2009 – 67) branches reviewed by other Chartered Accountants as Concurrent Auditors of the Bank

{including **21** (2009 – 23) Foreign Offices reviewed by local auditors specially appointed for this purpose}, **274** (2009- 317) branches reviewed by Bank's own officials acting as Concurrent Auditors, the returns of **363** (2009 - 349) branches certified by Branch Managers as per instructions of the Bank's Management and un-reviewed returns in respect of **11874** (2009 – 11279) branches. In the conduct of such review, in addition to **42** (2009 – 42) branches reviewed by the auditors, reliance has been placed on the review reports received from the Bank's Concurrent Auditors, local auditors of Foreign Offices and Branch Managers of domestic branches, aggregating to **693** (2009 -733) branches / offices. Apart from these review reports, in the conduct of such review, reliance has also been placed upon various returns received from the branches of the Bank. These review reports, including those of **363** (2009 – 349) branches' returns certified by Branch Managers as per instructions of the Bank's Management, cover **53.91%** (2009 – 66.09%) of the advances portfolio excluding outstanding of asset recovery branches and food credit advance of the bank. Further, this review also covers **60.96%** (2009 – 56.81%) of Non Performing Advances (NPAs) as on June 30, 2010, including those certified at **363** (2009- 349) branches by the Branch Managers as per instructions of the Bank's Management.

5. The attached unconsolidated unaudited financial results have been extracted from the unconsolidated financial results of the Bank as reviewed by above mentioned auditors for the respective years and based on our examination of these results and the reports of the above mentioned auditors, we state that subject to limitation in scope as mentioned in para 4, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognised accounting practices and policies contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

For and on behalf of,
Kalyaniwalla & Mistry
Chartered Accountants
Firm Registration No. 104607W

Viraf R. Mehta
Partner
Membership No. 32083
Place: Mumbai
Date: September 20, 2010

STATE BANK OF INDIA
Central Office, Mumbai - 400 021.

UNAUDITED FINANCIAL RESULTS FOR THE PERIOD ENDED 30TH JUNE 2010

(Rs. in crores)

		Particulars	State Bank of India			State Bank of India (Consolidated)		
			Quarter ended		Year ended	Quarter ended		Year ended
			30.06.2010 (Reviewed)	30.06.2009 (Reviewed)	31.03.2010 (Audited)	30.06.2010 (Reviewed)	30.06.2009 (Reviewed)	31.03.2010 (Audited)
1		Interest Earned (a) + (b) + (c) + (d)	18452.12	17472.76	70993.92	26312.95	24641.11	100080.73
	(a)	Interest/discount on advances / bills	13422.09	12357.12	50632.64	19152.45	17733.73	72298.74
	(b)	Income on Investments	4472.24	4338.53	17736.30	6488.87	6006.70	24614.07
	(c)	Interest on balances with Reserve Bank of India						
		and other inter bank funds	137.84	649.09	1511.92	233.65	752.31	1826.54
	(d)	Others	419.95	128.02	1113.06	437.98	148.37	1341.38
2		Other Income	3689.96	3568.75	14968.15	6495.11	8491.59	33771.10
3		TOTAL INCOME (1+2)	22142.08	21041.51	85962.07	32808.06	33132.70	133851.83
4		Interest Expended	11148.40	12447.88	47322.48	15961.93	17524.15	66637.51
5		Operating Expenses (i) + (ii)	4859.32	4919.76	20318.68	8686.81	10714.03	42415.39
	(i)	Employee cost	3073.93	3411.29	12754.65	4180.61	4216.64	16331.06
	(ii)	Other Operating Expenses	1785.39	1508.47	7564.03	4506.20	6497.39	26084.33
6		TOTAL EXPENDITURE (4) + (5)	16007.72	17367.64	67641.16	24648.74	28238.18	109052.90
		(excluding Provisions and Contingencies)						
7		OPERATING PROFIT (3 - 6)	6134.36	3673.87	18320.91	8159.32	4894.52	24798.93
		(before Provisions and Contingencies)						
8		Provisions (other than tax) and Contingencies (net of write-back)	1551.37	172.73	4394.83	2512.07	394.40	6116.91
		--- of which provisions for Non-performing assets	1733.38	1344.16	5147.85	2577.58	1527.45	6228.77
9		Exceptional Items	0.00	0.00	0.00	0.00	0.00	0.00
10		Profit from Ordinary Activities before tax (7-8-9)	4582.99	3501.14	13926.08	5647.25	4500.12	18682.02
11		Tax expenses	1668.79	1170.77	4760.03	2180.16	1647.67	6668.38
12		Net Profit from Ordinary Activities after tax (10-11)	2914.20	2330.37	9166.05	3467.09	2852.45	12013.64

		Particulars	State Bank of India			State Bank of India (Consolidated)		
			Quarter ended		Year ended	Quarter ended		Year ended
			30.06.2010 (Reviewed)	30.06.2009 (Reviewed)	31.03.2010 (Audited)	30.06.2010 (Reviewed)	30.06.2009 (Reviewed)	31.03.2010 (Audited)
13		**Extraordinary items (net of tax expense)**	0.00	0.00	0.00	0.00	0.00	0.00
14		**Net Profit for the period (12-13)**	2914.20	2330.37	9166.05	3467.09	2852.45	12013.64
		Share of Minority	0.00	0.00	0.00	101.83	93.92	279.81
15		**Net Profit after Minority Interest**	2914.20	2330.37	9166.05	3365.26	2758.53	11733.83
16		**Paid-up equity share capital**	634.88	634.88	634.88	634.88	634.88	634.88
		(Face Value of Rs. 10 per share)						
17		**Reserves excluding Revaluation Reserves**	65314.32	57312.81	65314.32	82500.70	71755.51	82500.70
		(as per balance sheet of previous accounting year)						
18		**Analytical Ratios**						
	(i)	**Percentage of shares held by Government of India**	59.41%	59.41%	59.41%	59.41%	59.41%	59.41%
	(ii)	**Capital Adequacy Ratio**						
		Basel I	12.17%	13.11%	12.00%			
		Basel II	13.54%	14.12%	13.39%			
	(iii)	**Earnings Per Share (EPS) (in Rs.)**						
		(a) Basic and diluted EPS before Extraordinary items (net of tax	45.90	36.71	144.37	53.01	43.45	184.82
		expense)	(not annualised)	(not annualised)		(not annualised)	(not annualised)	
		(b) Basic and diluted EPS after Extraordinary items	45.90	36.71	144.37	53.01	43.45	184.82
			(not annualised)	(not annualised)		(not annualised)	(not annualised)	
	(iv)	**NPA Ratios**						
		(a) Amount of gross non-performing assets	20825.22	15318.29	19534.89			
		(b) Amount of net non-performing assets	11074.37	8402.48	10870.17			
		(c) % of gross NPAs	3.14%	2.79%	3.05%			
		(d) % of net NPAs	1.70%	1.55%	1.72%			
	(v)	Return on Assets (Annualised)	1.07%	0.92%	0.88%			
19		**Public Shareholding**						
		--- No. of shares	257676309	257673022	257675444			
		--- Percentage of Shareholding	40.59%	40.59%	40.59%			
20	**Promotors and Promotor Group Shareholding**							

		Particulars	State Bank of India			State Bank of India (Consolidated)		
			Quarter ended		Year ended	Quarter ended		Year ended
			30.06.2010 (Reviewed)	30.06.2009 (Reviewed)	31.03.2010 (Audited)	30.06.2010 (Reviewed)	30.06.2009 (Reviewed)	31.03.2010 (Audited)
	(a)	Pledged/Encumbered						
		Number of Shares	NIL					
		Percentage of Shares (as a percentage of the total shareholding of promoter and promotor group)						
		Percentage of Shares (as a percentage of the total share capital of the company)						
	(b)	Non-encumbered						
		Number of Shares	377207200	377207200	377207200			
		Percentage of Shares (as a percentage of the total shareholding of promoter and promotor group)	100.00%	100.00%	100.00%			
		Percentage of Shares (as a percentage of the total share capital of the company)	59.41%	59.41%	59.41%			

Unaudited Segment-wise Revenue, Results and Capital Employed

		Particulars	Quarter ended		Year ended
			30.06.2010 (Reviewed)	30.06.2009 (Reviewed)	31.03.2010 (Audited)
1		Segment Revenue (income)			
	a	Treasury Operations	5376.22	6385.43	22054.89
	b	Corporate / Wholesale Banking Operations	6989.61	6278.99	26196.28
	c	Retail Banking Operations	9572.12	8377.09	37158.24
		Add / (Less) : Unallocated	204.13	0.00	552.66
		Total	22142.08	21041.51	85962.07
2		Segment Results			
	a	Treasury Operations	675.20	3323.95	4666.00
	b	Corporate / Wholesale Banking Operations	1193.91	570.79	4755.35

		Particulars	Quarter ended		Year ended
			30.06.2010 (Reviewed)	30.06.2009 (Reviewed)	31.03.2010 (Audited)
	c	Retail Banking Operations	3169.68	221.08	6491.25
		Total	5038.79	4115.82	15912.60
		Add / (Less) : Unallocated	-455.80	-614.68	-1986.52
		Operating Profit	4582.99	3501.14	13926.08
		Less : Income Tax	1668.79	1170.77	4760.03
		Less : Extraordinary Profit / Loss	0.00	0.00	0.00
		Net Profit	2914.20	2330.37	9166.05
3		Capital Employed (Segment Assets - Segment Liabilities)			
	a	Treasury Operations	19685.76	19303.77	19685.76
	b	Corporate / Wholesale Banking Operations	19249.28	15672.85	19249.28
	c	Retail Banking Operations	27014.16	22971.07	27014.16
		Total	65949.20	57947.69	65949.20

(Segment Assets and Liabilities are as on 31st March of the previous year)
The above results have been approved by the Central Board of the Bank on the 12th August 2010 and were subjected to Review by the Auditors.

Place : New Delhi	**S. K. BHATTACHARYYA**	**R.SRIDHARAN**	**O. P. BHATT**
Date : 12.08.2010	**MD and CC & RO**	**MD & GE (A&S)**	**Chairman**

Notes:

1. The working results for the three months ended 30th June 2010 have been arrived at after considering necessary provisions for NPAs (including for Agricultural Advances under ADW&DR Scheme 2008), Standard Assets, Standard Derivative Exposures and Investment Depreciation on the basis of prudential norms issued by RBI and other provisions made on an estimated basis for Bonus, Income Tax (after adjustment for deferred tax), Wealth Tax and for other items/assets.

2. In respect of Employee benefits being Pension, Gratuity, Leave encashment etc. provision made on an estimate basis, (considering Pay revision except for Pension), as per Actuarial valuation in line with revised Accounting Standard 15 issued by Institute of Chartered Accountants of India. Consequent to increase in the limit of Gratuity ceiling under Payment of Gratuity Act, 1972 as notified to be effective from 24.05.2010 the estimated increase in liability to be accounted as of 31.03.2011determined actuarially being Rs.2200 crore, Rs.1100 crore has been provided during the quarter.

3. As per ninth Bipartite Settlement entered into by the Indian Banks' Association on behalf of the member Banks with the All India Unions of Workmen on 27th April 2010 effective from 01.11.2007 for workers as well as officers, against total provision of Rs.4569.55 crore held, Rs.845.17 crore excess provision has been written back during the quarter.

4. The Government of India has issued the "Acquisition of State Bank of Indore Order, 2010" (No.F.No.26/1/2009 – BOA dated 28th July, 2010) vide which and consequent to notification thereof, the undertaking of State Bank of Indore shall stand transferred to and vest in State Bank of India from the Effective Date being 26th August, 2010.

5. The Bank has invested during the quarter further amount of Rs.37.64 crore in SBI DFHI Ltd. increasing their shareholding to 62.49%.

6. The Bank infused Rs.18.00 crore as equity in SBI Cards & Payment Services P Ltd., during the quarter.

7. The Bank has raised USD1,000 Mio Fixed Rate Senior Unsecured Notes having a maturity of 5 years at a coupon of 4.50% payable semi-annually, subsequent to the end of the quarter.

8. The Bank has set up a General Purpose Private Equity Fund – Joint Venture with State General Reserve Fund (SGRF), OMAN wherein investment upto INR equivalent of USD 50 Million towards anchor investment and Capital upto INR equivalent of USD 50,000 and Rs.50,000 in Fund entities.

9. As per Agricultural Debt Waiver and Debt Relief (ADW&DR) Scheme 2008, the amounts receivable from the Central Government on account of debt waiver being Rs.1911 crore (net of receipts from Government till date) and debt relief being Rs.1377 crore are treated as part of advances in accordance with the Scheme.

10. Number of Investors' Complaints received and disposed of during the quarter ended 30th June 2010

    (i) Pending at the beginning of the quarter – nil.
    (ii) Received during the quarter – 76
    (iii) Disposed of during the quarter – 76
    (iv) Lying unresolved at the end of the quarter – nil.

11. Previous period figures have been regrouped/reclassified, wherever necessary, to conform to Current period classification.

S.K. BHATTACHARYA	**R. SRIDHARAN**	**O. P. BHATT**
Managing Director & CC & RO	Managing Director and GE(A&S)	Chairman

SUMMARY OF BUSINESS

Business Overview

The Bank is India's largest bank, with 12,496 branches in India, 142 international offices in 32 countries and more than 153 million customer accounts as of March 31, 2010. The Bank also had deposits, advances and a total assets base of Rs. 8,041.2 billion, Rs. 6,319.1 billion and Rs. 10,534.1 billion, respectively, as of March 31, 2010, the largest by each measure among banking institutions in India. The Bank's market share of aggregate deposits was 16.3% and the Bank's market share of domestic advances was 16.3% among all RBI-scheduled commercial banks in India, based on the most recent RBI data as of March 31, 2010.

The Bank organizes its client relationships, marketing and product development, as well as non-customer facing activities, through its principal business segment Groups. The Bank's Groups are as follows:

- *The Corporate Banking Group* provides corporate banking services to many of India's largest and most prominent corporations and institutions, including state-owned enterprises.

- *The National Banking Group* services the Bank's personal banking customers in urban and metropolitan areas, small-scale industries, including state-owned enterprises, and corporate customers which are not serviced by either the Corporate Banking Group or the Mid-Corporate Group. The National Banking Group also provides financial services to the Government and state governments.

- *The Mid-Corporate Group* services entities with an annual turnover between approximately Rs. 500 million and Rs. 5 billion or which have credit facilities in excess of Rs. 100 million.

- *The Rural Business Group* services individual, agricultural and small business customers located in rural and semi-urban areas through the largest branch and ATM network in India, with a focus on innovative and effective modes of delivering banking services to such areas.

- *The International Banking Group* through its overseas branches and subsidiaries provides a range of international banking services to Indian and foreign companies with operations inside and outside India as well as NRIs conducting business in foreign markets and local populations.

- *Global Markets* operates the Bank's treasury functions, managing domestic liquidity, its investment portfolio and foreign currency exposure. Global Markets also enters into foreign exchange and risk hedging derivative products on behalf of the Bank's customers.

The range of products and services offered by the Bank includes loans, advances, deposits and foreign exchange and derivatives products, retail lending and deposits, fee and commission-based products and services, as well as alternative payment products. The Bank is also present, through its subsidiaries and joint ventures, in diverse segments of the Indian financial sector, including asset management, investment banking, factoring and commercial services, treasury operations, credit cards, payment services and life insurance. See "*Our Subsidiaries, Associate Banks and Joint Venture Companies*"

The Bank is the largest constituent part of the Group in terms of total assets and net profit, representing 72.6% of the consolidated Group's total assets as of March 31, 2010 and 78.1% of its consolidated net profit for the year ended March 31, 2010. The Group includes the Bank, its Associate Banks, which operate in India, and its subsidiaries and joint ventures, operating both within India and outside India. The Associate Banks have a domestic network of approximately 4,841 branches, with strong regional ties. The Bank also conducts operations outside India, both through branches operated by its International Banking Group and through subsidiaries, associates, joint ventures and investments outside India.

As of March 31, 2010, the Group's consolidated deposits, advances and total assets were Rs. 11,164.6 billion, Rs. 8,695.0 billion and Rs. 14,501.4 billion, respectively. For the year ended March 31, 2010, the Group's consolidated net profit amounted to Rs. 117.3 billion, an increase of Rs. 7.8 billion, or 7.1%, from the year ended March 31, 2009.

As of March 31, 2010, the Bank's unconsolidated deposits, advances and total assets were Rs. 8,041.1 billion, Rs. 6,319.1 billion and Rs. 10,534.1 billion, respectively. For the year ended March 31, 2010, the Bank's unconsolidated net profit amounted to Rs. 91.7 billion, an increase of Rs. 0.5 billion, or 0.5%, from the year ended March 31, 2009.

History

The origins of the State Bank of India date back to the establishment of the Bank of Calcutta (later renamed the Bank of Bengal) in 1806. The Bank of Bombay was created in 1840 and the Bank of Madras in 1843. These three banks catered mainly to the needs of the mercantile community and pioneered modern banking in India. In 1876, the Government transferred its shareholding in the three banks to private shareholders. However, the Government retained controlling powers over the banks' functioning and constitution. In 1921, the three banks were merged by an Act of the legislature to form the Imperial Bank of India. On July 1, 1955, the Imperial Bank of India was nationalized and the Bank was constituted with the RBI holding 92% of its share capital.

The Bank's original mandate was to spread banking facilities on a large scale and make credit more readily available in India, especially in rural and semi-urban areas. In compliance with its mandate, it expanded its network of 480 offices by opening over 400 new branches within five years, and continued the rapid expansion. Over the subsequent decades, the Bank has become India's largest bank, with 12,496 branches in India, 142 international offices in 32 countries and more than 153 million customer accounts as of March 31, 2010. Today, the Bank competes in all major banking sectors while still fulfilling its original mandate.

In accordance with Government directives, the Bank introduced liberalized lending facilities to small-scale industries, small businesses and the agricultural sector, which later evolved into the RBI's priority sector lending program applicable to all banks in India.

Under the Act, the Government or government agencies are required to maintain majority ownership of the Bank. In Fiscal Year 1994, in compliance with regulatory reforms, the Bank completed a public offering. The Government currently owns 59.41% of the Bank's share capital, the rest being held by institutions (including foreign institutions) and individual investors.

Competitive Strengths

The following core competitive strengths have historically contributed to the Bank's success and record of growth and will continue to do so in the future:

Relationship with the Government, state governments and state-owned enterprises

The Bank is 59.41%-owned by the Government and believes its strong relationships with both the Government and state governments are key factors driving asset growth and providing a stable source of business. The Government generates significant business activity in the economy. For the year ended March 31, 2010, the Government's business turnover was Rs. 20,654.3 billion. For the year ended March 31, 2010, the Bank earned commissions from Government transactions of Rs. 15.2 billion, or 17.2% of the Bank's other income, and handled 58.8% of the Government's aggregate payments and receipts as well as 65.1% of state governments' payments and receipts.

In many instances, the Bank acts as the sole agent for certain Government transactions. The Bank acts as the RBI's agent for certain banking businesses of the Government and state governments. The Bank also handles payment functions of the Government through its branches, including salary and pension payments and expenditure payments of various ministries. The Bank believes that this relationship with the Government is instrumental in attracting new customers.

In addition, the Bank handles a significant portion of the banking requirements for India's public sector enterprises ("PSEs"), including administering payments and loans to employees and offering life insurance and pension plans.

As of March 31, 2010, 7.7% of the Bank's loan portfolio consisted of loans to PSEs. The Bank believes that, as the Indian economy and financial markets continue to grow, the demand for the Bank's services from the Government, state governments and PSEs will also increase.

The Bank is one of a select few banks in India with a mandate from the PFRDA to hold pension funds for the benefit of Government employees.

Well known brand with the largest branch and ATM network in India and extensive portfolio of products and services

With more than 50 years of operations in India, the Bank believes that it has the country's best known banking brand. The Bank is India's largest bank, with 12,496 branches in India, 142 international offices in 32 countries and more than 153 million customer accounts as of March 31, 2010. The Bank also has the largest ATM network in India with 16,369 ATMs as of March 31, 2010. The Bank also had deposits, advances and a total assets base of Rs. 8,041.2 billion, Rs. 6,319.1 billion and Rs. 10,534.1 billion, respectively, as of March 31, 2010, the largest by each measure among banking institutions in India. As a result of its unparalleled position in India, the Bank has a leading market position in several of its business segments, including deposits and advances, foreign exchange trading, loan funding (education loans, home loans and auto-loans), credit cards and payment services. The Bank believes it is India's largest provider of education loans, home loans and car loans.

The Bank's extensive branch and ATM network allows it to provide banking services to a large and growing customer base, including large corporations, institutions and state-owned enterprises, as well as commercial, agricultural, industrial and retail customers throughout India. The assets of the Bank are diversified across business segments, industries and groups, which gives the Bank stability. Moreover, the Bank offers a full range of banking products and services including short-term and long-term deposits, secured and unsecured loans, internet banking, mobile banking, credit cards, life insurance, merchant banking, agricultural and micro-finance banking products and project finance loans. As a result of its extensive network and product offerings, the Bank is able to meet the full range of its customers' banking needs throughout India. In addition, the Bank's comprehensive product and service offerings provide the Bank with numerous opportunities for cross-selling, allowing it to further grow all areas of its business. Finally, the Bank is increasing its emphasis on a relationship management model in order to provide more tailored products and services, especially for its key corporate and mid-corporate customers.

The Bank continues to enhance its brand by making significant investments in the products and services it offers to its customers in and outside of India. For example, the Bank has undertaken an initiative called Business Process Re-engineering ("BPR") to transform its operating architecture with an aim to enhance the sales and service at its branches. The Bank believes its BPR initiatives have redefined its ability to acquire new customers, build stronger relationships with existing customers and provide customers with the highest quality of service across multiple delivery channels in the shortest time possible. Some BPR initiatives include the creation of product/customer-focused sales forces to aggressively promote the Bank's products so as to increase market penetration, strengthen low-cost alternative channels to improve customer service and redesign all key processes in important areas, such as retail, corporate and international banking.

Strong deposit base providing stable and low-cost funding

The Bank believes that its large distribution network has enabled it to provide convenient services to a broad customer base across India. The Bank has the largest deposit base among all commercial banks in India, amounting to Rs. 8,041.2 billion as of March 31, 2010, representing a market share of 16.3% of aggregate deposits among all RBI-scheduled commercial banks, according to RBI data. The Bank also has a large and growing percentage of relatively low-cost current and savings account deposits within its deposit mix, with the ratio of current and savings account deposits to its total deposits standing at 46.7% as of March 31, 2010 compared to 39.3% as of March 31, 2009, an increase of 740 basis points. For the three months ended March 31, 2010, the Bank's average cost of deposits was 5.8%, a decrease of 50 basis points compared to the fourth quarter of Fiscal Year 2009.

Continuously enhanced risk management and internal control functions

The Bank continuously strengthens its risk management and internal control capabilities by improving its policies and procedures and introducing advanced risk management tools. The Bank has adopted an independent risk management system, which addresses the risks faced in all of its banking activities. The independent risk management system seeks to identify and manage risks at the Bank's business group level, using technology to allow each business group to manage its risks effectively and within the Bank's policies. The Bank has maintained adequate capital reserves in accordance with Basel II and has implemented new credit risk assessment models, independent validation of internal ratings and plans for increased use of IT to improve the quality of loan data. The Bank also conducts regular stress tests which are forward looking economic assessments of the Bank's financial health based on a number of economic scenarios and will take remedial measures, if necessary, depending on the outcome of the tests.

Strong financial performance and capital position

The Bank has been able to maintain strong financial performance, as reflected in its performance ratios, such as a net interest margin of 2.66% for the year ended March 31, 2010. The Bank's quarterly net interest margin has demonstrated steady growth since the second quarter of Fiscal Year 2010. The Bank's recent financial strength has also come in its ability to diversify its revenue streams from its non-banking businesses. The Bank's non-interest income, including income from fees and commissions, has risen as a proportion of total income, over the last three Fiscal Years.

In addition, the Bank's capital position, as measured by its overall and Tier I capital adequacy ratios of 13.39% and 9.45%, respectively, as of March 31, 2010 (which are higher than mandatory levels), allows the Bank to take advantage of significant growth opportunities in the market.

Experienced management team

The Bank has an experienced management team staffed with a significant concentration of career banking professionals. The Bank's central management committee members have on average more than 25 years of banking and financial experience. The rest of the senior management team has strengths in key areas, including retail, corporate and international banking. The management team's extensive and diverse expertise provides the Bank with a broad perspective from which it can make strategic management and operational decisions. In addition, the Bank has several dedicated positions in departments such as Global Markets, Rural Business and Corporate Strategy and New Businesses. The Bank believes that its management team has created a clear, strategic direction for the Bank which will allow it to expand and maintain its position as the leading bank in India.

Strategy

The Bank's strategy is to enhance its position as the largest and leading provider of banking and other financial services in India, while remaining focused on its profitability. The Banks plans to execute this strategy in the following ways:

Continue expansion of the Bank's distribution network and banking products

The Bank intends to increase revenues generated from its banking business by expanding its distribution network, growing its customer base and diversifying its banking product mix. The Bank intends to use its strong financial position to take advantage of increasing growth opportunities within and outside of India, recruiting new employees, opening new branches and establishing new ATMs. The Bank plans to increase its efforts to cross-sell a wide variety of banking products across its business groups and through numerous distribution channels while also expanding its banking product offerings. The Bank is also pursuing strategic relationships with corporate entities and government departments to provide financing products to their employees and customers. In addition, the Bank is expanding into the more rural areas of India where growth potential is significant. The Bank also intends to grow its business through further overseas expansion, to meet the growing needs of Indian corporates operating overseas and non-resident Indians living abroad.

Diversify revenue mix by increasing the Bank's non-banking products and businesses

The Bank plans to further diversify its revenues by expanding its products and service offerings, particularly its fee and commission based products and businesses, including:

- financial planning and advisory services;.
- online securities trading;
- general insurance services;
- inward and outward remittances;
- private equity and venture capital;
- custodial services; and
- pension fund management.

Through its New Business department, the Bank will continue to look for new areas where it believes it can leverage its size and experience to create new and profitable products and businesses, particularly in light of the future opportunities presented by the relative under-penetration of the Indian financial services sector.

Utilize technology to enhance delivery of banking products and services

The Bank is committed to its ongoing effort to leverage new technology to maximize efficiency in its operations and expand the modes of delivery of its services, enabling it to increase penetration into existing customer segments. To achieve this, the Bank has migrated all of its branches to the core banking solution application platform and expanded its ATM and internet banking networks. The Bank also plans to continue offering an expanding suite of mobile banking, debit and prepaid card services to its customers. The Bank also plans to continue investing in payment systems to make them more robust and efficient, thereby improving customer service and enhancing its product offerings.

Continually strengthen the Bank's risk management and internal control capabilities

The Bank plans to continue enhancing its risk management and internal control capabilities in order to ensure a sound governance structure, independent credit risk management system and strong risk management culture shared by all employees. The Bank continues to implement Basel II guidelines, applying advanced risk management tools, upgrading related information technology systems and continuously enhancing the Bank's risk identification, measurement, monitoring and control capabilities. The Bank regularly examines its internal control policies and procedures to enhance the effectiveness of the entire internal control system.

Attract and develop talented and experienced professionals

The Bank plans to recruit, retain, motivate and develop talented and experienced professionals in a number of ways, including enhancing the Bank's human resource department to meet its growth plans and business needs. The Bank also plans to focus on the recruitment and cultivation of a high-quality and professional workforce, provide training and development programs for the Bank's employees to enhance their professional knowledge and capabilities

GENERAL INFORMATION

State Bank of India
Constituted under the State Bank of India Act, 1955

Central Office of the Bank
State Bank of India
State Bank Bhavan, Madame Cama Road
Mumbai 400 021
Maharashtra

Central Board of Directors of the Bank:

Name	Designation
Mr. O.P. Bhatt	Chairman
Mr. S. K. Bhattacharyya	Managing Director
Mr. R. Sridharan	Managing Director
Dr. Ashok Jhunjhunwala	Director appointed under section 19(c) of the Act
Mr. Dileep C. Choksi	Director appointed under section 19(c) of the Act
Mr. S. Venkatachalam	Director appointed under section 19(c) of the Act
Mr. D. Sundaram	Director appointed under section 19(c) of the Act
Dr. Vasantha Bharucha	Director appointed under section 19(d) of the Act
Dr. Rajiv Kumar	Director appointed under section 19(d) of the Act
Ms. Shyamala Gopinath	Director appointed under section 19(f) of the Act
Mr. Ashok Chawla	Director appointed under section 19(e) of the Act

For further details on the Bank's Directors, see section "*Our Management*".

Compliance Officer

Mr. Shyamal Sinha
General Manager, (Compliance)
State Bank of India
State Bank Bhavan, Madame Cama Road
Mumbai 400 021
Maharashtra, India
Tel.: (91 22) 2274 1450/2202 1392
Fax: (91 22) 2284 0090
Email: gm.compliance@sbi.co.in

Contact Person

Mr. M. M. Pathak
General Manager, (Shares & Bonds)
State Bank of India, Shares & Bonds Department
Corporate Centre, 3rd Floor, Varma Chambers
11, Homji Street, Horniman Circle
Fort, Mumbai 400 001
Maharashtra
Tel.: (91 22) 2263 3462/ 63/ 64/ 65/ 66
Fax: (91 22) (91 22) 22633470/ 71
Email: gm.snb@sbi.co.in

Lead Managers to the Issue

Citigroup Global Markets India Private Limited
12th Floor, Bakhtawar
Nariman Point
Mumbai 400 021
Tel: (91 22) 6631 9999
Fax: (91 22) 6646 6056
E-mail: sbi.debtissue@citi.com
Website: www.citibank.co.in
Contact Person: S. Ashwin
Compliance Officer: Vinod Patil
SEBI Registration No. INM000010718

Kotak Mahindra Capital Company Limited
1st Floor, Bakhtawar
229 Nariman Point
Mumbai 400 021
Tel: (91 22) 6634 1100
Fax: (91 22) 2284 0492
Email: sbi.debtissue@kotak.com
Website: www.kotak.com
Contact Person: Mr. Chandrakant Bhole
Compliance Officer: Mr. Ajay Vaidya
SEBI Registration No. INM000008704

SBI Capital Markets Limited*
202, Maker Tower 'E'
Cuffe Parade
Mumbai 400 005
Tel: (91 22) 22178300
Fax: (91 22) 2218 8332
Email: sbi.debtpublicissue@sbicaps.com
Website: www.sbicaps.com
Contact Person: Mr. Ashish Sable
Compliance Officer: Mr. Bhaskar Chakraborty
SEBI Registration No. INM000003531
**SBI Capital Markets Limited, which is a subsidiary of the Issuer, shall only be involved in the marketing of the Issue*

Legal Advisors to the Issue
Amarchand & Mangaldas & Suresh A. Shroff & Co.
Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013
Tel: (91 22) 6660 4455
Fax: (91 22) 2496 3666

Debenture Trustee

IDBI Trusteeship Services Limited
Asian Building, Ground Floor
17, R. Karnani Marg
Ballard Estate
Mumbai 400 001

Tel: (91 22) 4080 7000
Fax: (91 22) 6631 1776/ 2262 5247
Contact Person: Brinda Venkatraman/ Swati Borkar
Email: itsl@idbitrustee.co.in

IDBI Trusteeship Services Limited by its letter dated August 23, 2010 has given its consent to act as Debenture Trustee to the Issue and for its name to be included in this Prospectus.

All the rights and remedies of the Bondholders under this Issue shall vest in and shall be exercised by the appointed Debenture Trustee for this Issue without having it referred to the Bondholders. All investors under this Issue are deemed to have irrevocably given their authority and consent to the Debenture Trustee so appointed by the Bank for this Issue to act as their trustee and for doing such acts and signing such documents to carry out their duty in such capacity. Any payment by the Bank to the Bondholders/Debenture Trustee, as the case may be, shall, from the time of making such payment, completely and irrevocably discharge the Bank *pro tanto* from any liability to the Bond Holders. For further details, please see section "*Terms of the Issue*".

Auditors to the Issue

Kalyaniwalla & Mistry
Kalpataru Heritage
127 M G Road
Mumbai 400 001

For details of the Auditors to the Bank as on March 31, 2010, please refer to page 7 of the Annual Report of the Bank for Fiscal Year 2009-2010 available on the website of the Bank.

Registrar to the Issue

Datamatics Financial Services Limited
Plot No. A-16 & A-17, MIDC Area, Part B, Cross Lane
Andheri (East)
Mumbai 400 093
Tel.: (91 22) 6671 2187
Fax.: (91 22) 6671 2204
Email: sbiretailbonds@dfssl.com
Website: www.dfssl.com
Contact Person: Mr. R.D Kumbhar (General Manager)
Investor Grievance ID: sbi_eq@dfssl.com
SEBI Registration No. INR000000874

Banker to the Issue
State Bank of India,
Capital Market Branch,
Videocon Heritage, Ground Floor,
Charanjit Rai Marg, Mumbai 400001
Tel.: (91 22) 22094925/22094926
Fax.: (91 22) 22094921/22094922

Minimum Subscription

If the Bank does not receive the minimum subscription of 75% of the base issue amount of Rs. 5,000 million, i.e. Rs. 3,750 million, on or before the closure of the Issue, the entire subscription amount shall be refunded to the applicants within 15 days from the date of closure of the Issue. If there is a delay in the refund of the subscription amount by more than 8 (eight) days after the Bank becomes liable to pay the same, the Bank will pay interest for the period of delay, at rates prescribed under subsections (2) and (2A) of Section 73 of the Companies Act.

Credit Rating Agency

CARE rating

The Bonds proposed to be issued by the Bank have been assigned a rating of "CARE AAA" by CARE vide its letter dated August 25, 2010. The instruments with this rating are considered to be of the best credit quality, offering highest safety for timely servicing of debt obligations. Such instruments carry minimal risk. For rationale of the aforementioned credit ratings issued by CARE please see Annexure.

CARE Disclaimer:

CARE's ratings are opinions on credit quality and are not recommendations to buy sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most issuers of securities rated by CARE have paid a credit rating fee, based on the amount and type of securities issued.

CRISIL rating

The Bonds proposed to be issued by the Bank have been assigned a rating of "AAA/ Stable" by CRISIL vide its letter no. MS/FSR/SBI/2010-11/834 and dated September 17, 2010. This rating of the Bonds indicates highest degree of safety with regard to timely payment of interest and principal on the instrument. For rationale of the aforementioned credit ratings issued by CARE please see Annexure.

CRISIL Disclaimer:

A CRISIL rating reflects CRISIL's current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by CRISIL. CRISIL ratings are based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy if the information on which the rating is based. A CRISIL rating is not a recommendation to buy/sell or hold the rated instrument; it does not comment on the market price or suitability for a particular investor. CRISIL has a practice of keeping all its ratings under surveillance and ratings are revised as and when circumstances so warrant. CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers/users/transmitters/distributors of its ratings.

Issue Programme

The subscription list for the Issue shall remain open for subscription during the banking hours for the period indicated above, except that the Issue may close on such earlier date as may be decided by the Central Board or the ECCB. In the event of an early closure of subscription list of the Issue, the Bank shall ensure that notice of the same is provided to the prospective investors through newspaper advertisements at least three days prior to such earlier date of Issue closure.

ISSUE OPENS ON	October 18, 2010
ISSUE CLOSES ON	October 25, 2010

CAPITAL STRUCTURE

	Face Value (Rs. in millions)
Authorised share capital	
Equity Shares of Rs. 10 each	50,000.00
Issued capital*#	
634,968,500 Equity Shares of Rs. 10 each	6,349.69
Subscribed capital**	
634,883,509 Equity Shares of Rs. 10 each	6,348.84
Share Premium Account	
Share premium account after the Issue	206,584.44

* As required by Section 5(3) of the Act, the Central Government has, by its letter (no. F.No.11/16/2005-BOA) dated January 2, 2008, authorised the increase in the issued capital of the Bank from Rs. 5,260 million to Rs. 6,500 million.

** Out of 105,259,776 Equity Shares proposed to be issued pursuant to the rights issue undertaken by the Bank in February 2008, 88,278 Equity Shares were subject matter of a dispute or sub-judice and were not allotted pending resolution of the disputes in accordance with the Bank's policy. These Equity Shares are held in abeyance and retained separately by the Bank. The allotment of these Equity Shares is subject to receipt of an order from the relevant court or authority removing the restriction thereon. Subsequently, 3,287 Equity Shares were issued where titles have since been cleared and dispute has been resolved.

\# As on June 30, 2010, the Bank has issued 10,434,359 GDRs representing 20,868,718 Equity Shares.

Changes in the Bank's Authorised Share Capital

Year	Authorized Share Capital
July 1, 1955	Rs. 200,000,000
1985	Rs. 2,000,000,000
1990	Rs. 10,000,000,000
2010	Rs. 50,000,000,000

Notes to the Capital Structure

1. The build up of the Bank's Equity Share Capital as of is set out below:

Date of Allotment	No. of Equity Shares	Face value (Rs.)	Issue price (Rs.)	Nature of Consideration	Reasons for Allotment	Cumulative Number of Equity Shares	Cumulative Subscribed share capital (Rs. in million)
1955	562,500	100	100	Cash	Incorporation of the Bank	562,500	56.25
1985	4,437,500	100	160	Cash	Public issue of Equity Shares of Rs. 100 each for cash at a premium of Rs. 60 per Equity Share	5,000,000	500.00
1987	10,000,000	100	160	Cash	Public issue of Equity Shares of Rs. 100 each for cash at a premium of Rs. 60 per Equity Share	15,000,000	1,500.00
1991	5,000,000	100	160	Cash	Public issue of Equity Shares of	20,000,000	2,000.00

Date of Allotment	No. of Equity Shares	Face value (Rs.)	Issue price (Rs.)	Nature of Consideration	Reasons for Allotment	Cumulative Number of Equity Shares	Cumulative Subscribed share capital (Rs. in million)
					Rs. 100 each for cash at a premium of Rs. 60 per Equity Share		
1991	180,000,000	10	-	-	Split in face value of Equity Shares from Rs. 100 each to Rs. 10 each	200,000,000	2,000.00
1994	141,850,000	10	100	Cash	Public issue of Equity Shares of Rs. 10 each for cash at a premium of Rs. 90 per Equity Share	341,850,000	3,418.5
1994	131,978,726	10	60	Cash	Rights issue of Equity Shares of Rs. 10 each for cash at a premium of Rs. 50 per Equity Share in the ratio of three new Equity Shares for every five Equity Shares held and also to employees at the rights issue price.	473,828,726	4,738.30
1995	180,463	10	100	Cash	Public issue of Equity Shares of Rs. 10 each for cash at a premium of Rs. 90 per Equity Share	474,009,189	4,740.09
1996	683	10	100	Cash	Increase in the issued capital	474,009,872	4,740.09
1996	52,289,006	10	USD 14.15	Cash	Issue of GDR representing two Equity Shares at the rate of USD 14.15 per GDR. (Rectification of 994 Equity Shares (net) relating to equity issue in 1993/94 resulted in reduction of share capital by Rs. 9,940 and share premium by Rs. 55,700)	526,298,878	5,262.99
2008	105,171,498**	10	1,590	Cash	Pursuant to the rights issue in the ratio of one Equity Share for every five Equity Shares held	631,470,376	6,314.70

Date of Allotment	No. of Equity Shares	Face value (Rs.)	Issue price (Rs.)	Nature of Consideration	Reasons for Allotment	Cumulative Number of Equity Shares	Cumulative Subscribed share capital (Rs. in million)
2008	3,409,846*	10	1,590	Cash	Pursuant to ESPS-2008 offered to the employees	634,880,222	6,348.80
2010	2,422	10	1,590	Cash	Pursuant to resolution of dispute in the rights issue	634,882,644	6,348.83
2010	865	10	1,590	Cash	Pursuant to resolution of dispute in the rights issue	634,883,509	6,348.83

* The Bank offered 8,617,500 Equity Shares as part of ESPS-2008 and it received application for 3,410,973 Equity Shares. The Bank accepted applications for and allotted 3,409,846 Equity Shares, out of which, 113,747 Equity Shares are held in abeyance due to non-submission of PAN details by the employees to whom such shares were issued.

** Out of 105,259,776 Equity Shares proposed to be issued pursuant to the rights issue undertaken by the Bank in February 2008, 88,278 Equity Shares were subject matter of a dispute or sub-judice and were not allotted pending resolution of the disputes in accordance with the Bank's policy. These Equity Shares are held in abeyance and retained separately by the Bank. The allotment of these Equity Shares is subject to receipt of an order from the relevant court or authority removing the restriction thereon. Subsequently, 3,287 Equity Shares were issued where titles have since been cleared and dispute has been resolved.

2. Shareholding pattern of the Bank as of June 30, 2010 is as follows:

Sr. No	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in de materialized form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					% of shares (A+B)	% of shares (A+B+C)	Number of shares	% No. of shares
(A)	**Shareholding of Promoter and Promoter Group**							
(1)	**Indian**							
(a)	Individuals/ Hindu Undivided Family	0	0	0	0.00	0.00	0	0
(b)	Central Government/ State Government(s)	1	377,207,200	377,207,200	61.43	59.41	0	0
(c)	Bodies Corporate	0	0	0	0.00	0.00	0	0
(d)	Financial Institutions/ Banks	0	0	0	0.00	0.00	0	0
(e)	Any Other (specify)							
		0	0	0	0	0	0	0
	Sub-Total (A)(1)	1	377,207,200	377,207,200	61.43	59.41	0	0.00
(2)	**Foreign**							
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	0	0	0	0.00	0.00	0	0
(b)	Bodies Corporate	0	0	0	0.00	0.00	0	0
(c)	Institutions	0	0	0	0.00	0.00	0	0
(d)	Any Other (specify)							
		0	0	0	0	0	0	0
	Sub-Total (A)(2)	0	0	0	0.00	0.00	0	0.00
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	1	377,207,200	377,207,200	61.43	59.41	0	0.00
(B)	**Public shareholding**							
(1)	**Institutions**							
(a)	Mutual Funds/ UTI	279	28,362,907	28,333,927	4.62	4.47	NA	NA
(b)	Financial Institutions/ Banks	69	441,961	428,771	0.07	0.07	NA	NA
(c)	Central Government/	4	124,978	3,020	0.02	0.02	NA	NA

Sr. No	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in de materialized form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					% of shares (A+B)	% of shares (A+B+C)	Number of shares	% No. of shares
	State Government(s)							
(d)	Venture Capital Funds	0	0	0	0.00	0.00	NA	NA
(e)	Insurance Companies	27	80,530,115	80,528,865	13.12	12.68	NA	NA
(f)	Foreign Institutional Investors	607	72,829,355	72,726,130	11.86	11.47	NA	NA
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00	NA	NA
(h)	Any Other (specify)							
		0	0	0	0	0	0	0
	Sub-Total (B)(1)	986	182,289,316	182,020,713	29.69	28.71	NA	NA
(2)	**Non-institutions**							
(a)	Bodies Corporate	4,358	17,194,313	17,108,928	2.80	2.71	NA	NA
(b)	Individuals							
(i)	Individual shareholders holding nominal share capital up to Rs. 1 lakh	664,553	34,598,644	22,530,865	5.63	5.45	NA	NA
(ii)	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	52	1,271,548	1,271,548	0.21	0.20	NA	NA
(c)	Any Other (specify)							
	Non-Residents Indian	5,150	621,286	599,288	0.10	0.10	NA	NA
	Trusts	156	361,335	332,162	0.06	0.06	NA	NA
	Clearing Member	331	351,255	351,255	0.06	0.06	NA	NA
	Foreign National	4	297	297	0.00	0.00	NA	NA
	Foreign Body Corporates	6	118,547	118,547	0.02	0.02	NA	NA
	Ocb	4	1,050	650	0.00	0.00	NA	NA
	Sub-Total(B)(2)	674,614	54,518,275	42,313,540	8.88	8.59	NA	NA
	Total Public Shareholding (B)= (B)(1)+(B)(2)	675,600	236,807,591	224,334,253	38.57	37.30	NA	NA
	TOTAL(A)+(B)	675,601	614,014,791	601541,453	100.00	96.71	0	0.00
(C)	**Shares held by Custodians and against which Depository Receipts have been issued**	1	20,868,718	20,868,718		3.29	NA	NA
	GRAND TOTAL (A)+(B)+(C)	**675,602**	**634,883,509**	**622,410,171**		**100.00**	**0**	**0.00**

3. Top ten Shareholders of the Bank

a) Top ten Shareholders of the Bank as on June 30, 2010

S. No.	Name of the Shareholders	Address	Total Equity Shares held	Percentage of the shareholding (%)
1.	President of India	Government of India Ministry of Finance, Jeevan Deep Building Parliament Street New Delhi 110001	377,207,200	59.41
2.	Life Insurance Corporation of India	Investment Department 6th Floor, West Wing, Central Office Yogakshema, Jeevan Bima Marg Mumbai 400021	38,548,007	6.07
3.	The Bank of New York	ICICI Bank Limited, SMS Empire Complex, 1st Floor, 414, Senapati Bapat Marg Lower Parel	20,468,468	3.22

S. No.	Name of the Shareholders	Address	Total Equity Shares held	Percentage of the shareholding (%)
		Mumbai 400013		
4.	LIC of India Money Plus	Investment Department 6th Floor, West Wing, Central Office Yogakshema, Jeevan Bima Marg Mumbai 400021	9,214,866	1.45
5.	HSBC Global Investment Fund A/C HSBC Global Investment Fund Mauritius Limited	HSBC Securities Services 2nd Floor, "SHIV" Plot No. 39-40 B Western Express Highway Sahar Road Junction, Vile Parle East Mumbai 400056	6,900,000	1.09
6.	LIC of India – Profit Plus	HDFC Bank Limited Custody Services, Lodha – I Think Techno Campus, Off Floor 8, Next to Kanjurmarg Railway Station, Kanjurmarg East Mumbai 400042	6,637,331	1.05
7.	LIC of India – Market Plus	Investment Department 6th Floor, West Wing, Central Office Yogakshema, Jeevan Bima Marg Mumbai 400021	6,345,016	0.99
8.	LIC of India – Market Plus 1	Investment Department 6th Floor, West Wing, Central Office Yogakshema, Jeevan Bima Marg Mumbai 400021	6,184,128	0.97
9.	Goldman Sachs Investments (Mauritius) I Limited	Standard Chartered Bank Securities Services, 23-25, M.G. Road, Fort Mumbai 400001	5,343,198	0.84
10.	Europacific Growth Fund	JPMorgan Chase Bank N.A India Sub Custody, 6th Floor, Paradigm B Mindspace, Malad West Mumbai 400064	4,906,336	0.77
	TOTAL		**48,1754,550**	**75.89**

b) Top ten Debt Holders of the Bank as on June 30, 2010

SBI – Bonds – 9.80%:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	Andhra Bank	Funds Forex Department 82 83 Makers Towers 8 'F' Block Cuffe Parade Mumbai – 400005	200	8.89
2.	National Insurance Company Employees Pension Fund	Royal Insurance Building 2nd Floor 5 Netaji Subhas Road Kolkata 700001	120	5.33
3.	IFFCO Employees Provident Fund Trust	IFFCO Employees P F Trust IFFCO Sadan C 1 Distt Centre Saket New Delhi 110017	100	4.44
4.	State Bank of Hyderabad Employees Pension Fund Trust 1995	State Bank of Hyderabad PPG Dept Head Office Gunfoundry	100	4.44

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
		Hyderabad 500001		
5.	Coal Mines Provident Fund	C/O ICICI Securities Primary Dealership Limited ICICI Centre H.T. Parekh Marg Churchgate Mumbai 400020	91	4.04
6.	Food Corporation of India CPF Trust	Khadya Sadan 13th Floor 16 20 Barakhamba Lane New Delhi 110001	80	3.56
7.	Coal Mines Pension Fund	State Bank of India Securities Services Branch Main Branch Building 2nd Floor Fort Mumbai 400001	58	2.58
8.	National Fertilizers Limited Employees Provident Fund Trust	Provident Fund Section National Fertilizer Limited A 11 Sector 24 Noida Distt Gautam Budh Nagar 201301	55	2.44
9.	Union Bank of India Employees Provident Fund	Union Bank Bhavan P F Section Human Resource Management Department Terminal Benefit Division 8th Floor 239 Vidhan Bhavan Road Nariman Point Mumbai 400021	50	2.22
10.	UCO Bank (Employees) Pension Fund	3rd Floor 3-4 DD Block Sector 1 Salt Lake Kolkata 700064	50	2.22
	TOTAL		**904**	**40.16**

SBI – Bonds – 8.98 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	Life Insurance Corporation of India	Investment Department 6th Floor West Wing Central Office Yogakshema Jeevan Bima Marg Mumbai 400021	15,000	100.00

SBI Bonds – 9.37 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	Life Insurance Corporation of India	Investment Department 6th Floor West Wing	10,000	100.00

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
		Central Office Yogakshema Jeevan Bima Marg Mumbai 400021		

SBI Bonds – 8.15 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	CBT EPF EPF A/C ICICI Prudential AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	2,000	100.00

SBI Bonds – 8.80 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	SBI Employees' Gratuity Fund	(9277) – State Bank of India New Issues and Securities Services Division Mumbai Main Branch Mumbai 400023	6,200	26.63
2.	Sahara India Financial Corporation Limited	25 28 Atlanta Nariman Point Mumbai 400021	4,460	19.16
3.	Life Insurance Corporation of India	Investment Department 6th Floor West Wing Central Office Yogakshema Jeevan Bima Marg Mumbai 400021	1,255	5.40
4.	State Bank of Travancore (Employees) Pension Fund	Head Office State Bank of Travancore P.B. No. 34 Poojapura Trivandrum 695 012	520	2.23
5.	Chattisgarh State Electricity Board Gratuity and Pension Fund Trust	Shed No. 7 Executive Director (Finance) Danganiya Raipur 492001	500	2.15
6.	State Bank of Travancore Employees Provident Fund	Head Office State Bank of Travancore P.B. No. 34 Poojapura Trivandrum 695 012	350	1.50
7.	The Life Insurance Corporation of India	Finance and Accounts Department	250	1.07

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
	Provident Fund No.1	3rd Floor West Wing Central Office Yogakshema Jeevan Bima Marg Mumbai 400021		
8.	The New India Assurance Company Employees Pension Fund	New India Assurance Building Basement 87 M.G. Road Fort Mumbai 400001	250	1.07
9.	The New India Assurance Company Limited Employees Gratuity Fund	5th Floor Gratuity Department 87 M.G. Road Fort Mumbai 400001	250	1.07
10.	Canara Bank, Mumbai	Domestic Treasury (Back Office) 7th Floor Maker Chamber III Nariman Point Mumbai 400021	250	1.07
	TOTAL		**14,285**	**61.35**

SBI Bonds – 8.97 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	Sahara India Financial Corporation Limited	25 28 Atlanta Nariman Point Mumbai 400021	2,397	38.98
2.	CBT EPF EPF A/C Reliance Capital AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	950	15.45
3.	CBT EPF EPS A/C/ HSBC AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	440	7.15
4.	Bochasanwasi Shriaksharpurushottam Swaminarayan Sanstha	Accounts Department Dharma Sadan Shri Swaminarayan Mandir Shahibaug Road Ahmedabad 380004	364	5.92
5.	Bajaj Allianz Life Insurance Company Limited	Deutsche Bank AG DB House Hazarimal Somani Marg P.B. No. 1142 Fort Mumbai 400001	350	5.70
6.	HCL Corporation Limited	44 Friends Colony East	200	3.25

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
		New Delhi 110065		
7.	Bajaj Allianz General Insurance Company Limited	C/O Standard Chartered Bank Custody and Clearing Services 23-25 M.G. Road Fort Mumbai 400001	150	2.44
8.	SBI Life Insurance Company Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	150	2.44
9.	State Bank of Bikaner and Jaipur Employees Provident Fund	State Bank of Bikaner and Jaipur Pension, Provident, Gratuity Department Head Office Tilak Nagar Jaipur 302005	100	1.63
10.	State Bank of Hyderabad Employees Pension Fund Trust 1995	State Bank of Hyderabad PPG Dept Head Office Gunfoundry Hyderabad 500001	100	1.63
	TOTAL		**5,201**	**84.59**

SBI Bonds 8.96 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	Sahara India Financial Corporation Limited	25 28 Atlanta Nariman Point Mumbai 400021	1,995	33.25
2.	The Life Insurance Corporation of India Provident Fund No.1	Finance and Accounts Department 3rd Floor West Wing Central Office Yogakshema Jeevan Bima Marg Mumbai 400021	500	8.34
3.	The B.E.S. And T. Undertaking Provident Fund	Cash Department BEST Undertaking BEST Bhavan BEST Marg Colaba Mumbai 400 001	446	7.43
4.	Bochasanwasi Shriaksharpurushottam Swaminarayan Sanstha	Accounts Department Dharma Sadan Shri Swaminarayan Mandir Shahibaug Road Ahmedabad 380004	200	3.33
5.	Maharashtra State Electricity Boards Contributory Provident Fund	Estrella Batteries Expansion Building Plot No. 1	193	3.22

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
		Dharavi Road Matunga Mumbai 400019		
6.	Andhra Bank Employees Pension Fund	C/O Andhra Bank Head Office Dr. Pattabhi Bhavan Saifabad Hyderabad 500004	150	2.50
7.	Indian Overseas Bank Staff Provident Fund	762, Anna Salai Chennai 600002	100	1.67
8.	The New India Assurance Company Employees Pension Fund	New India Assurance Building Basement 87 M.G. Road Fort Mumbai 400001	100	1.67
9.	United India Insurance Company Limited	24, Whites Road Chennai 600014	100	1.67
10.	MTNL Employees Provident Fund Trust	MTNL Corporate Office 6th Floor Mahanagar Doorsanchar Bhavan Jawaharlal Nehru Marg Near Zakir Hussain College New Delhi 110002	100	1.67
	TOTAL		**3,884**	**64.75**

SBI Bonds 9 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	Life Insurance Corporation of India	Investment Department 6th Floor West Wing Central Office Yogakshema Jeevan Bima Marg Mumbai 400021	5,000	100.00

SBI Bond – 8.88 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	Life Insurance Corporation of India	Investment Department 6th Floor West Wing Central Office Yogakshema Jeevan Bima Marg Mumbai 400021Bima Marg, Mumbai 400021	5,000	100.00

SBI Bonds – 9.15 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	Central Board of Trustees Employees Provident Fund	State Bank of India EPFO Securities Services Branch 2nd Floor Mumbai Main Branch Mumbai Samachar Marg Mumbai 400023	8,900	89.00
2.	Coal Mines Pension Fund	State Bank of India EPFO Securities Services Branch 2nd Floor Mumbai Main Branch Mumbai Samachar Marg Mumbai 400023	1,000	10.00
3.	NPS Trustees – SBI Pension Fund Scheme 1	C/O SBI Pension Funds Private Limited No. 32 Maker Chamber – III Nariman Point Mumbai 400021	1,00	1.00
	TOTAL		**10,000**	**100.00**

SBI Bonds – 9.15 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	Life Insurance Corporation of India	Investment Department 6th Floor West Wing Central Office Yogakshema Jeevan Bima Marg Mumbai 400021	15,000	75.00
2.	LIC of India Money Plus	Investment Department 6th Floor West Wing Central Office Yogakshema Jeevan Bima Marg Mumbai 400021	2,000	10.00
3.	LIC of India – Profit Plus	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	2,000	10.00
4.	LIC of India – Market Plus	Investment Department 6th Floor West Wing Central Office Yogakshema Jeevan Bima Marg Mumbai 400021	1,000	5.00
	TOTAL		**20,000**	**100.00**

SBI Bonds – 9.10 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	SBI Employees Pension Fund	Central Account Office Kankaria Centre 2/1 Russel Street Kolkata 700071	5,500	55.00
2.	Canara Bank, Mumbai	Domestic Treasury (Back Office) Maker Chamber III 7th Floor Nariman Point Mumbai 400021	2,898	28.98
3.	Imperial Bank of India Employees Pension and Guarantee Fund	Central Account Office Kankaria Centre 2/1 Russel Street Kolkata 700071	500	5.00
4.	West Bengal State Co-op Bank Limited	24 A Waterloo Street Kolkata 700069	300	3.00
5.	Birla Sun Life Insurance Company Limited	Deutsche Bank AG DB House Hazarimal Somani Marg P.B. No. 1142 Fort Mumbai 400001	122	1.22
6.	Board of Trustees Hindustan Steel Limited Bhilai Project Provident Fund	Shed No. 47 Old Main Office Bhilai 490001	100	1.00
7.	Corporation Bank Employees Gratuity Fund	Corporation Bank Head Office Pandeshwar Mangalore 575001	85	0.85
8.	ITI Limited PF Trust	C/O ITI Limited Doorbhash Nagar Raibareli 229010	50	0.50
9.	Hewett-Packard Globalsoft Limited provident Fund Trust	HP Avenue 39/40 Electronics City – 2 Hosur Road Bangalore 560100	41	0.41
10.	Corporation Bank Employees Pension Fund	Corporation Bank Head Office Pandeshwar Mangalore 575001	30	0.30
	TOTAL		**9,626**	**96.26**

SBI Bonds – 8.95 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	CBT EPF EPS A/C HSBC AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8	7,300	73.00

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
		Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042		
2.	CBT EPF EPF A/C Reliance Capital AMC Limtied	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	2,500	25.00
3.	CBT EPC EDLI A/C HSBC AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	200	2.00
	TOTAL		**10,000**	**100.00**

SBI Bonds – 8.40 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	CBT EPF EPF A/C ICICI Prudential AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	9,300	62.00
2.	CBT EPF EPS A/C HSBC AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	3,898	25.99
3.	CBT EPF EPF A/C Reliance Capital AMC Limtied	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station	1,000	6.67

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
		Kanjurmarg (East) Mumbai 400042		
4.	SBI Life Insurance Company Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	500	3.33
5.	HDFC Trustee Company Limited HDFC MF Monthly Income Long Term Plan	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	250	1.66
6.	CBT EPC EDLI A/C HSBC AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	52	0.35
	TOTAL		**15,000**	**100.00**

SBI Bonds – 7.45 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	CBT EPF EPS A/C HSBC AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	10,646	32.43
2.	CBT EPF EPF A/C ICICI Prudential AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	7,402	22.55

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
3.	SBI Employees' Gratuity Fund	(9277) – State Bank of India New Issues and Securities Services Division Mumbai Main Branch Mumbai 400023	1,020	3.11
4.	Coal Mines Provident Fund	C/O ICICI Securities Primary Dealership Limited ICICI Centre H.T. Parekh Marg Churchgate Mumbai 400020	962	2.93
5.	West Bengal State Electricity Boards Employees Contributory Provident Fund	Bidyut Bhavan 6th Floor Block A West Bengal State Electricity Board Bidhan Nagar Kolkata 700091	685	2.09
6.	CBT EPC EDLI A/C HSBC AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	510	1.55
7.	Securities and Exchange Board of India	Treasury and Accounts Division SEBI Bhavan Plot No. C – 4A G-Block Bandra-Kurla Complex Bandra East Mumbai 400051	500	1.52
8.	Infosys Technologies Limited Employees Pension Fund Trust	C/O Infosys Technologies Limited Plot No. 44 Electronics City Hosur Road Bangalore 561229	400	1.22
9.	Life Insurance Corporation of India	Investment Department 6th Floor West Wing Central Office Yogakshema Jeevan Bima Marg Mumbai 400021	310	0.94
10.	The Peerless General Finance & Investment Company Limited	3 Esplanade East Peerless Bhavan Kolkata 700069	250	0.76
	TOTAL		**22,685**	**69.10**

SBI Bond – 9.05 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	Bank of Baroda	Specialized Integrated Treasury Branch Kalpataru Heritage Building 6th Floor Nanik Motwane Marg Mumbai 400023	1,000	10.00
2.	HDFC Trustee Company Limited HDFC MF Monthly Income Long Term Plan	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	600	6.00
3.	HDFC Standard Life Insurance Company Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	600	6.00
4.	Birla Sun Life Insurance Company Limited	Deutsche Bank AG DB House Hazarimal Somani Marg P.B. No. 1142 Fort Mumbai 400001	550	5.50
5.	United India Insurance Company Limited	24 Whites Road Chennai 600014	500	5.00
6.	Reliance Life Insurance Company Limited	Deutsche Bank AG DB House Hazarimal Somani Marg P.B. No. 1142 Fort Mumbai 400001	500	5.00
7.	Infrastructure Development Finance Company Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	350	3.50
8.	TCS E Serve limited	9th Floor, B-3, Nirlon Knowledge Park, Western Express Highway, Goregaon (East), Mumbai – 400063	334	3.34
9.	Indian Oil Corporation Limited (Refineries Division) Employees Provident Fund	Core 2 Scope Complex 7 Institutional Area Lodhi Road New Delhi 110003	250	2.50
10.	ICICI Prudential Life Insurance Company Limited	Deutsche Bank AG DB House	250	2.50

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
		Hazarimal Somani Marg P.B. No. 1142 Fort Mumbai 400001		
	TOTAL		**4,934**	**49.34**

SBI Bond – 8.85 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	Sahara India Financial Corporation Limited	25 28 Atlanta Nariman Point Mumbai 400021	2,534	63.35
2.	CBT EPF EPS A/C Reliance Capital AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	580	14.50
3.	CBT EPF EPS A/C HSBC AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	480	11.25
4.	The Union Provident Fund	Hindustan Unilever Limited Unilever House Department HO Fund B 1 L 1 B D Sawant Marg Chakala Andheri East Mumbai 400099	129	3.23
5.	KSRTC Employees Contributory Provident Fund	Board of Tustees KSRTC Employees CPF K H Road Bangalore 560 027	50	1.25
6.	Dayanand Anglo Vedic College Trust and Management Society Employees Provident Fund	Chitragupta Road Paharganj New Delhi 110055	35	0.88
7.	Food Corporation of India CPF Trust	Khadya Sadan 13th Floor 16 20 Barakhamba Lane	34	0.85

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
		New Delhi 110001		
8.	Indian Hotels Company Limited Employees Provident Fund	Mandlik House 1st Floor Mandlik Road Mumbai 400001	20	0.50
9.	Jaiprakash Associates Private Limited Employees Provident Fund	JA House 63 Basant Lok Vasant Vihar New Delhi 110057	20	0.50
10.	Gujarat State Fertilizers and Chemicals Employees Provident Fund Trust	Fertilizer Nagar Baroda 391750	19	0.48
	TOTAL		**3,901**	**96.79**

SBI Bond – 9.85 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	CBT EPF EPF A/C ICICI Prudential AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	6,212	41.41
2.	CBT EPF EPS A/C HSBC AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	3,242	21.61
3.	SBI Employees' Gratuity Fund	(9277) – State Bank of India New Issues and Securities Services Division Mumbai Main Branch Mumbai 400023	2,750	18.33
4.	Coal Mines Provident Fund	C/O ICICI Securities Primary Dealership Limited ICICI Centre H.T. Parekh Marg Churchgate Mumbai – 400020	500	3.33
5.	CBT EPC EDLI A/C HSBC AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	328	2.19
6.	The New India Assurance	New India Assurance	250	1.67

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
	Company Employees Pension Fund	Building Basement 87 M.G. Road Fort Mumbai 400001		
7.	CBT EPF PG A/C ICICI Prudential AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	148	0.99
8.	CESC Limited Provident Fund	CESC House Chowringhee Square Kolkata 700001	140	0.93
9.	Oriental Insurance Company Employees Pension Fund	Pension Fund Section Oriental House 1st Floor 25/27 Asajali Road New Delhi 110002	100	0.66
10.	Board of Trustees for Bokaro Steel Employees Provident Fund	Old Admn. Building SAIL Bokaro Plant Bokaro Steel City Bokaro 827001	100	0.66
	TOTAL		**13,770**	**91.78**

SBI Bond – 10.10 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	Life Insurance Corporation of India	Investment Department 6th Floor West Wing Central Office Yogakshema Jeevan Bima Marg Mumbai 400021	10,130	28.66
2.	CBT EPF EPS A/C Reliance Capital AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	8,574	24.50
3.	CBT EPF EPS A/C HSBC AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East)	3,386	9.67

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
		Mumbai 400042		
4.	Central Board of Trustees Employees Provident Fund	State Bank of India EPFO Securities Services Branch 2nd Floor Mumbai Main Branch Mumbai Samachar Marg Mumbai 400023	1,200	3.43
5.	HDFC Trustee Company Limited – HDFC Prudence Fund	Citibank N.A. Custody Services 3rd Floor Trent House G – Block Plot No. 60 Bandra Kurla Complex Bandra East Mumbai 400051	600	1.71
6.	Board of Trustees G.S.R.T.C. CPF	Central Office Accounts Dept. Gitamandir Road Ahmedabad 380022	300	0.86
7.	HDFC Standard Life Insurance Company Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	300	0.86
8.	CBT EPC EDLI A/C HSBC AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	272	0.78
9.	Andhra Bank Employees Pension Fund	C/O Andhra Bank Head Office Dr. Pattabhi Bhavan Saifabad Hyderabad 500004	249	0.71
10.	Reliance Employees Provident Fund Bombay	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	220	0.63
	TOTAL		**25,231**	**71.81**

SBI Bond – 10.20 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	CBT EPF EPS A/C HSBC AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	6,501	25.76
2.	Life Insurance Corporation of India	Investment Department 6th Floor West Wing Central Office Yogakshema Jeevan Bima Marg Mumbai 400021	5,000	19.81
3.	CBT EPF EPS A/C Reliance Capital AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	4,515	17.89
4.	MTNL GPF Trust	12th Floor Jeevan Bharati Tower I Connaught Circus New Delhi 110001	414	1.64
5.	Bank of India Provident Fund	Terminal Benefits Dept. H.R. Dept. 3rd Floor Star House C-5 'G' Bandra Kurla Complex Bandra East Mumbai - 400051	400	1.59
6.	ONGC Self Contributory Post Retirement and Death in Service Super Annuation Benefit Trust	PRSB Section Basement Old Secretariat Building ONGC Tel Bhavan Dehradun 248003	300	1.19
7.	CBT EPF PG A/C ICICI Prudential AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8	270	1.07

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
		Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042		
8.	Infosys Technologies Limited Employees Pension Fund Trust	C/O Infosys Technologies Limited Plot No. 44 Electronics City Hosur Road Bangalore 561229	228	0.90
9.	Central Board of Trustees Employees Provident Fund	State Bank of India EPFO Securities Services Branch 2nd Floor Mumbai Main Branch Mumbai Samachar Marg Mumbai 400023	210	0.83
10.	HPGCL Employees Pension Fund Trust	Shakti Bhavan Sector 6 Panchkula 134109	200	0.79
	TOTAL		**18,038**	**71.47**

SBI Bonds – 8.90 %:

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
1.	CBT EPF EPS A/C HSBC AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	8,490	33.97
2.	CBT EPF EPF A/C ICICI Prudential AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	7,120	28.49
3.	CBT EPF EPF A/C Reliance Capital AMC Limtied	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station	6,950	27.80

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
		Kanjurmarg (East) Mumbai 400042		
4.	Central Board of Trustees Employees Provident Fund	State Bank of India EPFO Securities Services Branch 2nd Floor Mumbai Main Branch Mumbai Samachar Marg Mumbai 400023	400	1.60
5.	HDFC Trustee Company Limited A/C HDFC Income Fund	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	400	1.60
6.	SBI Life Insurance Company Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	250	1.00
7.	CBT EPF SPF A/C ICICI Prudential AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	250	1.00
8.	CBT EPF PG A/C ICICI Prudential AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042	230	0.92
9.	Bochasanwasi Shriaksharpurushottam Swaminarayan Sanstha	Accounts Department Dharma Sadan Shri Swaminarayan Mandir Shahibaug Road Ahmedabad 380004	150	0.60
10.	CBT EPC EDLI A/C HSBC AMC Limited	HDFC Bank Limited Custody Services Lodha – 1 Think Techno Campus	110	0.44

S. No.	Bond Holders	Address	Total number of Bonds held	Percentage of Holding (in %)
		OFF Floor 8 Next to Kanjurmarg Station Kanjurmarg (East) Mumbai 400042		
	TOTAL		**24,350**	**97.42**

4. The Bank had undertaken a rights issue of 105,259,776 Equity Shares to its existing shareholders in February 2008 at an issue price of Rs. 1,590 per Equity Share.

5. The Government, by its letter no. F.No.11/7/2007-BOA dated January 25, 2008, authorised the issue of the ESPS-2008. Pursuant to the Government authorisation, the Bank's Central Board, at its meeting held on January 24, 2008 approved the ESPS-2008. The Bank offered 8,617,500 Equity Shares at a price of Rs. 1,590 per Equity Share to its eligible employees and received applications for 3,410,973 Equity Shares. The Bank accepted applications for and allotted 3,409,846 Equity Shares, out of which, 113,747 Equity Shares are held in abeyance due to non-submission of PAN details by the employees to whom such shares were issued.

6. The terms of issue to the Applicants have been presented under the sections titled "*Terms of the Issue*" and "*Procedure for Application*".

7. The consolidated borrowings to equity ratio of the Bank prior to this Issue is based on total outstanding borrowings of Rs. 1,220,745.72 million, and shareholders' funds amounting to Rs. 831,355.81 million which was 1.47 times as on March 31, 2010. The borrowings to equity ratio post the Issue (assuming subscription of Rs. 10,000 million) is 1.48 times, based on a total outstanding borrowings of Rs. 1,230,745.72 million and shareholders' fund of Rs. 831,355.81 million as on March 31, 2010. Please note that changes in the share capital on account of issuance of shares to the minority shareholders of State Bank of Indore consequential to its merger with the Bank on August 26, 2010 has not been incorporated for calculation of the borrowings to equity ratio post the Issue.

Particulars	**Prior to the Issue** *(in Rs. million)*	**Post the Issue** *(in Rs. million)*
Secured Borrowings	70,619.69	70,619.69
Unsecured Borrowings	1,150,126.03	1,160,126.03
Total Borrowings	1,220,745.72	1,230,745.72
Share Capital	6,348.83	6,348.83
Reserves and Surplus	825,006.99	825,006.99
Total Shareholders' Funds*	831,355.81	831,355.81
Borrowings to Equity Ratio	1.47	1.48**

* Does not include Minority Interest
** Assuming subscription of Rs. 10,000 million.

8. The Bank has not issued any debt securities issued for consideration other than cash, whether in whole or part to be included.

9. The Bank has not issued any debt securities at a premium or at a discount.

10. For details of the outstanding borrowings of the Bank, please see section "*Financial Indebtedness*".

OBJECTS OF THE ISSUE

The Bank has filed this Prospectus for a Public Issue of the Bonds aggregating to Rs. 5,000 million with an option to retain over subscription upto Rs. 5,000 million, aggregating to Rs. 10,000 million. The Bank intends to deploy the Issue proceeds to augment its capital base in line with its growth strategy.

The provisions of the Act enable the Bank to undertake existing activities and permit the utilization of funds proposed herein.

Further, in accordance with the SEBI Debt Regulations, the Bank will not utilize the proceeds of the Issue for providing loans to or acquisition of shares of any person who is a part of the same group as the Bank or who is under the same management as the Bank.

Utilization of the Issue Proceeds

The Bank is subject to the capital adequacy requirements of the RBI, which, based on the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices, 1998, currently require the Bank to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items as per applicable RBI guidelines.

The objects of the Issue are to enhance the Bank's capital adequacy ratio in accordance with Applicable Laws.

The estimated Issue expenses will be approximately Rs. 180 million.

Particulars	*(Rs. in million)*	**Percentage of total expenses of the Issue (in %)**
Fees payable to Registrar to the Issue	3.800	2.111%
Fees to advisors including Lead Managers	2.500	1.389%
Fees payable to Debenture Trustee	0.150	0.083%
Others	173.550	96.417%
Total	180.000	100.000%

Monitoring of Utilization of Funds

There is no requirement for appointment of a monitoring agency in terms of the SEBI Debt Regulations. The Central Board of the Bank shall monitor the utilisation of the proceeds of the Issue. Further, as the Issue is being made with an objective to improve the capital adequacy ratio, to augment the long-term resources for increasing the business, no appraisal of the same is required and therefore no monitoring agency has been appointed.

No part of the Issue proceeds will be paid by the Bank as consideration to the Directors or the Bank's key management personnel except in the usual course of business.

STATEMENT OF TAX BENEFITS

The information provided below sets out the possible tax benefits available to the bond holders of an Indian company in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of bond, under the current tax laws presently in force in India. Several of these benefits are dependent on the bond holders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the bond holders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfil. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the bonds particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail. We are not liable to the Bond Holder in any manner for placing reliance upon the contents of this statement of tax benefits.

To our Bond Holder

A. INCOME-TAX

I *To the Resident Bond Holder*

1. Interest on NCD received by Bond Holders would be subject to tax at the normal rates of tax in accordance with and subject to the provisions of the I.T. Act. No income tax is deductible at source as per the provisions of section 193 of the **Income Tax Act (IT Act)** on interest on bonds in respect of the following:

(a) In case the payment of interest on bonds to resident individual Bond Holder in the aggregate during the financial year does not exceed Rs.2,500;

(b) When the Assessing Officer issues a certificate on an application by a Bond Holder on satisfaction that the total income of the Bond holder justifies no/lower deduction of tax at source as per the provisions of Section 197(1) of the I.T. Act; **and that certificate is filed with the Company BEFORE THE PRESCRIBED DATE OF CLOSURE OF BOOKS FOR PAYMENT OF BOND INTEREST**

(c) When the resident Bond Holder (not being a company or a firm or a senior citizen) submits a declaration in the prescribed Form 15G verified in the prescribed manner to the effect that the tax on his estimated total income of the previous year in which such income is to be included in computing his total income will be nil as per the provisions of section 197A (1A) of the I.T. Act. **HOWEVER** Under section 197A (1B) of the I.T. Act, Form 15G cannot be submitted nor considered for exemption from deduction from tax at source if the aggregate of income of the nature referred to in the said section, viz. dividend, interest, etc as prescribed therein, credited or paid or likely to be credited or paid during the Previous year in which such income is to be included exceeds the maximum amount which is not chargeable to tax, **as may be prescribed in each year's Finance Act.** To illustrate, **as on 01.04. 2010**, the maximum amount of income not chargeable to tax in case of individuals (other than women assessees and senior citizens) and HUFs is Rs.1,60,000, in case of women assessees is Rs.1,90,000 and senior citizens is Rs. 2,40,000 for Previous Year 2010-11. Senior citizens, who are 65 or more years of age at any time during the financial year, enjoy the special privilege to submit a self-declaration in the prescribed Form 15H for non deduction of tax at source in accordance with the provisions of section 197A (1C) of the I.T. Act even if the aggregate income credited or paid or likely to be credited or paid exceeds the maximum amount not chargeable to tax i.e. Rs. 2,40,000 for FY 2010-11 provided that the tax due on total income of the person is NIL. In all other situations, tax would be deducted at source as per prevailing provisions of the I.T. Act;

(d) On any securities issued by a company in a dematerialized form **and is** listed on recognized stock exchange in India. (w.e.f. 1.06.2008).

2. Under section 2 (29A) of the I.T. Act, read with section 2 (42A) of the I.T. Act, a listed bond is treated as a long term capital asset if the same is held for more than 12 months immediately preceding the date of its transfer. Under section 112 of the I.T. Act, capital gains arising on the transfer of long term capital assets being listed securities are subject to tax at the rate of 20% of capital gains calculated after reducing indexed cost of acquisition or 10% of capital gains without indexation of the cost of acquisition. The capital gains will be computed by deducting **indexed**

cost of acquisition / cost of acquisition of the bond and expenditure incurred in connection with such transfer from the full value of consideration.

In case of an individual or HUF, being a resident, where the total income as reduced by the long term capital gains is below the maximum amount not chargeable to tax **as prescribed by the Finance Act of the relevant year** (i.e. **as on 01.04.2010, such amount is** Rs.1,60,000 in case of all individuals, **other than Women and Senior Citizens** to Rs.1,90,000 in case of women and to Rs.2,40,000 in case of senior citizens), the long term capital gains shall be reduced to the extent of **the difference between the maximum amount chargeable to tax and the total income** and only the balance long term capital gains will be subject to the flat rate of taxation in accordance with and the proviso to subsection (1) of section 112 of the I.T. Act read with CBDT Circular 721 dated September 13, 1995.

In addition to the aforesaid tax, in the case of domestic companies where the income exceeds Rs. 10,000,000, a surcharge of 7.5% of such tax liability is also payable. **A 2% EDUCATION CESS AND 1% SECONDARY AND HIGHER EDUCATION CESS ON THE TOTAL INCOME TAX (INCLUDING SURCHARGE) IS PAYABLE BY ALL CATEGORIES OF TAXPAYERS.**

3. Short-term capital gains on the transfer of listed bonds, where bonds are held for a period of not more than 12 months would be taxed at the normal rates of tax in accordance with and subject to the provisions of the I.T. Act. The provisions relating to maximum amount not chargeable to tax, surcharge and education cess described at Para 2 above would also apply to such short-term capital gains.

4. In case the bonds are held as stock in trade, the income on transfer of bonds would be taxed as business income or loss in accordance with and subject to the provisions of the I.T. Act.

5. HOWEVER, IN CASE WHERE TAX HAS TO BE DEDUCTED @ SOURCE WHILE PAYING BOND INTEREST, THE COMPANY IS NOT REQUIRED TO DEDUCT SURCHARGE, EDUCATION CESS; AND SECONDARY AND HIGHER EDUCATION CESS REFERRED TO ABOVE.

6. Further, w.e.f April 1, 2010, as per Section 206AA of the Act, every person who is entitled to receive any sum or income or amount on which tax is deductible at source, is required to furnish his Permanent Account Number (PAN) to the person responsible for deducting such tax, failing which tax shall be deducted at the rates as per the Act or 20% whichever is higher.

II. ***To the Other Eligible Institutions***

All mutual funds registered under Securities and Exchange Board of India or set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India **are** exempt from tax on all their income, including income from investment in Bonds under the provisions of Section 10(23D) of the I.T. Act subject to and in accordance with the provisions contained therein.

B. WEALTH TAX

Wealth-tax is not levied on investment in bonds under section 2(ea) of the Wealth-tax Act, 1957.

C. GIFT TAX

Gift-tax is not levied on gift of bonds in the hands of the donor as well as the donee because the provisions of the Gift-tax Act, 1958 have ceased to apply in respect of gifts made on or after October 1, 1998. **HOWEVER, IF ANY INDIVIDUAL OR HUF, RECEIVES THESE BONDS OF THE AGGREGATE VALUE OVER RS. 50,000 FROM CERTAIN PERSON OR PERSONS WITHOUT CONSIDERATION OR RECEIVES THESE BONDS FOR A CONSIDERATION WHICH IS LESS THAN AGGREGATE FAIR MARKET VALUE OF THE BONDS BY AN AMOUNT EXCEEDING FIFTY THOUSAND RUPEES, THERE WILL BE LIABILITY TO INCOME TAX TO THE EXTENT PROVIDED IN SEC.56(2)(vii) OF THE INCOME TAX ACT. 1961 TO SUCH RECEIVER.**

OUR BUSINESS

Industry Overview

The RBI, the central banking and monetary authority of India, is the central regulatory and supervisory authority for the Indian financial system. Established in 1935, the RBI manages the country's money supply and foreign exchange and also serves as the bank for the Government and for the country's commercial banks. In addition to these traditional central banking roles, the RBI undertakes certain developmental and promotional roles. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including the following:

- commercial banks;
- long-term lending institutions;
- non-bank finance companies, including housing finance companies;
- other specialised financial institutions and state-level financial institutions;
- insurance companies; and
- mutual funds.

Until the early 1990s, the Indian financial system was strictly controlled. Interest rates were administered, formal and informal parameters governed asset allocation and strict controls limited entry into and expansion within the Indian financial sector. The Government's economic reform program, which began in 1991, encompassed the financial sector. The first phase of the reform process began with the implementation of the recommendations of the Committee on the Financial System, the Narasimham Committee I. The second phase of the reform process began in 1999.

The RBI issues guidelines on exposure limits, income recognition, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy for commercial banks, long-term lending institutions and non-bank finance companies. The RBI requires these institutions to furnish information relating to their businesses to it on a regular basis.

The Indian financial system is largely comprised of commercial banks (both scheduled commercial banks and non-scheduled commercial banks), public sector banks, private sector banks, foreign banks, regional rural banks, cooperative banks, long-term lending institutions, non bank finance companies and other financial institutions.

Business Overview

The Bank is India's largest bank, with 12,496 branches in India, 142 international offices in 32 countries and more than 153 million customer accounts as of March 31, 2010. The Bank also had deposits, advances and a total assets base of Rs. 8,041.2 billion, Rs. 6,319.1 billion and Rs. 10,534.1 billion, respectively, as of March 31, 2010, the largest by each measure among banking institutions in India. The Bank's market share of aggregate deposits was 16.3% and the Bank's market share of domestic advances was 16.3% among all RBI-scheduled commercial banks in India, based on the most recent RBI data as of March 31, 2010.

The Bank organizes its client relationships, marketing and product development, as well as non-customer facing activities, through its principal business segment Groups. The Bank's Groups are as follows:

- *The Corporate Banking Group* provides corporate banking services to many of India's largest and most prominent corporations and institutions, including state-owned enterprises.
- *The National Banking Group* services the Bank's personal banking customers in urban and metropolitan

areas, small-scale industries, including state-owned enterprises, and corporate customers which are not serviced by either the Corporate Banking Group or the Mid-Corporate Group. The National Banking Group also provides financial services to the Government and state governments.

- *The Mid-Corporate Group* services entities with an annual turnover between approximately Rs. 500 million and Rs. 5 billion or which have credit facilities in excess of Rs. 100 million.

- *The Rural Business Group* services individual, agricultural and small business customers located in rural and semi-urban areas through the largest branch and ATM network in India, with a focus on innovative and effective modes of delivering banking services to such areas.

- *The International Banking Group* through its overseas branches and subsidiaries provides a range of international banking services to Indian and foreign companies with operations inside and outside India as well as NRIs conducting business in foreign markets and local populations.

- *Global Markets* operates the Bank's treasury functions, managing domestic liquidity, its investment portfolio and foreign currency exposure. Global Markets also enters into foreign exchange and risk hedging derivative products on behalf of the Bank's customers.

The range of products and services offered by the Bank includes loans, advances, deposits and foreign exchange and derivatives products, retail lending and deposits, fee and commission-based products and services, as well as alternative payment products. The Bank is also present, through its subsidiaries and joint ventures, in diverse segments of the Indian financial sector, including asset management, investment banking, factoring and commercial services, treasury operations, credit cards, payment services and life insurance. See "*Our Subsidiaries, Associate Banks and Joint Venture Companies*"

The Bank is the largest constituent part of the Group in terms of total assets and net profit, representing 72.6% of the consolidated Group's total assets as of March 31, 2010 and 78.1% of its consolidated net profit for the year ended March 31, 2010. The Group includes the Bank, its Associate Banks, which operate in India, and its subsidiaries and joint ventures, operating both within India and outside India. The Associate Banks have a domestic network of approximately 4,841 branches, with strong regional ties. The Bank also conducts operations outside India, both through branches operated by its International Banking Group and through subsidiaries, associates, joint ventures and investments outside India.

As of March 31, 2010, the Group's consolidated deposits, advances and total assets were Rs. 11,164.6 billion, Rs. 8,695.0 billion and Rs. 14,501.4 billion, respectively. For the year ended March 31, 2010, the Group's consolidated net profit amounted to Rs. 117.3 billion, an increase of Rs. 7.8 billion, or 7.1%, from the year ended March 31, 2009.

As of March 31, 2010, the Bank's unconsolidated deposits, advances and total assets were Rs. 8,041.1 billion, Rs. 6,319.1 billion and Rs. 10,534.1 billion, respectively. For the year ended March 31, 2010, the Bank's unconsolidated net profit amounted to Rs. 91.7 billion, an increase of Rs. 0.5 billion, or 0.5%, from the year ended March 31, 2009.

History

The origins of the State Bank of India date back to the establishment of the Bank of Calcutta (later renamed the Bank of Bengal) in 1806. The Bank of Bombay was created in 1840 and the Bank of Madras in 1843. These three banks catered mainly to the needs of the mercantile community and pioneered modern banking in India. In 1876, the Government transferred its shareholding in the three banks to private shareholders. However, the Government retained controlling powers over the banks' functioning and constitution. In 1921, the three banks were merged by an Act of the legislature to form the Imperial Bank of India. On July 1, 1955, the Imperial Bank of India was nationalized and the Bank was constituted with the RBI holding 92% of its share capital.

The Bank's original mandate was to spread banking facilities on a large scale and make credit more readily available in India, especially in rural and semi-urban areas. In compliance with its mandate, it expanded its network of 480 offices by opening over 400 new branches within five years, and continued the rapid expansion. Over the subsequent decades, the Bank has become India's largest bank, with 12,496 branches in India, 142 international offices in 32 countries and more than 153 million customer accounts as of March 31, 2010. Today, the Bank competes in all major banking sectors while still fulfilling its original mandate.

In accordance with Government directives, the Bank introduced liberalized lending facilities to small-scale industries, small businesses and the agricultural sector, which later evolved into the RBI's priority sector lending program applicable to all banks in India.

Under the Act, the Government or government agencies are required to maintain majority ownership of the Bank. In Fiscal Year 1994, in compliance with regulatory reforms, the Bank completed a public offering. The Government currently owns 59.41% of the Bank's share capital, the rest being held by institutions (including foreign institutions) and individual investors.

Competitive Strengths

The following core competitive strengths have historically contributed to the Bank's success and record of growth and will continue to do so in the future:

Relationship with the Government, state governments and state-owned enterprises

The Bank is 59.41%-owned by the Government and believes its strong relationships with both the Government and state governments are key factors driving asset growth and providing a stable source of business. The Government generates significant business activity in the economy. For the year ended March 31, 2010, the Government's business turnover was Rs. 20,654.3 billion. For the year ended March 31, 2010, the Bank earned commissions from Government transactions of Rs. 15.2 billion, or 17.2% of the Bank's other income, and handled 58.8% of the Government's aggregate payments and receipts as well as 65.1% of state governments' payments and receipts.

In many instances, the Bank acts as the sole agent for certain Government transactions. The Bank acts as the RBI's agent for certain banking businesses of the Government and state governments. The Bank also handles payment functions of the Government through its branches, including salary and pension payments and expenditure payments of various ministries. The Bank believes that this relationship with the Government is instrumental in attracting new customers.

In addition, the Bank handles a significant portion of the banking requirements for India's public sector enterprises ("PSEs"), including administering payments and loans to employees and offering life insurance and pension plans. As of March 31, 2010, 7.7% of the Bank's loan portfolio consisted of loans to PSEs. The Bank believes that, as the Indian economy and financial markets continue to grow, the demand for the Bank's services from the Government, state governments and PSEs will also increase.

The Bank is one of a select few banks in India with a mandate from the PFRDA to hold pension funds for the benefit of Government employees.

Well known brand with the largest branch and ATM network in India and extensive portfolio of products and services

With more than 50 years of operations in India, the Bank believes that it has the country's best known banking brand. The Bank is India's largest bank, with 12,496 branches in India, 142 international offices in 32 countries and more than 153 million customer accounts as of March 31, 2010. The Bank also has the largest ATM network in India with 16,369 ATMs as of March 31, 2010. The Bank also had deposits, advances and a total assets base of Rs. 8,041.2 billion, Rs. 6,319.1 billion and Rs. 10,534.1 billion, respectively, as of March 31, 2010, the largest by each measure among banking institutions in India. As a result of its unparalleled position in India, the Bank has a leading market position in several of its business segments, including deposits and advances, foreign exchange trading, loan funding (education loans, home loans and auto-loans), credit cards and payment services. The Bank believes it is India's largest provider of education loans, home loans and car loans.

The Bank's extensive branch and ATM network allows it to provide banking services to a large and growing customer base, including large corporations, institutions and state-owned enterprises, as well as commercial, agricultural, industrial and retail customers throughout India. The assets of the Bank are diversified across business segments, industries and groups, which gives the Bank stability. Moreover, the Bank offers a full range of banking products and services including short-term and long-term deposits, secured and unsecured loans, internet banking, mobile banking, credit cards, life insurance, merchant banking, agricultural and micro-finance banking products and project finance loans. As a result of its extensive network and product offerings, the Bank is able to meet the full range of its customers' banking needs throughout India. In addition, the Bank's comprehensive product and service offerings provide the Bank with numerous opportunities for cross-selling, allowing it to further grow all areas of its business. Finally, the Bank is increasing its emphasis on a relationship management model in order to provide more tailored products and services, especially for its key corporate and mid-corporate customers.

The Bank continues to enhance its brand by making significant investments in the products and services it offers to its customers in and outside of India. For example, the Bank has undertaken an initiative called Business Process Re-engineering ("BPR") to transform its operating architecture with an aim to enhance the sales and service at its branches. The Bank believes its BPR initiatives have redefined its ability to acquire new customers, build stronger relationships with existing customers and provide customers with the highest quality of service across multiple delivery channels in the shortest time possible. Some BPR initiatives include the creation of product/customer-focused sales forces to aggressively promote the Bank's products so as to increase market penetration, strengthen low-cost alternative channels to improve customer service and redesign all key processes in important areas, such as retail, corporate and international banking.

Strong deposit base providing stable and low-cost funding

The Bank believes that its large distribution network has enabled it to provide convenient services to a broad customer base across India. The Bank has the largest deposit base among all commercial banks in India, amounting to Rs. 8,041.2 billion as of March 31, 2010, representing a market share of 16.3% of aggregate deposits among all RBI-scheduled commercial banks, according to RBI data. The Bank also has a large and growing percentage of relatively low-cost current and savings account deposits within its deposit mix, with the ratio of current and savings account deposits to its total deposits standing at 46.7% as of March 31, 2010 compared to 39.3% as of March 31, 2009, an increase of 740 basis points. For the three months ended March 31, 2010, the Bank's average cost of deposits was 5.8%, a decrease of 50 basis points compared to the fourth quarter of Fiscal Year 2009.

Continuously enhanced risk management and internal control functions

The Bank continuously strengthens its risk management and internal control capabilities by improving its policies and procedures and introducing advanced risk management tools. The Bank has adopted an independent risk management system, which addresses the risks faced in all of its banking activities. The independent risk management system seeks to identify and manage risks at the Bank's business group level, using technology to allow each business group to manage its risks effectively and within the Bank's policies. The Bank has maintained adequate capital reserves in accordance with Basel II and has implemented new credit risk assessment models, independent validation of internal ratings and plans for increased use of IT to improve the quality of loan data. The Bank also conducts regular stress tests which are forward looking economic assessments of the Bank's financial health based on a number of economic scenarios and will take remedial measures, if necessary, depending on the outcome of the tests.

Strong financial performance and capital position

The Bank has been able to maintain strong financial performance, as reflected in its performance ratios, such as a net interest margin of 2.66% for the year ended March 31, 2010. The Bank's quarterly net interest margin has demonstrated steady growth since the second quarter of Fiscal Year 2010. The Bank's recent financial strength has also come in its ability to diversify its revenue streams from its non-banking businesses. The Bank's non-interest income, including income from fees and commissions, has risen as a proportion of total income, over the last three Fiscal Years.

In addition, the Bank's capital position, as measured by its overall and Tier I capital adequacy ratios of 13.39% and 9.45%, respectively, as of March 31, 2010 (which are higher than mandatory levels), allows the Bank to take advantage of significant growth opportunities in the market.

Experienced management team

The Bank has an experienced management team staffed with a significant concentration of career banking professionals. The Bank's central management committee members have on average more than 25 years of banking and financial experience. The rest of the senior management team has strengths in key areas, including retail, corporate and international banking. The management team's extensive and diverse expertise provides the Bank with a broad perspective from which it can make strategic management and operational decisions. In addition, the Bank has several dedicated positions in departments such as Global Markets, Rural Business and Corporate Strategy and New Businesses. The Bank believes that its management team has created a clear, strategic direction for the Bank which will allow it to expand and maintain its position as the leading bank in India.

Strategy

The Bank's strategy is to enhance its position as the largest and leading provider of banking and other financial services in India, while remaining focused on its profitability. The Banks plans to execute this strategy in the following ways:

Continue expansion of the Bank's distribution network and banking products

The Bank intends to increase revenues generated from its banking business by expanding its distribution network, growing its customer base and diversifying its banking product mix. The Bank intends to use its strong financial position to take advantage of increasing growth opportunities within and outside of India, recruiting new employees, opening new branches and establishing new ATMs. The Bank plans to increase its efforts to cross-sell a wide variety of banking products across its business groups and through numerous distribution channels while also expanding its banking product offerings. The Bank is also pursuing strategic relationships with corporate entities and government departments to provide financing products to their employees and customers. In addition, the Bank is expanding into the more rural areas of India where growth potential is significant. The Bank also intends to grow its business through further overseas expansion, to meet the growing needs of Indian corporates operating overseas and non-resident Indians living abroad.

Diversify revenue mix by increasing the Bank's non-banking products and businesses

The Bank plans to further diversify its revenues by expanding its products and service offerings, particularly its fee and commission based products and businesses, including:

- financial planning and advisory services;.
- online securities trading;
- general insurance services;
- inward and outward remittances;
- private equity and venture capital;
- custodial services; and
- pension fund management.

Through its New Business department, the Bank will continue to look for new areas where it believes it can leverage its size and experience to create new and profitable products and businesses, particularly in light of the future opportunities presented by the relative under-penetration of the Indian financial services sector.

Utilize technology to enhance delivery of banking products and services

The Bank is committed to its ongoing effort to leverage new technology to maximize efficiency in its operations and expand the modes of delivery of its services, enabling it to increase penetration into existing customer segments. To achieve this, the Bank has migrated all of its branches to the core banking solution application platform and expanded its ATM and internet banking networks. The Bank also plans to continue offering an expanding suite of mobile banking, debit and prepaid card services to its customers. The Bank also plans to continue investing in payment systems to make them more robust and efficient, thereby improving customer service and enhancing its product offerings.

Continually strengthen the Bank's risk management and internal control capabilities

The Bank plans to continue enhancing its risk management and internal control capabilities in order to ensure a sound governance structure, independent credit risk management system and strong risk management culture shared by all employees. The Bank continues to implement Basel II guidelines, applying advanced risk management tools, upgrading related information technology systems and continuously enhancing the Bank's risk identification, measurement, monitoring and control capabilities. The Bank regularly examines its internal control policies and procedures to enhance the effectiveness of the entire internal control system.

Attract and develop talented and experienced professionals

The Bank plans to recruit, retain, motivate and develop talented and experienced professionals in a number of ways, including enhancing the Bank's human resource department to meet its growth plans and business needs. The Bank also plans to focus on the recruitment and cultivation of a high-quality and professional workforce, provide training and development programs for the Bank's employees to enhance their professional knowledge and capabilities.

Business Groups

The Bank's administrative services and management, including risk management, IT, inspection and audit, legal and human resources functions, are common to all of its Groups. Within the National Banking Group and Rural Business Group, which together account for the largest number of the Bank's branches, these common services are organized on the basis of administrative units, which are referred to within the Bank as "circles," "networks and administrative offices" and "branches." Each circle serves as the geographic center of approximately 364 to 1,354 branches and is sub-divided into two to three networks per circle. Each network covers approximately 191 to 719 branches.

The risk management department has operational risk managers and risk raters located at each circle's headquarters, as well as risk raters within the Mid-Corporate Group (who also serve the Corporate Banking Group) and the International Banking Group. The IT department provides support to all business groups. A senior officer responsible for IT coordination across the Group sits at the Bank's corporate headquarters to prioritize and coordinate IT-related issues among the various business groups, human resources and industrial relations.

Corporate Banking Group

The Corporate Banking Group provides corporate banking services to many of India's largest and most prominent corporations and institutions, including state-owned enterprises, and offers fund-based and non-fund-based products, fee and commission-based products and services, deposits, foreign exchange services and derivatives. The Corporate Banking Group's customers span the range from clients with annual turnover exceeding Rs. 5.0 billion to the largest corporations in India. Each customer is assigned a relationship manager, who serves as a single point of contact for all of the customer 's banking needs, including loan products, deposit accounts, international funding for cross-border transactions and interest rate and foreign exchange hedging products. As of March 31, 2010, the Corporate Banking Group had a network of 79 dedicated branches. The Corporate Banking Group had a loan portfolio of Rs. 881.4 billion as of March 31, 2010, approximately equal to 14% of the Bank's total advances as of such date. It also had loan portfolios of Rs. 467.1 billion and Rs. 688.7 billion as of March 31, 2008 and 2009, respectively.

The Corporate Banking Group endeavors to go beyond traditional lending products by exploring new growth areas such as cash management, offering centralized payment solutions and marketing derivatives products by taking advantage of the volatility in the currency markets and the consequent need by corporates to hedge their balance sheet risks. Relationship managers facilitate the cross-selling of products from the Bank's other Groups, such as Personal Banking services for the corporation's management and employees, or the International Banking Group's export finance services.

The Corporate Banking Group comprises three strategic business groups — Corporate Accounts, Stressed Assets Management and Project Finance and Leasing. The Corporate Accounts group services large Indian corporations. The Stressed Assets Management group provides specialized internal support in managing and recovering the Bank's NPAs of Rs. 10 million and greater, while the Project Finance and Leasing group appraises and provides specialist support to all high value projects (with project costs exceeding Rs. 2 billion) in which the Bank is involved.

Corporate Accounts Group

The Corporate Accounts group focuses on the Bank's prime corporate customers across India. Through its customer relationship management approach, where each client is assigned a dedicated accounts management team, headed by a relationship manager to coordinate its banking relationship with the Bank, the Corporate Accounts group aims to leverage its strong corporate relationships and increase the Bank's market share in fund-based, non-fund-based and fee-based products. Services are delivered through six branches dedicated exclusively to Corporate Accounts group customers in Delhi, Mumbai, Chennai, Kolkata, Ahmedabad and Hyderabad. The Bank also believes that separate marketing and customer service departments are necessary in order to adequately meet the demands of this customer base.

Within the Corporate Accounts group, an institutional accounts unit focuses exclusively on institutional accounts such as mutual funds, insurance companies, other institutions and government departments, leveraging such relationships to maximize fee and commission income. The Bank believes that banking services in the form of payment and collection solutions and liquidity management have become critical requirements of such customers, who will continue to be a significant driver of both interest and fee- and commission-based income.

Institutional Account Unit has been replaced by Financial Business Unit setup under Corporate banking group, for targeting and servicing financial institutions viz. Banks, Mutual Funds, Insurance Companies, Brokerage Firms, NBFCs, FIIS, Private Equity Firms to cover entire gamut of activities and services like treasury, correspondent banking and technology related services like internet banking, Trade Finance, CMP, etc.

Products offered to Corporate Accounts group customers include loan products, deposits, fee and commission-based products and services, and a broad range of foreign exchange and treasury services, including RBI-permitted derivatives, which are developed and provided by the International Banking Group and Global Markets Group, respectively.

The Bank provides a corporate internet banking facility, with multi-level access and authorization controls required by corporate customers. Other delivery channels utilized by the Corporate Accounts group include the Bank's extensive branch network, credit cards, and electronic payments platforms.

The Corporate Accounts group's corporate loan portfolio primarily consists of working capital finance and term loans for project and corporate finance. The Corporate Accounts group offers its customers both fund-based and non-fund-based products. The most commonly used fund-based products are cash credits, working capital demand loans, bill discounting, term loans, corporate loans and export credit. Interest rates on these facilities have historically been linked to the RBI prime lending rate or to other market related rates. From July 1, 2010 the Bank's plan is for new loan products of these types to be linked to the Bank's publicly declared base rate. Non-fund-based products such as letters of credit, bank guarantees, deferred payment guarantees, remittance and collection services, online tax payment, cash management services and end-to-end payment solutions are some of the sources of fee-based income. As of March 31, 2010, total outstanding loans to customers of the Corporate Accounts group were Rs. 881.44 billion in respect of fund based products and Rs. 1,310.34 billion in respect of non-fund-based products.

The Bank handles bulk business for all Corporate Accounts Group customers across India by way of dividend warrant payments for companies, as well as bulk electronic salary payments of large corporates, public sector undertakings ("PSUs") and government departments. These activities are all processed through the Bank's own computerized network and also through the electronic payment gateways of the RBI. Additionally, the Bank handles bulk draft issuances for customers across the country. The Bank also acts as a refund bank for the Government tax authorities and is the exclusive refund bank in respect of income taxes. These activities all contribute to the Bank's fee-based income.

Stressed Assets Management

The Stressed Assets Management Group ("SAMG") focuses on the timely resolution of NPAs of Rs. 10 million and above incurred in the Bank's customer-facing units. The Bank's Credit Policy and Procedures Committeeformulates NPA policy, while the SAMG handles the NPAs in accordance with such policies. The SAMG operates from 12 branches throughout India exclusively dedicated to the recovery or rehabilitation of NPAs referred from other business groups within the Bank (for example, the Corporate Accounts Group, which will have booked the assets that may become NPAs). These branches report directly to a group head based in the Bank's corporate headquarters, which has enabled the Bank to centralize its efforts to improve the Bank's overall asset quality. The SAMG first examines the feasibility of restructuring debts referred to it by extending appropriate relief, concessions or soft repayment terms, with a view to upgrading such debts into performing assets. If the NPAs are found ineligible for restructuring, the SAMG takes steps to recover the amounts due to the Bank either by a one-time settlement with the borrower or enforcing any security interests the Bank may have or by selling the NPAs to other banks, financial institutions or other entities or by resorting to other legal means of recovery. In addition, to reduce small value NPAs (below Rs. 10 million), stressed assets resolution centers have been set up in major cities across India.

Enforcement of Security Interests under the SARFAESI Act

To assist banks and financial institutions in recovering their unpaid advances and to ensure financial discipline among borrowers, the Government enacted the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (the "SARFAESI Act") in December 2002. The SARFAESI Act provides the legal framework for (i) the securitization of financial assets by setting up a Securitization Company ("SC") or Reconstruction Company ("RC"); (ii) the foreclosure of assets through a SC or RC; and (iii) the foreclosure of NPA accounts.

As at March 31, 2010, the Bank issued notices under the SARFAESI Act to 82, 286 borrowers with an aggregate principal outstanding of approximately Rs. 127,210 million. Of the 82, 286 borrowers on whom the Bank had served notice, Rs. 16,870 million has been recovered. The Bank has been applying all available methods for the recovery of unpaid advances, including reporting the name of wilful defaulters to the RBI together with commencing the necessary steps for recovery. The Bank has also initiated aggressive one-time settlement measures to recover unpaid loans.

Corporate Debt Restructuring Mechanism

In addition to the Government passing the SARFAESI Act, RBI has established the Corporate Debt Restructuring Mechanism ("CDRM"). The objectives of the CDRM are (i) to ensure a timely and transparent mechanism for restructuring corporate debts of viable entities affected by certain internal and external factors and (ii) to minimise losses to creditors and other stakeholders through and orderly and coordinated restructuring program. The CDRM is a voluntary, non-statutory mechanism based on debtor-creditor and inter-creditor agreements and operates outside the authority of the BIFR, debt recovery tribunals or legal proceedings.

The following table shows loan assets subjected to restructuring during the years ended March 31, 2008, March 31, 2009 and March 31, 2010 and as a percentage of the Bank's total loans on those dates.

	Year ended March 31,					
	2008		2009		2010	
	Rs.	%	Rs.	%	Rs.	%
	(Rs. in millions)					
Total loan assets which have been restructured	1,4214.00	0.34%	130,352.60	2.403	189,992.30	3.007
Total sub-standard assets which have been restructured	521.50	0.013%	1,678.40	0.031	18,384.00	0.291
Total Doubtful assets which have been restructured	423.90	0.010%	748.10	0.014	3,037.4	0.0048

Establishment of Asset Reconstruction Company

The SARFAESI Act provides the framework for setting up asset reconstruction companies in India. According, the Bank, together with other major Indian banks, has jointly promoted the Asset Reconstruction Compnay (India) Ltd. ("ARCIL"). ARCIL serves as the entity that acquires the NPAs of its parent banks at a mutually acceptable price against the issue of security receipts. ARCIL seeks to recover outstanding debts through restructuring, settlement or enforcement of security interests. ARCIL then uses amounts recovered to redeem the security receipts issued to certain qualified institutional buyers. As at March 31, 2010, the Bank owns 19.95% of the share capital of ARCIL.

In July 2005, the RBI issued guidelines on the sale and purchase of NPAs amongst banks, financial institutions and NBFCs. Pursuant to an amendment in these guidelines on October 4, 2007, the RBI has stipulated that banks should calculate the net present value of the estimated cash flows associated with the realisable value of the available securities net of the cost of realisation. As a result, the sale price of an NPA should generally not be lower than the net present value arrived at in the manner described above.

Sale of Assets to Asset Reconstruction Companies, Banks, Financial Institutions and NBFCs

The Bank has sold NPAs to reconstruction companies, banks, financial institutions and NBFCs.

The following table sets out the sales of NPAs by the Bank to reconstruction companies as on March 31, 2010

Fiscal Year	**No. of NPAs sold**	**Total Outstanding Principal Amount** *(Rs. in billions)*	**Consideration Received** *(Rs. in billions)*
2006	131	8.9	2.0
2007	90	0.8	0.3
2008	2	0.25	0.198
2009	5	2.89	0.93
2010	3	0.24	0.14
Total	231	13.08	3.918

The following table sets out the sales of NPAs by the Bank to banks, financial institutions or NBFCs as at March 31, 2010:

Fiscal Year	**No. of NPAs sold**	**Total outstanding Principal Amount** *(Rs. in billions)*	**Consideration Received** *(Rs. in billions)*
2006	290	11.4	2.3
2007	20	0.5	0.1
2008	Nil	Not Applicable	Not Applicable
2009	NIL	Not Applicable	Not Applicable
2010	NIL	Not Applicable	Not Applicable
Total	310	11.9	2.4

Project Finance and Leasing

The Project Finance and Leasing group provides specialist project evaluation services to the Bank's customers.

This group has a particular focus on core infrastructure sectors of the Indian economy such as power, telecommunications, oil and gas (including transportation, pipelines, and refineries), roads, bridges, ports and urban infrastructure, although it has also expanded to other sectors, such as steel, and other industrial sectors, such as commercial real estate. The project finance team examines projects in targeted industries whose total cost is in excess of Rs. 500 million. Project Finance cells have been set up in two centers to tap business potential in their area. The Corporate Banking Group, National Banking Group and Mid-Corporate Group interface with the customer in proposing project finance services, while appraisals and sanctioning of a project will generally be carried out by the Project Finance and Leasing group. In respect of large infrastructure projects, apart from appraisal, control is also maintained at this level. Once the project risk has passed, control of the project reverts to the originating Group. Leasing activities, which were started by the Bank in 1995, are progressively being wound up and the Bank does not expect leasing to comprise a significant part of its activities in the future.

Other Corporate Banking Services

The Bank also offers loan syndication, corporate cash management, trade finance and funds transfer and settlement services to Corporate Banking Group customers.

Loan Syndication

Through its subsidiary, SBI Capital Markets Ltd., the Bank has developed significant syndication capabilities, structuring and arranging the syndication of large financial transactions. The Bank seeks to leverage these syndication capabilities to arrange project and corporate finance for its corporate customers and earn fee income. By leveraging the experience of SBI Capital Markets Ltd. and the extensive customer relationships of the Bank, this strategic relationship has made a significant contribution to the Bank's ability to cross-sell the products and services of its various business groups and subsidiaries.

Corporate Cash Management

The Bank provides cash management services to corporate customers under the brand name SBI FAST, which stands for "funds available in shortest time." Customers can use approximately 973 branches at 680 centers throughout India, with pooling facilities at various branches, which are connected to the Bank's central clearing center in Mumbai. This service aims to enhance liquidity, reduce costs and provide profit opportunities for the Bank's customers by allowing for better liquidity management. Through SBI FAST, funds are transferred directly to the customer 's main account at any branch of the Bank in India from various collection centers on the same day that they are cleared at the collecting centers. SBI FAST also offers disbursement and payment services through a separate platform to facilitate payments and collections across the country at customers' payment centers and plant locations.

Detailed management information system reports covering a variety of banking information are made available on a daily basis to customers' corporate head offices as well as to their local offices and representatives at the centers through automatically generated email. The Bank customizes the management information system reports to customers' needs. Monthly reports are also sent to customers through automatically generated email. Full reconciliation support, meaning the automatic reconciliation of payments and receipts effected by the customer, is provided centrally from the Bank's hub in Mumbai by a dedicated team.

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 electronically-based as well as paper products. In addition to effecting payments to Bank branches, electronic payments may be made by the Bank on behalf of its customers to other banks' branches across India. As of March 31, 2010, 973 branches at 680 centres across in India used this centralized cash management system, enabling quick, time-sensitive bulk payments to any beneficiary in India on behalf of the Bank's corporate customers.

Trade Finance

Trade finance services offered by the Corporate Banking Group 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 favor 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.

Trade finance services include an IT-driven supply chain financing product developed by the National Banking Group. The Bank expects that supply chain financing will enable it to leverage its links with major existing corporate customers to offer the financing services of small- and medium-sized vendors and dealers to such major customers. The target vendors would typically be small- to medium-sized enterprises ("SMEs") or members of small-scale industries that are typically, although not exclusively, customers of the Bank. Supply chain financing is being marketed to corporates for use by their vendors. It is anticipated that this activity will bring into the Bank a number of new vendors who serve the Mid-Corporate and SME segments.

Funds Transfer and Settlement

The Bank offers real-time gross settlement ("RTGS") and national electronic funds transfer ("NEFT") remittance facilities for qualifying transactions in its branches, via its internet banking systems and, in the case of NEFT, through the Mobile Banking Service. Substantial growth in both inward and outward RTGS and NEFT remittances has been achieved in the last Fiscal Year, due to sustained efforts to migrate corporates and individuals to the facilities. The Bank has maintained its leadership position in RTGS, with a market share of 14.2% as of March 31, 2010 as per RBI data and registered 135.7% growth in NEFT transactions processed over the last year.

National Banking Group

The National Banking Group provides a range of retail banking products to individuals, corporate banking products to the Bank's corporate, mid-corporate and small enterprise customers that are not serviced by the Corporate Banking Group or the Mid-Corporate Group, and banking services to the Government and state governments. Corporate banking products and services offered by the National Banking Group are largely the same as those offered by the Corporate Banking Group. The National Banking Group services customers located in urban and metropolitan areas, while customers in rural and semi-urban areas are serviced by the Rural Business Group (discussed below). Geographic areas are classified as urban, metropolitan, rural or semi-urban by the RBI based on population.

The National Banking Group includes three customer-facing business groups — Personal Banking, SME and Government Banking — spread out over 14 administrative circles covering the Bank's branch network, 11 exchange bureaus, 113 satellite offices and 209 extension counters as of March 31, 2010.

Personal Banking

The Bank is the largest retail bank in India, with approximately 129 million retail accounts across the largest branch and ATM network in India, which, as of March 31, 2010, totalled 12,496 branches, 4,106 of which were in urban and metropolitan areas and 8,390 of which were in rural and semi-urban areas. This represents significant growth in the number of branches, up from a total of 11,448 as of March 31, 2009, and 10,186 as of March 31, 2008. The Bank's ATM network totalled 16,369 ATMs across India as of March 31, 2010, with 8,664 of those in urban and metropolitan areas and 7,705 in rural and semi-urban areas. This represents significant growth in the number of ATMs, up from a total of 8,581 as of March 31, 2009, and 5,842 as of March 31, 2008. The Bank plans to continue its expansion in Fiscal Year 2011 by recruiting new employees, opening new branches and establishing new ATMs. Together with its Associate Banks, subsidiaries and joint ventures, in both the banking and non-banking sectors, the Bank offers a broad range of products and services to its retail customers, including lending products such as home finance loans, automobile finance loans, and personal loans, deposit products, such as demand and term deposits and savings accounts, and credit cards. In addition, the Bank goes beyond traditional banking services to provide access to fee- and commission-based products such as life insurance and mutual funds as well as providing services tailored to NRIs.

Specific customer segments receiving focused attention of the Bank include high net worth and mass affluent and salaried clients. High net worth and mass affluent customers receive a package of special facilities called SBI Vishesh, a priority services offering available at key branches throughout India. In addition, the Bank has made a concerted effort to broaden its client base of salaried employees by offering a special corporate salary package consisting of enhanced facilities with a reduction in fees and charges. The Bank has deployed over 1,200 relationship managers and customer relations executives as of March 31, 2010 to provide personalized service to these customers.

The Bank's retail lending products include home, auto and personal loans; the Bank's retail loan portfolio was equal to approximately 21% of the Bank's total advances as of March 31, 2010. According to RBI data, the Bank had a 18.5% share of the home loan market as of March 31, 2010. According to data collected from car manufacturers, the Bank had a 16.8% market share of the auto loan market, and according to Indian Banks Association data it had a market share of 25.0% of the education loan market, in each case measured by amounts outstanding as of March 31, 2010.

- *Home Loans.* The Bank is the leading provider of home loans within India, both in terms of aggregate amount outstanding and new disbursements during Fiscal Year 2010. As of March 31, 2010, home loans constituted more than 52% of the personal banking loan portfolio of the Bank by total amounts outstanding. In addition to home loans for the purpose of construction, purchase and repair of personal residences, the Bank has also introduced more sophisticated products such as reverse mortgages and home equity loans.

- *Auto Loans.* These are loans for the purchase of new and used cars, jeeps and utility vehicles, as well as for two-wheeled vehicles such as scooters, motorcycles and mopeds, including battery operated vehicles. The Bank offers a number of auto loan products to meet the requirements of various customer segments. The auto loans portfolio contributes approximately 10.9% of the personal banking loan portfolio of the Bank.

- *Education Loans.* In India, the Bank is the largest provider of education loans among PSU Banks as of March 31, 2010, according to the Indian Banks Association. Education loans include such targeted products as SBI Scholar Loans, which include loans to students securing admissions in 100 elite institutions, such as the Indian Institute of Management and the Indian Institute of Technology, at concessional terms and interest rates.

- *Personal Loans.* The Bank offers a wide range of personal loan products targeting specific customer segments or funding purposes. Major personal loan products include *Xpress Credit, SBI Loan to Pensioners, SBI Loan to Affluent Pensioners* and the *Rent Plus Scheme*.

The following table sets out the total amounts outstanding of home loans, education loans and auto loans in the Bank's personal banking loan portfolio for the last three Fiscal Years. (As of March 31, 2010)

Type of Loans	**2008** *(In Rs. billions)*	**2009** *(In Rs. billions)*	**2010** *(In Rs. billions)*
Home Loans	446.3	540.6	711.9
Education Loans	44.1	66.2	89.1
Auto Loans	71.5	97.1	141.3

Deposit products offered to Personal Banking customers include savings, checking, term deposits and hybrid accounts that combine features of savings and term deposit accounts.

In select branches, the Bank offers advisory services to assist customers to shape their lifelong financial and investment goals. A tailored suite of products comprising mutual funds, fixed deposits and insurance products is offered. The Bank plans to introduce wealth management services in a phased manner to assist high-net worth clients seeking wealth preservation and capital appreciation.

Delivery Channels

The Bank is committed to bringing convenience and technology to its customers. In accordance with this goal, delivery channels available to the Bank's personal banking customers include:

ATM and Debit Cards

The Bank has the largest ATM network in the country, with a total of 16,369 ATMs as of March 31, 2010, which grew from 8,581 ATMs as of March 31, 2009. The Bank believes that ATMs are its most dynamic retail delivery channel today. The Bank had issued 55.4 million debit cards as of March 31, 2010. The Bank's customers can conduct a range of transactions free-of-charge at any one of the Bank's ATMs across the country, including cash withdrawals, balance enquiries, mini-statements, utility payments, mobile recharges, temple donations, fee payments and fund transfers. During Fiscal Year 2010, the Bank incurred expenditures of Rs. 7.4 billion for capital expenditures on information technology, compared to Rs. 5.5 billion of such expenditures in Fiscal Year 2009.

The Bank has created a single ATM network across all of its subsidiaries and associates, for a total of 21,485 ATMs across the Group, with a total of 70.96 million ATM cards issued by the Group. This was a significant increase from 11,404 ATMs across the Group as of March 31, 2009. On average, the Bank's ATMs transact 3.26 million transactions daily involving approximately Rs. 7.6 billion of cash withdrawals for the Fiscal Year ended March 31, 2010. For the Group, average daily transactions are 4.2 million transactions per day, with cash withdrawals of Rs. 9.82 billion per day.

Value-added facilities such as payment of premiums on SBI Life Insurance Policies, SBI Credit Card account payments, payments of fees for selected schools and colleges, mobile phone recharges, bill payments and temple donations are available through the Bank's ATMs. Cash and check deposit facilities have been introduced at select ATMs.

Credit and Prepaid Cards

The Bank operates its credit card business through its subsidiary, SBI Cards and Payment Services Pvt. Ltd. ("SBICPSL"). Credit cards are marketed primarily by the National Banking and Rural Business Groups.

The SBI Vishwa Yatra Foreign Travel Card is a prepaid card issued in association with Visa International that can be used to withdraw cash from Visa-enabled ATMs and to purchase goods and services from merchants and points of sale displaying the Visa logo in India, Nepal and Bhutan. The card is available in U.S. dollars, sterling and euro currencies. For domestic use, Rupee prepaid cards are issued in association with Visa International. Periodic payments such as salary may be loaded onto the card at any Bank branch connected to the core banking solution application, with the funds available to cardholders immediately.

Small and Medium-Sized Enterprises

The SME Business group focuses on servicing the specific credit needs of SMEs, defined by the Bank as entities with an annual turnover of up to Rs. 500 million. The SME Business group had a loan portfolio of Rs. 1,108.1 billion as of March 31, 2010, equal to approximately 17% of the Bank's total advances as of such date. It also had loan portfolios of Rs. 797.17 billion and Rs. 958.9 billion as of March 31, 2008 and 2009, respectively.

The Bank believes that SMEs are a major driving force behind India's recent economic success. Accordingly, the Bank has dedicated specific resources to this customer segment. Because there are many SMEs but they generally share similar credit needs, SMEs typically require highly customized products less frequently than do large corporate borrowers. The Bank currently has 170 strategically located specialized SME branches, which maintain specially trained personnel dedicated to SME customers. Relationship managers are provided to high-end SMEs, as these customers generally require more specialized attention. The Bank has established regional care centers in local head offices across the country, which are responsible for the quick redress of SME grievances.

Products and services offered specifically to SMEs include dedicated branch tellers, stand-by lines of credit, current accounts, time and other deposits, business to business payment solutions, multi-city checks, bank guarantees, letters of credit, specially tailored internet banking as well as working capital and term loans. Further, the Bank has taken initiatives, including advisory services and concessionary finance, in implementing an Energy Efficiency Program for its SME clients. The Energy Efficiency Program offers a subsidized energy study to energy-intensive

SMEs, carried out by energy consultants employed by the Bank, and financing on advantageous terms of the implementation of energy conservation measures.

The Bank has specialized SME branches located in the areas where there is greater potential for SME activity. These branches provide focused attention for SMEs through specially trained personnel whose sole responsibility is to look after SME customers. To provide easy quick and transparent access to banking services including day-to-day operations. The Bank has adopted the Code of Banks Commitment to Micro and Small Enterprises customers as prescribed by the Banking Code and Standard Board of India (BCSBI). Furthermore, for quick redress of grievances of SMEs at the network level, the Bank has established regional MSME care centres in all local head offices across the country.

The Bank has simplified the credit appraisal process and reduced credit delivery time through a program called SME Smart Score. This program is based on a scoring model system to simplify the approval process for loans up to Rs. 5 million for manufacturing units and Rs. 2.5 million for trade and services. The Bank has also developed industry, activity, and cluster specific scoring models. As part of its BPR initiative, the Bank has begun to centralize credit processing for SMEs, enabling the Bank to offer greater uniformity in appraisals, quicker processing and better risk management. The Bank has entered into tie-up arrangements with various industry majors for dealer financing on liberalized norms.

In addition to traditional lending products, the Bank seeks to extend its reach to the supply chain partners of large corporations through supply chain financing, including the financing of selected vendors and dealers of the Bank's corporate clients. This IT-based product provides an important cross-selling opportunity, linking customers of the Corporate Banking Group, as industry majors, and suppliers or vendors of various sizes that comprise the customer base of the SME Group.

In an effort to encourage collateral free loans to micro- and small-scale enterprises ("MSEs"), the Bank entered into a memorandum of understanding with the Credit Guarantee Fund Trust for MSEs to obtain guarantees on a portfolio basis. In order to assist SMEs during the recent economic downturn, the Bank has offered additional funds on liberalized terms with low interest rates through two new programs, SME Care and SME Help.

The SME Business group is further subdivided into Small-Scale Industries and Small Business Finance. Since its inception, the Bank has played and continues to play an important role in the development of small-scale industry enterprises and small businesses. Small-Scale Industries and Small Business Finance customers located in rural or semi-urban areas have access to the same products and services through the Rural Business Group.

- *Small-Scale Industries:* Small-Scale Industries customers are businesses engaged in the manufacture, processing or preservation of goods and whose investment in plant and machinery does not exceed Rs. 50 million. As part of its involvement in this sector, the Bank has prepared a charter for Small-Scale Industries, detailing schemes and standards for lending to this sector. The Bank also offers management consultancy services to small-scale industry enterprises who plan to upgrade their technology capabilities. Through this project, the Bank increased penetration in, among others, industries relating to auto components, rice mills and other industries.

- *Small Business Finance:* The Bank finances small business activities for a large number of its SME customers. Small business finance is undertaken under four broad categories: retail traders, business enterprises, professionals and self-employed persons and small road transport operators. For example, with respect to retail trade, the Bank extends loans to retail traders who act as a link between the manufacturers of goods or commodities and the consumer. The Bank also offers working capital products as well as loans for the purchase, renovation and repair of equipment.

Government Banking

The Bank handles government transactions as an agent of the RBI on behalf of the Government and various state governments. For the year ended March 31, 2010, the Bank handled approximately 58.8% of Government aggregate payments and receipts, and approximately 65.1% of state government payments and receipts. The Bank acts as agent for the receipt and payment of government transactions. The Bank collects government revenues by way of taxes, such as central excise and service taxes, through its branches. The Bank also handles government payment functions through its branches, including pension payments and expenditures payments of various ministries. Further, the Bank remits funds deposited by departments such as post and telecommunications, railways, defence and other government departments.

The Bank earns commission income on the payment services it provides. Receipts and pension payments made by the Bank are subject to a fixed fee per transaction, irrespective of the transaction amount; fees for payments, other than pension payments, made by the Bank are calculated as a fixed percentage of the payment amount.

Mid-Corporate Group

The Mid-Corporate Group focuses on mid-corporate customers, which are defined by the Bank as entities with annual turnover between approximately Rs. 0.5 billion and Rs. 5.0 billion and/or which have been provided credit facilities in excess of Rs. 100 million by the Bank. The Mid-Corporate Group had a loan portfolio of Rs. 1,337.5 billion as of March 31, 2010, equal to approximately 21.2% of the Bank's total advances as of such date. It also had loan portfolios of Rs. 1,020.5 billion and Rs. 1,259.51 billion as of March 31, 2008 and 2009, respectively. The objectives of the Mid-Corporate Group are to:

- focus the Bank's attention on the overall banking requirements of mid-corporate clients;
- improve turnaround time for credit delivery;
- provide customized solutions to meet the financial requirements of mid-corporate clients; and
- develop teams well versed in credit, foreign exchange, derivatives and trade finance.

Mid-sized corporate customers have been and continue to be an integral part of India's economic development. The Bank believes that this market segment encompasses more than 10,000 entities, many of whom are listed on a domestic stock exchange. High concentrations of these customers are located in 14 metropolitan centers, and are served by the Bank's extensive branch network at those centers. In addition to the branch network, the Bank services customers in other metropolitan centers by establishing sales hubs and centralized credit processing facilities. The Bank has established 56 branches that are dedicated exclusively to Mid-Corporate Group customers. Relationship managers provide a single point of contact for all mid-corporate customers. In addition to having access to a dedicated branch network, Mid-Corporate Group customers in other centers are serviced through sales hubs at Mid-Corporate Group regional offices located at eight main centers.

Relationship managers are assigned to all mid-corporate customers. These relationship managers are mandated to attract more banking business from mid-corporate customers by building close relationships with existing customers, as well as reaching out to potential customers, and familiarizing customers with the various banking products and services offered by the Bank's specialized business groups. An example would be the cross-selling of retail banking services to the customer 's management or employees, or of interest rate and currency hedging products that are offered by Global Markets. A typical relationship manager handles approximately 30 mid-corporate accounts and is a customer 's central contact at the Bank. A relationship manager may also be approached by the specialized business groups within the Bank for the purposes of cross-selling banking products or services to the relationship manager 's customers.

A precious metals department within the Mid-Corporate Group focuses on meeting the demand for precious metals financing by mid-corporate customers as well as serving the retail sector 's demands by offering precious metal products through the personal banking business unit. The gold banking activities of the Bank encompass wholesale sale of gold, retail sale of gold coins, a gold deposit scheme and loans for manufacture of gold jewelry to the jewelry industry to customers such as jewelry exporters and domestic jewelers. Demand for gold, in the form of wholesale and metal loans, has traditionally come from the Bank's mid-sized customers such as jewellery firms and traders.

Similar to the Corporate Banking Group, the Mid-Corporate Group offers supply chain financing to leverage the

Bank's customer base by offering vendor and dealer financing to link the large corporate, mid-corporate and SME customer segments served by the Bank. Customers of the Mid-Corporate Group can be either industry majors or vendors or dealers.

Rural Business Group

The Bank services customers located in rural and semi-urban areas through the largest branch and ATM network in India. The Rural Business Group focuses on developing innovative and effective modes of delivering banking services to all customers located in the rural and semi-urban areas of India, as defined by the RBI. As of March 31, 2010, approximately 67.2% of the Bank's branch network was in semi-urban and rural areas. Banking products and services provided to customers of the Rural Business Group generally include all corporate and retail products and services that are provided by the National Banking Group, and are provided to the same demographic customer groups as are served by the National Banking Group. In addition, to a much smaller extent, the Rural Business Group provides sophisticated corporate products and services to mid-corporate customers that are located outside the geographic areas served by the Mid-Corporate Group. The Rural Business Group had a loan portfolio of agricultural loans of Rs. 637.2 billion as of March 31, 2010, equal to approximately 10% of the Bank's total advances as of such date. It also had loan portfolios of Rs. 458.0 billion and Rs. 546.8 billion as of March 31, 2008 and 2009, respectively.

The Rural Business Group is subdivided into two business units: Rural Business (Non-farm) and Agriculture.

Rural Business (Non-farm)

The Bank believes that the rural areas of India are greatly underserved by the financial sector, and therefore views rural banking as a driver of future growth.

The Bank serves its rural clients through an extensive network of 8,390 branches and 7,705 ATMs (including 156 low-cost biometric ATMs) located in rural and semi-urban areas as of March 31, 2010. Rural banking requires an innovative approach in respect of delivery of services in remote areas, to a population with significant illiteracy rates, and a large number of small-value transactions. To cater to customer needs, the Bank has set up branches focusing on products important to rural customers such as savings and term deposits, small business financing, agricultural finance, life insurance and remittance services, in addition to the other corporate and retail products and services offered by the National Banking Group. These branches service all customer segments that are present in their geographic coverage area, from personal banking clients to mid-corporate clients (who, although serviced at a rural branch, will have their credit needs assessed by the Mid-Corporate Group). Branches located in rural and semi-urban areas distribute the same personal banking, SME, small-scale industries and small business finance products and services as those of the National Banking Group. Rural housing and micro finance, previously handled at the national level, have been regrouped under the Rural Banking Group.

The Bank is developing alternative delivery channels for banking services and products through business facilitators and business correspondents ("BC/BFs"). As of March 31, 2010, the Bank has established approximately 26,800 customer service points catering to such BC/BFs.

Rural banking offers a particular challenge due to the low margin transactions that typically occur at rural branches. The Bank seeks to overcome this challenge through IT-based initiatives targeted specifically at the rural customer. These initiatives include a kiosk project that will allow for access to more remote areas as well as a Smart Card program that allows rural customers to access basic banking services through business correspondents without meeting the minimum deposit requirements for accounts with the Bank.

The Bank has moved beyond traditional banking to support grass-roots initiatives to encourage access to finance for the poorest of the rural population. The Bank believes that micro finance, including financing to Self Help Groups ("SHGs"), has significantly contributed to the credit growth in rural areas and the improvement in the standard of living of the rural poor. The Bank has provided advances of Rs. 115.8 billion to approximately 1.7 million SHGs in India as of March 31, 2010. The Bank is a market leader in SHG lending in India. The Bank has been marketing SBI Life's micro insurance scheme "Grameen Shakti" to meet the insurance needs of SHG members.

The Bank believes that the clients it assists through micro finance initiatives will become loyal customers in the future. The Bank's micro finance initiatives are accomplished primarily through SHGs. The Bank believes that these groups, comprising approximately 15 to 20 families, each of which is represented by one family member (who is generally a woman), serve as the basis for establishing group dynamics and a culture of savings within the community. Given the Bank's extensive branch network, the Bank expects to be able to cultivate relationships with the SHGs and ultimately assist in the development of SHGs and their members into micro enterprises. The SHGs, by the nature of their activities, promote social capital and entrepreneurship at the micro-level. The Bank in turn lends to the SHG an amount of up to four times the SHG's savings, which the SHG lends out to its members at its sole discretion. Micro finance loans extended by the Bank form part of the Bank's directed lending obligations. With the growing role of non-governmental organizations ("NGOs") in extending the Bank's reach to SHGs, it has introduced a scheme for financing NGOs for lending to SHGs.

Agriculture

Since its inception, the Bank has played and continues to play an important role in the development of Indian agriculture. The Bank had 442 agricultural development branches as of March 31, 2010. These are specialized branches located throughout India used exclusively for the development of the agriculture sector and its related industries.

The Bank's agricultural development branches offer products such as crop financing, farm equipment financing, and agricultural value chain financing and serve customers involved in a wide range of agricultural activities such as crop production, horticulture, plantation crops, floriculture, farm mechanization, land development and reclamation, digging of wells, tube wells and irrigation projects, as well as activities linked to agriculture such as storage, trading and processing. The Bank also finances activities such as dairy production, fisheries, livestock management and silk worm farming. The Bank's focus has been on cultivating direct relationships with the farmers, thereby allowing them to offer more customized products to their clients. Initiatives aimed at strengthening ties with the farming community include attending farmers' meetings and events as well as a village adoption program.

As in its other lending operations, the Bank uses a scoring model for credit assessment of borrowers under several of its programs. Lending by individual branches under certain loan programs is linked to NPA levels, so that NPA levels exceeding certain benchmarks will lead to a tightening of certain credit lines. In addition, recovery agents are increasingly being used by the Bank to address debt collection, generally by enforcing on the underlying collateral securing the loans.

International Banking Group

As of March 31, 2010, the Bank had a network of 142 overseas offices in 32 countries covering all major time zones. Among its other locations, it is present in New York, London, Frankfurt, Singapore, Hong Kong and the Maldives. It maintains correspondent relationships with 502 leading banks in 124 countries. The Bank also has 2,051 Relationship Management Application ("RMA") arrangements through the SWIFT network, facilitating interbank financial telecommunications. The International Banking Group's loan portfolio was equal to approximately 15% of the Bank's total advances as of March 31, 2010.

The Bank's international banking products and services include corporate lending, loan syndications, letters of credit and guarantees, short-term financing, project export finance, and collection of documentary credits and remittances, as well as the raising of funds and other borrowings outside India. The International Banking Group's core activity is to provide these services to Indian and foreign companies with operations inside of India, as well as NRIs conducting business in foreign markets. The International Banking Group also seeks to service corporate and individual customers outside India through the Bank's branches and subsidiaries.

The Bank has recently executed plans to open branches in certain select foreign jurisdictions with the aim of operating as a local bank, providing products and services to attract both NRI and non-Indian customers. The Bank holds a qualified full banking license in Singapore and is eligible to raise local currency deposits and maintain branches and ATMs.

As part of the centralization of treasury activities of foreign offices, the Bank has set up central treasury hubs in Hong Kong and London. These hubs are intended to aggregate market risks and achieve economies of scale. Besides meeting the foreign exchange and money market needs of their linked branches and undertaking proprietary trading in currencies, it is expected that the central treasury hubs will expand their activities to cover interest rate, foreign exchange, credit structures and bond trading.

Leveraging off of the Bank's foreign branches, the International Banking Group participates in foreign currency-denominated syndicated loans to large international corporations both in the primary and secondary markets. The Bank's foreign offices have had success in managing documentary credits, and have also been active in providing loans to Indian joint ventures or the wholly owned subsidiaries of Indian corporates which have acquired companies or set up new projects outside India. The Bank's foreign offices have also achieved significant growth in the area of trade finance as the import and export trade of India has increased. The Bank periodically revises its investment policy for foreign offices in line with international market practice and available products, emphasizing investments in the fixed income products of sovereign, banking and corporate issuers.

The Bank earns service fees from providing management expertise to two exchange companies in the Middle East, which also focus on mobilizing deposits and opening new NRI accounts for the Bank. Given the opportunities arising from the substantial Indian population in the region, the Bank also has arrangements with 20 other exchange companies and banks in the Middle East to facilitate NRI and other customer remittances to India.

The Bank's emphasis on technology is a critical part of the international banking platform. As of March 31, 2010, a core banking software specific to the Bank's international branches and subsidiaries has been installed at 115 foreign branches, including four subsidiaries and one joint venture, providing data transfer and limited transaction processing connectivity with the Bank's domestic core banking solutions application. Internet banking is provided to customers at foreign offices, and instant transfers are available in 9 countries. The Bank has launched a web-based remittance initiative targeted at the sizeable NRI population in the United States and the United Kingdom. This product allows customers to transmit remittances online, even where the remitting party is not an SBI customer.

Global Link Services

The Bank's Global Link Services ("GLS") facilitates export payments, overseas collections and inward remittances. This service improves the efficiency of the Bank's foreign exchange operations. During the year ended March 31, 2010, GLS collected proceeds from 130,059 export bills in both USD and Euros, as well as 152,951 foreign currency checks denominated in pound sterling, euro and USD worth approximately USD14.1 billion. The Bank also received 2.9 million inward remittances in the year ended March 31, 2010 worth USD 2.94 billion.

Project Export Finance

The Bank is an active participant in the financing of project export activities by Indian corporates involving the bidding for and execution of turnkey and civil construction contracts, the export of engineering goods on a deferred payment basis and service exports. The Bank can approve projects of up to USD 100 million (Rs. 4.5 billion), and acts as a sponsor for its customers in respect of projects exceeding USD 100 million (Rs. 4.5 billion), which need to be approved by a number of Indian government departments. The Bank provides bond guarantees for projects during the bidding stage. Once projects are approved, the Bank provides performance guarantees and other non-fund based products as well as construction funding if required by the customer. In the year ended March 31, 2010, the Bank supported 19 large projects and service export proposals aggregating Rs. 1.1 billion involving 19 countries.

Foreign Subsidiaries and Joint Ventures

The following table sets out details of the Bank's international subsidiaries and joint ventures outside India as of and for the tear ended March 31, 2010.

Name	Date of Establishment	Bank's Shareholding	Net Profit	Total Owned Funds	Total Assets
(*Rs. in millions, except percentages*)					
Foreign Subsidiaries					
SBI (Canada)(1)	May 5, 1982	100.0%	(892.4)	5,451.5	33,265.1
SBI (California)(2)	Sept. 31982	100.0%	345.8	4,235.7	39,586.4
SBI Intl. (Mauritius) Ltd(1)	Oct. 12, 1989	93.4%	538.4	6,242.9	47,079.0
PT Bank Indonesia (1)	Oct. 24, 1970	76.0%	19.8	835.5	6,550.8
Nepal SBI Bank Limited. (1) (2)	July 7, 1993	55.02%	154.8	1,398.7	21,700.6
Joint Ventures					
Bank of Bhutan *	May 28, 1968	20.0%	471.6	2,043.4	26,248.4
Commercial Bank of India LLC, Moscow(1)	December 5, 2003	60.0%	96.6	1,138.0	3,162.4

**Annual closing for Bank of Bhutan is December 31*

Notes:

(1) For the reader 's convenience, foreign currency translations of Indian rupee amounts have been provided based on the following approximations of market exchange rates effective as of March 31, 2010: Canada CAD = Rs. 44.1800; United States USD = Rs. 44.9000; Mauritius MUR = Rs. 1.4650; Indonesia IDR = Rs. 0.0050; Nepal NPR = Rs. 6252; and Russia RUB = Rs..5250.

(2) Nepal SBI Bank Ltd., formerly an associate of the Bank, became its subsidiary with effect from June 14, 2009 as the Bank acquired a 5% additional stake from Agricultural Development Bank Limited, Nepal.

Global Markets

The Bank's Global Markets Group manages its domestic liquidity and foreign currency exposure, engaging in proprietary trading of currencies and offering foreign exchange and risk hedging derivative instruments to the Bank's corporate customers such as forward contracts, interest rate swaps, currency swaps and foreign currency options. The Global Markets also handles equity trading for the Bank's trading and banking books.

Through its Global Markets operations, the Bank manages its required regulatory reserves and investment portfolio with a view to maximising efficiency and return on capital. The Bank also seeks to optimize profits from its trading portfolio by taking advantage of market opportunities. The Bank's trading and securities portfolio includes its regulatory portfolio as there is no restriction on active management of the regulatory portfolio.

Due to these regulatory reserve requirements, a substantial portion of the Bank's trading and securities portfolio consists of Government securities. As of March 31, 2010, Government securities constituted 55.41% of the Bank's total trading and available for sale securities portfolio, while the remainder included corporate debt securities and equity securities. The Bank has outstanding Government securities worth Rs. 344.68 billion under the Available for Sale ("AFS") and Held for Trading ("HFT") categories as of March 31, 2010.

The Global Markets Group engages in domestic and foreign exchange operations from the Bank's corporate headquarters in Mumbai. As part of its treasury activities, the Bank also maintains proprietary trading portfolios in domestic debt and equity securities and in foreign currency assets. During the Fiscal Year 2009-2010, the Bank recorded a total turnover of Rs. 11,792.00billion in its foreign exchange trade, representing an estimated 12.95% of market share calculated based on RBI data.

The Bank undertakes foreign exchange sales and purchases on behalf of the Bank's corporate customers by engaging in back-to-back derivatives transactions. The Bank also sells RBI-permitted hedging products to the Bank's large and medium sized corporate customers through seven regional treasury marketing units which work in close coordination with the relationship managers in the Mid-Corporate Group and the Corporate AccountsGroup.

The Bank offers all RBI-permitted derivative structures to its clients including foreign exchange forward contracts, options, and currency and interest rate swaps. The Bank's investment and market risk policies are approved by the Central Board.

Subsidiaries and Joint Ventures in India

The Bank's banking subsidiaries include two wholly-owned and four majority-owned Associate Banks and SBI Commercial & International Bank Ltd. ("SBICI"). The Bank also provides financial services through its non-bank subsidiaries, including merchant banking, fund management, leasing and factoring services. In the Bank's financial statements, investment in subsidiaries and joint ventures (both in India and abroad) are valued at historical cost after netting of provisions, if any. The Associate Banks Department of the Bank coordinates the Bank's management of the Associate Banks and subsidiaries.

Banking Subsidiaries

An Act of Parliament in 1959 created the banks now named State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Indore, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore (together, the "Associate Banks"). Originally independent regional banks, the Associate Banks are now wholly- or majority-owned subsidiaries of the Bank. The Associate Banks have a total of 4,841 branches located in various regions in India and, collectively, the Associate Banks accounted for Rs. 3,590.1 billion in aggregate assets as of March 31, 2010, representing 24.8% of the Group's total consolidated assets.

The Bank merged one of its Associate Banks, the State Bank of Saurashtra, into itself with effect from August 13, 2008. The Bank merged another Associate Bank, the State Bank of Indore, into itself with effect from August 26, 2010.

The Associate Banks generally offer the same products and services as that offered by the Bank, though they are allowed the freedom to initiate their own product lines where they deem it necessary to meet the specific demands of their clients. The Bank's six Associate Banks together had an estimated market share of 6.6% in deposits and 6.9% in advances of all scheduled banks as of March 27, 2010, calculated based on RBI data. The Bank agrees to a budget and a business plan with each Associate Bank annually. The Bank exercises strategic control over each Associate Bank through the respective boards of directors.

The Associate Banks recorded a growth in business during the period ended March 31, 2010 with deposits and advances growing by 14.4% and 15.1%, respectively, over the previous year. The Associate Banks together reported net profit of Rs. 32.7 billion during the period ended March 31, 2010, an increase of 17.7% from the period ended March 31, 2009. Gross NPAs as a percentage of gross advances increased from 1.36% as of March 31, 2009 to 1.75% as of the end of the period ended March 31, 2010. Net NPAs as a percentage of net advances increased from 0.61% as of March 31, 2009 to 0.87% as of the period ended March 31, 2010. Net NPA is defined as gross NPA (which is the aggregate of all NPAs) less provisions.

Although there are no inter-company loans, there are customary inter-bank drawing and deposit arrangements and short-term inter-bank lending transactions between the Bank and the Associate Banks. During Fiscal Year 2010, the Bank made aggregate equity infusions of Rs. 5.2 billion in the Associate Banks.

The results of the Associate Banks are fully consolidated into the results of the Group. The Associate Banks operate on the same IT system as the Bank, apply the same accounting policies and are administered by senior level management appointed by the Bank.

SBICI although not considered to be one of the Associate Banks for historical reasons, is a wholly-owned banking subsidiary of the Bank established in Mumbai on October 7, 1993. During the year ended March 31, 2010, the Bank announced its intent to merge SBICI into itself, to bring about further synergies and operating efficiencies. The proposal has been lodged with and is awaiting approval from the Government.

The following table sets out the Bank's shareholding and certain financial information of the Associaate Banks and SBICI:

Name of the Bank	As of and for the year ended March 31, 2010				
	Bank's Ownership	**Deposits**	**Advances**	**Operating Profit**	**Net Profit**
	(%)	*(Rs. in millions)*			
State Bank of Bikaner and Jaipur	75.07%	455,090.0	355,630.0	9,037.3	4,551.6
State Bank of Hyderabad	100.00%	752,598.1	533,440.1	17,207.9	8,227.1
State Bank of Indore	98.05%	300,454.6	239,435.0	6,732.3	3,077.7
State Bank of Mysore	92.33%	384,371.7	298,739.4	9,374.0	4,457.7
State Bank of Patiala	100.00%	640,931.4	469,896.2	13,077.1	5,508.9
State Bank of Travancore	75.01%	494,904.9	388,905.1	10,558.6	6,842.7
SBICI	100.0%	4,915.2	2,079.8	33.4	31.4

The following table sets out certain performance highlights of the Associate Banks and SBICI:

Name of the Bank	As of and for the year ended March 31, 2010			
	Return on Average Assets	**Return on Equity**	**Net NPA**	**CRAR[1]**
	(percentages, all figures annualised)			
State Bank of Bikaner and Jaipur	0.96%	18.83%	0.83%	13.30%
State Bank of Hyderabad	1.03%	20.08%	0.16%	14.90%
State Bank of Indore	0.91%	16.71%	0.73%	13.53%
State Bank of Mysore	1.10%	16.73%	0.42%	12.42%
State Bank of Patiala	0.79%	14.70%	0.60%	13.26%
State Bank of Travancore	1.25%	25.65%	0.95%	13.74%
SBICI	0.49%	2.44%	0.19%	27.31%

Note:

(1) Capital to risk asset ratio ("CRAR"), which indicates the ratio of capital employed to the risk weighted assets of the bank and is computed in accordance with RBI guidelines.

Non-Bank Subsidiaries and Joint Ventures

In addition to its banking subsidiaries, the Bank also has a network of non-bank subsidiaries and joint ventures engaged in businesses other than commercial banking. As of March 31, 2010, such non-bank subsidiaries and joint ventures accounted for Rs. 384.9 billion in total assets. In the Bank's financial statements, investments in subsidiaries and joint ventures in India and abroad are valued at historical cost net of provisions, if any.

The following table sets forth information relating to certain of the Bank's non-banking subsidiaries. For a complete list, please refer to the consolidated financial statements included in this Prospectus

(As of and for the year ended March 31, 2010)

Non-Banking Subsidiaries	Banks's Ownership	Investment	Assets	Net Profit	Business
	(%)	*(Rs. in million)*			
SBI Capital Markets Ltd.	100.0%	2,789.6	5,949.7	1,501.0	Finance syndication; debt and equity capital markets; mergers and acquisitions; advisory; infrastructure project advisory; securitisation
SBI CAPS Securities Ltd	100.0%	*	975.0	81.1	Stock brokering
SBI CAPS Ventures Ltd	100.0%	*	57.0	10.0	Venture capital
SBI CAP Trustee Co. Ltd.	100.0%	*	26.4	19.4	Trusteeship
SBI CAP (UK) Ltd	100.0%	*	63.1	19.2	Financial services and advisory
SBI Mutual Fund Trustee Co Pvt. Ltd.	100.0%	1.0	77.8	28.2	Trustee company
SBI Global Factors Ltd......................	85.35%	7,401.9	31,636.5	65.8	Factoring Services

Non-Banking Subsidiaries	Banks's Ownership	Investment	Assets	Net Profit	Business
	(%)	(Rs. in million)			
SBI DFHI Ltd.	66.39%	3,099.9	19,826.6	891.6	Primary dealer in securities, trustee services
SBI Pension Fund Pvt. Ltd.	96.85%	180.0	204.6	0.3	Managing pension funds of Central Government employees

Note:

(1) Shareholding amounts are the aggregate of the Bank's direct and indirect shareholdings.

* Wholly owned by SBI Capital Markets Limited

Life Insurance

SBI Life Insurance Company ("SBI Life") was established in 2001 as a joint venture with Cardif SA ("Cardif"), a French subsidiary of BNP Paribas, which holds a 26.0% stake. SBI Life underwrote 1.4 million insurance policies during the year ended March 31, 2010. According to IRDA data, as of March 31, 2010, SBI Life was the leading private life insurer in India in terms of new business premiums, with a market share of 18.3%. SBI Life had net premium income of Rs. 100.8 billion for the year ended March 31, 2010, an increase of 39.6% compared to Rs. 72.2 billion for the financial year ended March 31, 2009. Assets under management by SBI Life as of March 31, 2010 stood at Rs. 286 billion, an increase of 91.3% compared to Rs. 150 billion as of March 31, 2009. SBI Life has been rated 'AAA' by CRISIL (an Indian affiliate of S&P) for financial strength towards meeting policyholder obligations.

SBI Life has an innovative approach to the distribution of insurance products. SBI Life's products are distributed through bank branches as the primary distribution channel, and SBI Life has employed the Bank's name, reputation and customer base to increase the sales of its life insurance products. This strategy leverages the combined strengths of the Group's extensive branch network and BNP's expertise in bancassurance distribution. For the year ended March 31, 2010, approximately 33% of SBI Life's insurance premiums were sourced through bancassurance.

As a secondary distribution channel, SBI Life had 65,534 licensed advisors as of March 31, 2010, who sell through SBI Life branches. For the year ended March 31, 2010, 45% of SBI Life's insurance premiums were sourced through these advisors. During the year ended March 31, 2010, five new branches were opened and approximately 857 insurance advisors were added in the field to expand and strengthen SBI Life's geographical presence.

SBI Life also sells to corporate customers, who accounted for approximately 22% of SBI Life's insurance premiums for the year ended March 31, 2010.

Private Equity

On October 24, 2008, the Bank entered into a joint venture with Macquarie Capital Group, Australia and IFC, Washington to establish an infrastructure fund of upto approximately USD 3 billion and other related asset management and trustee companies to invest in various infrastructure projects in India, for which necessary approvals have been obtained from the Government and the RBI.

On November 8, 2008, the Bank signed a memorandum of understanding with the State General Reserve Fund ("SGRF") of Oman, the Omani sovereign fund, to set up a general purpose private equity fund that will invest in infrastructure, tourism, health, telecommunications, utility and urban infrastructure in India, for which necessary approvals have been obtained from the Government and the RBI.

Regional Rural Banks

The Bank has sponsored, in accordance with applicable legislation, 17 regional rural banks ("RRBs") covering over 124 districts in 17 states with a network of approximately 2,651 branches as of March 31, 2010.

Following changes to the regulatory framework governing RRBs, these banks have been transformed into commercial banks. The Bank retains certain sponsor responsibilities. These responsibilities include approving annual business plans and quarterly monitoring of performance, managerial assistance through secondment of high-level staff, inspection and audit, planning and budgeting, training and development, prevention of fraud, and guidance and support through the Bank's Treasury and Markets Group. The Bank's shareholding in each RRB is limited to 35.0%; the Government holds 50.0% and each relevant state government holds 15.0% of the shares of each RRB. RRBs cater to the banking needs of customers in rural and semi-urban areas and their operations are concentrated in one district or a cluster of districts in each state. Their target customer group is agricultural, small business and retail, to whom the RRBs provide services such as deposit and time accounts, lending and financing. Following Government consolidation of the sector, there are 22 RRBs sponsored by the Group as a whole, of which 17 are sponsored by the Bank, as of March 31, 2010. On July 14, 2010 the Bank signed a joint venture agreement with SGRF to set up a general purpose private equity funds to invest in assets in India.

Information Technology Systems and Infrastructure

The Bank's IT infrastructure provides connectivity among the domestic and international network of branches. The objective of the Bank's IT policy is to achieve and maintain efficiency in internal operations and to meet customer and market expectations. In order to remain technologically competitive with peers and meet customer demand, the Bank is continuously developing technology-based products related to its core banking solution application, Internet Banking, ATMs, payment systems and trade finance, as well as other products, services and systems for internal infrastructure and customer-oriented uses.

IT-Based Products and Services

Mobile Banking Services

The Bank's mobile banking service, State Bank Freedom, offers low cost, around-the-clock banking services to customers via their mobile phones, with an aim to maximize convenience and security. The Bank believes that its Mobile Banking Service has the potential to improve customer retention and reinforce the Bank's brand recognition. State Bank Freedom is available in connection with accounts at all of the Bank's branches. As of March 31, 2010, over 210,000 customers had registered for mobile banking services, representing significant growth in the number of mobile banking customers from 5,952 customers as of March 31, 2009.

Depending on the mode of access, available facilities include account balance enquiries, mini-statements, check book requests, trading account enquiries, fund transfer within the Bank and to other banks in India, mobile credit top-ups, bill payments and payments of life insurance premiums. In the future, the Bank aims to equip mobile banking with additional features such as rail and air ticket booking, highway toll tag top-ups and mobile wallets.

Internet Banking

As of March 31, 2010, all of the Bank's domestic branches are authorized to register customers for internet banking services, and approximately 4.1 million customers in the retail segment and approximately 0.26 million customers in the corporate segment were registered for internet banking. This represents significant growth in the number of total internet banking customers, up from approximately 2.9 million customers as of March 31, 2009, and 2.3 million customers as of March 31, 2008.

The internet banking service is accessed from the Bank's website: www.onlinesbi.com. The Bank's internet banking solution is a comprehensive product for both retail and corporate use. Internet banking has given the Bank a real-time transaction processing capability and has allowed the implementation of the Bank's business initiatives in many areas such as railway and air ticket booking, online tax payment, transfer of funds and utility bill payment. The Bank's customers can check account balances, request check books, bank drafts and bankers' checks, issue standing instructions, trade stocks, invest and renew term deposits, open new accounts, donate to religious organizations and pay income taxes online. Customers can make inter- branch transfer of funds to their other accounts and also to third party accounts. Customers can also book rail tickets, pay utility bills and insurance premiums, invest in mutual funds, pay credit card balances and set up SMS alerts for transaction information.

The Bank offers dedicated internet banking for its corporate customers, including SMEs, that include features specifically tailored to these clients, such as control and authorization features. Internet banking for corporate customers includes online payment of customs duty and corporate income tax, online payment of railway freight, vendor finance, dealer finance, corporate salary upload, corporate e-collect, issuance of online drafts in bulk, and transfer of funds to multiple vendors at different locations.

Bill payment through the Bank's e-payment systems, a part of internet banking, allows its customers to pay their telephone, mobile phone, electricity, insurance and credit card bills, donations to charitable institutions and college tuition fees electronically. Facility of auto payment of bills is also available for customers to set up payments such that the bill amount is automatically paid from the customer 's account each month without any action taken by the customer.

The Bank's Associate Banks use the same platform to make internet banking services available to their customers.

Dematerialized and Online Trading

Dematerialized or "demat" trading services and online trading services under the Bank's eZ-trade@sbi platform are available at over 2,800 branches across India. As of March 31, 2010, over 200,000 customers held dematerialized accounts with the Bank. The Bank's objective is to continue to broaden its customer base, while streamlining its demat and online trading products with additional value-added services and features.

eZ-trade@sbi, the Bank's online equities and derivatives trading facility, is offered in alliance with SBICAP Securities Limited and Motilal Oswal Securities Limited. The services provides access to dematerialized trading from home or office through www.OnlineSBI.com or through the Mobile Banking Service.

IT Infrastructure

Core Banking Solution

All of the Bank's branches are connected to the Bank's core banking solution application, a fully centralized database that provides for online real-time transaction processing efficiently across branches, through a centralized processing center. The core banking solution application includes a disaster recovery site which provides back-up information for the entire project and can host critical banking applications in the event of a disaster at the primary site. Since its implementation, the core banking solution application has been refined to enhance processing capabilities, improve management information systems, increase efficiencies relating to asset-liability management, reduce transaction costs and improve overall operating efficiency.

State Bank Connect

State Bank Connect is the Bank's principal connectivity platform, providing the foundation for the Group's overall technology infrastructure. The Bank and its Associate Banks, each with distinct internet protocol addresses, depend on State Bank Connect to support business-critical applications such as the core banking solution application, trade finance software, ATMs, payment systems, cash management software, corporate email and internet portals. As of March 31, 2010, all domestic branches and offices of the Bank and the Group were connected under State Bank Connect.

Trade Finance Project

The Bank runs a centralized trade finance solutions platform, CS Eximbills, which has been customized and extended across all of the Bank's branches conducting trade finance activities. CS Eximbills is a trade finance system designed to address the data processing requirements of the Bank's trade finance department. CS Eximbills automates the full range of trade finance activities from document preparation, calculation of commissions and foreign exchange to accounting, the generation of SWIFT messages and report management. The application supports a wide range of trade finance functions, such as letters of credit, bank guarantees, bills, pre-shipment and post-shipment credit, forward contracts, shipping guarantees and standby letters of credit. The software also has a facility for customers to access relevant services over the internet.

CS Eximbills has been integrated with the core banking solution application and Treasury applications to facilitate the seamless flow of data entered across multiple systems. Major benefits include multi-currency accounting, faster turnaround for clients and data integrity across systems.

Business Process Re-Engineering

The Bank has instituted a Business Process Re-engineering Project ("BPR") in order to transform itself into a world class financial institution by proactively reaching out to acquire new customers, building stronger relationships with existing customers and providing all customers with high quality service across multiple delivery channels in the shortest time possible. Some BPR activities include the creation of product/customer-focused sales forces to aggressively promote the Bank's products so as to increase market penetration, strengthen low cost alternative channels to improve customer service and redesign all key processes in important areas, such as retail corporate and international banking.

The Bank believes that the Core Banking Solution (which provides the capability of online real time transaction processing across the Bank's branches) and BPR will create a new sales and service platform across its urban branch network, and improve the Bank's key business performance indicators, such as increases in the return –on-asset ratio, cost-to-income ratio and decrease in non-performing assets ("NPAs").

The Bank believes that BPR will redefine the Bank's operating architecture with an aim to enhance the sales and service at its branches. The Bank has been working to transfer the majority of the transactions from branches to alternative service channels, namely ATMs, drop-boxes, internet banking, mobile banking and call centers. In addition, many non-customer facing back office activities have been centralized. The Bank's branches at metro and urban have also been redesigned to provide better service for customers so that they can function as efficient sale and service units. Customer greeting and specialized sales teams have been created and relationship managers have been introduced for select clients.

As of March 31, 2010, the initial phase of BPR initiatives was completed, resulting in strengthened systems and procedures that enable the Bank to handle increased volumes and endeavor to maximize the output of its sales and other staff. Under future initiatives, the Bank anticipates that it will focus on identifying additional process and technology upgrades in order to create and sustain market-leading practices.

Competition

The Bank faces competition in all its principal areas of business. Private sector banks, foreign banks and other public sector banks are the Bank's main competitors, followed closely by finance companies, mutual funds and investment banks. We may also face increased competition from foreign banks if the Indian retail market is further liberalized or if regulations and restrictions upon branch network growth by foreign banks are simplified or reduced. The Bank seeks to gain a competitive advantage by offering innovative products and services, maximizing the functions of its extensive branch network, in particular in rural and semi-urban areas, investing in technology and building on relationships with the Bank's key customers. See *"Risk Factors — Risks Relating to the Bank's Business — The Indian banking industry is very competitive and the Bank's growth strategy depends on its ability to compete effectively."*

Corporate Banking

Corporate banking faces competition from foreign and private banks in such areas as pricing, rupee loans, foreign currency loans, foreign exchange transactions, trade finance services and cash management services. The lower risk rating of corporate clients, as well as the higher income generating capacity due to the volume and diversity of their business, attracts foreign and private banks to this sector. Foreign banks also have the advantage of their home country connections, with much larger resource raising abilities. However, the Bank believes its extensive low-cost deposit base provides it with a competitive advantage in meeting customers' borrowing expectations.

In addition, traditional corporate banking faces competition from the disintermediation of financial products.

Customers increasingly have multiple financing sources available to them beyond those generally provided by traditional banks, which in turn is putting pressure on margins. The Corporate Banking Group has been able to counter this competition through strong customer relationships, as well as through efficient and focused delivery of products and services. This has been most noticeable in the area of trade finance services, including letters of credit. To further counter the downward pressure on margins, the Bank intends to focus on developing new fee-based services, such as vendor financing and wholesale banking services such as payment and collections services.

With all domestic branches of the Bank connected through the core banking solution application, the Bank is able to process bulk direct debits, direct credits and other centralized solutions, without having to utilize the services of any intermediate banks in the payment chain, ensuring a high level of data privacy for corporate clients. In addition, this extensive network of branches connected to the core banking solution application has increased the Bank's transaction processing capacity and efficiency, enabling customers to carry out their payments and collections across all of India, while centralizing their cash management in Mumbai.

Retail Banking

In the retail banking sector, the Bank faces competition primarily from foreign and Indian commercial banks and housing finance companies. Foreign banks typically focus on limited customer segments, such as high net worth individuals and mass affluent, and geographic locations due to limitations of their smaller branch networks relative to Indian commercial banks. Indian commercial banks generally have wider distribution networks than foreign banks, but relatively weaker technology and marketing capability. The Bank seeks to compete in this sector by offering a wide product portfolio through its extensive branch network and by leveraging its client relationships in diverse market and geographic segments. In addition, in rural banking and micro finance, the Bank believes it can build on the strength of its extensive geographic presence and reputation to continue to expand in these areas.

The Bank has sought to capitalize on its extensive and diverse corporate relationships to gain individual customer accounts through payroll management products. Furthermore, it intends to continue to pursue a multi-channel distribution strategy using physical branches, ATMs, call centers and the internet to reach customers.

In recent years, investment in mutual funds has become an increasingly viable alternative to traditional banking products, since they offer tax advantages and have the capacity to earn competitive returns. This has resulted in competition for the deposit base of the Bank's retail customers. The Bank has sought to address the competitive pressure by offering a wider range of mutual fund products to its customers in addition to traditional deposits.

International Banking

The Bank's international strategy is focused on India-linked opportunities, and the Bank also intends to expand its banking operations to serve non-resident Indians as well as local clients in its host countries. In its international operations, the Bank faces competition from other Indian banks with overseas operations, as well as foreign banks with products and services targeted at non-resident Indians and Indian businesses and other service providers. The Bank intends to leverage its strong relationships with Indian corporates in its international business.

Government Banking

The RBI, the Bank and other public sector banks conduct Government business in India. Other public sector banks are the Bank's principal competitors in handling Government and state government payments and receipts. The Bank believes it has a competitive advantage in this activity due to its specially trained staff, business processes tailored over the course of long relationships to the unique demands of the various Government departments that the Bank deals with, and the depth of its funding base, which enables it to set aside sufficient funds to meet the remittance requirements of the Government on a recurring basis.

Three new-generation private sector banks including Axis Bank (formerly UTI Bank), IDBI Bank, ICICI Bank and HDFC Bank have been authorized by the RBI to collect revenues on behalf of the Central Board of Excise and Customs and the Central Board of Direct Taxes of the Department of Revenue, the Ministry of Finance and the

Government. The Bank expects to address this growing competition by emphasizing the advantages of its extensive branch network in providing easy access for customers and its historical association with the Government and the Government's staff, which illustrates its experience and expertise in handling such business.

Legal and Regulatory Proceedings

The Bank is involved in certain legal proceedings in the ordinary course of its business. However, currently, the Bank is not a party to any proceedings, and is not aware of any current, pending or anticipated proceedings by governmental authorities or third parties, which, if adversely determined, would have a material adverse effect on the Bank's financial condition or results of operations.

Insurance

The Bank maintains its own insurance policies and coverage that it deems to be appropriate. The Bank's standard insurance policies cover for losses of or damage to property including furniture, fixtures, computer hardware, ATMs and vehicles. Cash-in-transit, cash, securities and precious metals and other valuables are covered against theft. In addition, the Bank has also obtained a fidelity policy for employees, as well as directors' and officers' liability insurance to cover the Bank's directors and other key management members. The Bank carries insurance coverage commensurate with its level of operations and risk perception.

Employees

As of March 31, 2010, the Bank had 200,299 employees. The Bank's employees include professionals in business management, accountancy, engineering, law, computer science, economics and other relevant disciplines.

The Bank benefits from a collaborative culture and an ongoing consultative process at various levels of administration. The Bank has entered into numerous settlements and memoranda of understanding with the All India Staff Federation, which represents 98.0% of SBI's clerical and non-officer employees. These relate to matters such as promotion policies, staff empowerment and training, redeployment of staff, career progression. The Bank also has a grievances settlement mechanism for its employees. A significant number of the Bank's officers belong to a separate union, the All India State Bank Officers' Federation.

In 2008, the merger of the State Bank of Saurashtra into the Bank was effected by a Government order and notification dated August 13, 2008. Although a settlement was signed with the All India State Bank Staff Federation, the All India State Bank Officers' Federation opposed the merger and observed a one-day strike on August 13, 2008, which affected the functioning of branches for one day but did not materially impact the Bank's or the Associate Banks' operations. At the time, the union also threatened to intensify its opposition and impose a lengthier strike. In recent years, other one- to two-day strikes have taken place from time to time manifesting protests related to mergers with Associate Banks, as well as other issues such as wages and employment levels. The Bank does not believe any such strikes have had a material adverse effect on its operations to date.

Computerization of branches and other IT initiatives have reduced employee workloads and allowed the Bank to reduce its overall workforce during the past five to six years despite growing its business. However, the completion of BPR initiatives, branch expansions and focused efforts for marketing has resulted in an increased demand for new staff. The Bank's human resources plan is routinely reviewed and updated in view of the Bank's growth plans and attrition arising out of retirement, death or resignation.

The Bank believes that its employees are its most valuable asset. The Bank has implemented e-learning at the State Bank Academy, Gurgaon, to provide online training and assessment. The performance management system in the Bank has been upgraded to focus on competency based assessments and career progression implications. The State Bank Staff College, State Bank Academy, State Bank Institute of Information and Communication Management, State Bank Institute of Rural Development and 47 Staff Learning Centers, all owned and operated by the Bank, are located across India and are focused on creation and skills development relevant to the future of banking. The Bank conducts various other initiatives with its existing staff, such as operational retraining. A significant corporate citizenship program, Citizen SBI, was begun in Fiscal Year 2009, and the Bank plans to expand the program with a phase devoted to customer fulfilment practices.

As the Bank faces competition for the recruitment and retention of its employees, the Bank has formulated an incentive scheme for operational employees in an effort to retain talented employees and reward performance. Further, adjustments to this scheme are undertaken on a regular basis to align with market conditions. The Bank actively recruits qualified candidates to meet business needs, both in the market and at university and college campuses across India.

Properties

The Bank's principal network consists of 12,496 branches, 209 extension counters and 16,369 ATMs as of March 31, 2010. These facilities are located throughout India. In addition to the branches, extension counters and ATMs, the Bank maintains 14 administrative circles, 11 exchange bureaus and 113 satellite offices. Of the properties used by the Bank, approximately 800 are owned by the Bank. The Bank's corporate office is located in Mumbai. The Bank's premises and other fixed assets are accounted for on a historical cost basis in accordance with Indian GAAP. As such, the Bank believes the value of its properties, many of which have been in the Bank's possession for a long period, are being carried on its balance sheet at values significantly below their current fair value.

Relationships with the Government and the RBI

The Bank has relationships with the Government and the RBI in several contexts as described below.

Government as Majority Stakeholder

The Government of India purchased the RBI's entire shareholding in the Bank on June 29, 2007 and is the Bank's majority shareholder with a shareholding of approximately 59.41%. The Act provides that the Government shall not hold less than 51.0% of the Bank's outstanding shares. As the Bank's controlling shareholder, the Government has effective control over the affairs of the Bank.

Statutory Powers of the Government over SBI

Because the Bank was created by statute, it does not have articles of association. However, under the Act, the Government has been given rights and powers typically given to shareholders under typical corporate structures. For example, the Government has the power to increase or reduce the authorized capital of the Bank. The SBI Act also provides that no shareholder other than the Government shall be entitled to exercise voting rights in respect of any shares held in excess of 10.0% of the Bank's issued share capital.

The Act and its related rules and regulations provide the Government and the RBI with certain additional rights which may be used to influence the affairs of the Bank. The Act expressly provides that the Bank shall be guided in matters of policy involving public interest by such direction as the Government may, in consultation with the RBI and the Chairman of the Bank, provide. In addition, although the Bank's affairs are managed by the Central Board, the Central Board consists of members directly appointed by the Government in consultation with the RBI as well as nominees from the Government and the RBI. The RBI also nominates a director to the Central Board, under section 19(f) of the Act; the Chairman and the two Managing Directors are directly appointed by the Government in consultation with the RBI. The Government has the power to remove any director from the Central Board.

The Government and the RBI as Regulator

The Government and the RBI regulate the banking sector. In particular, the RBI has authority to issue instructions and notifications, which are typically broad in scope, thereby giving the RBI considerable latitude over banks in general, including the Bank. Pursuant to such instructions and notifications, the RBI defines the scope of the Bank's activities and otherwise controls many factors affecting the Bank's competitive position, operations and financial condition. It also has the power to license new banks which may compete with the Bank.

Government as Customer

The Act specifically provides that the Bank shall act as the agent of the RBI for certain banking businesses of the

Government and state governments. The Bank also transacts a significant portion of the banking needs of public sector enterprises ("PSEs"). The Government, PSEs and the various state governments transact business with the Bank on a regular basis. As of March 31, 2010, approximately 0.73% of the Bank's loan portfolio consisted of food credit (in the form of loans to agencies of the Government and state governments for procurement and sale of food grains), and approximately 7.7% of the Bank's loan portfolio was to PSEs. It is the policy of the Bank not to enter into any transaction with PSEs unless the terms are no less favorable than those which would have been obtained by the Bank in the normal course of business.

Brief Summary of the Regulations and Policies

The main legislation governing commercial banks in India is the Banking Regulation Act, 1949. The provisions of the Banking Regulation Act are in addition to and not, except as expressly provided in the Banking Regulation Act, in derogation of the Companies Act, 1956 and any other law currently in force. Other important laws include the Reserve Bank of India Act, the Negotiable Instruments Act and the Banker's Books Evidence Act. Additionally, the RBI periodically issues guidelines to be followed by the Bank. Compliance with all regulatory requirements is evaluated with respect to financial statements under Indian GAAP. The Bank is also governed by the provisions of the State Bank of India Act, 1955. Certain provisions of the Banking Regulation Act apply in addition to the Act. Since the Bank is a statutory corporation, the provisions of the Companies Act, 1956 are inapplicable.

Pursuant to guidelines issued by the RBI in April 2007, the Bank is subject to capital adequacy requirements in line with the Capital Adequacy Norms prescribed by Basel Committee on Banking Regulations and Supervisory Practices, 1998. Accordingly the RBI prescribes certain risk weights for the balance sheet assets, non-funded items and other off balance sheet exposures and the minimum capital funds to be maintained as ratio to the aggregate of the risk weighted assets and other exposures, as well as capital requirements in the trading book, on an ongoing basis. Further, the Bank is required to maintain a minimum capital to risk-weighted assets ratio ("CRAR") of 9% on an ongoing basis. The Bank is required to maintain capital adequacy based on the higher of minimum capital required under Basel II or the prudential floor specified for minimum capital required under Basel I. The prudential floor for Basel I for the years ending March 31, 2008, 2009 and 2010 are 100.0%, 90.0% and 80.0%, respectively.

The object of such capital adequacy framework is that a bank should have sufficient capital to provide a stable resource to absorb any losses arising from the risks in its business. Capital is divided into tiers according to the characteristics/qualities of each qualifying instrument. For supervisory purposes capital is split into two categories: Tier I and Tier II. These categories represent different instruments' quality as capital. The loss absorption capacity of Tier II capital is lower than that of Tier I capital. The Bank is required to maintain, at both solo and consolidated level, a minimum Tier I ratio of at least 6%.

The total capital of a bank is classified into Tier I and Tier II capital. Tier I capital, the core capital, provides the most permanent and readily available support against unexpected losses. It comprises paid-up equity capital, perpetual non-cumulative preference shares and innovative perpetual debt instruments eligible for inclusion as Tier I capital — subject to laws in force from time to time, reserves consisting of any statutory reserves, free reserves and capital reserves, any other type of instrument generally notified by the RBI or inclusion in Tier I capital, as reduced by intangible assets, and losses in the current period and brought forward from the previous period.

Bank's deferred tax asset is to be treated as an intangible asset and accordingly eligible for deduction from its Tier I capital. Any gain on sale arising at the time of securitization of standard assets, if recognized should be deducted entirely from Tier I capital. Tier II capital consists of revaluation reserves (at a discount of 55.0% while determining their value), general provisions and loss reserves (allowed up to a maximum of 1.25% of the total risk-weighted assets), hybrid debt capital instruments (which combine certain features of both equity and debt securities and include perpetual cumulative preference shares, redeemable non-cumulative preference shares and redeemable cumulative preference shares) subordinated debt, innovative perpetual debt instruments in excess of 15.0% of the Tier I capital and perpetual non cumulative preference shares in excess of the overall ceiling of 40.0% may be included in Tier II capital, subject to laws in force from time to time and any other instrument generally notified by the RBI for inclusion in Tier II capital. Any subordinated debt is subject to progressive discounts as they approach maturity for inclusion in Tier II capital and total subordinated debt considered as Tier II capital cannot exceed 50.0% of Tier I capital. The guidelines also stipulate that investments above 30.0% in the paid up equity of subsidiaries and associates which are not consolidated for capital purposes and investments in other instruments eligible for regulatory capital status in those entities must be deducted to the extent of 50.0% from Tier I capital and 50.0% from Tier II capital. Total Tier II capital cannot exceed Tier I capital.

In accordance with the Master Circular on Capital Adequacy and Market Discipline dated July 1, 2010, banks are required to maintain capital charge for market risk on securities included in the 'held for trading' and 'available for sale' categories, open gold positions, open foreign exchange positions, trading positions in derivatives and derivatives entered into for hedging trading book exposures.

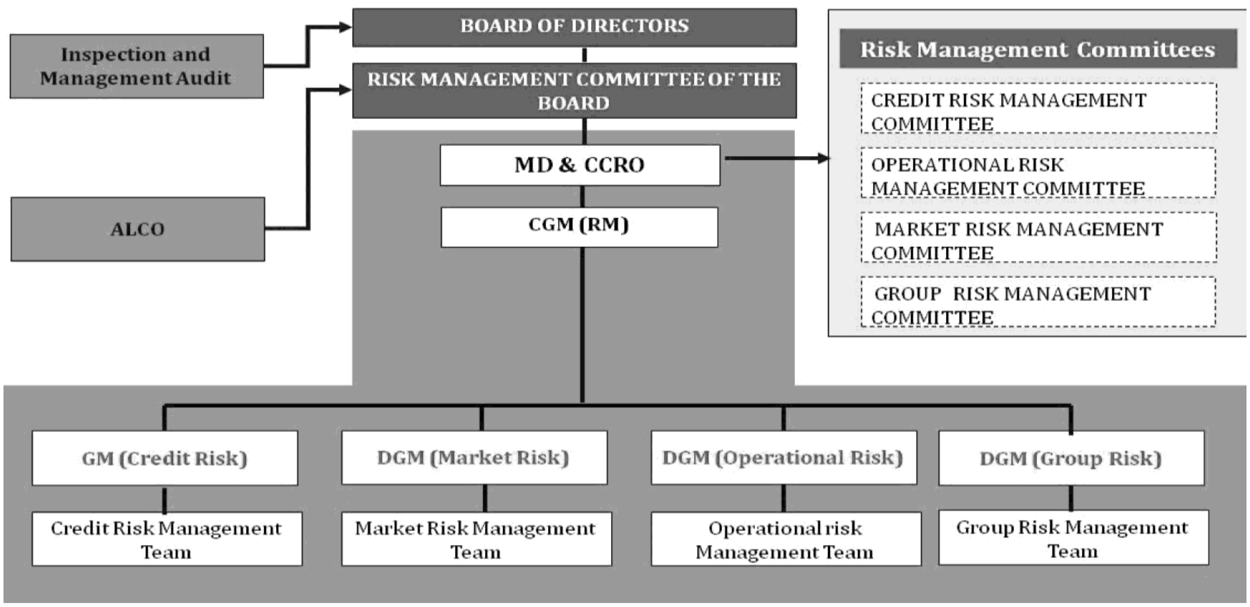
DESCRIPTION OF ASSETS AND LIABILITY MANAGEMENT AND RISK MANAGEMENT OF THE BANK

The Bank is exposed to various risks that are an inherent part of any banking business, with the major risks being credit risk, market risk, liquidity risk and operational risk. The Bank has various policies and procedures in place to measure, manage and monitor these risks systematically across all its portfolios.

These policies are reviewed by the Central Board (the "Board") from time to time. The Board also reviews the progress in the implementation of risk management systems, asset liability management, risk based supervision and a risk based internal audit at quarterly intervals.

The Risk Management Committee of the Board ("RMCB") oversees the policy and strategy for Group-wide risk management relating to various risk exposures of the Bank including credit, market liquidity and operational risks.

The RMCB is supported by various Risk Committees, namely the Credit Risk Management Committee (the "CRMC"), Asset Liability Management Committee ("ALCO"), Market Risk Management Committee ("MRMC"), Operational Risk Management Committee ("ORMC") and Group Risk Management Committee ("GRMC"). These committees are in place to address credit, liquidity, interest rate and operational risk matters. Critical issues and developments in their respective areas are referred to these committees.



The Bank has a Managing Director & Chief Credit and Risk Officer ("CCRO") who is also the Chairman of the RMCB. The Credit Risk Management Department, the Market Risk Management Department, the Operational Risk Management Department and the Group Risk Management Department all report directly to the CCRO through the Chief General Manager (Risk Management). These four departments act independently but coordinate with the business units to implement risk management policies. ALCO is headed by the Deputy Managing Director and Chief Financial Officer.

Risk Management Structure

The Bank operates an integrated, independent risk management system, which the management believes is in line with international best practices, to address the risks faced in its banking activities including liquidity, interest rate, market, credit and operational risks. As a financial institution, the Bank is exposed to various kinds of risk, in particular, liquidity risk (the possibility of not having the necessary funds to meet operational and debt servicing requirements), interest rate risk (the risk associated with movements in interest rates), credit risk (the potential for loss due to the failure of a counterparty or borrower to meet its financial obligations), market risk (the possibility that changes in interest rates, foreign exchange rates, prices of debt securities and other financial contracts may have an adverse effect on the Bank's financial condition) and operational risk (including risk arising from inadequate or failed operational processes, people and systems).

The risk philosophy of the Bank is guided by the twin objectives of enhancement of shareholder value and optimum allocation of capital. Risk management is perceived as essential to business growth and strategic business planning, achieved by constant monitoring of the interdependencies and interfaces across business functions.

The Bank's exposure norms are in line with the norms prescribed by the RBI for commercial banks and financial institutions. As per these norms, exposure by way of direct assistance to any single borrower may not exceed 15.0% (extendable to 20.0% in case of infrastructure projects) of the Bank's capital funds (Tier I and Tier II capital) although in exceptional circumstances and with the consent of the Board, the Bank could consider increasing exposure to a borrower up to a maximum of a further 5.0% of the Bank's capital funds, subject to such borrower 's consent to appropriate disclosure in the Bank's annual report. Exposure to any single business group may not exceed 40.0% (extendable to 50.0% in case of infrastructure projects) of the Bank's capital funds.

The Bank believes it has the policies and procedures in place to manage its risks and anticipate future risk based on RBI guidelines and what management believes are international best practices. The primary responsibility for the management of risk rests with the Board which has approved the policies and organizational structure for various risk management measures.

Credit Risk Management

The Bank is exposed to credit risk due to the possibility that a borrower or counterparty may fail to meet its obligations in accordance with agreed terms, principally the failure to make required payments on loans or other obligations due to the Bank. Credit risk management aims at building up sound asset quality and the long-term profitability of the institution. It involves activities such as risk identification, risk measurement, risk mitigation and risk-based pricing. The Bank manages its portfolio of loan assets with a view to limiting concentrations in terms of risk quality, geography, industry, maturity and large exposure aggregates by providing a centralized focus to its credit portfolio and instituting a suitable mechanism for its management.

Credit risk management uses credit audit and inspection systems to determine and manage risk exposure levels across the Bank. This is an integral part of the Bank's risk management system and helps identify early warning signals of potential problems. The following exposure levels are currently prescribed by the Bank:

Individuals as borrowers	Maximum aggregate credit facilities (fund-based and non-fund-based) of Rs. 250 million (other than against specified securities for which there is no restriction)
Non-corporates (Partnerships, Associations, etc.)	Maximum aggregate credit facilities (fund-based and non-fund-based) of Rs. 1 billion (other than against specified securities for which there is no restriction). The above ceiling will also be applicable to the aggregate of all facilities sanctioned to partnership firms which have identical partners
Corporates	Maximum aggregate credit facilities in accordance with prudential norms of the RBI on exposures

The Bank's current credit policy prescribes that the Bank's aggregate term loans with residual maturity of over three years should not in the aggregate exceed 35.0% of the total domestic advances of the Bank. The Bank's policy is to restrict fund-based exposure to a particular industry to a maximum of 15.0% of the Bank's total fund-based exposure. In addition, the Bank restricts term loan exposure to infrastructure projects to 15.0% of the Bank's total domestic advances.

The Bank's exposure to certain "sensitive sectors," including capital markets, real estate, and sensitive commodities (as prescribed by the RBI) are subject to the following limitations:

- Real estate: the Bank's exposure shall not exceed 20.0% of the Bank's total domestic advances.
- Sensitive commodities: the Bank's exposure shall not exceed 5.0% of the Bank's net worth as of the end of the Bank's previous Fiscal Year.
- Capital markets: the Bank's exposure shall not exceed 40.0% of its net worth (as specified and defined by the RBI) as of the end of its previous fiscal year, as applied to both fund-based and non-fund-based exposure to all forms of capital market products.

The Bank's major exposures to individual borrowers and borrower groups are consolidated and disclosed to the Board at their regular meetings. The Credit Risk Management Department conducts studies on various industries to examine the quantitative and qualitative measures that should be considered in regard to the handling of the Bank's current exposure to various industries. These studies are also meant to provide information to help the Bank determine the merits in taking on additional exposure to various industries.

The Bank has credit risk assessment models in place based on the activity of the borrower including manufacturing, trade, non-banking financial corporations, banks and primary dealers. Although not currently required by the RBI, the Bank's risk assessment model for manufacturing entities complies with the Advanced Internal Ratings Based ("AIRB") approach.

The Asset Liability Management Committee

The Asset-Liability Management Committee ("ALCO"), consisting of senior executives of the Bank, is responsible for evolving appropriate systems and procedures for ongoing identification and analysis of liquidity and market risks and laying down parameters for efficient management of these risks. The policy is an exposition of the Bank's approach to funding, deployment and pricing of domestic resources and aims to create systems and procedures to monitor, regulate and manage liquidity and market risks. Further, the Bank has made significant efforts to improve the risk management and fine tune its management information systems to strengthen the risk management process. The Risk Management Committee of the Board ("RMCB") oversees the implementation of the system for Asset-Liability Management and reviews its functioning periodically through a quarterly compliance report and provide direction.

Liquidity Risk Management

Liquidity risk comprises the risk of not being able to raise necessary funds from the market to meet operational and debt servicing requirements. An important objective of the Bank's liquidity management is to maintain an optimal asset to liability maturity portfolio that minimizes liquidity risk while maximizing profit. The Bank ensures that proactive steps are taken to meet all impending liquidity requirements. Borrowing is also timed in consideration of overall market liquidity and not just requirements of funds. The Bank also maintains a reasonable level of investment in liquid securities which can be liquidated at short notice.

The Bank monitors its liquidity position through a structural liquidity gap analysis carried out daily in accordance with RBI guidelines on asset liability management. The liquidity position is also monitored every two weeks through a short-term dynamic liquidity analysis for the following three months based on business projections and a review of the contingency funding plan at the end of each quarter. Finally, certain liquidity ratios are examined as prescribed by the asset liability management policy to track the Bank's liquidity position as of a particular date.

The Bank has an extensive branch network and therefore holds deposits from a large number of retail customers. These deposits provide a stable resource base. In addition, liquid assets in the form of cash, balances with other banks and short-term securities help to meet the liquidity requirements of the Bank.

Interest Rate Risk Management

Since the Bank's balance sheet consists predominantly of assets and liabilities denominated in Rupees, movements in domestic interest rates constitute the main source of interest rate risk. The Bank's portfolio of traded and other debt securities and its loan portfolio are impacted by movements in interest rates. Exposure to fluctuations in interest rates is measured primarily by way of a gap analysis, providing a static view of the maturity and repricing characteristics of the Bank's balance sheet positions. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated repricing dates. The difference in the amount of assets and liabilities maturing or being repriced in any given time period gives the Bank an indication of the extent of exposure to potential impact on repriced assets and liabilities. The interest rate gap report is prepared monthly as of the last reporting Friday of each month, in accordance with RBI requirements. In addition, exposure to interest rates is measured through a sensitivity analysis which examines the impact of interest rate movements on the Bank's financial condition. Further, a duration gap analysis is also prepared to measure the impact of interest rates on the market value of both the equity and debt portfolios.

Market Risk Management

Market risk refers to potential losses arising from volatility in interest rates, foreign exchange rates, equity prices and commodity prices. Market risk arises with respect to many types of financial instruments, including securities, foreign exchange contracts, equity instruments and derivative instruments, as well as balance sheet gaps. The objective of market risk management is to avoid excessive exposure of the Bank's earnings and equity to loss and to reduce the Bank's exposure to the volatility inherent in financial instruments.

Risk measurement and monitoring entails the valuation and marking-to-market of market risk exposures, updating rates and models used for valuations and preparing simulations showing effects of possible changes in market conditions. Finally, the monitoring function extends to the examination and approval of the Bank's treasury group's new products. Market risks related to treasury operations are regularly and independently identified, measured, and monitored by the Market Risk Management Department.

The Bank deals in over-the-counter ("OTC") interest rate and currency derivatives as well as exchange-traded interest rate futures and currency futures. Interest rate derivatives offered by the Bank are Rupee interest rate swaps, foreign currency interest rate swaps and forward rate agreements. Currency derivatives offered by the Bank include currency swaps, Rupee dollar options and cross-currency options. Derivatives are also used by the Bank both for trading as well as for hedging balance sheet items.

Derivative transactions carry market risk, such as the probable loss the Bank may incur as a result of adverse movements in interest rates/exchange rates and credit risk or the probable loss the Bank may incur if the counterparties fail to meet their obligations. The Bank's policy for derivatives is approved by the Board and prescribes market risk parameters such as cut-loss triggers and open position limits as well as customer eligibility criteria including credit rating and length of relationship, among others, for entering into derivative transactions. Credit risk is controlled by entering into derivative transactions only with counterparties satisfying the criteria prescribed in the policy.

The Value at Risk ("VAR") framework is applied on an asset class basis as well as on a diversified portfolio level. VAR is monitored daily and limits are revised quarterly. The model is validated monthly by back testing. The VAR is defined as the predicted worst-case loss at a specified confidence level over a certain period of time. Stress testing is conducted at regular intervals to evaluate the potential vulnerability of its portfolios to some unlikely but possible events or movements in financial variables such as interest rates, share prices, foreign exchange rates and equity prices.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk and it seeks to identify the cause of a loss. Operational risk has four principal causes: People, Process, Systems and External factors. For a discussion on the Bank's vulnerability to operational risk, see "Risk Factors — Risks Relating to the

Bank's Business — There is operational risk associated with the banking industry which, if and when realized, may have an adverse impact on its business."

The operational risk management policy of the Bank establishes a risk framework that guides the Bank in the management of operational risk and allocation of capital for potential losses. This policy requires that all functional areas, departments and business units of the Bank identify, assess, measure, mitigate, monitor, control and report on their significant operational risks in a manner that is consistent across the Bank. This policy applies to all business and functional areas within the Bank. The Bank's operational risk management policy is supplemented by operational systems, procedures and guidelines, which are periodically updated by the Bank.

The objective of the Bank's operational risk management policy is to improve controls and mitigate risks, improve capital management, create awareness of operational risk throughout the Bank, assign risk ownership, comply with regulations, improve the quality of products and services as well as mitigate the impact and probability of loss.

The following measures are being used by the Bank to control and mitigate operational risks:

- Internal controls and systems;
- Training;
- Reward systems;
- Placement and rotation of staff;
- Monitoring of frauds;
- Disciplinary proceedings systems; and
- Insurance.

Operational Controls and Procedures in the Bank

The Bank has issued detailed procedural guidelines for processing various banking transactions. Amendments and modifications to these guidelines are implemented through circulars sent to all offices. Guidelines and instructions are also disseminated through job cards, e-circulars, and training programs.

The Bank has also issued necessary instructions throughout the Bank regarding the delegation of financial powers, which detail sanctioning powers of various levels of officials for different types of financial transactions.

The Bank's inspection and management audit ("I&MA") department has zonal inspection offices located throughout the country. Inspection officials periodically monitor adherence to controls and procedures and report deviations to facilitate corrective action. Besides I&MA officials, each Circle is assigned an internal audit team and concurrent auditors are assigned to all large branches. A statutory audit is conducted by external auditors after the annual closing.

Operational Controls and Procedures in Centralized Processing Cells

In an effort to improve customer service at all centers, the Bank conducts central transaction processing. The centralized processing cells process clearing checks, make inter-city check collections and engage in back-office support for account opening, standing instructions, non-resident Indian services and automatic renewal of deposits.

Operational Systems and Controls in Global Markets

Global Market's front office, back office and mid-office and Market Risk Management Department ("MRMD") are fully segregated. While the front office, the independent back office and mid office report to the Head of

Global Markets, the MRMD functions independently from Global Markets and is under the control of the chief risk officer.

The Bank's front office Global Markets operations are integrated and comprise the Rupee desk, foreign exchange desk and the derivatives desk. The front office is supported by treasury marketing units located in seven centres across the country. While the Rupee desk operations consist of fixed income securities, equities and inter-bank money markets, the foreign exchange desk operations consist of inter-bank, merchant and proprietary transactions. The derivatives operations include swaps, options and structured products. Dealers enter into trades with counterparties after analyzing market conditions and taking views on price movements. After completion of a deal, the deal then flows to the back office for validation, settlement and accounting.

The front office regularly discusses strategies on the basis of market forecasts, liquidity conditions and publicly available information. Trading is conducted in strict accordance with trading policies, a dealing manual and regulatory guidelines.

The Global Markets back office undertakes settlement of securities and funds based on guidelines stipulated by the manual of operations. Procedures followed by the back office to minimize operational risks in Global Markets include: validation of deals entered into by the front office, deal confirmations with counterparties, receipt and checking of broker contract notes, monitoring of receipt and payments on due dates, monitoring of transfer and receipt of securities into accounts where dematerialized securities are held ("demat accounts") and reconciliation of accounts.

The MRMD uses various tools for monitoring market risk. These tools include: exposure limits, counterparty limits, position limits, gap limits, broker transaction limits, modified duration and VAR limits. The MRMD marks to market various positions and breaches, if any, are promptly reported.

Further, an independent mid office has been set up reporting to Head of Global Markets which supports the Risk Management function.

Operational Controls and Procedures in Retail Asset Operations

The Bank's retail asset operations are spread out geographically across India and the Bank has centralized processing cells for retail assets in most cities across India. These centers carry out disbursement of approved credit facilities, accounting, reconciliation and repayment management activities of retail assets. All operational and other risks are identified, mitigants designed and measures of performance specified to ensure adherence. Internal auditors monitor adherence to controls and procedures and report deviations to facilitate corrective action.

Operational Controls and Procedures for Corporate Banking

The Bank's corporate accounts group operates a central functioning office at Mumbai as well as branches at Chennai, Mumbai, Kolkata and New Delhi. These offices are jointly responsible for operations relating to trade finance, cash management and other general banking operations.

Operational Controls and Procedures for Rural Banking

All rural branches are fully computerized. Operational risks pertaining to rural and agricultural branches are identified, assessed, monitored, controlled and mitigated by the respective controlling offices. Risk and control self assessment exercises are conducted at branch level for the purpose of identifying and assessing operational risks. The Bank's rural asset operations are spread across India. Besides the respective controllers, officials from the Bank's Inspection and Audit and circle audit departments also visit all rural branches periodically to conduct a detailed audit for monitoring the adherence to controls and procedures as well as report irregularities within the branches. A statutory audit is also conducted at branch level after the annual closing.

Anti-Money Laundering Measures adopted by the Bank

The Bank has established a policy implementing know your customer ("KYC") standards and anti-money laundering ("AML") measures. Detailed procedural guidelines on KYC and AML measures have been issued to all branches and offices of the Bank, incorporating the following four key elements of the policy:

- Customer acceptance policy
- Customer identification procedures
- Monitoring of transactions
- Risk management

The Bank has acquired and implemented an AML software solution, which is being used for transaction monitoring purposes. Cash transaction reports are generated through the software and suspicious transactions alerts are generated based on parameters and thresholds fixed by the Bank. Suspicious transactions alerts are then analysed at KYC/AML cell for finalization and submission of suspicious transactions reports by the Principal Officer in appropriate cases. This solution enables automatic generation of various reports, assist branch officers with the identification of customers and classification of customers by risk profile as well as monitoring and reporting of suspicious transactions. KYC guidelines are covered as part of regular training programs for various staff categories by the Bank training institutes. A list of terrorist organizations, periodically updated by the United Nations, is circulated to all branches of the Bank. The Bank is closely monitoring the implementation of the KYC guidelines and AML procedures through a system of education and monitoring by utilizing various training forums as well as an inspection and audit process.

Country Risk and Bank Exposure

The Bank has a country risk management policy in accordance with RBI guidelines as well as a Board approved bank exposure model for foreign banks and non-banking financial intermediaries. These policies outline robust risk management models with prescriptions for country, bank, product and counterparty exposure limits. Considering the global economic turmoil, both country and bank exposure limits are monitored and reviewed on a regular basis. The exposure ceilings and classifications are moderated in line with the dynamics of their risk profiles. Corrective steps are periodically initiated to safeguard the Bank's interests.

Group Risk Management

SBI group is the largest financial conglomerate in India and has presence in various financial markets. Group risk management is important from the Bank's internal control point of view as also from the regulatory perspective. Though the individual entities are responsible for monitoring and mitigating their risks, there is a need to oversee the risk management functioning and also to assess the overall risk of the grouop, in order to ensure consistent and uniform risk management practices across the group as also to identify and monitor contagion and concentration risks in the group. It would also facilitate optimal utilization of the capital.

The Group Risk Management Committee ("GRMC") has been constituted to oversee matters relating to group risk. The MD and CCRO is the chairman of the GRMC, which reports to the Risk Management Committee of the Central Board.

The responsibilities of GRMC comprise the following:

- Creating risk awareness across all group entities;
- Ensuring periodic review of Group Risk Management policy;
- Reviewing the risk management functions of the group entities to ensure that Central Board approved group risk management policy is complied with;
- Considering and endorsing the group risk appetite for its subsequent approval by the Central Board;

- Recommending limits at group level in respect of:
  - Intra-group transactions and exposures;
  - Exposures to individual borrowers;
  - Exposure to borrower groups;
  - Exposure to specific industries; and
  - Any other area as necessary.
- Maintenance of 'Arm's Length' relationship between group entities;
- Allocating approved exposure limits to group entities, where necessary;
- Overseeing levels of exposures at the group level at periodic intervals; and
- Reviewing the risk reports submitted by Associates and Subsidiaries

To fulfil its functions, the GRMC reviews various risk related information such as aggregated risk related information of the group and any inter-dependencies, any adverse or extraordinary development relating to any group entity having a bearing on the group as a whole, any adverse feature observed in course of on-site or off-site inspections of statutory or internal auditors of group entities, any breach of the requirements in prudential standards or conditions prescribed under applicable regulations.

The GRMC also reviews overall assessments regarding systems and controls and efficacy of the risk management framework, any major shifts in the strategic focus of any group entity that might impact the group risk profile and any adverse information about individuals such as directors, shareholders, managers or employees that might have a bearing for the group, and the preparation of annual Internal Capital Adequacy Process (ICAAP) document for the group.

Risk Management in Banking Subsidiaries

The Bank's banking subsidiaries, which include the six Associate Banks and SBICI Bank Limited, have implemented Risk Management Policies which are in line with SBI's policies to identify, assess, monitor, control and mitigate risks coming under the broad categories of credit risk, liquidity risk, interest rate risk, market risk and operational risk. A risk governance structure has also been put in place by all the Associate Banks with one general manager designated as the Chief Risk Officer. As is the case with the Bank, the banking subsidiaries have put in place risk management committees. The Bank's banking subsidiaries have complied with the guidelines under Basel II framework, and are in compliance with the minimum capital adequacy reserve requirements stipulated by the RBI, as on March 31, 2010.

Credit Management Policies and Procedures

Credit Policy and Procedures Committee

The CPPC is headed by the Chairman of the Bank and tasked with handling issues relating to credit policy and procedures and to analyze, manage and control credit risk on a Bank-wide basis. The CPPC formulates clear policies on standards for presentation of credit proposals, financial covenants, rating standards and benchmarks, delegations of credit approving powers, prudential limits on large credit exposures, asset concentrations, standards for loan collateral, portfolio management, loan review mechanisms, risk concentrations, risk monitoring and evaluation, pricing of loans, provisioning and regulatory and legal compliance.

The Bank's credit risk management process is articulated in its credit policy, which is approved by the Board. The credit policy recognizes the need for measures aimed at better risk management and avoidance of concentration of credit risks. With this objective, limits have been prescribed for the Bank's exposure to any single borrower, group of borrowers or specific industries or sectors.

The credit policy embodies the Bank's approach to sanctioning, managing and monitoring credit risk and aims at making the systems and controls effective. It is guided by the best practices of commercial prudence, high standards of ethical norms and the requirement of national priorities. It also aims at striking a measured balance between underwriting assets of high quality and customer oriented selling.

Accordingly, the credit policy sets out guidelines on the following aspects, in accordance with RBI and Government directives:

- Exposure levels for industries, sectors and credit facilities
- Credit appraisal standards
- Documentation standards
- Pricing policy
- Review, renewal and takeover of advances
- Credit monitoring and supervision
- Credit risk assessment
- NPA management
- Export credit
- Approach to lending to priority sectors and the services sector.

All revisions in policies and procedures are carried out with the approval of the CPPC and the Board.

Credit Approval and Monitoring

The Bank's credit approval process involves multiple levels of loan approval authority, depending on the loan amount and other factors such as the nature of the credit, the conditions of the transaction and whether or not the loan is secured.

At each level of authority, loan applications are reviewed on the basis of the feasibility of the project from a technical, financial and economic point of view, and to ensure that the loan application falls within the realm of fair banking risk according to the probability of recovery. In conducting such a review the following factors are considered: the borrower 's profile, management structure, past financial performance and credit ratings, the Bank's exposure to the company, industrial group and/or industry in light of prudential exposure norms, industry outlook and financial projections for the borrower company and/or project. In the case of overseas financing, appraisals also include an assessment of the overseas venture in terms of commercial risk, political risk, country risk, and currency risk, an assessment of the relevant international market, an analysis of the benefits from the overseas venture likely to accrue to the Indian promoter, and compliance with regulatory guidelines. The Bank may also conduct a sensitivity analysis which includes variables such as debt servicing ratios and internal rates of return, and study the likely impact of changes in, among other things, price/unit cost.

The Bank has internal guidelines that limit the amounts of loans that can be authorized by various functionaries or credit committees. Loan amounts differ depending on certain factors, such as the type of borrower, rating of borrower or type of facilities.

The Bank disburses funds to a borrower in strict compliance with the terms of the sanction, after all necessary documentation has been executed. Specific approval is sought from the original sanctioning authority, or as delegated in accordance with the policy approved by the ECCB or the CPPC before deviating from the terms of the sanction, if any.

Examples of the types of procedures in place for various finance divisions include:

Corporate Finance Procedures

As part of its corporate loan approval procedures, the Bank carries out a detailed analysis of an applicant's funding requirements including normal capital expenditure, working capital requirements and liquidity. The Bank's corporate term loans are generally available for periods of three to eight years. The Bank's corporate term loans may carry fixed or floating rates, befitting the requirements of the client and the risk profile. The repayment plan is generally linked to the cash flow of the company. The Bank's credit analysts gauge the applicant's particular funding requirements and evaluate the company's creditworthiness, factoring in the cash flows generated by it. Approved facilities will lapse within six months of the date of approval, unless they are used within that time.

Retail Loan Procedures

The Bank's retail loan customers are typically middle- or high-income, salaried or self- employed individuals. The Bank's retail credit product operations are sub-divided into various product lines. Each product line is further sub-divided into separate sales, marketing and credit groups. The Bank has an established process for giving and collecting retail credits. In most cases, the Bank requires a contribution from the borrower and the loans are secured by the asset financed.

Working Capital Finance Procedures

The Bank carries out a detailed analysis of its borrowers' working capital requirements. The Bank's dedicated credit team has a deep understanding of the intricacies of various industries and is experienced in evaluating the business potential of companies. The credit team assesses the customer 's specific credit requirements and customizes financial solutions to suit the business requirements of the customer and its risk profile. Working capital finance limits are normally valid for one year and repayable on demand. Approved facilities will lapse within three months of the date of approval unless they are used within that time.

Project Finance and Leasing Procedures

The Bank believes it has a strong framework for the appraisal and execution of project finance and leasing proposals and that this framework allows for risk identification, allocation and mitigation, and helps minimize residual risk. The Bank has formed a dedicated Project Finance unit to assess credit proposals and extend term loans for large industrial and infrastructure projects. The Project Finance unit has a particular focus on core infrastructure sectors of the Indian economy such as power, telecommunications, roads & bridges, ports and urban infrastructure, and it has also expanded to other sectors such as steel, Oil & Gases, Non-ferrous metals, Chemicals, Fertilizers, etc. The project finance team examines projects whose total cost is at least Rs. 2 billion (Rs. 3 billion in case of road or thermal power projects), with debt exposure in excess of Rs. 500 million. Project finance cells have been set up in two centres to tap business potential in their area. The thresholds are as under: Road – All road projects with project cost of Rs. 500 million to Rs. 5 billion and other infrastructure projects with project cost between Rs. 500 million to Rs. 2 billion.

Apart from this, project term loans for medium sized projects and smaller clients are delivered through the Corporate Banking Group, Mid-Corporate Group and the National Banking Group. The loans are approved on the basis of in-house appraisal of the cost and viability of the venture as well as the credit standing of promoters. Project finance is typically structured as long-term loans. Maturity periods and repayment modes are structured in line with the specific aspects of each project and industry, factoring in a timeframe for the venture to generate a stable revenue stream.

The Finance and Leasing unit is dedicated to lease financing for procuring equipment for projects or plants. The Bank enters into lease agreements as stand-alone contracts or as part of a structured package. The Bank typically undertakes leasing contracts with a minimum ticket size of Rs. 50 million, generally restricted to 50.0% of the total net worth of the lessee. Lease contracts are usually structured for a tenor of five to seven years. The Bank, however, has stopped encouraging new leases due to a change in tax law that has resulted in unfavorable tax treatment with respect to such lease contracts. Leasing activities are progressively being wound up and the Bank does not expect leasing to comprise a significant part of its activities in the future.

Internal Controls

The Bank has internal control systems with well-defined responsibilities at each level. The Bank mainly carries out two streams of audits — Inspection and Audit and Management Audit, covering different facets of internal audit requirements. In addition, Credit Audit is conducted for units with large credit limits and Concurrent Audit is carried out at branches with large deposit, advances and other risk exposures and selected business process re-engineering ("BPR") outfits. The information systems audit of branches is handled by incorporating the necessary checklists and value statements in the audit report formats of the branches. Expenditure Audit, involving scrutiny of accounts and correctness of expenditure incurred, is conducted at Corporate Centre establishments, local head offices, zonal offices, on-locale regional offices, regional business offices and lead bank offices. To verify the rectification of irregularities by the Branches, audit of compliance at select branches is also undertaken. The Department is headed by the Deputy Managing Director who is functionally independent and reports to the Bank's Audit Committee of the Board ("ACB").

Risk-Focused Internal Audit

The inspection system plays an important and critical role in introducing international best practices to the internal audit function, which is regarded as a critical component of corporate governance. Inspection and Audit undertakes a critical review of the entire operation of audited units. Risk Focused Internal Audit, an adjunct to risk-based supervision as per RBI directives, has been introduced in the Bank's audit system.

Inspection and Audit of Branches

All domestic branches have been segregated into three groups on the basis of business profile and risk exposures. Audit of Group I branches and credit oriented BPR entities (excepting SARC) is administered by the Central Audit Unit ("CAU") at the Inspection Audit Department and headed by a General Manager (CAU). Audit of branches in Group II, Group III and other BPR entities are conducted by ten Zonal Inspection Offices located at various centers, each of which is headed by a General Manager (I&A). The audit of branches and BPR entities is conducted as per the periodicity approved by the ACB which is well within RBI norms. During the period from April 1, 2009 to March 31, 2010, 7,217 domestic branches (138 from Group I, 1,577 from Group II and 5,502 from Group III) were audited.

Audit of BPR Entities

Following the implementation of various BPR initiatives, the audit process for ten BPR entities has been developed and introduced. Taking into account the process involved in each of the entities, exclusive Audit Report Formats, including appropriate audit queries, have been introduced. Entities are evaluated on a range of risk parameters. During the year ended March 31, 2010, 237 BPR entities (115 from Group I and 122 from Group II) were audited.

Management Audit

The Bank's management audit focuses on the effectiveness of risk management in the Bank's processes and procedures. Management audit is comprised of Corporate Center establishments, circles, zonal offices, on-locale regional offices, regional branch offices, associate banks, subsidiaries (both domestic and foreign), joint ventures (both domestic and foreign), regional rural banks sponsored by the Bank, representative offices abroad and exchange companies managed by the Bank. During the year ended March 31, 2010, management audits were carried out at 19 domestic offices or establishments.

Credit Audit

The credit audit aims to achieve continuous improvement in the quality of the commercial credit portfolio of the Bank by critically examining individual commercial loans with exposures of Rs. 50 million and above. The audit, which has been aligned with the risk-focused internal audit, examines the probability of default, identifies risks and suggests risk mitigation measures. The Bank uses the credit audit to analyze risk and to initiate early remedial actions to improve the quality of the credit portfolio. During the year ended March 31, 2010, on-site credit audits were conducted in 426 branches, covering 4,727 accounts with aggregate exposure of Rs. 4,172.9 billion, and off-site credit audits were conducted in all 14 circles, (including MCROs/CAG functioning in the geographical area of the respective circles) covering 3,533 domestic accounts with aggregate exposure of Rs. 1,940.0 billion and 161 foreign accounts with aggregate exposure of USD 4,363 million at the Bank's foreign offices.

Information System Audit

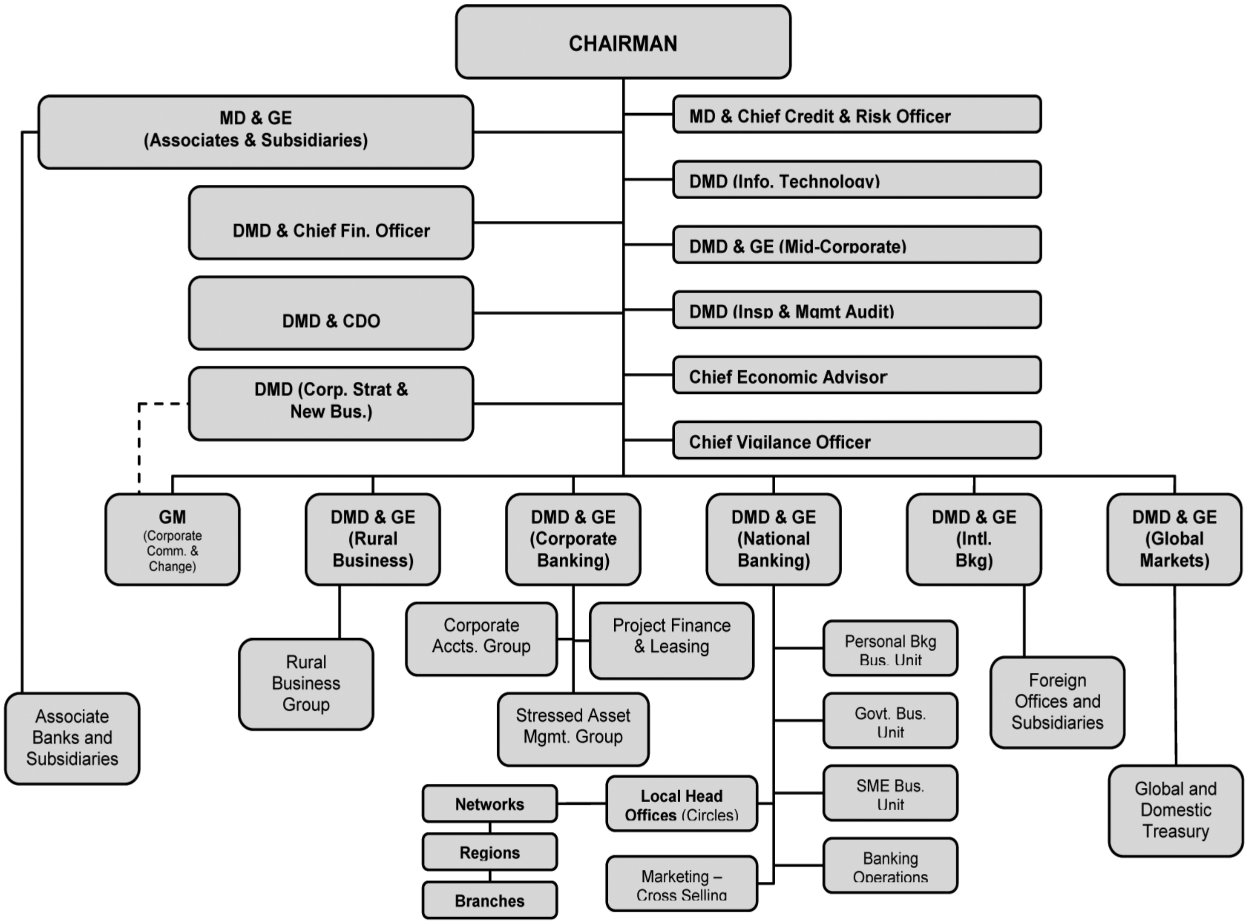
Since April 2006, all branches of the Bank have been subjected to an information system audit to assess the IT-related risks as part of the audit for each branch. A "Handbook on Self Audit of Information Systems" was introduced to facilitate branches' evaluation of the efficiency level of IT systems. The information system audit of centralized IT establishments commenced in January 2007. During the year ended March 31, 2010, information system audits of 25 centralized IT establishments were completed.

Concurrent Audit System

The concurrent audit system ("CAS") monitors the establishment of sound internal accounting functions, effective controls and operational oversights. The Inspection and Audit department prescribes the processes, guidelines and formats for the conduct of concurrent audit at branches and BPR entities. Branches covered by the CAS are reviewed on an ongoing basis as per RBI directives so as to cover 30-40% of the Bank's deposits and 60-70% of the Bank's advances and other risk exposures. As of March 31, 2010, the system covered 34.77% of deposits and 63.93% of advances and other risk exposures of the Bank.

OUR MANAGEMENT

The following chart illustrates the management structure of the Bank as of March 31, 2010.



Note: The post of Chief Economic Advisor is currently vacant.

Central Board of Directors

The State Bank of India was constituted in 1955 when the Indian Parliament passed the Act. A Central Board was constituted pursuant to the Act, and the Central Board complies with the provisions of the Act.

The Central Board is headed by the Chairman of the Bank. As of March 31, 2010, in addition to the three full-time Directors, i.e. the Chairman and two Managing Directors, there were eight other Directors on the Central Board, including eminent members of academia and the finance and accounting professions. These included representatives of shareholders, nominees of the Government and the RBI, and directors nominated under section 19(d) of the Act.

The non-executive Directors who are on the Central Board of the Bank as of March 31, 2010 are:

(a) four directors appointed under section 19(c) and elected by the shareholders;

(b) four directors appointed under section 19(d) and nominated by the Government;

(c) one director appointed under section 19(e) and nominated by the Government; and

(d) one director appointed under section 19(f) and nominated by the RBI.

Brief particulars of the Bank's Directors are set out below:

Sr. No.	Name, Designation, Address, Occupation and Term	Nationality	Date of Birth	Other Directorships
1.	**Mr. O.P. Bhatt** Chairman Appointed under Section 19(a) of the Act Address: No. 5, Dunedin, J.M. Mehta Road, Mumbai 400 006 Occupation: Banking Term: July 1, 2006 to March 31, 2011	Indian	March 7, 1951	***Chairman*** 1. SBI Funds Management (Private) Limited; 2. SBI Factors & Commercial Services Private Limited; 3. State Bank of Indore; 4. State Bank of Patiala; 6. State Bank of Bikaner & Jaipur; 7. State Bank of Hyderabad; 8. State Bank of Mysore; 9. State Bank of Travancore; 10. State Bank of India (California); 11. State Bank of India (Canada); 12. SBI Life Insurance Company Limited; 13. SBI Capital Markets Limited; 14. SBICAPS Ventures Limited; 15. SBI Discount & Finance House of India Limited (SBIDFHI); 16. SBI Cards and Payment Services Private Limited; 17. Global Trade Finance Limited; 18. SBI Custodial Services Private Limited; 19. SBI General Insurance Company Limited; and 20. SBI Pension Funds Private Limited. ***Director*** 21. General Insurance Corporation of India; 22. Export-Import Bank of India; and 23. GE Capital Business Process Management Services Private Limited.

Sr. No.	Name, Designation, Address, Occupation and Term	Nationality	Date of Birth	Other Directorships
2.	**Mr. S.K. Bhattacharyya** Managing Director Appointed under Section 19(b) of the Act Address: M-2, Kinellan Towers, 100 A, Napean Sea Road, Mumbai 400 006 Occupation: Banking Term: October 8, 2007 to October 31, 2010	Indian	October 31, 1950	Nil
3.	**Mr. R. Sridharan** Managing Director Appointed under Section 19(b) of the Act Address: M-1 Kinellan Towers, 100 A, Napean Sea Road, Mumbai 400 006 Occupation: Banking Term: December 5, 2008 to June 30, 2011	Indian	July 1, 1951	1. SBI Capital Markets Limited; 2. SBICAP Securities Limited; 3. SBICAP Ventures Limited; 4. SBICAP (UK) Limited; 5. SBI Global Factors Limited; 6. SBI Life Insurance Company Limited; 7. SBI DFHI Limited; 8. SBI Pension Funds Private Ltd; 9. SBI Custodial Services Private Limited; and 10. SBI General Insurance Company Limited.
4.	**Dr. Ashok Jhunjhunwala** Non-Executive Director Elected under Section 19(c) of the Act Address: Professor, Telecom & Networks (TeNeT) Group Department of Electrical Engineering, IIT Madras, Chennai 600 036 Occupation: Academician Term: June 24, 2008 to June 23, 2011	Indian	June 22, 1953	1. Polaris Software Lab Limited; 2. Tejas Networks Private Limited; 3. Sasken Communications Technologies Limited; 4. 3i Infotech Limited; 5. Tata Teleservices (Maharashtra) Limited; 6. Tata Communication Limited; and 7. Exicom Tele Systems Limited
5.	**Mr. Dileep C. Choksi** Non-Executive Director Elected under Section 19(c) of the Act Address: C-3 Advisors Private Limited, Mafatlal House, Backbay Reclamation, Mumbai 400 020 Occupation: Chartered Accountant Term: June 24, 2008 to June 23, 2011	Indian	December 26, 1949	1. ICICI Lombard General Insurance Limited; 2. NSE.IT Limited; 3. ICICI Prudential AMC Limited; 4. Reliance Gene Medix Plc; 5. 3i Infotech Limited; 6. ICICI Housing Finance Company Ltd; and 7. Ahmedabad Commodity Exchange Limited.

Sr. No.	Name, Designation, Address, Occupation and Term	Nationality	Date of Birth	Other Directorships
6.	**Mr. S. Venkatachalam** Non-Executive Director Elected under Section 19(c) of the Act Address: Building B-1, Flat 1-D, First Floor, Harbour Heights, NA Sawant Marg, Colaba, Mumbai 400 005 Occupation: Chartered Accountant Term: June 24, 2008 to June 23, 2011	Indian	November 8, 1944	1. Bharati AxA Trustee Services Private Limited; 2. I-flex Solutions Trustee Company Private Limited; and 3. Auto Invest Finance and Leasing Private Limited.
7.	**Mr. D. Sundaram** Non-Executive Director Elected under Section 19(c) of the Act Address: Flat No.1901, Tower A, 19th Floor, Beaumonde Appa Saheb Marathe Marg, Behind Siddhi Vinayak Temple, Prabhadevi, Mumbai 400025 Occupation: Vice Chairman and managing director of TVS Capital Funds Limited Term: January 13, 2009 to June 23, 2011	Indian	April 16, 1953	1. SBI Capital Markets Limited; 2. Institute of Financial Management and Research; 3. TVS Capital Funds Limited; 4. TVS Electronics Limited; and 5. Glaxo Smith Kline Pharma.
8.	**Dr. (Mrs.) Vasantha Bharucha** Non-Executive Director Director appointed under Section 19(d) of the Act Address: CII-2450, Vasant Kunj, New Delhi 110 070 Occupation: Economist Term: February 25, 2008 to February 24, 2011	Indian	October 7, 1944	IC Centre for Governance, New Delhi
9.	**Dr. Rajiv Kumar** Non-Executive Director Director appointed under Section 19(d) of the Act Address: Indian Council for Research on International Economic Relations, Core 6A, 4th Floor, India Habitat Centre, Lodhi Road, New Delhi 110 003 Occupation: Economist Term: September 8, 2008 to September 8, 2011	Indian	May 6, 1951	Indian Council for Research on International Economic Relations
10.	**Ms. Shyamala Gopinath** Non-Executive Director RBI Nominee Director, appointed under Section 19(f) of the Act Address: Deputy Governor Reserve Bank of India, Central Office, Mint Road, Mumbai 400 001 Occupation: Central Banker Term: With effect from September 28, 2004	Indian	June 20, 1949	1. Central Board, RBI; 2. National Housing Bank; and 3. Export Import Bank of India.

Sr. No.	Name, Designation, Address, Occupation and Term	Nationality	Date of Birth	Other Directorships
	until further orders			
11.	**Mr. Ashok Chawla** Non-Executive Director Government Nominee Director, appointed under Section 19(e) of the Act Address: Secretary (Finance), Ministry of Finance, Government of India (Banking Division), Jeevan Deep Building, Parliament Street, New Delhi 110001 Occupation: Finance Secretary Term: With effect from May 13, 2009 until further orders	Indian	January 8, 1951	1. Reserve Bank of India; 2. Life Insurance Corporation of India; and 3. India Infrastructure Finance Company Limited.

The Central Board meets regularly in accordance with the requirements of the Bank, with a minimum of six meetings per year. The Central Board meetings were held 10 times during the Fiscal Year 2010 and three times during the three month period ended June 30, 2010.

Central Management Committee

The Central Management Committee ("CENMAC") comprises of the Chairman, the Managing Directors and all Deputy Managing Directors of the Bank. It is headed by the Chairman and is the highest non-Central Board level policy-making body of the Bank. The CENMAC also deliberates on and facilitates the day-to-day affairs of the Bank. The Bank has a system in place to delegate powers to the various tiers of management. The Bank believes the Central Board has established a positive functioning relationship with the senior management of the Bank.

Corporate Governance

The Central Board has established the following committees of Directors (a) to ensure compliance with the Act and corporate governance requirements and (b) for operational reasons.

(1) Executive Committee of the Central Board;

(2) Audit Committee of the Board;

(3) Shareholders' and Investors' Grievance Committee of the Board;

(4) Risk Management Committee of the Board;

(5) Special Committee of Directors for Monitoring Large Value Frauds;

(6) Customer Service Committee of the Board;

(7) Technology Committee of the Board; and

(8) Remuneration Committee of the Board.

Executive Committee of the Central Board

The ECCB is constituted pursuant to section 30 of the Act. In accordance with the Act, the ECCB exercises powers delegated by the Central Board and functions subject to the conditions imposed by the Central Board. Regulations 46 and 47 of the State Bank of India General Regulations, 1955 provide that, subject to the general or special directions of the Central Board, the ECCB may deal with any matter within the competence of the Central Board. The ECCB consists of the Chairman, the Managing Directors, the Director nominated under clause (f) of section 19 of the Act, and all or any of the other Directors who are normally residents or may, for the time being, be present at any place within India where ECCB meetings are held. The ECCB meetings are held once every week.

Audit Committee of the Board

The Audit Committee of the Board ("ACB") functions under RBI guidelines and complies with the provisions of Clause 49 of the equity Listing Agreement to the extent that they do not violate the directives and guidelines issued by RBI. The composition and functions of the ACB are set out below:

In accordance with RBI guidelines, the ACB has seven members, including two full time Directors, two official Directors (nominees of the Government and the RBI), and three non-official, non-executive Directors, one of whom is a Chartered Accountant. Meetings of the ACB are chaired by a non-executive Director on a rotational basis.

Functions of the ACB

(a) The ACB provides directions to, and oversees the operation of, the total audit function of the Bank i.e., the organisation, realisation and quality control of the internal audit and inspection within the Bank and follow-up on the statutory and external audit of the Bank and inspection by the RBI.

(b) The ACB reviews the internal inspection and audit functions of the Bank, including the system, its quality and its effectiveness in terms of follow-up. It reviews the inspection reports of specialised and extra-large branches and branches with unsatisfactory ratings. It also focuses on the follow-up of:

- inter-branch adjustment accounts;
- unreconciled and long outstanding entries in inter-bank accounts and nostro or vostro accounts;
- arrears in the balancing of books at various branches;
- acts of fraud; and
- all other major areas of housekeeping.

(c) The ACB obtains and reviews half-yearly reports of the Compliance Department of the Bank.

(d) The ACB reviews the annual / quarterly working results of the Bank before these are placed before the Central Board.

(e) The ACB follows up on all the issues raised in the long form audit reports of the statutory auditors. It also interacts with the external auditors before the finalisation of the annual/semi-annual financial accounts and reports.

For the year ended March 31, 2010 and the three months ended June 30, 2010, eight and three meetings of the ACB, respectively, were held to review various matters connected with internal control, systems and procedures and other aspects as required in terms of RBI guidelines.

Shareholders' and Investors' Grievance Committee of the Board

Pursuant to Clause 49 of the equity Listing Agreement with the Stock Exchanges, the Shareholders' and Investors' Grievance Committee of the Board ("SIGCB") was formed on January 30, 2001, to review shareholders' and investors' complaints regarding transfer of shares, non-receipt of balance sheet, non-receipt of interest on bonds/declared dividends, etc.

The SIGCB held four meetings during the year ended March 31, 2010 and one meeting in the three months ended June 30, 2010, to *inter alia* reviewe complaints received. During the year ended March 31, 2010, 274 complaints and for three months ended June 30, 2010, 76 complaints were received and resolved within the stipulated period excepting those pending in courts and cases where duplicate Equity Shares have to be issued with the approval of the ECCB.

Risk Management Committee of the Board

The Risk Management Committee of the Board ("RMCB") was constituted with the approval of the Central Board on March 23, 2004, to oversee the policy and strategy for integrated risk management relating to credit risk, market risk and operational risk.

The RMCB meets a minimum of four times per year, once in each quarter. The RMCB met four times during the year ended March 31, 2010 and has met once in the three months ended June 30, 2010.

Special Committee of Directors for Monitoring of Large Value Frauds (Rs. 10 million and above)

At its meeting held on March 29, 2004, the ECCB approved the constitution of the Special Committee of Directors for monitoring of large value frauds (Rs. 10 million and above). The major functions of the Committee are to monitor and review all cases of fraud of Rs. 10 million and above, with a view to identifying systemic lacunae, and reasons for delay in detection and reporting; to monitor progress of CBI and police investigation, recovery position; to ensure that any staff accountability exercise is completed quickly; to review the efficacy of remedial action taken to prevent recurrence of fraud; and to put in place suitable preventive measures. As of March 31, 2010, the Bank did not detect any fraud which had any significant impact on its operating results.

The Committee met four times during the year ended March 31, 2010 and once in the three-month period ended June 30, 2010.

Customer Service Committee of the Board

The Customer Service Committee of the Board was constituted on August 26, 2004, to bring about ongoing improvements in the quality of customer service provided by the Bank.

Four meetings of the Committee were held during the year ended March 31, 2010 and one meeting was held in the three months ended June 30, 2010.

Technology Committee of the Board

The Technology Committee of the Board was constituted on August 26, 2004, to track the progress of the Bank's IT initiatives.

The Committee met seven times during the year ended March 31, 2010 and once during the three months ended June 30, 2010.

Remuneration Committee of the Board

The Remuneration Committee was constituted on March 22, 2007, for evaluating the performance of Whole Time Directors of the Bank in connection with the payment of incentives, as per the scheme advised by the Government of India in March 2007.

The Committee met once during the year ended March 31, 2010.

Shareholdings of Directors on the Central Board

The following table sets out information relating to the ownership of share capital by Directors of the Bank as on June 30, 2010:

S. No	Name	Number of Equity Shares
1.	Mr. O.P Bhatt	1,240
2.	Mr. S.K. Bhattacharyya	682
3.	Mr. R. Sridharan	300
4.	Dr. Ashok Jhunjhunwala	630
5.	Mr. Dileep C. Choksi	500
6.	Mr. S. Venkatachalam	500
7.	Dr.(Mrs.) Vasantha Bharucha	-
8.	Mr. D. Sundaram	2640
9.	Dr. Rajiv Kumar	-
10.	Mr. Ashok Chawla	60
11.	Ms. Shyamala Gopinath	-

Compensation for Executives and the Central Board

The salary structure for the Chairman and Managing Directors of the Bank is fixed by the Government. Dearness allowance is to be paid as equivalent to Group A officials of the Government. The salary and allowances of Deputy Managing Directors are paid according to the Bank's Officers' Service Rules.

With respect to compensation for members of the Central Board, sitting fees are paid as decided by the Government. As of March 31, 2010, fees payable for Central Board meetings are Rs. 5,000 per meeting and for other Central Board-level Committees fees are Rs. 2,500 per meeting. All the compensation paid by the Bank to the Directors for the Fiscal Year ended March 31, 2010 have been set forth below.

Terms of appointment of the Bank's Chairman and Managing Directors are as follows:

Terms of appointment	Total Remuneration for the Fiscal Year 2009-10	Perquisites for the Fiscal Year 2009-2010	Commission for the Fiscal Year 2009-10
Mr. O.P. Bhatt			
Mr. O.P. Bhatt was appointed as a whole-time Director of the Bank with effect from April 26, 2006. He was later appointed Chairman with effect from July 1, 2006.	Rs. 26,51,406.00	In addition to the salary, Mr. O.P. Bhatt is entitled to certain perquisites	Mr. O.P. Bhatt is entitled to remuneration by way of commission, in addition to salary, perquisites and allowances payable.
Mr. S.K. Bhattacharya			
Mr. S.K. Bhattacharyya was appointed as a whole-time Director of the Bank with effect from October 8, 2007.	Rs. 21,36,679.50	In addition to the salary, Mr. S.K. Bhattacharyya is entitled to certain perquisites.	Mr. S.K. Bhattacharyya is entitled to remuneration by way of commission, in addition to salary, perquisites and allowances payable.
Mr. R. Sridharan			
Mr. R. Sridharan was appointed as	Rs. 14,72,524.00	In addition to the	Mr. R. Sridharan is entitled to

Terms of appointment	Total Remuneration for the Fiscal Year 2009-10	Perquisites for the Fiscal Year 2009-2010	Commission for the Fiscal Year 2009-10
a whole-time Director of the Bank with effect from December 5, 2008.		salary, Mr. R. Sridharan is entitled to certain perquisites.	remuneration by way of commission, in addition to salary, perquisites and allowances payable.

Changes in the Central Board during the last three Fiscal Years:

Name	Section under the Act	Date of Appointment	Date of Cessation	Reason
2007-08				
Mr. Yogesh Agarwal	19 (b)	October 10, 2006	July 1, 2007	Consequent upon his appointment as Chairman of IDBI Limited
Mr. S.K. Bhattacharyya	19 (b)	October 8, 2007	----	Appointed as Managing Director (whole-time Director) by the GOI
Prof. M.S. Swaminathan	19 (c)	August 31, 2005	Resignation w.e.f. April 11, 2007 accepted by Central Board on May 12, 2007	Prof. Swaminathan resigned from Bank's Central Board consequent upon his nomination to the Rajya Sabha
Mr. Ajay G. Piramal	19(c)	September 1, 2004	August 31, 2007	On completion of his tenure
Dr. Deva Nand Balodhi	19 (d)	July 9, 2007	September 15, 2010 – consequent to the State Bank of India (Amendment) Act, 2010 coming into force	Independent Director nominated by the GOI
Prof. Mohammed Salahuddin Ansari	19 (d)	July 9, 2007	September 15, 2010 – consequent to the State Bank of India (Amendment) Act, 2010 coming into force	Independent Director nominated by the GOI
Mr. Arun Singh	19 (d)	July 25, 2003	July 30, 2007	Consequent upon nomination of new Director by the GOI
Mr. Rajiv Pandey	19 (d)	January 23, 2004	July 30, 2007	Consequent upon nomination of new Director by the GOI
Dr.(Mrs.) Vasantha Bharucha	19(d)	February 25, 2008	---	Independent Director nominated by the GOI vice Mr. Piyush Goyal
Mr. Piyush Goyal	19(d)	January 23, 2004	February 24, 2008	Consequent upon nomination of Dr. Vasantha BHarucha, new Director by GOI in his place
Mr. Vinod Rai	19 (e)	October 31, 2006	Resignation with effect from January 06, 2008	Appointed as CAG
Mr. Arun Ramanathan	19 (e)	January 18, 2008	---	Secretary (Financial Services) — GOI nominee, vice Mr. Vinod Rai
Mr. T.S. Bhattacharya	19(b)	February 28, 2005	January 31, 2008	Consequent upon his attaining superannuation

Name	Section under the Act	Date of Appointment	Date of Cessation	Reason
Mr. Amar Pal	19(cb)	August 19, 2005	March 31, 2008	Consequent upon his attaining superannuation
2008-2009				
Mr. Ananta Chandra Kalita	19(ca)	July 15, 2003	May 31, 2008	Consequent upon superannuation
Dr. Ashok Jhunjhunwala	19(c)	September 15, 2005	Resignation with effect from June 19, 2008 accepted by Central Board on June 21, 2008	Independent Director nominated by shareholders
Mr. Suman Kumar Bery	19(c)	September 15, 2005	June 19, 2008	Resignation
Dr. Ashok Jhunjhunwala	19(c)	June 24, 2008	---	Independent director elected by the shareholders
Mr. Dileep C. Choksi	19(c)	June 24, 2008	---	Independent Director nominated by shareholders
Mr. S. Venkatachalam	19(c)	June 24, 2008	---	Independent Director nominated by shareholders
Mr. Suman Kumar Bery	19(c)	June 24, 2008	September 18, 2008	Resignation
Dr. Rajiv Kumar	19(d)	September 8, 2008	---	Independent Director nominated by the GOI
Mr. R. Sridharan	19(b)	December 5, 2008	---	Appointed as Managing Director (whole-time Director) by the GOI
Mr. D. Sundaram	19(c)	January 13, 2009	---	Independent Director elected by shareholders
2009-2010				
Mr. Arun Ramanathan	19(e)	January 18, 2008	April 30, 2009	On attaining superannuation
Mr. Ashok Chawla	19(e)	May 13, 2009	---	Finance Secretary appointed as the Government nominee Non-executive Director.

Borrowing Powers of the Central Board of Directors

The Bank undertakes its borrowings in terms of the Capital Adequacy Guidelines and in accordance with limits provided thereunder.

Interest of Directors

The Non-Executive Directors of the Bank may be deemed to be interested to the extent of fees, payable to them for attending meetings of the Central Board or a Committee. The Chairman and Managing Director may be deemed to be interested to the extent of remuneration paid to them for services rendered by them as whole-time directors appointed by the Government. All the directors may also be deemed to be interested to the extent of commission paid to them and Equity Shares, if any, already held by them or their dependants and relatives in the Bank and also to the extent of any dividend payable to them and other distributions in respect of the Equity Shares. The Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms or trusts, in which they are interested as directors, members, partners and/or trustees.

Employee Stock Purchase Scheme

For details of employee stock option plan see the section "*Capital Structure*".

OUR PROMOTER

Our Promoter is the President of India. As of June 30, 2010, our Promoter holds 59.41% of the issued capital of the Bank. The Act, pursuant to the notification of the State Bank of India (Amendment) Act, 2010, effective from September 15, 2010, restricts our Promoter's shareholding interests in the Bank from falling below 51.0% of the Bank's issued capital.

OUR SUBSIDIARIES, ASSOCIATE BANKS AND JOINT VENTURE COMPANIES

The following is the list of Subsidiaries of the Bank as on March 31, 2010:

Domestic Banking Subsidiaries:

1. State Bank of Bikaner and Jaipur;
2. State Bank of Hyderabad;
3. State Bank of Indore (till August 25, 2010*);
4. State Bank of Mysore;
5. State Bank of Patiala;
6. State Bank of Travancore; and
7. SBI Commercial & International Bank Limited.

** The Government of India had issued the "Acquisition of State Bank of Indore Order, 2010" vide order dated July 28, 2010 (the "Order"). In terms of this Order, the entire undertaking of State Bank of Indore shall stand transferred to and vested in the Bank from the 30th day from the date of the Order, i.e. from August 26, 2010. The aforesaid Order has been issued under section 35(2) of the Act.*

Foreign Banking Subsidiaries:

1. SBI International (Mauritius) Ltd.;
2. State Bank of India (California);
3. State Bank of India (Canada);
4. PT Bank SBI Indonesia;
5. Commercial Bank of India LLC, Moscow; and
6. Nepal SBI Bank Ltd.

Domestic Non-Banking Subsidiaries:

1. SBI Capital Markets Limited;
2. SBI Mutual Fund Trustee Company Private Limited;
3. SBI CAP Securities Limited;
4. SBI Custodial Services Private Limited;
5. SBI DFHI Limited;
6. SBI CAPS Ventures Limited;
7. SBI CAP Trustee Company Limited;
8. SBI Cards and Payment Services Private Limited;
9. SBI Funds Management Private Limited;
10. SBI Life Insurance Company Limited;
11. SBI Global Factors Limited;
12. SBI Pension Funds Private Limited;
13. SBI General Insurance Company Limited; and
14. SBI Payment Services Private Limited.

Foreign Non-Banking Subsidiaries:

1. SBI CAP (UK) Ltd.; and
2. SBI Funds Management (International) Pvt. Ltd.

The following is the list of Associate Banks as on March 31, 2010:

Regional Rural Banks

1. Andhra Pradesh Grameena Vikas Bank;
2. Arunachal Pradesh Rural Bank;
3. Cauvery Kalpatharu Grameena Bank;

4. Chhattisgarh Gramin Bank;
5. Deccan Grameena Bank;
6. Ellaquai Dehati Bank;
7. Meghalaya Rural Bank;
8. Krishna Grameena Bank;
9. Langpi Dehangi Rural Bank;
10. Madhya Bharat Gramin Bank;
11. Malwa Gramin Bank;
12. Marwar Ganganagar Bikaner Gramin Bank;
13. Mizoram Rural Bank;
14. Nagaland Rural Bank;
15. Parvatiya Gramin Bank;
16. Purvanchal Kshetriya Gramin Bank;
17. Samastipur Kshetriya Gramin Bank;
18. Saurashtra Grameena Bank;
19. Utkal Gramya Bank;
20. Uttaranchal Gramin Bank;
21. Vananchal Gramin Bank; and
22. Vidisha Bhopal Kshetriya Gramin Bank.

Other Associates

1. SBI Home Finance Limited;
2. Clearing Corporation of India Limited;
3. Bank of Bhutan; and
4. S.S. Ventures Services Limited.

The following is the list of Joint Venture Companies of the Bank as on March 31, 2010:

1. Macquarie SBI Infrastructure Management Pte. Ltd.;
2. Macquarie SBI Infrastructure Trustee Ltd.;
3. SBI Macquarie Infrastructure Management Private Limited;
4. SBI Macquarie Infrastructure Trustee Private Limited;
5. GE Capital Business Process Management Services Private Limited; and
6. C-Edge Technologies Limited;

AUDITOR EXAMINATION REPORT AND FINANCIAL STATEMENTS

Auditors' report as required by Part II of Schedule II of the Companies Act, 1956

To,
The Board of Directors,
State Bank of India,
State Bank Bhavan,
Madam Cama Road,
Mumbai - 400 021

Dear Sirs,

Re: Proposed initial public issue by the State Bank of India (the "Issuer / Bank ") of Lower Tier II Bonds of face value of Rs. 10,000 each (the "Bonds") aggregating to Rs. 5,000 million, with an option to retain over-subscription upto Rs. 5,000 million by way of issuance of additional bonds aggregating to a total of upto Rs. 10,000 million (the "Issue")

We have examined the attached Audited unconsolidated and consolidated financial statements of State Bank of India (the "Bank"), which is proposed to be included in this Prospectus of the Bank in connection with the proposed issue of the Lower Tier II Bonds of face value of Rs. 10,000 each (the "Bonds") aggregating to Rs. 5000 million with an option to retain over subscription of Rs. 5000 million for issuance of additional Bonds in terms of requirement of Paragraph B, Part-II of Schedule II to the Companies Act, 1956, the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued by the Securities and Exchange Board of India, amended from time to time and in terms of our Engagement Letter dated September 20, 2010. The financial statements have been prepared by the Bank.

We have examined these financial statements taking into consideration the Guidance Note on Reports in Company Prospectus (Revised) issued by the Institute of Chartered Accountants of India, except that these financial statements have not been adjusted for the changes in accounting policies retrospectively in the respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods and for adjustment of amounts pertaining to previous years in the respective financial years to which they relate.

1. **Financial Information as per Audited Unconsolidated Financial Statements of the Bank**
   We have examined the following attached statements of the Bank:
   a) the "Statement of Assets and Liabilities (Unconsolidated)" as at 31st March 2010, 31st March 2009, 31st March 2008, 31st March 2007 and 31st March 2006 and the Schedules forming part thereof;
   b) the "Statement of Profits and Losses (Unconsolidated)" for the year ended 31st March 2010, 31st March 2009, 31st March 2008, 31st March 2007 and 31st March 2006 and the Schedules forming part thereof, and
   c) the "Statement of Cash Flows (Unconsolidated)" for the year ended 31st March 2010, 31st March 2009, 31st March 2008, 31st March 2007 and 31st March 2006,

2. **Financial Information as per Audited Consolidated Financial Statements of the Bank**
   We have examined the following attached statements of the Bank:
   a) the "Statement of Assets and Liabilities (Consolidated)" as at 31st March 2010, 31st March 2009, 31st March 2008, 31st March 2007 and 31st March 2006 and the Schedules forming part thereof;
   b) the "Statement of Profits and Losses (Consolidated)" for the year ended 31st March 2010, 31st March 2009, 31st March 2008, 31st March 2007 and 31st March 2006 and the Schedules forming part thereof, and
   c) the "Statement of Cash Flows (Consolidated)" for the year ended 31st March 2010, 31st March 2009, 31st March 2008, 31st March 2007 and 31st March 2006,

   both 1 and 2 together referred to as "Summary Financial Statements".

3. The Audited Unconsolidated Financial Statements for the years ended March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006 were prepared in accordance with generally accepted accounting standards in India and reported upon by the auditors of the Issuer for the respective years as mentioned

hereunder:

As at/ Year ended	Name of the auditors
March 31, 2006	B. M. Chatrath & Co.; Khandelwal Jain & Co.; RGN Price & Co.; G.S. Mathur & Co.; Vinay Kumar & Co.; M M Nissim & Co.; Laxminiwas & Jain; Chaturvedi & Co.; S K Mittal & Co.; Kanwalia Co.; M Choudhury & Co.; K P Rao & Co.; Vardhaman & Co. Incorporated in the said financial statements are the accounts of : i. 8678 Indian Branches audited by other auditors ii. 25 Foreign Branches audited by the local auditors and iii. 457 other Indian Branches, the unaudited returns of which are certified by the Branch Mangers
March 31, 2007	M M Nissim & Co.; Khandelwal Jain & Co.; RGN Price & Co.; S K Mittal & Co.; Vinay Kumar & Co.; D P Sen & Co.; Laxminiwas & Jain; Chaturvedi & Co.; Jain Kapila Associates; Datta Singla & Co.; M. Choudhary & Co.; G M Kapadia Co.; Vardhaman & Co. Incorporated in the said financial statements are the accounts of : i. 7756 Indian Branches audited by other auditors ii. 30 Foreign Branches audited by the local auditors and iii. 1719 other Indian Branches, the unaudited returns of which are certified by the Branch Mangers
March 31, 2008	D P Sen & Co.; Khandelwal Jain & Co.; RGN Price & Co.; S K Mittal & Co.; Vinay Kumar & Co.; M M Nissim & Co.; Laxminiwas & Jain; V.K. Jindal & Co.; Jain Kapila Associates; A.K. Sabat and Co.; Datta Singla & Co.; Dutta Sarkar & Co.; G M Kapadia Co.; Vardhaman & Co. Incorporated in the said financial statements are the accounts of : i. 8171 Indian Branches audited by other auditors ii. 35 Foreign Branches audited by the local auditors and iii. 2306 other Indian Branches, the unaudited returns of which are certified by the Branch Mangers
March 31, 2009	D.P. Sen & Co.; G.M. Kapadia & Co.; R.G.N. Price & Co.; S.K. Mittal & Co.; Vardhaman & Co.; V.K. Jindal & Co.; Jain Kapila Associates; A.K. Sabat & Co.; Datta Singla & Co.; Dutta Sarkar & Co.; Gupta & Shah; Guha Nandi & Co.; A.R. Viswanathan & Co.; Chokshi & Chokshi Incorporated in the said financial statements are the accounts of : i. 9255 Indian Branches audited by other auditors ii. 40 Foreign Branches audited by the local auditors and iii. 2504 other Indian Branches, the unaudited returns of which are certified by the Branch Mangers
March 31, 2010	B. M. Chatrath & Co.; Kalyaniwalla & Mistry; Essveeyar; K. K. Soni & Co.; Venugopal & Chenoy; V. K. Jindal & Co.; K. G. Somani & Co.; A. K. Sabat & Co.; M. Verma & Associates; Dutta Sarkar & Co.; Gupta & Shah; K. C. Mehta & Co.; Dagliya & Co.; Krishnamoorthy & Krishnamoorthy Incorporated in the said financial statements are the accounts of : i. 9827 Indian Branches audited by other auditors ii. 44 Foreign Branches audited by the local auditors and iii. 2632 other Indian Branches, the unaudited returns of which are certified by the Branch Mangers

4. The Audited Consolidated Financial Statements for the years ended March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006 were prepared in accordance with generally accepted accounting

standards in India and reported upon by the auditors of the Issuer for the respective years as mentioned hereunder:

As at/ Year ended	Name of the auditors
March 31, 2006	B.M. Chatrath & Co.
March 31, 2007	M.M Nissim & Co.
March 31, 2008	M.M Nissim & Co.
March 31, 2009	R.G.N. Price & Co.
March 31, 2010	A.K. Sabat & Co.

The aforesaid Audited Consolidated Financial Statements include figures of the subsidiaries, joint ventures and associates, which were audited by their respective auditors who were appointed as per the applicable statutory provisions.

5. The said Summary Financial Statements have been extracted from the audited unconsolidated and audited consolidated financial statements of the Bank as audited by above mentioned auditors for the respective years and based on our examination of these Summary Statements, we state that:
   a) These Summary Financial Statements have been presented in "Rs. millions" solely for the convenience of readers,
   b) These Summary Financial Statements have to be read in conjunction with the relevant Accounting Policies of the Bank along with the notes forming part of accounts given as per Schedule 18 Notes to Accounts which are stated in "Rs. Crore"
   c) The figures of earlier years/period have been regrouped wherever necessary, to conform to the classification adopted for the Summary Financial Statements;
   d) There are no extra-ordinary items that need to be disclosed separately in the Summary Financial Statements; and
   e) There are no qualifications in the auditor's reports that require adjustments to the figures in the Summary Statements.

6. Based on our examination of the Audited financial statements of the bank for the years ended March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006 and the information and explanations furnished by the Bank, we report that:

   a) There have not been any material changes in the activities of the bank, which may have had a material effect on the statement of profit/loss for the last five years.

   b) There has not been any discontinuance in the lines of business, loss of agencies or markets.

   c) There has not been any change in the share capital since the date as of which the financial information has been disclosed in the Draft Offer document.

7. Our report is intended solely for use of the management and for inclusion in the Draft Prospectus & Prospectus in connection with the proposed Issue by the Bank. Our report should not be used for any other purpose except with our consent in writing.

For and on behalf of,
Kalyaniwalla & Mistry
Chartered Accountants
Firm Registration No. 104607W

Viraf R. Mehta
Partner
Membership No. 32083
Place: Mumbai
Date: September 20, 2010

ANNEXURE 1

SUMMARISED STATEMENT OF ASSETS & LIABILITIES (UNCONSOLIDATED)

(Rs. in Millions)

CAPITAL AND LIABILITIES		As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
Schedule 1	Capital	5,262.99	5,262.99	6,314.70	6,348.80	6,348.83
Schedule 2	Reserves & Surplus	271,177.88	307,722.58	484,011.92	573,128.17	653,143.16
Schedule 3	Deposits	3,800,460.55	4,355,210.90	5,374,039.41	7,420,731.28	8,041,162.27
Schedule 4	Borrowings	306,412.44	397,033.35	517,274.11	840,579.29	1,030,116.01
Schedule 5	Other Liabilities and Provisions	556,975.69	600,422.58	833,622.98	803,533.27	803,367.04
Total		**4,940,289.55**	**5,665,652.40**	**7,215,263.12**	**9,644,320.81**	**10,534,137.31**
ASSETS						
Schedule 6	Cash and balances with Reserve Bank of India	216,527.04	290,764.25	515,346.16	555,461.73	612,908.65
Schedule 7	Balances with banks and money at call & short notice	229,072.97	228,922.65	159,317.19	488,576.26	348,929.76
Schedule 8	Investments	1,625,342.41	1,491,488.83	1,895,012.71	2,759,539.57	2,857,900.71
Schedule 9	Advances	2,618,009.36	3,373,364.94	4,167,681.96	5,425,032.04	6,319,141.52
Schedule 10	Fixed Assets	27,529.34	28,188.67	33,734.81	38,378.47	44,129.07
Schedule 11	Other Assets	223,808.43	252,923.06	444,170.29	377,332.74	351,127.60
Total		**4,940,289.55**	**5,665,652.40**	**7,215,263.12**	**9,644,320.81**	**10,534,137.31**
Schedule 12	Contingent Liabilities	2,288,813.77	3,065,900.16	8,107,964.81	7,236,997.57	5,484,468.85
Bill for Collection		205,929.54	233,675.11	189,468.00	438,705.67	479,223.28

Profit and loss Account (Unconsolidated)

(Rs. in Millions)

	31.03.2006	31.03.2007	31.03.2008	31.03.2009	31.03.2010
I. INCOME					
Interest earned (Schedule 13)	359,795.69	394,910.25	489,503.08	637,884.34	709,939.17
Other Income (Schedule 14)	74,352.02	57,692.48	86,949.27	126,907.89	149,681.53
Total	**434,147.71**	**452,602.73**	**576,452.35**	**764,792.23**	**859,620.70**
II. EXPENDITURE					
Interest expended (Schedule 15)	203,904.47	234,368.21	319,290.77	429,152.94	473,224.78
Operating expenses (Schedule 16)	117,250.98	118,235.17	126,086.06	156,487.04	203,186.80
Provisions and contingencies	68,925.55	54,586.29	63,784.28	87,939.98	91,548.59
Total	**390,081.00**	**407,189.67**	**509,161.11**	**673,579.96**	**767,960.17**
III. PROFIT					
Net Profit for the year	44,066.72	45,413.06	67,291.24	91,212.27	91,660.53
Profit brought forward	3.39	3.39	3.39	3.39	3.39
Transfer from General Reserve	-	28.86	0.94	-	-
Total	**44,070.11**	**45,445.31**	**67,295.57**	**91,215.66**	**91,663.92**
APPROPRIATIONS					
Transfer to Statutory reserves	29,337.74	33,581.13	48,390.72	52,917.93	63,810.89
Transfer to Investment reserve	-	-	621.79	-	-
Transfer to Capital reserve	1,152.20	0.39	44.40	8,265.53	1,140.55
Transfer to Revenue and other reserves	5,175.20	3,240.00	3,000.00	3,068.93	5,295.06
Dividend	-	-	-	-	-
Interim Dividend	-	-	-	-	6,348.80
Final Dividend Proposed	7,368.18	7,368.18	13,576.61	18,411.53	12,697.68
Tax on Dividend	1,033.39	1,252.22	1,658.66	2,480.35	2,367.55
Loss from State Bank of Saurashtra	-	-	-	6,068.00	-
Balance carried over to Balance Sheet	3.39	3.39	3.39	3.39	3.39
Total	**44,070.11**	**45,445.31**	**67,295.57**	**91,215.66**	**91,663.92**
Basic Earnings per Share	83.73	86.29	126.62	143.77	144.37
Diluted Earnigs per share	83.73	86.29	126.50	143.77	144.37

ANNEXURE 3

SUMMARY STATEMENT OF CASH FLOW (UNCONSOLIDATED)

(Rs. in millions)

For the Year ended	**31-Mar-06**	**31-Mar-07**	**31-Mar-08**	**31-Mar-09**	**31-Mar-10**
Cash flow from Operating Activities	56,023.07	-17,760.70	-8,568.65	2,94,797.29	-18,049.90
Cash flow from Investing Activities	-7,394.34	-2,845.58	-27,980.12	-16,519.30	-17,615.23
Cash flow from Financing Activities	3,695.93	94,941.13	1,93,711.16	50,973.84	-33,596.70
Cash flows on account of exchange fluctuations	54.36	-247.96	-2,185.94	20,581.62	-12,937.74
Cash Received from acquision of the e-SBS	-	-	-	19,541.19	0.00
Net change in cash and cash equivalents	**52,379.02**	**74,086.90**	**1,54,976.45**	**3,69,374.64**	**-82,199.57**
Cash and cash equivalents - Opening	3,93,220.99	4,45,600.01	5,19,686.90	6,74,663.35	10,44,037.99
Cash and cash equivalents - Closing	4,45,600.01	5,19,686.90	6,74,663.35	10,44,037.99	9,61,838.42
Cash flow from Operating Activities					
Net Profit before taxes	**69,061.53**	**76,250.79**	**1,04,389.00**	**1,41,806.43**	**1,39,260.96**
ADJUSTMENTS FOR:					
Depreciation charge	7,291.32	6,023.92	6,799.79	7,631.41	9,326.64
(Profit)/Loss on sale of fixed assets	-19.39	-121.27	-110.41	-29.54	104.56
Provision for NPAs	1,478.01	14,295.03	20,009.36	24,749.57	51,478.53
Provision for Standard Assets	4,051.72	5,891.90	5,669.67	3,748.16	800.58
Provision for Leave Encashment	781.90	850.00	880.00	-8.10	0.00
Depreciation on Investments:					
Depreciation/Revaluation of Investments /	34,560.74	14889.52	-10350.20	32738.97	-30,853.88
Loss on revaluation of Investments	0.00				
Provision for Subs/JVs/RRBs	-1,447.48	-84.94	-350.26	0.00	0.00
Provision on Other Assets and Other Provisions	-583.96	-230.56	1364.56	1784.46	1,355.01
Deferred Revenue Expenditure w/o during the year	-	-	-	-	-
Dividend from subsidiaries (investing activity)	-3,171.83	-5,969.68	-1,974.01	-4,096.03	-5,734.83
Interest paid on bonds (financing activity)	4,011.14	8,474.29	17,114.09	19,004.27	25,386.72
Goodwill e-SBS Written Off	-	-	-	6.56	0.00
LESS: Direct Taxes	-5,251.61	-42,821.25	-42,355.38	-72,794.64	-69,148.68
Sub-Total	**1,10,762.09**	**77447.75**	**1,01,086.17**	**1,54,541.52**	**1,21,975.61**
Other adjustments:					
Increase/(Decrease) in Deposits	1,29,985.29	5,54,750.34	10,18,828.52	18,89,477.65	6,20,430.99
Increase/(Decrease) in Borrowings	1,14,569.31	90,620.91	1,20,240.76	-12,705.42	173175.60
(Increase)/Decrease in Investments	3,62,060.75	74506.79	-3,74,636.39	-8,28,810.90	-59,338.99
(Increase)/Decrease in Advances	-5,95,742.82	-7,69,650.61	-8,14,326.39	-11,57,822.66	-9,45,588.00
Increase/(Decrease) in Other Liabilities & Provisions	-5,254.01	-33371.51	1,30,153.95	1,56,447.98	24,401.21
(Increase)/Decrease in Other Assets	-60,357.54	-12,064.37	-1,89,915.27	93,669.12	46,893.68
Net Cash provided by Operating Activities	**56,023.07**	**-17,760.70**	**-8,568.65**	**2,94,797.29**	**-18,049.90**

(Rs. in millions)

For the Year ended	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10
Cash flow from Investing Activities					
(Increase)/Decrease in Investments in Subsidiaries/Joint Ventures/Associates	-2,741.81	-2,253.28	-17,718.65	-9,236.60	-8,168.27
Income earned on investments in Subsidiaries/ Joint Ventures/Associates	3,171.83	5,969.20	1,974.05	4,096.03	5,734.83
(Increase)/Decrease in Fixed Assets	-7,824.36	-6,561.98	-12,235.52	-11,378.73	-15,181.79
Net Cash provided by Investing Activities	**-7,394.34**	**-2,845.58**	**-27,980.12**	**-16,519.30**	**-17,615.23**
Cash flow from Financing Activities					
Share Capital	-	-	1,051.71	34.10	0.02
Share Premium	-	-	1,65,883.94	5,589.58	3.83
Net proceeds/ (repayment) of bonds(including subordinated debts)	15,223.30	1,11,817.00	52,510.00	79,675.60	20,000.00
Interest paid on Bonds	-4,011.14	-8,474.29	-17,114.08	-19,004.27	-25,386.72
Dividend paid	-7,516.23	-8,401.58	-8,620.41	-15,321.17	-28,213.83
Net Cash provided by Financing Activities	**3,695.93**	**94,941.13**	**1,93,711.16**	**50,973.84**	**-33,596.70**
Cash flows on account of					
Exchange Fluctuation:					
Revaluation of Sub ordinate Bonds	-	-	-1,291.72	6,625.00	-3,638.88
Reserves of foreign subsidiaries/foreign offices	54.36	-247.96	-894.22	13956.62	-9,298.86
Net cash flows on account of	**54.36**	**-247.96**	**-2,185.94**	**20,581.62**	**-12,937.74**
Exchange Fluctuation					
Cash and Cash equivalents -Received on account of Acquisition of State bank of Saurashtra					
Cash in hand (including FC notes & gold)	-	-	-	1,007.76	0.00
Balances with Reserve Bank of India	-	-	-	17,565.49	0.00
Balances with Banks & MACSN	-	-	-	967.94	0.00
Total	-	-	-	**19,541.19**	**0.00**
Cash and Cash equivalents - Opening:					
Cash in hand (including FC notes & gold)	14,361.60	20,802.31	25,301.19	32,203.11	42,955.16
Balances with Reserve Bank of India	1,53,741.70	1,95,724.73	2,65,463.06	4,83,143.05	5,12,506.57
Balances with Banks & MACSN	2,25,117.69	2,29,072.97	2,28,922.65	1,59,317.19	4,88,576.26
Total	**3,93,220.99**	**4,45,600.01**	**5,19,686.90**	**6,74,663.35**	**10,44,037.99**
Cash and Cash equivalents - Closing:					
Cash in hand (including FC notes & gold)	20,802.31	25,301.19	32,203.11	42,955.16	68,410.13
Balances with Reserve Bank of India	1,95,724.73	2,65,463.06	4,83,143.05	5,12,506.57	5,44,498.53
Balances with Banks & MACSN	2,29,072.97	2,28,922.65	1,59,317.19	4,88,576.26	3,48,929.76
Total	**4,45,600.01**	**5,19,686.90**	**6,74,663.35**	**10,44,037.99**	**9,61,838.42**

SCHEDULES - SUMMARISED STATEMENT OF ASSETS & LIABILITIES (UNCONSOLIDATED)

Schedule 1 Capital	**As on 31.03.2006**	**As on 31.03.2007**	**As on 31.03.2008**	**As on 31.03.2009**	**As on 31.03.2010**
Authorised Capital - 100,00,00,000 equity shares of Rs.10/- each	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Issued Capital	5,262.99	5,262.99	6,315.59	6,349.69	6,349.69
Subscribed and Paid up Capital	5,262.99	5,262.99	6,314.70	6,348.80	6,348.83
	5,262.99	**5,262.99**	**6,314.70**	**6,348.80**	**6,348.83**

Schedule 2 Reserves & Surplus	As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
I. Statutory Reserves					
Opening Balance	140,871.49	170,209.24	203,790.37	252,181.09	307,266.89
Additions during the year	29,337.75	33,581.13	48,390.72	55,085.80	63,810.89
Deductions during the year	-	-	-	-	-
	170,209.24	**203,790.37**	**252,181.09**	**307,266.89**	**371,077.78**
II. Capital Reserves					
Opening Balance	3,028.85	4,181.05	4,181.44	4,225.84	12,673.07
Additions during the year	1,152.20	0.39	44.40	8,447.23	1,140.55
Deductions during the year	-	-	-	-	-
	4,181.05	**4,181.44**	**4,225.84**	**12,673.07**	**13,813.62**
III. Share Premium					
Opening Balance	35,105.73	35,105.73	35,105.73	200,989.68	206,579.25
Additions during the year	-	-	166,170.97	5,601.70	3.83
Deductions during the year	-	-	287.03	12.12	-
	35,105.73	**35,105.73**	**200,989.67**	**206,579.26**	**206,583.08**
IV. Investment Reserve					
Opening Balance	52,538.94	-	-	621.79	-
Additions during the year	-	-	621.79	-	-
Deductions during the year	52,538.94	-	-	621.79	-
	-	**-**	**621.79**	**-**	**-**
V. Foreign currency Translation Reserve					
Opening Balance	2,879.64	2,934.00	2,686.04	1,791.81	15,748.43
Additions during the year :	54.36	-	-	13,956.62	-
Deductions during the year	-	247.96	894.22	-	9,298.87
	2,934.00	**2,686.04**	**1,791.82**	**15,748.43**	**6,449.56**
VI. Revenue and Other Reserves*					
Opening Balance	1,030.33	58,744.46	61,955.61	24,198.31	30,857.13
Additions during the year :	57,714.14	3,240.40	3,000.00	6,744.71	24,358.60
Deductions during the year	-	29.26	40,757.29	85.89	-
	58,744.47	**61,955.70**	**24,198.32**	**30,857.13**	**55,215.73**
Balance of Profit and Loss Account	**3.39**	**3.39**	**3.39**	**3.39**	**3.39**
Total	**271,177.88**	**307,722.58**	**484,011.92**	**573,128.17**	**653,143.16**

Schedule 3 Deposits

	As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
I. Demand Deposits					
(i) From Banks	70,135.06	109,748.10	123,134.07	107,618.42	89,044.70
(ii) From Others	609,821.44	710,231.64	858,201.23	999,917.34	1,136,749.63
II. Savings Bank Deposits	1,127,239.21	1,291,364.97	1,542,292.87	1,982,242.69	2,574,602.98
III. Term Deposits					
(i) From Banks	51,830.94	46,134.86	70,654.77	136,571.60	143,378.31
(ii) From Others	1,941,433.90	2,197,731.33	2,779,756.47	4,194,381.23	4,097,386.65
Total	**3,800,460.55**	**4,355,210.90**	**5,374,039.41**	**7,420,731.28**	**8,041,162.27**
I. Deposits of Branches in India	3,662,285.35	4,199,367.65	5,146,760.68	7,100,315.12	7,647,174.85
II. Deposits of Branches outside India	138,175.20	155,843.25	227,278.73	320,416.16	393,987.42
Total	**3,800,460.55**	**4,355,210.90**	**5,374,039.41**	**7,420,731.28**	**8,041,162.27**

Schedule 4 Borrowings

	As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
I. Borrowings in India					
(i) Reserve Bank of India	-	10,000.00	13,000.00	-	-
(ii) Other Banks	10,000.00	12,548.06	78,535.84	9,199.46	81,783.36
(iii) Other Institutions and Agencies	56,423.82	35,649.67	36,489.56	27,583.59	12,922.95
(iv) Subordinated Debts and Bonds	-	-	-	271,744.00	291,744.00
TOTAL BORROWINGS IN INDIA	**66,423.82**	**58,197.73**	**128,025.40**	**308,527.05**	**386,450.31**
II. Borrowings outside India					
(i) Borrowings and Refinance outside India	239,988.62	338,835.62	389,248.71	500,353.77	615,606.11
(ii) Subordinated Debts and Bonds	-	-	-	31,698.47	28,059.59
TOTAL BORROWINGS OUTSIDE INDIA	**239,988.62**	**338,835.62**	**389,248.71**	**532,052.24**	**643,665.70**
TOTAL BORROWINGS	**306,412.44**	**397,033.35**	**517,274.11**	**840,579.29**	**1,030,116.01**
Secured borrowings included in I & II above	44,235.97	46,505.40	43,678.78	28,716.04	83,336.63

<u>**Schedule 5 Other Liabilities and Provisions**</u>	**As on 31.03.2006**	**As on 31.03.2007**	**As on 31.03.2008**	**As on 31.03.2009**	**As on 31.03.2010**
I. Bills payable	172,937.60	202,767.98	191,599.04	189,298.76	210,982.58
II. Inter-office adjustments (net)	114,352.41	-	-	57,067.16	114,748.30
III. Interest accrued	36,879.85	39,480.69	50,922.18	69,181.55	66,051.94
IV. Deferred Tax Liability	-	4,836.75	-	-	-
V. Others (including provisions)	232,805.83	353,337.16	591,101.76	487,985.80	411,584.22
Total	**556,975.69**	**600,422.58**	**833,622.98**	**803,533.27**	**803,367.04**

Schedule 6 Cash and Balances with Reserve Bank of India	As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
I Cash in hand (including foreign currency notes and gold)	20,802.31	25,301.19	32,203.11	42,955.16	68,410.13
II Balance with Reserve Bank of India					
(i) In Current Account	195,724.73	265,463.06	209,006.04	512,481.44	544,473.32
(ii) In Other Accounts	-	-	274,137.01	25.13	25.20
Total	**216,527.04**	**290,764.25**	**515,346.16**	**555,461.73**	**612,908.65**

<u>Schedule 7 Balances with Banks and Money at Call & Short Notice</u>	As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
I. In India					
(i) Balances with banks					
(a) In Current Accounts	5,998.02	9,966.80	11,051.94	9,262.08	9,759.41
(b) In Other Deposit Accounts	27.72	-	26,083.19	106,889.95	111,751.28
(ii) Money at call and short notice	-	-	-	-	-
(a) With banks	80,810.62	65,032.94	67,590.00	132,071.74	-
(b) With other institutions	-	-	-	-	-
Total	**86,836.36**	**74,999.74**	**104,725.13**	**248,223.77**	**121,510.68**
II. Outside India					
(i) In Current Accounts	19,195.28	18,357.50	12,523.19	136,565.44	162,092.12
(ii) In Other Deposit Accounts	32,422.26	24,109.16	7,491.53	13,269.39	6,531.05
(iii) Money at call and short notice	90,619.07	111,456.25	34,577.34	90,517.66	58,795.91
Total	**142,236.61**	**153,922.91**	**54,592.06**	**240,352.49**	**227,419.08**
GRAND Total	**229,072.97**	**228,922.65**	**159,317.19**	**488,576.26**	**348,929.76**

Schedule 8 Investments	As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
I. Investments in India in :					
(i) Government Securities	1,346,440.56	1,177,031.11	1,407,340.37	2,262,174.70	2,267,060.16
(ii) Other approved securities	35,351.85	33,430.59	27,382.52	18,926.80	10,351.26
(iii) Shares	13,848.77	23,046.52	45,025.37	45,904.18	71,993.73
(iv) Debentures and Bonds	101,004.44	86,907.13	176,287.76	148,889.78	161,274.32
(v) Subsidiaries and/ or Joint Ventures (Including Associates)	20,209.40	22,208.74	37,664.60	36,170.12	42,856.06
(vi) Others (Units of Mutual Funds, Commercial Papers etc)	56,007.03	90,739.13	149,600.40	182,645.18	222,149.09
Total	**1,572,862.05**	**1,433,363.22**	**1,843,301.02**	**2,694,710.76**	**2,775,684.62**
II. Investments outside India in					
(i) Government Securities (including local authorities)	6,473.26	5,677.16	3,942.34	7,425.93	20,095.15
(ii) Subsidiaries and/or Joint Ventures abroad	3,101.15	3,524.98	6,138.03	12,554.60	14,036.91
(iii) Other Investments (Shares, Debentures etc.)	42,905.95	48,923.47	41,631.32	44,848.28	48,084.03
Total	**52,480.36**	**58,125.61**	**51,711.69**	**64,828.81**	**82,216.09**
GRAND TOTAL (I+II)	**1,625,342.41**	**1,491,488.83**	**1,895,012.71**	**2,759,539.57**	**2,857,900.71**
III. Investments in India					
(i) Gross Value of Investments	1,634,309.95	1,445,800.12	1,852,784.25	2,708,863.94	2,780,816.00
(ii) Less: Aggregate of Provisions / Depreciation	61,447.90	12,436.90	9,483.23	14,153.18	5,131.39
(iii) Net Investments (vide I above)					
TOTAL	**1,572,862.05**	**1,433,363.22**	**1,843,301.02**	**2,694,710.76**	**2,775,684.61**
IV. Investments outside India					
(i) Gross Value of Investments	52,600.05	58,233.15	52,042.66	67,951.96	84,091.89
(ii) Less: Aggregate of Provisions / Depreciation	119.69	107.54	330.97	3,123.15	1,875.79
(iii) Net Investments (vide II above)					
TOTAL	52,480.36	58,125.61	51,711.69	64,828.81	82,216.10
GRAND TOTAL	**1,625,342.41**	**1,491,488.83**	**1,895,012.71**	**2,759,539.57**	**2,857,900.71**

Schedule 9 Advances		As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
A	**I. Bills purchased and discounted**	248,537.49	307,871.02	367,334.90	471,839.66	427,747.32
	II. Cash credits, overdrafts and loans repayable on demand	958,567.73	1,254,761.73	1,520,000.00	2,236,799.27	2,751,504.96
	III. Term loans	1,410,904.14	1,810,732.19	2,280,347.06	2,716,393.11	3,139,889.24
Total		**2,618,009.36**	**3,373,364.94**	**4,167,681.96**	**5,425,032.04**	**6,319,141.52**
B	**I. Secured by tangible assets (includes advances against Book Debt)**	1,800,218.89	2,333,368.10	2,842,310.62	3,500,269.24	4,106,598.93
	II. Covered by Bank/Government Guarantees	209,271.92	217,190.92	202,447.57	786,012.40	853,686.68
	III. Unsecured	608,518.55	822,805.92	1,122,923.77	1,138,750.40	1,358,855.91
Total		**2,618,009.36**	**3,373,364.94**	**4,167,681.96**	**5,425,032.04**	**6,319,141.52**
C	**I. Advances in India**					
	(i) Priority Sectors	800,128.80	1,020,158.51	1,192,305.12	1,436,375.63	1,705,682.08
	(ii) Public Sector	228,970.12	271,649.21	230,250.03	362,415.50	489,559.23
	(iii) Banks	6,501.16	26,963.18	776.62	3,342.17	2,656.94
	(iv) Others	1,312,958.70	1,674,063.59	2,182,951.70	2,765,029.09	3,159,641.37
Total		**2,348,558.78**	**2,992,834.49**	**3,606,283.47**	**4,567,162.39**	**5,357,539.62**
	II. Advances outside India					
	(i) Due from banks	22,386.72	28,343.44	21,351.62	44,117.98	156,571.73
	(ii) Due from others	-	-	-	-	-
	(a) Bills purchased and discounted	82,291.66	104,489.42	155,434.05	293,085.88	252,940.29
	(b) Syndicated loans	63,887.25	126,055.01	198,566.22	270,944.71	264,752.11
	(c) Others	100,884.95	121,642.58	186,046.60	249,721.08	287,337.77
Total		**269,450.58**	**380,530.45**	**561,398.49**	**857,869.65**	**961,601.90**
Grand Total		**2,618,009.36**	**3,373,364.94**	**4,167,681.96**	**5,425,032.04**	**6,319,141.52**

<u>Schedule 10 Fixed Assets</u>	As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
I. A. Premises					
At cost as on 31st March of the preceding year	12,144.63	13,464.60	14,486.28	14,884.46	15,910.41
Additions (including adjustments*) during the year	1,330.18	1,053.04	402.01	1,040.75	1,074.93
Deductions during the year	10.21	31.36	3.83	14.80	72.14
Depreciation to date	4,413.32	4,989.29	5,573.03	6,379.06	7,020.08
	9,051.28	**9,496.99**	**9,311.43**	**9,531.35**	**9,893.12**
II. Other Fixed Assets (including furniture and fixtures)					
At cost as on 31st March of the preceeding year	42,750.07	49,815.65	54,931.93	65,617.33	78,865.35
Additions (including adjustments*) during the year	8,960.66	6,350.85	11,453.49	13,457.23	14,308.28
Deductions during the year	1,895.08	1,234.57	768.09	209.20	299.07
Depreciation to date	34,112.15	38,553.72	43,979.93	52,713.23	61,592.48
	15,703.50	**16,378.21**	**21,637.40**	**26,152.13**	**31,282.08**
III. Leased Assets					
At cost as on 31st March of the preceeding year	13,313.62	11,909.38	11,201.04	9,381.69	9,254.83
Additions during the year	-	-	-	-	-
Deductions during the year	1,404.24	708.34	1,819.35	126.87	726.31
Depreciation to date including provision	8,991.83	9,608.75	8,885.41	9,217.78	8,528.52
Sub Total	**2,917.55**	**1,592.29**	**496.28**	**37.04**	**0.00**
Less : Lease Adjustment and Provisions	941.19	698.35	52.89	(23.58)	(2.03)
	1,976.36	**893.94**	**443.39**	**60.62**	**2.03**
IV. Assets under Construction (including premises)	**798.20**	**1,419.53**	**2,342.59**	**2,634.37**	**2,951.84**
Total	**27,529.34**	**28,188.67**	**33,734.81**	**38,378.47**	**44,129.07**

Schedule 11 Other Assets		**As on 31.03.2006**	**As on 31.03.2007**	**As on 31.03.2008**	**As on 31.03.2009**	**As on 31.03.2010**
(i)	Inter-office adjustments (net)	-	2,169.62	113,405.33	-	-
(ii)	Interest accrued	47,248.45	50,203.08	62,981.45	67,295.05	76,850.09
(iii)	Tax paid in advance/tax deducted at source	3,526.72	21,524.36	24,778.67	36,428.12	43,910.77
(iv)	Deferred Tax Assets (net)	1,177.93	-	420.46	10,268.87	25,120.89
(v)	Stationery and stamps	823.20	786.13	956.01	956.59	1,024.52
(vi)	Non-banking assets acquired in satisfaction of claims	3.52	3.49	3.49	3.51	3.49
(vii)	Others	**171,028.61**	**178,236.38**	**241,624.88**	**262,380.60**	**204,217.84**
Total		**223,808.43**	**252,923.06**	**444,170.29**	**377,332.74**	**351,127.60**

Schedule 12 Contingent Liabilities		**As on 31.03.2006**	**As on 31.03.2007**	**As on 31.03.2008**	**As on 31.03.2009**	**As on 31.03.2010**
i)	Claims against the bank not acknowledged as debts	17,048.17	38,089.88	7,997.30	21,918.16	6,554.51
ii)	Liability for partly paid investments	28.00	28.00	28.00	28.00	28.00
iii)	Liability on account of outstanding forward exchange contracts	1,343,502.87	1,972,853.05	3,104,575.17	2,894,292.40	2,450,314.50
iv)	Guarantees given on behalf of constituents					
	(a) In India	207,708.33	237,156.32	351,591.35	465,444.04	644,797.26
	(b) Outside India	61,161.47	139,055.66	145,038.81	264,172.90	365,218.85
v)	Acceptances, endorsements and other obligations	370,254.83	470,506.43	747,060.94	1,090,934.91	1,185,267.11
vi)	Other items for which the bank is contingently liable	289,110.10	208,210.82	3,751,673.24	2,500,207.16	832,288.62
Total		**2,288,813.77**	**3,065,900.16**	**8,107,964.81**	**7,236,997.57**	**5,484,468.85**

SCHEDULES - SUMMARISED STATEMENT OF PROFIT AND LOSS ACCOUNT (UNCONSOLIDATED)

<u>**Interest earned (Schedule 13)**</u>		**As on 31.03.2006**	**As on 31.03.2007**	**As on 31.03.2008**	**As on 31.03.2009**	**As on 31.03.2010**
I.	Interest/discount on advances/bills	176,962.96	248,391.77	352,281.12	464,047.15	506,326.39
II.	Income on investments	139,775.28	114,929.92	119,441.64	155,741.15	177,362.96
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	21,217.30	27,196.03	12,000.74	13,996.15	15,119.22
IV.	Others	21,840.15	4,392.53	5,779.58	4,099.89	11,130.60
Total		**359,795.69**	**394,910.25**	**489,503.08**	**637,884.34**	**709,939.17**

Other Income (Schedule 14)	31.03.2006	31.03.2007	31.03.2008	31.03.2009	31.03.2010
I. Commission, exchange and brokerage	39,961.99	48,045.03	59,142.55	76,172.35	96,408.60
II. Profit on sale of investments (Net)	5,871.71	5,677.81	16,498.39	25,672.90	21,167.92
III. Profit/(Loss) on revaluation of investments (Net)	-	(16,775.14)	(7,035.01)	(5.65)	-
IV. Profit / loss on sale of land, buildings and other assets, including leased Assets (Net)	19.39	121.27	110.41	(29.54)	(104.56)
V. Profit on exchange transactions	10,012.66	3,733.99	6,926.98	11,792.49	15,871.36
VI. Income earned by way of dividends, etc., from subsidiaries/companies and/or joint ventures abroad/in India	3,171.83	5,969.68	1,974.06	4,096.03	5,734.83
VII. Income from financial lease	1,177.91	836.34	318.64	266.70	91.86
VIII. Miscellaneous Income	14,136.53	10,083.50	9,013.27	8,942.61	10,511.52
Total	**74,352.02**	**57,692.48**	**86,949.27**	**126,907.89**	**149,681.53**

Interest expended (Schedule 15)		31.03.2006	31.03.2007	31.03.2008	31.03.2009	31.03.2010
I.	Interest on deposits	181,321.85	190,835.80	270,725.81	379,368.47	433,342.85
II.	Interest on Reserve Bank of India/ Inter-bank borrowings	13,215.58	21,415.55	29,384.40	25,550.10	12,280.48
III.	Others	9,367.04	22,116.86	19,180.56	24,234.37	27,601.45
		-	-	-	-	-
Total		**203,904.47**	**234,368.21**	**319,290.77**	**429,152.94**	**473,224.78**

Operating expenses (Schedule 16)	31.03.2006	31.03.2007	31.03.2008	31.03.2009	31.03.2010
i) Payments to and provisions for employees	81,230.44	79,325.81	77,858.69	97,473.12	127,546.46
ii) Rent, taxes and lighting	7,963.51	8,965.01	9,934.18	12,951.37	15,895.75
iii) Printing and stationery	1,756.39	1,738.73	1,888.78	2,328.21	2,423.24
iv) Advertisement and publicity	1,094.42	884.27	1,732.32	2,512.30	2,240.45
v) (a) Depreciation on Bank's Property (other than Leased Assets)	6,280.23	5,277.48	6,510.42	7,391.24	9,291.55
(b) Depreciation on Leased Assets	1,011.09	746.44	289.37	240.17	35.09
vi) Directors' fees, allowances and expenses	12.33	10.78	12.32	9.98	6.11
vii) Auditors' fees and expenses (including to branch auditors)	635.60	622.83	973.46	1,036.97	1,115.98
viii) Law charges	494.86	573.60	604.51	746.12	966.19
ix) Postages, telegrams, telephones, etc.	1,022.48	1,181.69	2,165.77	2,797.33	3,215.81
x) Repairs and maintenance	1,702.71	1,891.50	2,358.27	1,605.88	3,279.07
xi) Insurance	3,407.64	3,552.86	4,158.44	5,290.19	6,838.34
xii) Other expenditure	10,639.28	13,464.17	17,599.53	22,104.16	30,332.76
Total	**117,250.98**	**118,235.17**	**126,086.06**	**156,487.04**	**203,186.80**

SCHEDULE 17 — PRINCIPAL ACCOUNTING POLICIES

A. BASIS OF PREPARATION

The accompanying financial statements have been prepared under the historical cost convention as modified for derivatives and foreign currency transactions, as enumerated in Part C below. They conform to Generally Accepted Accounting Principles (GAAP) in India, which comprise the statutory provisions, guidelines of regulatory authorities, Reserve Bank of India (RBI), accounting standards/guidance notes issued by the Institute of Chartered Accountants of India (ICAI), and the practices prevalent in the banking industry in India.

B. USE OF ESTIMATES

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

C. PRINCIPAL ACCOUNTING POLICIES

1. Revenue recognition

1.1 Income and expenditure are accounted on accrual basis, except otherwise stated below. In respect of banks' foreign offices, income is recognised as per the local laws of the country in which the respective foreign office is located.

1.2 Interest income is recognised in the Profit and Loss Account as it accrues except (i) income from non-performing assets (NPAs), comprising of advances, leases and investments, which is recognised upon realisation, as per the prudential norms prescribed by the RBI/ respective country regulators (hereafter collectively referred to as Regulatory Authorities), (ii) interest on application money on investments (iii) overdue interest on investments and bills discounted, (iv) Income on Rupee Derivatives designated as "Trading".

1.3 Profit or loss on sale of investments is credited/debited to Profit and Loss Account (Sale of Investments). Profit on sale of investments in the 'Held to Maturity' category shall be appropriated net of applicable taxes to 'Capital Reserve Account'. Loss on sale will be recognized in the Profit and Loss Account.

1.4 Income from finance leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease, over the primary lease period. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of finance leases. The principal amount is utilized for reduction in balance of net investment in lease and finance income is reported as interest income.

1.5 Income (other than interest) on investments in "Held to Maturity" (HTM) category acquired at a discount to the face value, is recognised as follows:

a) On Interest bearing securities, it is recognised only at the time of sale/redemption.

b) On zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

1.6 Dividend is accounted on an accrual basis where the right to receive the dividend is established.

1.7 All other commission and fee incomes are recognised on their realisation except for (i) Guarantee commission on deferred payment guarantees, which is spread over the period of the guarantee and (ii) Commission on Government Business, which is recognised as it accrues.

1.8 One time Insurance Premium paid under Special Home Loan Scheme (December 2008 to June 2009) is amortised over average loan period of 15 years.

2. Investments

Investments are accounted for in accordance with the extant regulatory guidelines. The bank follows trade date method for accounting of its investments.

2.1 Classification

Investments are classified into 3 categories, viz. Held to Maturity, Available for Sale and Held for Trading categories (hereafter called categories). Under each of these categories, investments are further classified into the following six groups:

i. Government Securities,

ii. Other Approved Securities,

iii. Shares,

iv. Debentures and Bonds,

v. Subsidiaries/Joint ventures and

vi. Others.

2.2 Basis of classification

i. Investments that the Bank intends to hold till maturity are classified as Held to Maturity.

ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as Held for Trading.

iii. Investments, which are not classified in the above two categories, are classified as Available for Sale.

iv. An investment is classified as Held to Maturity, Available for Sale or Held for Trading at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

v. Investments in subsidiaries, joint ventures and associates are classified under Held to Maturity.

2.3 Valuation

i. In determining the acquisition cost of an investment:

(a) Brokerage/commission received on subscriptions is reduced from the cost.

(b) Brokerage, commission, securities transaction tax etc. paid in connection with acquisition of investments are expensed upfront and excluded from cost.

(c) Broken period interest paid/received on debt instruments is treated as interest expense/income and is excluded from cost/sale consideration.

(d) Cost is determined on the weighted average cost method.

(e) The transfer of a security amongst the above three categories is accounted for at the least of acquisition cost/book value/market value on the date of transfer, and the depreciation, if any, on such transfer is fully provided for.

ii. Treasury Bills and Commercial Papers are valued at **carrying cost**.

iii. **Held to Maturity category:** Each scrip under Held to Maturity category is carried at its acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium on acquisition is amortised over the remaining maturity period of the security on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments". A provision is made for diminution, other than temporary. Investments in subsidiaries, joint ventures and associates (both in India and abroad) are valued at historical cost except for investments in Regional Rural Banks, which are valued at carrying cost (i.e book value).

iv. **Available for Sale and Held for Trading categories:** Each scrip in the above two categories is revalued at the market price or fair value **determined as per Regulatory guidelines**, and only the net depreciation of each group for each category is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual securities remains unchanged after marking to market.

v. Security receipts issued by an asset reconstruction company (ARC) are valued in accordance with the guidelines applicable to non-SLR instruments. Accordingly, in cases where the security receipts issued by the ARC are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Net Asset Value, obtained from the ARC, is reckoned for valuation of such investments.

vi. Investments are classified as performing and non-performing, based on the guidelines issued by the RBI in case of domestic offices and respective regulators in case of foreign offices. Investments of domestic offices become non performing where:

   (a) Interest/installment (including maturity proceeds) is due and remains unpaid for more than 90 days.

   (b) In the case of equity shares, in the event the investment in the shares of any company is valued at Re. 1 per company on account of the non availability of the latest balance sheet, those equity shares would be reckoned as NPI.

   (c) If any credit facility availed by the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer would also be treated as NPI and vice versa.

   (d) The above would apply mutatis-mutandis to preference shares where the fixed dividend is not paid.

   (e) The investments in debentures/bonds, which are deemed to be in the nature of advance, are also subjected to NPI norms as applicable to investments.

   (f) In respect of foreign offices, provisions for non performing investments are made as per the local regulations or as per the norms of RBI, whichever is higher.

vii. The Bank has adopted the Uniform Accounting Procedure prescribed by the RBI for accounting of Repo and Reverse Repo transactions [other than transactions under the Liquidity Adjustment Facility (LAF) with the RBI]. Accordingly, the securities sold/purchased under Repo/Reverse repo are treated as outright sales/purchases and accounted for in the Repo/Reverse Repo Accounts, and the entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo/Reverse Repo Account is adjusted against the balance in the Investment Account.

viii. Securities purchased/sold under LAF with RBI are debited/credited to Investment Account and reversed on maturity of the transaction. Interest expended/earned thereon is accounted for as expenditure/revenue.

3. Loans/Advances and Provisions thereon

3.1 Loans and Advances are classified as performing and non-performing, based on the guidelines issued by the RBI. Loan assets become non-performing where:

   i. In respect of term loan, interest and/or instalment of principal remains overdue for a period of more than 90 days;

   ii. In respect of an Overdraft or Cash Credit advance, the account remains "out of order", i.e. if the outstanding balance exceeds the sanctioned limit/drawing power continuously for a period of 90 days, or if there are no credits continuously for 90 days as on the date of balance-sheet, or if the credits are not adequate to cover the interest due during the same period;

   iii. In respect of bills purchased/discounted, the bill remains overdue for a period of more than 90 days;

   iv. In respect of agricultural advances for short duration crops, where the instalment of principal or interest remains overdue for 2 crop seasons;

   v. In respect of agricultural advances for long duration crops, where the principal or interest remains overdue for one crop season.

3.2 Non-Performing advances are classified into sub-standard, doubtful and loss assets, based on the following criteria stipulated by RBI:

   i. Sub-standard: A loan asset that has remained non-performing for a period less than or equal to 12 months.

   ii. Doubtful: A loan asset that has remained in the sub-standard category for a period of 12 months.

   iii. Loss: A loan asset where loss has been identified but the amount has not been fully written off.

3.3 Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities**,** subject to minimum provisions as prescribed below by the RBI:

Substandard Assets:	i.	A general provision of 10%
	ii.	Additional provision of 10% for exposures which are unsecured ab-initio (where realisable value of security is not more than 10 percent ab-initio)

Doubtful Assets:		
— Secured portion:	i.	Up to one year — 20%
	ii.	One to three years — 30%
	iii.	More than three years — 100%
— Unsecured portion		100%
Loss Assets:		100%

3.4 In respect of foreign offices, provisions for non performing advances are made as per the local regulations or as per the norms of RBI, whichever is higher.

3.5 The sale of NPAs is accounted as per guidelines prescribed by the RBI, which requires provisions to be made for any deficit (where sale price is lower than the net book value), while surplus (where sale price is higher than the net book value) is ignored. Net book value is outstandings as reduced by specific provisions held and ECGC claims received.

3.6 Advances are net of specific loan loss provisions, unrealised interest, ECGC claims received and bills rediscounted.

3.7 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by RBI, which requires that the present value of future interest due as per the original loan agreement, compared with the present value of the interest expected to be earned under the restructuring package, be provided in addition to provision for NPAs. The provision for interest sacrifice, arising out of the above, is reduced from advances.

3.8 In the case of loan accounts classified as NPAs, an account may be reclassified as a performing account if it conforms to the guidelines prescribed by the regulators.

3.9 Amounts recovered against debts written off in earlier years are recognised as revenue.

3.10 Unrealised Interest recognised in the previous year on advances which have become non-performing during the current year, is provided for.

3.11 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per the extant guidelines prescribed by the RBI. The provisions on standard assets are not reckoned for arriving at net NPAs. These provisions are reflected in Schedule 5 of the balance sheet under the head "Other Liabilities & Provisions — Others."

4. Floating Provisions

In accordance with the Reserve Bank of India guidelines, the bank has an approved policy for creation and utilisation of floating provisions separately for advances, investments and general purpose. The quantum of floating provisions to be created would be assessed at the end of each financial year. The floating provisions would be utilised only for contingencies under extra ordinary circumstances specified in the policy with prior permission of Reserve Bank of India.

5. Provision for Country Exposure

In addition to the specific provisions held according to the asset classification status, provisions are held for individual country exposures (other than the home country). Countries are categorised into seven risk categories, namely, insignificant, low, moderate, high, very high, restricted and off-credit, and provisioning made as per extant RBI guidelines. If the country exposure (net) of the bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in schedule 5 of the balance sheet under the "Other liabilities & Provisions — Others".

6. Derivatives

6.1 The Bank enters into derivative contracts, such as foreign currency options, interest rate swaps, currency swaps, and cross currency interest rate swaps and forward rate agreements in order to hedge on-balance sheet/off-balance sheet assets and liabilities or for trading purposes. The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of the underlying assets and accounted in accordance with the principles of hedge accounting.

6.2 Derivative contracts classified as hedge are recorded on accrual basis. Hedge contracts are not marked to market unless the underlying Assets/Liabilities are also marked to market.

6.3 Except as mentioned above, all other derivative contracts are marked to market as per the generally accepted practices prevalent in the industry. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the profit and loss account in the period of change. Any receivable under derivatives contracts, which remain overdue for more than 90 days, are reversed through profit and loss account.

6.4 Option premium paid or received is recorded in profit and loss account at the expiry of the option. The Balance in the premium received on options sold and premium paid on options bought have been considered to arrive at Mark to Market value for forex Over the Counter options.

6.5 Exchange Traded Foreign Exchange and Interest Rate Futures entered into for trading purposes are valued at prevailing market rates based on quoted and observable market prices and the resultant gains and losses are recognized in the Profit and Loss Account.

7. Fixed Assets and Depreciation

7.1 Fixed assets are carried at cost less accumulated depreciation.

7.2 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset before it is put to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefits from such assets or their functioning capability.

7.3 The rates of depreciation and method of charging depreciation in respect of domestic operations are as under:

Sr. No.	Description of fixed assets	Method of charging depreciation	Depreciation/am ortisation rate
1	Computers & ATM	Straight Line Method	33.33% every year
2	Computer software forming an integral part of hardware	Written Down Value Method	60%
3	Computer Software which does not form an integral part of hardware	Straight Line Method	100%, in the year of acquisition
4	Assets given on financial lease up to 31st March 2001	Straight Line Method	At the rate prescribed under Companies Act 1956
5	Other fixed assets	Written Down Value Method	At the rate prescribed under Income-tax Rules 1962

7.4 In respect of assets acquired for domestic operations during the year, depreciation is charged for half an year in respect of assets used for up to 182 days and for the full year in respect of assets used for more than 182 days, except depreciation on computers, ATM and software, which is charged for the full year irrespective of the period for which the asset was put to use.

7.5 Items costing less than Rs. 1,000 each are charged off in the year of purchase.

7.6 In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year.

7.7 In respect of assets given on lease by the Bank on or before 31st March 2001, the value of the assets given on lease is disclosed as Leased Assets under fixed assets, and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalisation Account.

7.8 In respect of fixed assets held at foreign offices, depreciation is provided as per the regulations/norms of the respective countries.

8. Leases

The asset classification and provisioning norms applicable to advances, as laid down in Para 3 above, are applied to financial leases also.

9. Impairment of Assets

Fixed Assets are reviewed for impairment whenever events or changes in circumstances warrant that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

10. Effect of changes in the foreign exchange rate

10.1 Foreign Currency Transactions

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Foreign currency monetary items are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing spot/forward rates.

iii. Foreign currency non-monetary items, which are carried in terms at historical cost, are reported using the exchange rate at the date of the transaction.

iv. Contingent liabilities denominated in foreign currency are reported using the FEDAI closing spot rates.

v. Outstanding foreign exchange spot and forward contracts held for trading are revalued at the exchange rates notified by FEDAI for specified maturities, and the resulting profit or loss is included in the Profit and Loss account.

vi. Foreign exchange forward contracts which are not intended for trading and are outstanding at the balance sheet date, are valued at the closing spot rate. The premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

vii. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

viii. Gains/Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognised in the profit and loss account.

10.2 Foreign Operations

Foreign Branches of the Bank and Offshore Banking Units have been classified as Non-integral Operations and Representative Offices have been classified as Integral Operations.

a. Non-integral Operations

i. Both monetary and non-monetary foreign currency assets and liabilities including contingent liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date.

ii. Income and expenditure of non-integral foreign operations are translated at quarterly average closing rates.

iii. Exchange differences arising on net investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the net investment.

iv. The Assets and Liabilities of foreign offices in foreign currency (other than local currency of the foreign offices) are translated into local currency using spot rates applicable to that country.

b. Integral Operations

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Monetary foreign currency assets and liabilities of integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss is included in the profit and loss account.

iii. Foreign currency non-monetary items which are carried in terms of historical cost are reported using the exchange rate at the date of the transaction.

11. Employee Benefits

11.1 Short Term Employee Benefits

The undiscounted amount of short-term employee benefits, such as medical benefits, casual leave etc. which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

11.2 Post Employment Benefits

i. Defined Benefit Plan

a. The Bank operates a Provident Fund scheme. All eligible employees are entitled to receive benefits under the Bank's Provident Fund scheme. The Bank contributes monthly at a determined rate (currently 10% of employee's basic pay plus eligible allowance). These contributions are remitted to a trust established for this purpose and are charged to Profit and Loss Account. The trust funds are retained as deposits in the bank. The bank is liable for annual contributions and interest on deposits held by the bank, which is payable at Government specified minimum rate of interest on provident fund balances of Government Employees. The bank recognises such annual contributions and interest as an expense in the year to which they relate.

b. The bank operates gratuity and pension schemes which are defined benefit plans.

c. The Bank provides for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement, on death while in employment, or on termination of employment, for an amount equivalent to 15 days basic salary payable for each completed year of service, subject to a maximum amount of Rs. 350,000. Vesting occurs upon completion of five years of service. The Bank makes annual contributions to a fund administered by trustees based on an independent external actuarial valuation carried out annually.

d. The Bank provides for pension to all eligible employees. The benefit is in the form of monthly payments as per rules and regular payments to vested employees on retirement, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The pension liability is reckoned based on an independent actuarial valuation carried out annually. The Bank makes annual contribution to the pension fund at 10% of salary in terms of SBI Pension Fund Rules. The balance is retained in the special provision account to be utilised at the time of settlement.

e. The cost of providing defined benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains/losses are immediately recognised in the statement of profit and loss and are not deferred.

ii. Other Long Term Employee benefits

a. All eligible employees of the bank are eligible for compensated absences, silver jubilee award, leave travel concession, retirement award and resettlement allowance. The costs of such long term employee benefits are internally funded by the Bank.

b. The cost of providing other long term benefits is determined using the projected unit credit method with actuarial valuations being carried out at each balance sheet date. Past service cost is immediately recognised in the statement of profit and loss and is not deferred.

12. Provision for Taxation

12.1 Income tax expense is the aggregate amount of current tax and deferred tax. Current year taxes are determined in accordance with the provisions of Accounting Standard 22 and tax laws prevailing in India after taking into account taxes of foreign offices, which are based on the tax laws of respective jurisdiction. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

12.2 Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis, and carry forward losses. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

12.3 Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future profits.

13. Earning per Share

13.1 The Bank reports basic and diluted earnings per share in accordance with AS 20 -'Earnings per Share' issued by the ICAI. Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

13.2 Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

14. Accounting for Provisions, Contingent Liabilities and Contingent Assets

14.1 In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

14.2 No provision is recognised for

i. any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

ii. any present obligation that arises from past events but is not recognised because

a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

b. a reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

14.3 Contingent Assets are not recognised in the financial statements as this may result in the recognition of income that may never be realised.

15. Cash and cash equivalents

Cash and cash equivalents include cash on hand and in ATM's, and gold in hand, balances with RBI, balances with other banks, and money at call and short notice.

16. Employee Share Purchase Scheme

In accordance with the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI"), the excess of market price one day prior to the date of issue of the shares over the price at which they are issued is recognised as employee compensation cost.

17. Share Issue Expenses

Share issue expenses are charged to the Share Premium Account.

SCHEDULE 18 — NOTES TO ACCOUNTS

(Am ount in Rupees in crores)

18.1 Capital:

1. Capital Adequacy Ratio:

Items		**As at 31 Mar 2010**	**As at 31 Mar 2009**
(i)	Capital to Risk-weighted Assets Ratio (%) (Basel-I)	12.00	12.97
(ii)	Capital to Risk-weighted Assets Ratio - Tier I capital (%) (Basel-I)	8.46	8.53
(iii)	Capital to Risk-weighted Assets Ratio - Tier II capital (%)(Basel-I)	3.54	4.44
(iv)	Capital to Risk-weighted Assets Ratio (%) (Basel-II)	13.39	14.25
(v)	Capital to Risk-weighted Assets Ratio - Tier I capital (%) (Basel-II)	9.45	9.38
(vi)	Capital to Risk-weighted Assets Ratio - Tier II capital (%)(Basel-II)	3.94	4.87
(vii)	Percentage of the Shareholding of Government of India	59.41	59.41
(viii)	Number of Shares held by Government of India	377,207,200	377,207,200
(ix)	Amount of Subordinated Debt Tier-II capital	Rs. 27,174.40	Rs. 27,174.40
(x)	Amount raised by issue of Subordinated Debt Tier-II capital during the year	Nil	Rs. 8,425.00*
(xi)	Out of which ((ix), above) amount eligible for Upper Tier-II capital	Rs. 19,466.40	Rs. 19,466.40
(xii)	Amount raised by issue of IPDI (Inclusive of Hybrid Bonds as detailed below)	Rs. 4,805.96**	Rs. 3,169.85

* Include Rs. 425 crores which has been acquired consequent to acquisition of erstwhile State Bank of Saurashtra (eSBS).

** Includes Rs. 2,000.00 crores raised during the year, of which Rs. 550 crores invested by SBI employee Pension Fund, not reckoned for the purpose of Tier-I Capital as per RBI instructions.

2. Share capital:

a) During the year, the Bank has allotted 2,422 equity shares of Rs. 10 each for cash at a premium of Rs. 1,580 per equity share aggregating to Rs. 3,850,980 out of 88,278 shares kept in abeyance under Right Issue — 2008. Out of the total subscription of Rs. 3,850,980 received, Rs. 24,220 was transferred to Share Capital Account and Rs. 3,826,760 was transferred to Share Premium Account.

b) The Bank has kept in abeyance the allotment of 85,856 (Previous Year 88,278) Equity Shares of Rs. 10/- each issued as a part of Rights Issue, since they are subject to title disputes or are subjudice.

3. Hybrid Bonds:

The details of bonds issued in foreign currency, which qualify for Hybrid Tier I Capital and outstanding are as under:

Particulars	**Date of Issue**	**Tenor**	**Am ount**	**Equivalent as on 31-03-10**	**Equivalent as on 31-03-09**
Bonds issued under the MTN Programme-12th Series	15.02.2007	Perpetual Non Call 10-25 years	USD 400 million	Rs. 1,795.71	Rs. 2,028.65
Bonds issued under the MTN Programme-14th Series	25.06.2007	Perpetual Non Call 10 years 1 day	USD 225 million	Rs. 1,010.25	Rs. 1,141.20
Total			**USD 625 million**	**Rs. 2,805.96**	**Rs. 3,169.85**

If the Bank does not exercise call option by 27.6.2017, the interest rate will be raised and fixed rate will be converted to floating rate. These bonds have been listed in Singapore stock exchange.

18.2 Investments

1. The Details of investments and the movement of provisions held towards depreciation on investments of the Bank are given below:

1. Value of Investments

	Particulars	**As at 31-Mar-2010**	**As at 31-Mar-2009**
i)	Gross value of Investments		
	(a) In India	278,081.60	270,886.40
	(b) Outside India	8,409.19	6,795.19
ii)	Provisions for Depreciation		
	(a) In India	513.14	1,415.32
	(b) Outside India	187.58	312.31
iii)	Net value of Investments		
	(a) In India	277,568.46	269,471.08
	(b) Outside India	8,221.61	6,482.88
2.	Movement of provisions held towards depreciation on investments		
i)	Opening Balance	1,727.63	981.42
ii)	Add: Addition on account of acquisition of eSBS	0	31.96
iii)	Add: Provisions made during the year	359.37	1,440.18
iv)	Less: Provisions utilised during the year	38.92	—
v)	Less: Write back of excess provision during the year . .	1,347.36	725.93
vi)	Closing balance	700.72	1,727.63

Notes:

a. Investments amounting to Rs. 11,000 Crores (Previous Year Rs. 10,725 Crores) are kept as margin with RBI/Clearing Corporation of India Limited towards Real Time Gross Settlement/Securities Settlement (RTGS/NDS).

b. Other investments include deposits with NABARD under RIDF Deposit Scheme amounting to Rs. 17,833.89 Crores (Previous Year Rs.15,923.14 Crores).

c. During the year, the Bank has infused additional capital of Rs. 865.20 Crores (Previous Year Rs.923.66 Crores) in Subsidiaries and Joint Ventures as follows.

Name of the JV/Associate/RRB	Am ount
SBI Cards & Payment Services Private Limited	78.00
SBI Capital Markets Limited	228.96
State Bank of Hyderabad	350.00
State Bank of Patiala	170.00
SBI Custodial Services Private Limited	38.24
Total	**865.20**

d. During the year, the Bank has infused fresh investment in following companies:

Name of the JV/Associate/RRB	Am ount
SBI General Insurance Co. Limited	111.00
Macquarie SBI Infra Management Pte. Limited	2.25
SBI Macquarie Infra Management (P) Limited	1.89
SBI Macquarie Infra Trustee Limited	0.01
Total	**115.15**

e. Sale of 6.50% stake in UTI Asset Management Company Limited at a sale price of Rs. 162.50 crores and 6.50% stake in UTI Trustee Company Private Limited at a sale price of Rs. 0.01 crores, resulting in profit of Rs. 81.45 crores. After sale the investment has been shown under Investment in Shares as against Investment in Subsidiaries and/or Joint Ventures last year.

f. During the year one subsidiary SBI Factors & Commercial Services Private limited is merged with another subsidiary Global Trade Finance Limited.

2. Repo Transactions

The details of securities sold and purchased under repos and reverse repos during the year are given below:

Particulars	**Minimum Outstanding during the year**	**Maximum outstanding during the year**	**Daily Average outstanding during the year**	**Balance as on year end**
Securities sold under repos	—	7,249.37	241.63	—
	(—)	(31,000.71)	(4,418.48)	(—)
Securities purchased under reverse repos	—	74295.69	25253.38	—
	(—)	(50747.57)	(9517.78)	(—)

(Figures in brackets are for Previous Year)

3. **Non-SLR Investment Portfolio**

(a) Issuer composition of Non SLR Investments:

The issuer composition of Non-SLR investments of the Bank is given below:

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities*	Extent of 'Unrated' Securities*	Extent of 'Unlisted' Securities*
(i)	PSUs	16,024.10	3,699.26	176.61	—	27.56
		(13,945.85)	(460.15)	(50.00)	(54.62)	(54.62)
(ii)	FIs	2,957.68	2,204.78	592.59	22.61	874.50
		(1,573.83)	(603.32)	(496.77)	(25.09)	(555.27)
(iii)	Banks	4,304.04	1,897.85	30.25	56.10	146.14
		(3,219.45)	(1,200.67)	(122.37)	(25.36)	(177.78)
(iv)	Private Corporates	6,483.08	1,050.11	23.17	377.31	1,023.60
		(6,399.74)	(412.83)	(156.92)	(1,265.41)	(1,417.44)
(v)	Subsidiaries/Joint ventures**	5,692.16	—	—	—	—
		(4,926.23)	(—)	(—)	(—)	(—)
(vi)	Others	23,026.93	392.88	81.94	1,079.50	561.61
		(19,403.40)	(358.27)	(137.60)	(330.20)	(232.02)
(vii)	Provision held towards depreciation	439.07	—	25.99	79.13	57.47
		(1,624.69)	(—)	(109.84)	(75.75)	(101.17)
Total		58,048.92	9,244.88	878.57	1,456.39	2,575.94
Previous Year		(47,843.81)	(3,035.24)	(853.82)	(1,624.93)	(2,335.96)

(Figures in brackets are for Previous Year)

* Investment in equity, equity linked instruments, asset backed securitised instruments, Government securities and pass through certificates have not been segregated under these categories, as these are not covered under relevant RBI Guidelines.

** Investments in Subsidiaries/Joint Ventures have not been segregated into various categories as these are not covered under relevant RBI Guidelines.

b) Non Performing Non-SLR Investments

Particulars	Current Year	Previous Year
Opening Balance	598.22	225.23
Additions during the year	25.02	386.15
Reductions during the year	290.44	13.16
Closing balance	332.80	598.22
Total provisions held	323.50	387.90

18.3 Derivatives

a) Forward Rate Agreements/Interest Rate Swaps

Particulars	As at 31-Mar-2010	As at 31-Mar-2009
i) The notional principal of swap agreements	93,984.43	109,936.12
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	1,355.92	2,131.06
iii) Collateral required by the Bank upon entering into swaps	Nil	Nil
iv) Concentration of credit risk arising from the swaps	Not significant	Not Significant
v) The fair value of the swap book	266.49	47.67

b) Exchange Traded Interest Rate Derivatives

Sr. No.	Particulars	Current Year	Previous Year
1	Notional principal amount of exchange traded interest rate derivatives undertaken during the year		
a	Interest Rate Futures	56,935.76	Nil
b	10 Year Government of India Security	431.57	Nil
2	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2010		
a	Interest Rate Futures	Nil	Nil
b	10 Year Government of India Security	Nil	Nil
3	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	N.A.	N.A.
4	Marked-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	N.A.	N.A.

c) Disclosures on Risk Exposure in Derivatives

(A) Qualitative Disclosure

i. The Bank currently deals in over-the-counter (OTC) interest rate and currency derivatives as also in Interest Rate and Currency Futures. Interest Rate Derivatives dealt by the Bank are rupee interest rate swaps, foreign currency interest rate swaps and forward rate agreements. Currency derivatives dealt with by the Bank are currency swaps, rupee dollar options and cross-currency options. The products are offered to the Bank's customers to hedge their exposures and the Bank enters into derivatives contracts to cover such exposures. Derivatives are also used by the Bank both for trading as well as hedging on-balance sheet items. The Bank also deals in a mix of these generic instruments. The Bank has done Option deals and Structured Products with customers, but they have been covered on a back to back basis in inter -bank market.

ii. Derivative transactions carry market risk i.e. the probable loss the Bank may incur as a result of adverse movements in interest rates/exchange rates and credit risk as the probable loss the Bank may incur if the counterparties fail to meet their obligations. The Bank's "Policy for Derivatives" which is duly approved by the Board mandates the market risk parameters (cut-loss triggers, open position limits, PV01 etc.) as well as customer eligibility criteria (credit rating, tenure of relationship etc.) for entering into derivative transactions.Credit risk is controlled by entering into derivative transactions only with counterparties in respect of whom appropriate limits are set for taking into account their ability to honour obligations.The Bank enters into ISDA agreements with such counterparties.

iii. The Asset Liability Management Committee (ALCO) of the Bank oversees efficient management of these risks. Market Risk Management Department (MRMD), independently identifies measures, monitors market risk associated with derivative transactions, assists ALCO in controlling and managing these risks and reports compliance with policy prescriptions to the Risk Management Committee of the Board (RMCB) at regular intervals.

iv. The accounting policy for derivatives has been drawn-up in accordance with RBI guidelines, the details of which are presented under Schedule 17: Principal Accounting Policy (PAP) for the financial year 2009-10.

v. Interest Rate Swaps are mainly used at Foreign Offices for hedging of the assets and liabilities.

vi. Apart from hedging swaps, swaps at Foreign Offices consist of back to back swaps done at our Foreign Offices which are done mainly for hedging of FCNR deposits at Global Markets, Kolkata.

vii. Majority of our swaps were done with First class counterparty banks.

B) Quantitative Disclosures

Sr. No.	Particulars	Currency Derivatives		Interest Rate Derivatives	
		Current Year	Previous Year	Current Year	Previous Year
(i)	Derivatives (Notional Principal Amount)				
a)	For hedging	4,134.16	4,075.20	18,116.55	14,197.35
b)	For trading	52,802.42	111,307.23	75,867.88	93,493.15
(ii)	Marked to Market Positions				
a)	Asset	89.91	15,041.54	59.52	1,333.78
b)	Liability	0.00	94.67	8.95	338.92
(iii)	Credit Exposure	6,030.89	20,205.45	2,510.40	3,715.10
(iv)	Likely impact of one percentage change in interest rate (100* PV01)				
a)	on hedging derivatives	12.45	-44.74	2,104.37	-23.33
b)	on trading derivatives	171.19	-0.53	-37.35	13.51
v)	Maximum and Minimum of 100* PV 01 observed during the year				
a)	on hedging	13.39/0.07	5.23/ -62.92	2,107.30/ 2,704.05	12.19/ -44.57
b)	on trading	187/-0.10	-0.09/ -0.36	24.80/ -83.24	20.63/ -0.40

\# The notional amount of derivatives done between Global Markets department and IBG department as on 31st March 2010 amounted to Rs. 5,663.80 crores are not included here. Out of this, IRS/FRA amounting to Rs. 5,258.49 crores has been undertaken for hedging of FCNB corpus and hence also not marked to market.

1. The derivatives done between SBI Foreign Offices as on 31st March 2010 amounted to Rs. 4,419.60 crores.
2. The Outstanding notional amount of interest rate derivatives which are not marked to market but where the underlying Assets/Liabilities are not marked to market as on 31st March 2010 amount to Rs. 2,0129.61 crores.

18.4 Asset Quality

a) Non-Performing Asset

	Particulars	As at 31-Mar-2010	As at 31-Mar-2009
i)	Net NPAs to Net Advances (%)	1.72%	1.79%
ii)	Movement of NPAs (Gross)		
(a)	Opening balance	15,714.00	12,837.34
(b)	Additions (Fresh NPAs) during the year	11,842.84	11,140.21
	Sub Total (I)	27,556.84	23,977.55
(c)	Reductions due to upgradations during the year	3,972.37	3,402.20
(d)	Reductions due to recoveries (Excluding recoveries made from upgraded accounts)	2,059.10	2,965.85
(e)	Reductions due to Write-offs during the year	1,990.48	1,895.50
	Sub-total (II)	8,021.95	8,263.55
(f)	Closing balance (I-II)	19,534.89	15,714.00

iii)	Movement of Net NPAs		
(a)	Opening balance	9,677.42	7,424.33
(b)	Additions during the year	6,135.24	6,696.02
(c)	Reductions during the year	4,942.49	4,442.93
(d)	Closing balance	10,870.17	9,677.42
iv)	Movement of provisions for NPAs		
(a)	Opening balance	6,036.58	5,390.20
(b)	Provisions made during the year	5,707.61	4,087.82
(c)	Written-off / write-back of excess provision	3,079.47	3,441.44
(d)	Closing balance	8,664.72	6,036.58

b) Provisioning Coverage Ratio:

The provisioning to Gross-Non-Performing Assets of the Bank as on 31st March 2010 is 59.23% (Previous Year 56.76%).

Additional provision pursuant to RBI guidelines for augmentation to 70% coverage by 30.09.2010 (extension allowed upto 30.09.2011 subject to fulfillment of specified conditions) has not been made during the year.

c) Details of Loan Assets subjected to Restructuring during the period from 01.04.2009 to 31.03.2010

Particulars	Particulars	CDR Mechanism	SME Debt Restructuring	Others	Total
Standard advances restructured	No. of Borrowers . . .	30 (29)	602 (6,355)	3,035 (30,859)	3,667 (37,423)
	Amount outstanding .	2,793.14 (285.01)	1,020.53 (1,290.50)	13,043.42 (9,201.83)	16,857.09 (10,777.43)
	Sacrifice (diminution in the fair value)	340.66 (22.09)	11.71 20.87	156.55 (155.73)	508.92 (198.69)
Sub standard advances restructured	No. of Borrowers . . .	1 (3)	76 (184)	90 (1,473)	167 (1,660)
	Amount outstanding .	72.49 (15.06)	10.47 (53.87)	1,755.44 (81.35)	1,838.40 (150.28)
	Sacrifice (diminution in the fair value)	7.56 (0.00)	0.15 (0.82)	146.05 (2.34)	153.76 (3.16)
Doubtful advances restructured	No. of Borrowers . . .	0 (0)	15 (5)	21 (214)	36 (219)
	Amount outstanding	0 (0.00)	9.44 (1.96)	294.30 (72.17)	303.74 (74.13)
	Sacrifice (diminution in the fair value)	0 (0.00)	0.03 (0.21)	12.54 (3.09)	12.57 (3.30)
TOTAL	No. of Borrowers . . .	31 (32)	693 (6,544)	3,146 (32,546)	3,870 (39,122)
	Amount outstanding .	2,865.63 (300.07)	1,040.44 (1,346.33)	15,093.16 (9,355.35)	18,999.23 (11,001.75)
	Sacrifice (diminution in the fair value)	348.22 (22.09)	11.89 (21.90)	315.14 (161.16)	675.25 (205.15)

(Figures in brackets are of the previous year)

d) Details of financial assets sold to Securitization Company (SC)/Reconstruction Company (RC) for Asset Reconstruction

Particulars	Current Year	Previous Year
i) No. of Accounts	3	5
ii) Aggregate value (net of provisions) of accounts sold to SC/RC	10.40	15.20
iii) Aggregate consideration	14.00	92.93
iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
v) Aggregate gain / (loss) over net book value	3.60	77.73

e) Details of non-performing financial assets purchased:

Particulars	Current Year	Previous Year
1) (a) No. of Accounts purchased during the year .	Nil	Nil
(b) Aggregate outstanding	Nil	Nil
2) (a) Of these, number of accounts restructured during the year	Nil	Nil
(b) Aggregate outstanding	Nil	Nil

f) Details of non-performing financial assets sold:

Particulars	Current Year	Previous Year
1) No. of Accounts sold	3	5
2) Aggregate outstanding	23.84	288.77
3) Aggregate Price offer consideration	14.00	127.68
3) Aggregate consideration received as per RBI Guidelines	14.00	92.93

g) Provision on Standard Assets:

The Provision on Standard Assets held by the Bank in accordance with RBI guidelines is as under:

Particulars	As at 31-Mar-2010	As at 31-Mar-2009
Provision towards Standard Assets	2,292.72	2,245.14

h) Business Ratios

Particulars	Current Year	Previous Year
i. Interest Income as a percentage to Working Funds	6.80%	7.29%
ii. Non-interest income as a percentage to Working Funds	1.43%	1.45%
iii. Operating Profit as a percentage to Working Funds	1.75%	2.05%
iv. Return on Assets	0.88%	1.04%
v. Business (Deposits plus advances) per employee (Rs. in thousands)	63,600	55,600

vi. Profit per employee (Rs. in thousands) 446.03 473.77

i) Asset Liability Management : Maturity pattern of certain items of assets and liabilities as at 31st March 2010.

	1 day	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months & upto 6 months	Over 6 months & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	TOTAL
Deposits	19,136.97	23,515.23	27,061.73	20,483.98	43,403.06	64,260.77	90,342.06	262,985.18	135,539.12	117,388.13	804,116.23
	(20,642.43)	(31,451.06)	(31,596.91)	(14,592.93)	(37,853.31)	(56,627.41)	(86,114.19)	(181,909.61)	(102,864.77)	(178,420.51)	(742,073.13)
Advances	43,973.66	12,572.36	39,713.35	8,888.53	33,914.61	35,494.45	27,616.38	275,367.66	59,944.08	94,429.07	631,914.15
	(54,693.27)	(1,641.65)	(30,886.76)	(80,26.04)	(33,299.25)	(26,620.89)	(19,452.19)	(240,706.90)	(42,276.20)	(84,900.05)	(542,503.20)
Investments . . .	135.56	245.22	219.58	1,802.52	10,415.07	7,991.92	6,095.10	51,770.22	59,533.46	147,581.42	285,790.07
	(—)	(10,518.82)	(7,505.92)	(4,494.75)	(21,733.42)	(7,848.99)	(6,777.18)	(32,238.61)	(60,331.76)	(124,504.50)	(275,953.95)
Borrowings . . .	3,569.92	12,079.20	2,786.39	4,802.38	19,350.31	10,058.28	5,485.78	6,793.20	5,535.16	32,550.98	103,011.60
	(2,220.65)	(7,155.64)	(2,985.88)	(5,531.82)	(10,490.96)	(8,523.60)	(4,384.83)	(9,173.88)	(3,052.88)	(30,537.79)	(84,057.93)
Foreign Currency Assets	30,336.67	1,154.84	3,140.20	6,536.37	25,802.73	24,648.61	9,814.20	15,229.77	14,071.49	11,433.65	142,168.53
	(22,290.34)	(3,040.54)	(3,609.25)	(7,332.46)	(29,855.55)	(19,109.41)	(5,943.45)	(17,732.69)	(11,663.61)	(11,379.36)	(131,956.66)
Foreign Currency Liabilities . .	18,796.82	5,661.65	3,980.66	6,970.08	27,311.98	20,193.38	20,468.81	15,065.98	9,552.04	946.74	128,948.14
	(17,552.92)	(9,415.01)	(4,319.68)	(9,152.31)	(14,704.28)	(15,303.10)	(14,831.34)	(17,878.41)	(6,550.34)	(1,677.01)	(111,384.40)

(Figures in brackets are as at 31st March 2009)

j) Concentration of Deposits

Total Deposits of twenty largest depositors 42,087.72

Percentage of Deposits of twenty largest depositors To Total Deposits of the Bank 5.24%

k) Concentration of Advance

Total Advance to twenty largest borrowers 189,991.50

Percentage of Advance to twenty largest borrowers to Total Advances of the Bank 29.68%

l) Concentration of Exposures

Total Exposure to twenty largest borrowers/customers 191,017.34

Percentage of Exposures to twenty largest borrowers/customers to Total Exposures of the Bank on borrowers/customers 20.81%

m) Concentration of NPAs

Total Exposures to top four NPA Accounts 940.61

n) Sector-Wise NPAs

Sr. No.	Sector	Percentage of NPAs to Total Advances in that
1	Agricultural & allied activities	2.60%
2	Industry (Micro & small,Medium and Large)	3.89%
3	Services	3.91%
4	Personal Loans	2.90%

o) Overseas Assets, NPAs And Revenue

Sr. No.	Particulars	Amount
1	Total Assets	123,263.30
2	Total NPAs (Gross)	1,698.59

3	Total Revenue	4,717.57

p) **Off-Balance Sheet SPVs sponsored**

Name of SPV Sponsored

Domestic	Nil
Overseas	Nil

18.5 Exposures

The Bank has lending to sectors which are sensitive to asset price fluctuations. These sensitive sectors are real estate and capital markets.

a) **Real Estate Sector**

Particulars	**As at 31-Mar-2010**	**As at 31-Mar-2009**
Direct exposure		
i) Residential Mortgages	72,983.57	46,281.86
- Of which individual housing loans up to Rs.20 Lakhs	47,406.27	30,146.88
ii) Commercial Real Estate	13,440.36	16,939.71
iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures:		
Residential	108.91	667.26
Commercial Real Estate	96.43	5.25
Indirect Exposure	12.48	662.01
Fund based and non-fund based exposures on National Housing Bank		
(NHB) and Housing Finance Companies (HFCs)	592.32	216.14
Total	87,125.16	64,104.97

b) **Capital Market**

Particulars	**As at 31-Mar-2010**	**As at 31-Mar-2009**
1) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	6,771.29	5,793.37
2) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity- oriented mutual funds.	20.67	26.94
3) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	1.66	43.89
4) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances.	199.07	734.26
5) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and		

market makers.	442.21	17.52
6) Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter 's contribution to the equity of new companies in anticipation of raising resources.	14.70	—
7) Bridge loans to companies against expected equity flows/issues.	70.00	—
8) Underwriting commitments taken up by the Banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds.	—	—
9) Financing to stockbrokers for margin trading.	375.73	358.27
10) Exposures to Venture Capital Funds (both registered and unregistered)	— 375.73	0.08 358.27
Total Exposure to Capital Market	**7,895.33**	**6,974.33**

c) Country-Risk Categorywise

As per the extant RBI guidelines, the country where exposure of the Bank is categorised into various risk categories listed in the following table. The country exposure (net funded) of the Bank for any country does not exceed 1% of its total assets except to a country in insignificant risk category. Provision of Rs. 1.59 crores has been made in accordance with RBI guidelines.

Risk Category	Exposure (net)		Provision held	
	As at 31-Mar-2010	As at 31-Mar-2009	As at 31-Mar-2010	As at 31-Mar-2009
Insignificant	871.65	33,980.81	Nil	37.53
Low	47,689.14	10,859.90	39.12	Nil
Moderate	7,286.76	6,237.82	Nil	Nil
High	4,158.92	4,783.54	Nil	Nil
Very High	2,512.50	1,022.73	Nil	Nil
Restricted / Off-Credit	11.19	765.16	Nil	Nil
Total	**62,530.16**	**57,649.96**	**39.12**	**37.53**

d) Single Borrower and Group Borrower exposure limits exceeded by the Bank:

The Bank had taken single borrower exposure in excess of the prudential limit in the cases given below:

Name of the Borrower	Exposure ceiling	Limit Sanctioned (Peak Level)	Period during which limit exceeded	Outstanding as on 31.03.10
Indian Oil Corporation Ltd	21,348.20	24,721.60	April 2009 to August 2009	
	21,598.20	24,131.37	September 2009 to January 2010	
	21,848.20	23,603.00	February 2010 to March 2010	14,659.35
Reliance Industries Limited	12,808.92	15,037.64	April 2009 to August 2009	
	12,958.92	14,222.74	September 2009	

			to January 2010	
	13,108.92	14,304.84	February 2010 to March 2010	12,374.74
Bharat Heavy Electricals Limited	12,808.92	14,070.00	July 2009 to August 2009	
	12,958.92	14,153.80	September 2009 to January 2010	
	13,108.92	15,961.24	February 2010 to March 2010	12,437.68
Tata Group	43,196.39	43,484.14	December 2009 to January 2010	
	43,696.39	44,552.64	February 2010 to March 2010	23,530.88

e) Unsecured Advances

Particulars	As at 31 Mar 2010
a) Total Unsecured Advances of the bank	135,885.59
i) Of which amount of advances outstanding against charge over intangible securities such as rights, licences, authority etc.	Nil
ii) The estimated value of such intangible securities (as in (i) above)	Nil

f) Letter of Comfort issued for Subsidiaries:

The Bank has issued letters of comfort on behalf of its subsidiaries. Outstanding letters of comfort as on 31st March 2010 aggregate to Rs. 199.16 crores (Previous Year Rs. 166.45 crores.) In the Bank's assessment no financial impact is likely to arise.

18.6 Miscellaneous

a) Withdrawal from Reserves

During the year, the bank has withdrawn following amount from the reserves

Particulars	As at 31-Mar-2010	As at 31-Mar-2009
Dividend on account of ESPS Shares and Dividend distribution tax thereon	—	8.58

b) Disclosure of Penalties imposed by RBI:

1.45 crores (Previous year - Nil)

c) Status of customer complaints:

Particulars	As at 31-Mar-2010	As at 31-Mar-2009
No. of complaints pending at the beginning of the year	1,150	1,030
Addition on account of acquisition of eSBS	—	258
No. of complaints received during the year	30,735	23,571
No. of complaints redressed during the year	30,610	23,709
No. of complaints pending at the end of the year	1,275	1,150

d) Awards passed by the Banking Ombudsman:

Particulars	Current Year	Previous Year
No. of unimplemented Awards at the beginning of the year	1	4
No. of Awards passed by the Banking Ombudsman during the year	19	19
No. of Awards implemented during the year	16	22

No. of unimplemented Awards at the end of the year	4	1

e) With regard to disclosures relating to Micro, Small & Medium Enterprises under the Micro, Small & Medium Enterprises Development Act 2009 there have been no reported cases of delayed payments or of interest payments due to delay in such payments Micro, Small & Medium Enterprises.

f) Fees/remuneration received in respect of the bancassurance business in 2009-10

Name of Company	Am ount
SBI Life Insurance Co. Ltd	212.28
The New India Assurance Co. Ltd	11.58
Total	223.86

18.7 Disclosure Requirements as per Accounting Standards

a) Changes in Accounting Policy

The Bank has implemented a special home loan scheme for the period December 2008 to June 2009 arising out of which one time insurance premium has been paid covering the lives of the borrowers over the tenure of the home loan availed. The total insurance premium paid amounting to Rs. 151.37 crores on account of such scheme is charged off over average loan period of 15 years and accordingly, 1/15th of the premium amount has been charged off during the year instead of fully charging in the accounts. Consequent to this change the profit after tax has gone up by Rs. 93.26 crores.

b) Employee Benefits

i. Defined Benefit Plans

The following table sets out the status of the defined benefit Pension Plan and Gratuity Plan as required under AS 15 (Revised 2005):

	Pension Plans		**Gratuity**	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Change in the present value of the defined benefit obligation				
Opening defined benefit obligation at 1st April 2009	19,328.72	16,810.00	3,778.18	3,544.18
Liability acquired on acquisition of State Bank of Saurashtra	0.00	571.36	0.00	121.66
Current Service Cost	869.21	755.83	145.25	130.20
Interest Cost	1,564.00	1,362.00	298.82	285.00
Actuarial losses (gains)	1,242.37	905.07	-99.38	-88.56
Benefits paid	-1,288.69	-1,075.54	-233.73	-214.30
Closing defined benefit obligation at 31st March 2010	21,715.61	19,328.72	3,889.14	3,778.18
Change in Plan Assets				
Opening fair value of plan assets as at 1st April 2009	13,710.13	13,084.80	3,746.73	3,544.18
Asset acquired on acquisition of State Bank of Saurashtra	1,096.81	172.91	0.00	90.21
Dr Paid by Bank	615.48	0.00	0.00	0.00
Expected Return on Plan assets	0.00	1,046.78	290.39	278.88
Contributions by employer	347.98	356.44	0.00	49.00
Benefit Paid	-1,288.69	-1,075.54	-233.73	-214.30
Actuarial Gains	233.12	124.74	7.89	-1.24

Particulars	Pension Plans Current Year	Pension Plans Previous Year	Gratuity Current Year	Gratuity Previous Year
Closing fair value of plan assets at 31st March 2010	14,714.83	13,710.13	3,811.28	3,746.73
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of Funded obligation at 31st March 2010	21,715.61	19,328.72	3,889.14	3,778.18
Fair Value of Plan assets at 31st March 2010	14,714.83	13,710.13	3,811.28	3,746.73
Deficit/(Surplus)	7,000.78	5,618.59	77.86	31.45
Unrecognised Past Service Cost	—	—	—	—
Net Liability/(Asset)	7,000.78	5,618.59	77.86	31.45
Amount Recognised in the Balance Sheet				
Liabilities	21,715.61	19,328.72	3,889.14	3,778.18
Assets	14,714.83	13,710.13	3,811.28	3,746.73
Net Liability/(Asset) recognised in Balance Sheet	7,000.78	5,618.59	77.86	31.45
Net Cost recognised in the profit and loss account				
Current Service Cost	869.21	755.83	145.25	130.20
Interest Cost	1,564.00	1,362.00	298.82	285.00
Expected return on plan assets	-1,096.81	-1,046.78	-290.39	-278.88
Net actuarial losses/(Gain) recognised during the year	1,009.25	780.33	-107.27	-87.32
Total costs of defined benefit plans included in Schedule 16 “Payments to and provisions for employees”	2,345.65	1,851.38	46.41	49.00
Reconciliation of expected return and actual return on Plan Assets				
Expected Return on Plan Assets	1,096.81	1,046.78	290.39	278.88
Actuarial Gain/(loss) on Plan Assets	233.12	124.74	7.89	-1.24
Actual Return on Plan Assets	1,329.93	1,171.52	298.28	277.64
Reconciliation of opening and closing net liability /(asset) recognised in Balance Sheet				
Opening Net Liability as At 1st April 2009	5,618.59	3,725.20	31.45	0.00
Expenses as recognised in profit and loss account	2,345.65	1,851.38	46.41	49.00
Liabiliy on account of acquisition of eSBS	0.00	571.36	0.00	121.66
Assets on account of acquisition of eSBS	0.00	172.91	0.00	90.21
Dr. Paid by bank	615.48	0.00	0.00	0.00
Employers Contribution	347.98	356.44	0.00	49.00
Net liability/(Asset) recognised in Balance Sheet	7,000.78	5,618.59	77.86	31.45

Investments under Plan Assets of Gratuity Fund & Pension Fund as on 31st March 2010 are as follows:

Category of Assets	**Pension Fund % of Plan Assets**	**Gratuity Fund % of Plan Assets**
Central Govt. Securities	19.87	51.68
State Govt. Securities	0.00	0.00
Public Sector Bonds	0.00	0.00
Corporate Bonds	16.10	44.85
FDR / TDR with Bank	0.00	0.00
Bank Deposits	0.00	0.00
Others	64.03	3.47
Total	100	100

Principal actuarial assumptions:

	Pension Plan		**Gratuity Plan**	
	Current Year	Previous Year	Current Year	Previous Year
Discount Rate	8.50%	8.00%	8.00%	7.85%
Expected Rate of return on Plan Asset	8.00%	8.00%	8.00%	8.00%
Salary Escalation	5.00%	5.00%	5.00%	5.00%

The estimates of future salary growth, factored in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Such estimates are very long term and are not based on limited past experience/immediate future. Empirical evidence also suggests that in very long term, consistent high salary growth rates are not possible, which has been relied upon by the auditors.

ii. Employees Provident Fund

In terms of the guidance on implementing the AS-15 (Revised 2005) issued by the Institute of the Chartered Accountants of India, the Employees Provident Fund set up by the Bank is treated as a defined benefit plan since the Bank has to meet the specified minimum rate of return. As at the year end, no shortfall remains unprovided for. Accordingly, other related disclosures in respect of Provident Fund have not been made and an amount of Rs.351.59 crores (Previous Year Rs. 337.53 crores) is recognised as an expense towards the Provident Fund scheme of the Bank included under the head "Payments to and provisions for employees" in Profit and Loss Account.

iii. Other Long term Employee Benefits

Amount of Rs. 151.24 crores (Previous Year write back of an amount of Rs.49.05 crores) is provided towards Long term Employee Benefits and is included under the head "Payments to and provisions for employees" in Profit and Loss account.

Details of Provisions made for various long Term Employees' Benefits during the year;

Sr. No.	**Long Term**	**Employees' Benefits**	
		Current Year	**Previous Year**
1	Privilege Leave (Encashment) incl. leave encashment at the time of retirement	107.54	-33.58
2	Leave Travel and Home Travel Concession (Encashment/Availment)	29.14	-0.81
3	Sick Leave	12.84	-17.06
4	Silver Jubilee Award	2.47	-6.35
5	Resettlement Expenses on Superannuation	-7.99	2.55
6	Casual Leave	5.06	5.78
7	Retirement Award	2.18	0.42
	Total	**151.24**	**-49.05**

The bank has accounted for Rs. 100 crores for contribution to be made as initial corpus to a Trust to be formed in 2010-2011 under a welfare scheme to be applicable from 2010-2011 in respect of incentive scheme to ceiling prescribed from meritorious children pursuing specified professional courses at elite institutes in India pending detailed assessment and computation to be carried out actuarially in 2010-11.

c) Segment Reporting:

1. Segment identification

A) Primary (Business Segment)

The following are the primary segments of the Bank:

— Treasury

— Corporate/Wholesale Banking

— Retail Banking

— Other Banking Business

The present accounting and information system of the Bank does not support capturing and extraction of the data in respect of the above segments separately. However, based on the present internal, organizational and management reporting structure and the nature of their risk and returns, the data on the primary segments have been computed as under:

a) **Treasury —** The Treasury Segment includes the entire investment portfolio and trading in foreign exchange contracts and derivative contracts. The revenue of the treasury segment primarily consists of fees and gains or losses from trading operations and interest income on the investment portfolio.

b) **Corporate/Wholesale Banking —** The Corporate/Wholesale Banking segment comprises the lending activities of Corporate Accounts Group, Mid Corporate Accounts Group and Stressed Assets Management Group. These include providing loans and transaction services to corporate and institutional clients and further include non treasury operations of foreign offices.

c) **Retail Banking —** The Retail Banking Segment comprises of branches in National Banking Group, which primarily includes personal Banking activities including lending activities to corporate customers having Banking relations with branches in the National Banking Group. This segment also includes agency business and ATM's

d) **Other Banking business —** Segments not classified under (a) to (c) above are classified under this primary segment.

B) Secondary (Geographical Segment)

i) Domestic Operations — Branches/Offices having operations in India

ii) Foreign Operations — Branches/Offices having operations outside India and offshore Banking units having operations in India

C) Pricing of Inter-segmental transfers

The Retail Banking segment is the primary resource mobilizing unit. The Corporate/Wholesale Banking and Treasury segments are recipient of funds from Retail Banking. Market related Funds Transfer Pricing (MRFTP) is followed under which a separate unit called Funding Centre has been created. The Funding Centre notionally buys funds that the business units raise in the form of deposits or borrowings and notionally sell funds to business units engaged in creating assets.

D) Allocation of Expenses, Assets and liabilities

Expenses incurred at Corporate Centre establishments directly attributable either to Corporate/Wholesale and Retail Banking Operations or to Treasury Operations segment, are allocated accordingly. Expenses not directly attributable are allocated on the basis of the ratio of number of employees in each segment/ ratio of directly attributable expenses.

The Bank has certain common assets and liabilities which cannot be attributed to any segment and the same are treated as unallocated.

2) **Segment Information**

Part A: Primary (Business segments)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Elimination	Total
Revenue #	22,054.89	26,196.28	37,158.24			85,409.41
	(19,838.88)	(24,241.41)	(32,398.93)			(76,479.22)
Unallocated Revenue #						552.66
Result #	4,666.00	4,755.35	6,491.25			15,912.60
	(3,744.64)	(5,071.11)	(7,222.86)			(16,038.61)
Unallocated Income/(Expenses) - net #						-1,986.52
						(-1,857.97)
Operating Profit #						13,926.08
						(14,180.64)
Tax #						4,760.03
						(5,059.41)
Extraordinary Profit #						—
Net Profit #						9,166.05
						(9,121.23)
Other Information :						
Segment Assets *	312,395.60	305,469.17	428,690.99			1,046,555.76
	(319,326.13)	(259,269.56)	(379,998.13)			(958,593.82)
Unallocated Assets *						6,857.97
						(5,838.26)
Total Assets *						1,053,413.73
						(964,432.08)
Segment Liabilities *	165,998.92	294,696.86	491,939.42			952,635.20
	(190,703.86)	(250,717.59)	(430,328.68)			(871,750.13)
Unallocated Liabilities*						34,829.33
						(34,734.25)
Total Liabilities *						987,464.53
						(906,484.38)

(Figures in brackets are for the Previous Year)

Part B: Secondary (Geographic Segments)

	Domestic		Foreign		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue #	81,244.50	71,563.34	4,717.57	4,915.88	85,962.07	76,479.22
Assets *	930,150.43	856,147.58	123,263.30	108,284.50	1,053,413.73	964,432.08

* As at 31st March 2010

\# For the year ended 31st March 2010

e) **Related Party Disclosures**

1. **Related Parties**

A. **SUBSIDIARIES**

i. **DOMESTIC BANKING SUBSIDIARIES**

1. State Bank of Bikaner & Jaipur
2. State Bank of Hyderabad
3. State Bank of Indore
4. State Bank of Mysore
5. State Bank of Patiala
6. State Bank of Travancore
7. SBI Commercial and International Bank Ltd.

ii. **FOREIGN BANKING SUBSIDIARIES**

1. SBI (Mauritius) Ltd.
2. State Bank of India (Canada)
3. State Bank of India (California)
4. Commercial Bank of India LLC, Moscow (##)
5. PT Bank SBI Indonesia
6. Nepal SBI Bank Ltd.

iii. **DOMESTIC NON-BANKING SUBSIDIARIES**

1. SBI Capital Markets Limited
2. SBI DFHI Limited
3. SBI Mutual Funds Trustee Company Pvt. Ltd
4. SBI CAP Securities Ltd.
5. SBI CAPS Ventures Ltd.
6. SBI CAP Trustees Co. Ltd.
7. SBI Cards & Payment Services Pvt. Ltd.(##)
8. SBI Funds Management Pvt. Ltd. (##)
9. SBI Life Insurance Company Ltd. (##)
10. SBI Pension Fund Private Limited
11. SBI Custodial Services Private Limited (##)
12. SBI Global Factors Ltd.
13. SBI General Insurance Company Ltd(##)
14. SBI Payment services Pvt. Ltd.

iv. **FOREIGN NON-BANKING SUBSIDIARIES**

1. SBICAP (UK) Ltd.
2. SBI Funds Management (International) Private Ltd.(##)

These entities are jointly controlled.

B. **JOINTLY CONTROLLED ENTITIES**

1. GE Capital Business Process Management Services Pvt. Ltd
2. C-Edge Technologies Ltd.
3. Macquarie SBI Infrastructure Management Pte. Ltd.

4. Macquarie SBI Infrastructure Trustees Ltd.
5. SBI Macquarie Infrastructure Management Pvt. Ltd.
6. SBI Macquarie Infrastructure Trustees Pvt. Ltd.

C. ASSOCIATES

i. Regional Rural Banks

1. Andhra Pradesh Grameena Vikas Bank
2. Arunachal Pradesh Rural Bank
3. Cauvery Kalpatharu Grameena Bank
4. Chhattisgarh Gramin Bank
5. Deccan Grameena Bank
6. Ellaquai Dehati Bank
7. Meghalaya Rural Bank
8. Krishna Grameena Bank
9. Langpi Dehangi Rural Bank
10. Madhya Bharat Gramin Bank
11. Malwa Gramin Bank
12. Marwar Ganganagar Bikaner Bank
13. Mizoram Rural Bank
14. Nagaland Rural Bank
15. Parvatiya Gramin Bank
16. Purvanchal Kshetriya Gramin Bank
17. Samastipur Kshetriya Gramin Bank
18. Saurashtra Gramin Bank
19. Utkal Gramya Bank
20. Uttaranchal Gramin Bank
21. Vananchal Gramin Bank
22. Vidisha Bhopal Kshetriya Gramin Bank

ii. Others

1. SBI Home Finance Limited
2. Clearing Corporation of India Ltd.
3. Bank of Bhutan
4. UTI Asset Management Company Pvt. Ltd.(upto 19.01.2010)
5. S S Ventures Services Ltd.
6. Nepal SBI Bank Ltd.(upto 13.06.2009)*

* Became a subsidiary of SBI w.e.f 14.06.2009

D. Key Management Personnel of the Bank

1. Shri O. P. Bhatt, Chairman
2. Shri S. K. Bhattacharyya, Managing Director
3. Shri R.Sridharan, Managing Director

2. Parties with whom transactions were entered into during the year

No disclosure is required in respect of related parties which are "State-controlled Enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of Banker-customer relationship are not required to be disclosed in respect of Key Management Personnel and relatives of Key Management Personnel. Other particulars are as under:

1. C-Edge Technologies Ltd.
2. GE Capital Business Process Management Services Pvt. Ltd.
3. Macquarie SBI Infrastructure Management Ptv. Ltd.
4. Macquarie SBI Infrastructure Trustees Ltd.
5. SBI Macquarie Infrastructure Management Pvt. Ltd
6. SBI Macquarie Infrastructure Trustees Pvt. Ltd.
7. Bank Of Bhutan
8. Nepal SBI Bank Ltd. (upto 13.06.2009)
9. SBI Home Finance Ltd.
10. S.S. Ventures Services Ltd.
11. Shri O. P. Bhatt, Chairman
12. Shri S. K. Bhattacharyya, Managing Director
13. Shri R.Sridharan, Managing Director

3. Transactions and Balances

Particulars	**Associates/ Joint Ventures**	**Key Management Personnel**	**Total**
Deposits #	112.84 (91.07)	0.00 (0.00)	112.84 (91.07)
Other Liabilities #	0.00 (0.03)	0.00 (0.00)	0.00 (0.03)
Investments #	24.88 (19.75)	0.00 (0.00)	24.88 (19.75)
Advances #	0.00 (0.00)	0.00 0.00	0.00 (0.00)
Interest received*	0.00 (0.00)	0.00 0.00	0.00 (0.00)
Interest paid*	4.00 (2.70)	0.00 (0.00)	4.00 (2.70)
Income earned by way of dividend*	2.88 (1.89)	0.00 (0.00)	2.88 (1.89)
Other Income*	0.00 (0.01)	0.00 (0.00)	0.00 (0.01)
Other expenditure*	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Management contracts *	0.00 (0.00)	0.63 (0.38)	0.63 (0.38)

(Figures in brackets are for Previous Year)

As at 31st March 2010

* For the year ended 31st March 2010

f) **Lease:**

i) **Financial Leases: The details are given below:**

Particulars	**As at 31-Mar-2010**	**As at 31-Mar-2009**
Gross investment in the leases	__	37.09
Present value of minimum lease payments receivable Less than 1 year	__	6.48
1 to 5 years	—	__
5 years and above	—	—
Total	__	6.48
Present value of unearned finance income	—	0.28

ii) **Operating Lease***

A. **Premises taken on Operating lease are given below**

Particulars	**As at 31-Mar-2010**	**As at 31-Mar-2009**
Not Later than 1 year	33.11	30.38
Later than 1 year and not later than 5 years	69.74	100.60
Later than 5 years	19.47	23.38
Total	122.32	154.36
Amount of lease payments recognized In P&L Account for the year	35.26	385.13

B. **Premises given on Operating lease are given below:**

Particulars	**As at 31-Mar-2010**
Original Cost of such premises	0.54
Proportionate accumulated depreciation of such premises upto 31.03.2010	0.20
Depreciation of such premises for the year ended 31.03.2010	0.04
Not later than 1 year	0.00
Later than 1 year and not later than 5 years	0.02
Later than 5 years	0.00

Operating leases primarily comprise office premises and staff residences, which are renewable at the option of the bank.

* In respect of Non-Cancelable leases only.

No contingent rents have been recognized in the Profit & Loss Account.

f) **Earnings per Share**

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 — "Earnings per Share". "Basic earnings" per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

Particulars	**Current Year**	**Previous Year**
Basic and diluted		
Weighted average no of equity shares used in computing basic earning per share	634,880,626	634,413,120
Weighted average number of shares used in computing diluted earning per share	634,880,626	634,413,120
Net profit	9,166.05	9,121.23
Basic earnings per share (Rs.)	144.37	143.77
Diluted earnings per share (Rs.)	144.37	143.77
Nominal value per share (Rs.)	10.00	10.00

g) Accounting for Taxes on Income

i. During the year, Rs. 1,407.75 crores [Previous Year Rs. 1,055.10 crores] has been credited to Profit and Loss Account by way of adjustment of deferred tax.

ii. The Bank has outstanding net deferred tax asset of Rs. 2,512.09 crores (Previous Year - Rs. 1,026.89 crores), which has been included in other assets-others & other liabilities – others respectively. The break up of deferred tax assets and liabilities into major items is given below:

Particulars	As at 31-Mar-2010	As at 31-Mar-2009
Deferred Tax Assets		
Provision for wage revision	1,545.87	676.06
Provision for long term employees' benefits	1,158.61	689.21
Ex-gratia paid under Exit option	51.54	98.49
Others	181.71	174.00
Net DTAs on account of FOs	117.24	*
Total	3,054.97	1,637.76
Deferred Tax Liabilities		
Depreciation on Fixed Assets	23.47	115.10
Interest on securities	519.41	495.77
Total	**542.88**	**610.87**
Net Deferred Tax Assets/(Liabilities)	**2,512.09**	**1,026.89**

* Net DTA of foreign offices as on 31.03.2009 was Rs. 91.25 crores

h) Investments in jointly controlled entities

Investments include Rs. 19.72 crores (Previous Year Rs.15.70 crores) representing Bank's interest in the following jointly controlled entities.

Sr. No.	Name of the Company	Amount	Country of Residence	Holding %
1	GE Capital Business Process Management Services Pvt. Ltd.	10.80 (10.80)	India	40%
2	C - Edge Technologies Ltd.	4.90 (4.90)	India	49%
3	Macquarie SBI Infra Management Pte Ltd	2.02 (0.00)	Singapore	45%
4	SBI Macquarie Infra Management (P) Ltd	1.89 (0.00)	India	45%
5	SBI Macquarie Infra Trustee (P) Ltd*	0.01 (0.00)	India	100%
6	Macquarie SBI Infra trustee Ltd#	0.10 (0.00)	Bermuda	45%

* JV Partner is expected to be included in the next quarter.

\# Indirect holding through Macquarie SBI Infra Management Pte. Limited

(Figures in brackets relate to previous year)

As required by AS 27, the aggregate amount of the assets, liabilities, income, expenses, contingent liabilities and commitments related to the Bank's interests in jointly controlled entities are disclosed as under:

Particulars	As at 31-Mar-2010	As at 31-Mar-2009
Liabilities		
Capital & Reserves	79.91	69.71
Deposits —	—	
Borrowings	0.40	0.26
Other Liabilities & Provisions	62.92	28.65
Total	**143.23**	**98.62**
Assets		
Cash and Balances with RBI	0.06	0.01
Balances with Banks and money at call and short notice	28.77	21.44
Investments	1.62	3.52
Advances	—	—
Fixed Assets	9.92	10.57
Other Assets	102.86	63.08
Total	**143.23**	**98.62**
Capital Commitments	—	—
Other Contingent Liabilities	—	—
Income		
Interest earned	3.60	0.00
Other income	78.49	51.47
Total	**82.09**	**51.47**
Expenditure		
Interest expended	—	—
Operating expenses	69.73	40.74
Provisions & contingencies	6.27	4.23
Total	**76.00**	**44.97**
Profit	6.09	6.50

j) **Impairment of Assets**

In the opinion of the Bank's Management, there is no impairment to the assets during the year to which Accounting Standard 28 — "Impairment of Assets" applies.

k) **Provisions, Contingent Liabilities & Contingent Assets**

a) **Break-up of Provisions**

Particulars	Current Year	Previous Year
Provision for Taxation		
Current Tax	6,166.62	5,971.52
Fringe Benefit Tax	0.00	142.00
Deferred Tax .	-1,407.75	-1,055.10
Other Tax	1.16	1.00
Provision for Depreciation on Investments	-987.99	707.16
Provision on Non-Performing Assets	4,622.33	2,474.96
Provision for Restructured Assets	525.53	0.00
Provision for Agricultural Debt Waiver & Relief Scheme	0.00	140.00
Provision on Standard Assets	80.06	234.82
Provision for Other Assets	154.90	177.64
Total	**9,154.86**	**8,794.00**

b) Floating Provisions

Particulars	Current Year	Previous Year
Opening Balance	Nil	Nil
Addition during the year	Nil	Nil
Draw down during the year	Nil	Nil
Closing Balance	Nil	Nil

c) Description of Contingent Liabilities and Contingent Assets

Sr. No.	Particulars	Brief Description
1.	Claims against the Bank not acknowledged as debts	The bank is a party to various proceedings in the normal course of business. It does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
2.	Liability on account of outstanding forward exchange contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities, are typically amounts used as a benchmark for the calculation of the interest component of the contracts.
3.	Guarantees given on behalf of constituents, acceptances endorsements and other obligations	As a part of its commercial banking activities, the Bank issues documentary credits and guarantees on behalf of its customers. Documentary credits enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfill its financial or performance obligations.
4.	Other items for which the Group is contingently liable	The Bank is a party to various taxation matters in respect of which appeals are pending. These are being contested by the Bank and not provided for. Further the Bank has made commitments to subscribe to shares in the normal course of business.

d) The Contingent Liabilities mentioned above are dependent upon the outcome of Court/arbitration/out of Court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

e) Movement of provisions against Contingent Liabilities

Particulars	Current Year	Previous Year
Opening balance	85.54	77.44
Additions during the year	77.69	26.48
Reductions during the year	15.09	18.38
Closing balance	148.14	85.54

18.08 Agricultural Debt Waiver and Debt Relief Scheme 2008

As per the Agricultural Debt Waiver and Debt Relief Scheme 2008, the amount receivable from the Central Government on account of debt waiver is Rs. 5307 crores (net of receipts Rs. 3424 crores) and debt relief being Rs. 903.31 crores (net of the assets of Rs. 226.69 crores), which are treated as part of advances in accordance with the scheme read with circular issued by RBI.

The Central Government has recently extended the last date of payment by "eligible farmers", under debt relief scheme from 31.12.2009 to 30.06.2010 . In accordance with the scheme read with circular issued by RBI in this regard the dues amounting to Rs. 1068 crores by such "eligible farmers" (net of recovery of Rs. 2591 crores and write off of Rs. 284 crores) as of 31.03.2010 has been classified as standard advances under IRAC Norms.

18.09 Amalgamation of State Bank of Indore

Pursuant to a scheme of Amalgamation approved by the Central Board at its meeting on 19th June 2009, State Bank of Indore where SBI holds 98.05% stake, is to be merged with the bank. The Government of India has accorded sanctioned to the bank for entering into negotiations for acquiring the business including assets and liabilities of State Bank of Indore.

18.10 Inter Office Account

Inter Office Accounts between branches, controlling offices and local head offices and corporate centre establishments have been reconciled upto December 2009. Further, reconciliation is being done on an ongoing basis and no material effect is expected on the profit and loss account of the current year.

18.11 Pending Wage Agreement

The Eighth Bipartite Settlement entered into by the Indian Banks' Association on behalf of the member Banks with the All India Unions of Workmen expired on 31st October 2007. Pending the execution the new agreement has been executed on 27th April 2010 to be effective from 1st November 2007 for workers as well as officers. Pending receipt of detailed circular of IBA regarding revision after due approval from the Central Government and detailed computations to be carried out by the Bank, a provision of Rs. 2559 crores (including Rs. 627 Crores for the period from 1-11-2007 to 31-3-2009 on revision of estimated % from 13.25 to 17.50) has been created during the year as against Rs. 1414 crores created in previous year and Rs. 575 crores during 2007-08. The total provision held on account of wage revision as on 31st March 2010 is Rs. 4,569.55 crores (including Rs. 21.55 crores transferred from eSBS).

18.12 Provisioning for Gratuity

The payment for Gratuity (Amendment) Bill, 2010 has been passed by the Parliament increasing the ceiling from Rs 3.50 lakh to Rs. 10 lakh. However, pending enactment and subsequent notification by the Central Government about applicability, effective date and the terms thereof and the finalization of salaries and wage revision as referred in para 18.11 above , the provision for Gratuity has been created actuarially in line with Accounting Policy no. 11-2(i)(c) during the year. The impact arising out of such proposed change is not ascertainable at present.

18.13 The figures of the current period include the working results of the branches of erstwhile State bank of Saurashtra (SBS), consequent to its merger with the Bank in August 2008. Hence, the figures of the previous period are strictly not comparable.

18.14 In terms of RBI letter no. DBOD.BP. No. 19264/21.4.18/2009-10 Dt. 11/05/2010 , RBI has permitted to transfer entries in inter branch account outstanding for a period of 10 Years i.e. pertaining to the year 1999-2000. Accordingly, a net credit of Rs. 60.15 Crores has been transferred to Profit and Loss Account. An amount of Rs 29.51 Crores (Net of taxes and Statutory Reserves) has therefore been transferred to General Reserve.

18.15 During the year the Bank has contributed Rs 92 Crores to SBI Retired Employees' Medical Benefit Trust.

18.16 Previous period figures have been regrouped/reclassified wherever necessary , to conform to current period classification. In cases where disclosures have been made for the first time in terms of RBI guidelines/Accounting Standards, previous year 's figures have not been mentioned.

PRINCIPAL ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (UNCONSOLIDATED) FOR THE YEAR ENDED 31ST MARCH 2009

SCHEDULE 17 — PRINCIPAL ACCOUNTING POLICIES

A. BASIS OF PREPARATION

The accompanying financial statements have been prepared under the historical cost convention as modified for derivatives and foreign currency transactions, as enumerated in Part C below. They conform to Generally Accepted Accounting Principles (GAAP) in India, which comprise the statutory provisions, guidelines of regulatory authorities, Reserve Bank of India (RBI), accounting standards/guidance notes issued by the Institute of Chartered Accountants of India (ICAI), and the practices prevalent in the banking industry in India.

B. USE OF ESTIMATES

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

C. PRINCIPAL ACCOUNTING POLICIES

1. Revenue recognition

1.1 Income and expenditure are accounted on accrual basis, except otherwise stated below. In respect of banks' foreign offices, income is recognised as per the local laws of the country in which the respective foreign office is located.

1.2 Interest income is recognised in the Profit and Loss Account as it accrues except (i) income from non-performing assets (NPAs), comprising of advances, leases and investments, which is recognised upon realisation, as per the prudential norms prescribed by the RBI/ respective country regulators (hereafter collectively referred to as Regulatory Authorities), (ii) interest on application money on investments (iii) overdue interest on investments and bills discounted, (iv) Income on Rupee Derivatives designated as "Trading"

1.3 Profit or Loss on sale of investments is credited / debited to Profit and Loss Account (Sale of Investments). Profit on sale of investments in the 'Held to Maturity' category shall be appropriated net of applicable taxes to 'Capital Reserve Account'. Loss on sale will be recognised in the Profit and Loss Account.

1.4 Income from finance leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease, over the primary lease period. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of finance leases. The principal amount is utilized for reduction in balance of net investment in lease and finance income is reported as interest income.

1.5 Income (other than interest) on investments in "Held to Maturity" (HTM) category acquired at a discount to the face value, is recognised as follows:

a) On Interest bearing securities, it is recognised only at the time of sale/ redemption.

b) On zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

1.6 Dividend is accounted on an accrual basis where the right to receive the dividend is established.

1.7 All other commission and fee incomes are recognised on their realisation except for (i) Guarantee commission on deferred payment guarantees, which is spread over the period of the guarantee and (ii) Commission on Government Business, which is recognised as it accrues.

2. Investments

Investments are accounted for in accordance with the extant regulatory guidelines. The bank follows trade date method for accounting of its investments.

2.1 Classification

Investments are classified into 3 categories, viz. Held to Maturity, Available for Sale and Held for Trading categories (hereafter called categories). Under each of these categories, investments are further classified into the following six groups:

i. Government Securities,

ii. Other Approved Securities,

iii. Shares,

iv. Debentures and Bonds,

v. Subsidiaries/Joint ventures and

vi. Others.

2.2 Basis of classification:

i. Investments that the Bank intends to hold till maturity are classified as Held to Maturity.

ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as Held for Trading.

iii. Investments, which are not classified in the above two categories, are classified as Available for Sale.

iv. An investment is classified as Held to Maturity, Available for Sale or Held for Trading at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

v. Investments in subsidiaries, joint ventures and associates are classified under as Held to Maturity.

2.3 Valuation:

i. In determining the acquisition cost of an investment:

(a) Brokerage/commission/securities transaction tax received on subscriptions is reduced from the cost.

(b) Brokerage, commission, etc. paid in connection with acquisition of investments are expensed upfront and excluded from cost.

(c) Broken period interest paid / received on debt instruments is treated as interest expense/income and is excluded from cost/sale consideration.

(d) Cost is determined on the weighted average cost method.

(e) The transfer of a security amongst the above three categories is accounted for at the least of acquisition cost/book value/market value on the date of transfer, and the depreciation, if any, on such transfer is fully provided for.

ii. Treasury Bills and Commercial Papers are valued at **carrying cost**.

iii. **Held to Maturity category:** Each scrip under Held to Maturity category is carried at its acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium on acquisition is amortised over the remaining maturity period of the security on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments". A provision is made for diminution, other than temporary. Investments in subsidiaries, joint ventures and associates (both in India and abroad) are valued at historical cost except for investments in Regional Rural Banks, which are valued at carrying cost (i.e book value).

iv. **Available for Sale and Held for Trading categories:** Each scrip in the above two categories is revalued at the market price or fair value determined as per Regulatory guidelines, and only the net depreciation of each group for each category is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual securities remains unchanged after marking to market.

v. Security receipts issued by an asset reconstruction company (ARC) are valued in accordance with the guidelines applicable to non-SLR instruments. Accordingly, in cases where the security receipts issued by the ARC are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Net Asset Value, obtained from the ARC, is reckoned for valuation of such investments.

vi. Investments are classified as performing and non-performing, based on the guidelines issued by the RBI in case of domestic offices and respective regulators in case of foreign offices. Investments of domestic offices become non performing where:

   a) Interest/installment (including maturity proceeds) is due and remains unpaid for more than 90 days.

   b) In the case of equity shares, in the event the investment in the shares of any company is valued at Re. 1 per company on account of the non availability of the latest balance sheet, those equity shares would be reckoned as NPI.

   c) If any credit facility availed by the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer would also be treated as NPI and vice versa.

   d) The above would apply mutatis-mutandis to preference shares where the fixed dividend is not paid.

   e) The investments in debentures/bonds, which are deemed to be in the nature of advance, are also subjected to NPI norms as applicable to investments.

   f) In respect of foreign offices, provisions for non performing investments are made as per the local regulations or as per the norms of RBI, whichever is higher.

vii. The Bank has adopted the Uniform Accounting Procedure prescribed by the RBI for accounting of Repo and Reverse Repo transactions [other than transactions under the Liquidity Adjustment Facility (LAF) with the RBI]. Accordingly, the securities sold/purchased under Repo/Reverse Repo are treated as outright sales/purchases and accounted for in the Repo/Reverse Repo Accounts, and the entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo/Reverse Repo Account is adjusted against the balance in the Investment Account.

viii. Securities purchased / sold under LAF with RBI are debited / credited to Investment Account and reversed on maturity of the transaction. Interest expended / earned thereon is accounted for as expenditure / revenue.

3. Loans /Advances and Provisions thereon

3.1 Loans and Advances are classified as performing and non-performing, based on the guidelines issued by the RBI. Loan assets become non-performing where:

   i. In respect of term loan, interest and/or instalment of principal remains overdue for a period of more than 90 days;

   ii. In respect of an Overdraft or Cash Credit advance, the account remains "out of order", i.e. if the outstanding balance exceeds the sanctioned limit/drawing power continuously for a period of 90 days, or if there are no credits continuously for 90 days as on the date of balance-sheet, or if the credits are not adequate to cover the interest due during the same period;

   iii. In respect of bills purchased/discounted, the bill remains overdue for a period of more than 90 days;

   iv. In respect of agricultural advances for short duration crops, where the instalment of principal or interest remains overdue for 2 crop seasons;

   v. In respect of agricultural advances for long duration crops, where the principal or interest remains overdue for one crop season.

3.2 Non-Performing advances are classified into sub-standard, doubtful and loss assets, based on the following criteria stipulated by RBI:

   i. Sub-standard: A loan asset that has remained non-performing for a period less than or equal to 12 months.

   ii. Doubtful: A loan asset that has remained in the sub-standard category for a period of 12 months.

   iii. Loss: A loan asset where loss has been identified but the amount has not been fully written off.

3.3 Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below by the RBI:

Substandard Assets:	i.	A general provision of 10%
	ii.	Additional provision of 10% for exposures which are unsecured ab-initio (where realisable value of security is not more than 10 percent ab-initio)
Doubtful Assets:		
— Secured portion:	i.	Upto one year — 20%
	ii.	One to three years — 30%
	iii.	More than three years — 100%
— Unsecured portion		100%
Loss Assets:		100%

3.4 In respect of foreign offices, provisions for non performing advances are made as per the local regulations or as per the norms of RBI, whichever is higher.

3.5 The sale of NPAs is accounted as per guidelines prescribed by the RBI, which requires provisions to be made for any deficit (where sale price is lower than the net book value), while surplus (where sale price is higher than the net book value) is ignored. Net book value is outstandings as reduced by specific provisions held and ECGC claims received.

3.6 Advances are net of specific loan loss provisions, unrealised interest, ECGC claims received and bills rediscounted.

3.7 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by RBI, which requires that the present value of future interest due as per the original loan agreement, compared with the present value of the interest expected to be earned under the restructuring package, be provided in addition to provision for NPAs. The provision for interest sacrifice, arising out of the above, is reduced from advances.

3.8 In the case of loan accounts classified as NPAs, an account may be reclassified as a performing account if it conforms to the guidelines prescribed by the regulators.

3.9 Amounts recovered against debts written off in earlier years are recognised as revenue.

3.10 Unrealised Interest recognised in the previous year on advances which have become non-performing during the current year, is provided for.

3.11 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per the extant guidelines prescribed by the RBI. The provisions on standard assets are not reckoned for arriving at net NPAs. These provisions are reflected in Schedule 5 of the balance sheet under the head "Other Liabilities & Provisions — Others."

4. Floating Provisions

In accordance with the Reserve Bank of India guidelines, the bank has an approved policy for creation and utilisation of floating provisions separately for advances, investments and general purpose. The quantum of floating provisions to be created would be assessed at the end of each financial year. The floating provisions would be utilised only for contingencies under extra ordinary circumstances specified in the policy with prior permission of Reserve Bank of India.

5. Provision for Country Exposure

In addition to the specific provisions held according to the asset classification status, provisions are held for individual country exposures (other than the home country). Countries are categorised into seven risk categories, namely, insignificant, low, moderate, high, very high, restricted and off-credit, and provision is made as per extant RBI guidelines. If the country exposure (net) of the bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in schedule 5 of the balance sheet under the "Other liabilities & Provisions — Others"

6. Derivatives:

6.1 The Bank enters into derivative contracts, such as foreign currency options, interest rate swaps, currency swaps, and cross currency interest rate swaps and forward rate agreements in order to hedge on-balance sheet/off-balance sheet assets and liabilities or for trading purposes. The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of the underlying assets and accounted in accordance with the principles of hedge accounting.

6.2 All derivative instruments are recognised as assets or liabilities in the balance sheet and measured at marked to market.

6.3 Derivative contracts classified as hedge are recorded on accrual basis. Hedge contracts are not marked to market unless the underlying Assets / Liabilities are also marked to market.

6.4 Except as mentioned above, all other derivative contracts are marked to market as per the generally accepted practices prevalent in the industry. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the profit and loss account in the period of change.

6.5 Option premium paid or received is recorded in profit and loss account at the expiry of the option. The Balance in the premium received on options sold and premium paid on options bought have been considered to arrive at Mark to Market value for forex Over the Counter options.

7. Fixed Assets and Depreciation

7.1 Fixed assets are carried at cost less accumulated depreciation.

7.2 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset before it is put to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefits from such assets or their functioning capability.

7.3 The rates of depreciation and method of charging depreciation in respect of domestic operations are as under:

Sr. No.	Description of fixed assets	Method of charging depreciation	Depreciation/ am ortisation rate
1	Computers	Straight Line Method	33.33% every year
2	Computer software forming an integral part of hardware	Written Down Value Method 60%	
3	Computer Software which does not form an integral part of hardware acquisition	Straight Line Method	100%, in the year of
4	Assets given on financial lease upto 31st March 2001	Straight Line Method	At the rate prescribed under Companies Act 1956
5	Other fixed assets	Written down value method	At the rate prescribed under Income-tax Rules 1962

7.4 In respect of assets acquired for domestic operations during the year, depreciation is charged for half an year in respect of assets used for upto 182 days and for the full year in respect of assets used for more than 182 days, except depreciation on computers and software, which is charged for the full year irrespective of the period for which the asset was put to use.

7.5 Items costing less than Rs. 1,000 each are charged off in the year of purchase.

7.6 In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year.

7.7 In respect of assets given on lease by the Bank on or before 31st March 2001, the value of the assets given on lease is disclosed as Leased Assets under fixed assets, and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalisation Account.

7.8 In respect of fixed assets held at foreign offices, depreciation is provided as per the regulations /norms of the respective countries.

8. Leases

The asset classification and provisioning norms applicable to advances, as laid down in Para 3 above, are applied to financial leases also.

9. Impairment of Assets

Fixed Assets are reviewed for impairment whenever events or changes in circumstances warrant that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

10. Effect of changes in the foreign exchange rate

10.1 Foreign Currency Transactions

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Foreign currency monetary items are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing spot/forward rates.

iii. Foreign currency non-monetary items, which are carried in terms at historical cost, are reported using the exchange rate at the date of the transaction.

iv. Contingent liabilities denominated in foreign currency are reported using the FEDAI closing spot rates.

v. Outstanding foreign exchange spot and forward contracts held for trading are revalued at the exchange rates notified by FEDAI for specified maturities, and the resulting profit or loss is included in the Profit and Loss account.

vi. Foreign exchange forward contracts which are not intended for trading and are outstanding at the balance sheet date, are valued at the closing spot rate. The premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

vii. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

viii. Gains / Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains / losses are recognised in the profit and loss account.

10.2 Foreign Operations

Foreign Branches of the Bank and Offshore Banking Units have been classified as Non-integral Operations and Representative Offices have been classified as Integral Operations.

a. Non-integral Operations:

i. Both monetary and non-monetary foreign currency assets and liabilities including contingent liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date.

ii. Income and expenditure of non-integral foreign operations are translated at quarterly average closing rates.

iii. Exchange differences arising on net investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the net investment.

iv. The Assets and Liabilities of foreign offices in foreign currency (other than local currency of the foreign offices) are translated into local currency using spot rates applicable to that country.

b. Integral Operations:

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Monetary foreign currency assets and liabilities of integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss is included in the profit and loss account.

iii. Foreign currency non-monetary items which are carried in terms of historical cost are reported using the exchange rate at the date of the transaction.

11. Employee Benefits:

11.1 Short Term Employee Benefits:

The undiscounted amount of short-term employee benefits, such as medical benefits, casual leave etc. which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

11.2 Post Employment Benefits:

i. Defined Benefit Plan

a. The Bank operates a Provident Fund Scheme. All eligible employees are entitled to receive benefits under the Bank's Provident Fund Scheme. The Bank contributes monthly at a determined rate (currently 10% of employee's basic pay plus eligible allowance). These contributions are remitted to a trust established for this purpose and are charged to Profit and Loss Account. The trust funds are retained as deposits in the bank. The bank is liable for annual contributions and interest on deposits held by the bank, which is payable at Government specified minimum rate of interest on provident fund balances of Government Employees. The bank recognises such annual contributions and interest as an expense in the year to which they relate.

b. The bank operates gratuity and pension schemes which are defined benefit plans.

c. The Bank provides for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement, on death while in employment, or on termination of employment, for an amount equivalent to 15 days basic salary payable for each completed year of service, subject to a maximum amount of Rs. 350,000. Vesting occurs upon completion of five years of service. The Bank makes annual contributions to a fund administered by trustees based on an independent external actuarial valuation carried out annually.

d. The Bank provides for pension to all eligible employees. The benefit is in the form of monthly payments as per rules and regular payments to vested employees on retirement, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The pension liability is reckoned based on an independent actuarial valuation carried out annually. The Bank makes annual contribution to the pension fund at 10% of salary in terms of SBI Pension Fund Rules. The balance is retained in the special provision account to be utilised at the time of settlement.

e. The cost of providing defined benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains/losses are immediately recognised in the statement of profit and loss and are not deferred.

ii. Other Long Term Employee benefits:

a. All eligible employees of the bank are eligible for compensated absences, silver jubilee award, leave travel concession, retirement award and resettlement allowance. The costs of such long term employee benefits are internally funded by the Bank.

b. The cost of providing other long term benefits is determined using the projected unit credit method with actuarial valuations being carried out at each balance sheet date. Past service cost is immediately recognised in the statement of profit and loss and is not deferred.

12. Provision for Taxation

12.1 Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax charge. Current year taxes are determined in accordance with the provisions of Accounting Standard 22 and tax laws prevailing in India after taking into account taxes of foreign offices, which are based on the tax laws of respective jurisdiction. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

12.2 Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis, and carry forward losses. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

12.3 Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future profits.

13. Earning per Share

13.1 The Bank reports basic and diluted earnings per share in accordance with AS 20 -'Earnings per Share' issued by the ICAI. Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

13.2 Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

14. Accounting for Provisions, Contingent Liabilities and Contingent Assets

14.1 In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

14.2 No provision is recognised for

i. any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

ii. any present obligation that arises from past events but is not recognised because

   a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   b. a reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

14.3 Contingent Assets are not recognised in the financial statements as this may result in the recognition of income that may never be realised.

15. Cash and cash equivalents

Cash and cash equivalents include cash on hand and in ATM's, and gold in hand, balances with RBI, balances with other banks, and money at call and short notice.

16. Employee Share Purchase Scheme:

In accordance with the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India (SEBI), the excess of market price one day prior to the date of issue of the shares over the price at which they are issued is recognised as employee compensation cost.

17. Share Issue Expenses

Share issue expenses are charged to the Share Premium Account.

SCHEDULE 18 — NOTES TO ACCOUNTS

(Am ount in Rupees in crores)

18.1 Capital:

1. Capital Adequacy Ratio:

The Capital to Risk-weighted Assets Ratio (CAR) as assessed by the Bank on the basis of the financial statements and guidelines issued by the Reserve Bank of India (RBI) has been computed as below:

a) As per BASEL-I:

Items	As at 31-Mar-2009	As at 31-Mar-2008
Capital to Risk-weighted Assets Ratio - Overall (%)	12.97	13.54
Capital to Risk-weighted Assets Ratio - Tier I (%)	8.53	9.14
Capital to Risk-weighted Assets Ratio - Tier II (%)	4.44	4.40

b) As per the Revised Guidelines for implementation of the New Capital Adequacy Framework (BASEL-II):

Items	As at 31-Mar-2009
Capital to Risk-weighted Assets Ratio - Overall (%)	14.25
Capital to Risk-weighted Assets Ratio - Tier I (%)	9.38
Capital to Risk-weighted Assets Ratio - Tier II (%)	4.87

2. Share capital:

a) The bank has kept in abeyance the allotment of 88,278 Equity Shares of Rs.10/- each issued as part of Rights Issue last year, since they are subject matter of title disputes or are subjudice.

b) During the year, , the Bank has issued 34,09,846 equity shares of Rs. 10/- each for cash at a premium of Rs. 1580/- per equity share i.e. at Rs. 1590/- per equity share aggregating to Rs.542.17 crores to its employees under SBI Employees Share Purchase Scheme — 2008 (SBI ESPS — 2008). The issue of equity shares under SBI ESPS-2008 has been accounted in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) guidelines 1999.Accordingly, an amount of Rs. 21.41 crores has been charged as Employee expenses and transfered to Share Premium Account.

c) The Government of India had, during the year ended 31.3.08, subscribed to 6,28,68,000 Equity Shares of Rs.10/ - each at a premium of Rs.1580 per share as part of Rights Offer of the bank. The Government of India has discharged the total consideration of Rs.9996.01 crores by issue of "8.35% SBI Rights Issue GOI Special Bonds 2024". Certain restrictions have been placed by the Government on the sale of these bonds.

d) Expenses in relation to the issue of Equity Shares under the Employees Share Purchase Scheme 2008 amounting to Rs.1.21 crores is debited to Share Premium Account.

e) Shareholding of Government of India

No. of shares		Holding	
Current Year	**Previous Year**	**Current Year**	**Previous Year**
37,72,07,200	37,72,07,200	59.41%	59.73%

18.2 Hybrid Bonds:

The details of bonds issued in foreign currency, which qualify for Hybrid Tier I Capital and outstanding as on 31st March 2009 are as under:

Particulars	Date of Issue	Tenor	Am ount	Equivalent as on 31-3-09	Equivalent as on 31-3-08
Bond issued under the MTN Programme-12th Series	15.02.2007	Perpetual Non Call 10-25years	USD 400 million	Rs. 2,028.80	Rs. 1,604.80
Bond issued under the MTN Programme-14th Series	25.06.2007	Perpetual Non Call 10 years 1 day	USD 225 million	Rs. 1,141.20	Rs. 902.70
Total			**USD 625 million**	**Rs. 3,170.00**	**Rs. 2,507.50**

If the Bank does not exercise call option by 27.06.2017, the interest rate will be raised and fixed rate will be converted to floating rate. These bonds have been listed in Singapore Stock exchange.

18.3 Subordinated Debt:

Items	As at 31-Mar-2009	As at 31-Mar-2008
Amount of Subordinated Debt raised as Tier-II capital during the year	Rs. 8,000.00*	Rs. 6,023.50

* Does not include Rs. 425 crores which has been acquired consequent to acquisition of eSBS.

i) The subordinated debts raised through private placement of Bonds are unsecured, long term, non-convertible and are redeemable at par. The debt is subordinated to present and future senior indebtedness of the Bank and qualifies for Tier II capital.

ii) The details of such outstanding subordinated debt are given below:

Particulars	Date of issue	Rate of Interest P.A.	Tenor	Equivalent Am ount as on 31.03.09	Equivalent Am ount as on 31.03.08
Private Placement Bonds 2005	05.12.2005	7.45%	113 months	3283.00	3283.00
Private Placement Bonds 2006	05.06.2006	8.80%	180 months	2327.90	2327.90
Private Placement Bonds 2006(II)	06.07.2006	9.00%	180 months	500.00	500.00
Private Placement Bonds 2006(III)	12.09.2006	8.96%	180 months	600.00	600.00
Private Placement Bonds 2006(IV)	13.09.2006	8.97%	180 months	615.00	615.00
Private Placement Bonds 2006(V)	15.09.2006	8.98%	180 months	1500.00	1500.00
Private Placement Bonds 2006(VI)	04.10.2006	8.85%	180 months	400.00	400.00
Private Placement Bonds 2006(VII)	16.10.2006	8.88%	180 months	1,000.00	1,000.00
Private Placement Bonds 2006(VIII)	17.02.2007	9.37%	180 months	1,000.00	1,000.00
Private Placement Bonds 2006(IX)	21.03.2007	9.85%	111 months	1,500.00	1,500.00
Private Placement Bonds 2007-08(I)	07.06.2007	10.20%	180 months	2,523.50	2,523.50
Private Placement Bonds 2007-08(II)	12.09.2007	10.10%	180 months	3,500.00	3,500.00
Private Placement Bonds SBS(I)	09.03.2006	8.15%	111 months	200.00	—
Private Placement Bonds SBS(II)	30.03.2007	9.80%	111 months	225.00	—
Private Placement Bonds 2008-09(I)	19.12.2008	8.90%	180 months	2,500.00	—
Private Placement Bonds 2008-09(II)	29.12.2008	8.40%	114 months	1,500.00	—
Private Placement Bonds 2008-09(III)	02.03.2009	9.15%	180 months	2,000.00	—
Private Placement Bonds 2008-09(IV)	06.03.2009	8.95%	111 months	1,000.00	—
Private Placement Bonds 2008-09(V)	06.03.2009	9.15%	180 months	1,000.00	—
Unsecured Loan in Foreign Currency	12.04.2000	6.50%	108 months	—	32.44
Total				**27174.40**	**18781.84**

18.4 Investments

1. The details of investments and the movement of provisions towards depreciation on investments of the Bank are given below:

Particulars	As at 31-Mar-2009	As at 31-Mar-2008
I. Value of Investments		
i) Gross value of Investments		
(a) In India	270,886.40	185,278.42
(b) Outside India	6,795.19	5,204.27
ii) Provisions for Depreciation		
(a) In India	1,415.32	948.32
(b) Outside India	312.31	33.10
iii) Net value of Investments		
(a) In India	269,471.08	184,330.10
(b) Outside India	6,482.88	5,171.17
II. Movement of provisions held towards depreciation on investments		
i) Opening Balance	981.42	1,254.44
ii) Add: Addition on account of acquisition of e-SBS	31.96	—
iii) Add: Provisions made during the year	1,440.18	242.83
iv) Less: Write off/write back of excess provision during the year	725.93	515.85
v) Closing balance	1,727.63	981.42

Notes:

a. Investments exclude securities utilised under Liquidity Adjustment Facility with RBI Rs. Nil (Previous Year Rs. 17,000 crores) and Rs. NIL under Market Repo (Previous year Rs. 515 crores).

b. Investment amounting to Rs. 10,725.00 crores (Previous Year Rs. 20,055 crores) are kept as margin with RBI/Clearing Corporation of India Limited towards Real Time Gross Settlement/Securities Settlement (RTGS/NDS).

c. During the year Bank has made fresh investment of Rs. 13.76 crores and Rs. 18 crores in SBI Custodial Services Private Limited and SBI Pension Fund Private Limited respectively.

d. Other investments include deposits with NABARD under RIDF Deposit Scheme amounting to Rs. 15923.14 crores (Previous Year Rs. 12039.18 crores).

e. During the year, the Bank has infused additional capital of Rs. 923.66 crores in subsidiaries and joint ventures to augment their capital.

2. **Repo Transactions**

The details of securities sold and purchased under repos and reverse repos during the year are given below:

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as on year end
Securities sold under repos	0.00 (0.00)	31,000.71 (17900.00)	4,418.48 (1627.68)	0.00 (17500.00)
Securities purchased under reverse repos	0.00 (0.00)	50,747.57 (24480.00)	9,517.78 (2296.11)	0.00 (0.00)

(Figures in brackets are for Previous Year)

3. **Non-SLR Investment Portfolio**

(a) **Issuer composition of Non SLR Investments:**

The issuer composition of Non-SLR investments of the Bank is given below:

No.	Issuer	Gross outstanding	Extent of Private Placement	Extent of 'Below Investment Grade' Securities*	Extent of 'Unrated' Securities*	Extent of 'Unlisted' Securities*
(i)	PSUs	13,945.85 (16,315.61)	460.15 (828.16)	50.00 (94.00)	54.62 (137.40)	54.62 (393.10)
(ii)	FIs	1,573.83 (1,812.28)	603.32 (919.29)	496.77 (456.04)	25.09 (199.24)	555.27 (771.04)
(iii)	Banks	3,219.45 (3,786.33)	1,200.67 (2,259.57)	122.37 (158.00)	25.36 (19.06)	177.78 (550.00)
(iv)	Private Corporates	6,399.74 (5,131.00)	412.83 (653.01)	156.92 (202.60)	1,265.41 (172.80)	1,417.44 (92.10)
(v)	Subsidiaries/Joint ventures**	4,926.23 (4,383.94)	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00
(vi)	Others	19,403.40 (15,370.55)	358.27 (284.48)	137.60 (141.00)	330.20 (51.00)	232.02 (16.00)
(vii)	Provision held towards depreciation	1,624.69 (770.73)	0.00 0.00	109.84 (45.00)	75.75 (4.00)	101.17 (26.00)
Total		47,843.81	3,035.24	853.82	1,624.93	2,335.96
Previous Year		(46,028.98)	(4,944.51)	(1,006.64)	(575.50)	(1,796.24)

(Figures in brackets are for Previous Year)

* Investment in equity, equity linked instruments, asset backed securitised instruments, Govt. securities and pass through certificates have not been segregated under these categories as these are not covered under relevant RBI Guidelines.

** Investments in Subsidiaries/Joint Ventures have not been segregated into various categories as these are not covered under relevant RBI Guidelines.

b) **Non Performing Non-SLR Investments**

Particulars	Current Year	Previous Year
Opening Balance	225.23	238.42
Additions during the year	386.15	24.18
Reductions during the year	13.16	37.37
Closing balance	598.22	225.23
Total provisions held	387.90	201.32

18.5 Derivatives

a) Forward Rate Agreements / Interest Rate Swaps

Particulars	As at 31-Mar-2009	As at 31-Mar-2008
i) The notional principal of swap agreements	109,936.12	155,928.42
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	2,131.06	1,666.30
iii) Collateral required by the Bank upon entering into swaps	Nil	Nil
iv) Concentration of credit risk arising from the swaps	Not significant	Not Significant
v) The fair value of the swap book	47.67	160.50

b) Exchange Traded Interest Rate Derivatives

Sr. No.	Particulars	Current Year	Previous Year
1	Notional principal amount of exchange traded interest rate derivatives undertaken during the year	Nil	Nil
2	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2009	Nil	Nil
3	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	Nil	Nil
4	Marked-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	Nil	Nil

c) Disclosures on Risk Exposure in Derivatives

(A) Qualitative Disclosure

i. The Bank currently deals in over-the-counter (OTC) interest rate and currency derivatives. Interest rate derivatives dealt with by the Bank are rupee interest rate swaps, foreign currency interest rate swaps and forward rate agreements. Currency derivatives dealt with by the Bank are currency swaps, rupee dollar options and cross-currency options. The products are offered to the Bank's customers to manage their exposures and the Bank enters into derivatives contracts to cover such exposures. Derivatives are also used by the Bank both for trading as well as hedging on-balance sheet items. The Bank also deals in a mix of these generic instruments.

ii. Derivative transactions carry market risk i.e. the probable loss the Bank may incur as a result of adverse movements in interest rates / exchange rates and credit risk i.e. the probable loss the Bank may incur if the counterparties fail to meet their obligations. The Bank's "Policy for Derivatives" approved by the Board prescribes the market risk parameters (cut-loss triggers, open position limits, duration, modified duration, PV01 etc.) as well as customer eligibility criteria (credit rating, tenure of relationship etc.) for entering into derivative transactions.Credit risk is controlled by entering into derivative transactions only with counterparties in respect of whom appropriate limits are set for taking into account their ability to honour obligations.The Bank enters into ISDA agreements with each counterparty.

iii. The Asset Liability Management Committee (ALCO) of the Bank oversees efficient management of these risks. The Bank's Market Risk Management Department (MRMD), independently identifies measures and monitors market risk associated with derivative transactions, assists ALCO in controlling and managing these risks and reports compliance with policy prescriptions to the Risk Management Committee of the Board (RMCB) at regular intervals.

iv. The accounting policy for derivatives has been drawn-up in accordance with RBI guidelines, the details of which are presented under Schedule 17: Principal Accounting Policy (PAP) for the financial year 2008-09.

B) **Quantitative Disclosures:**

Sr. No.	Particulars	Currency Derivatives Current Year	Currency Derivatives Previous Year	Interest Rate Derivatives Current Year	Interest Rate Derivatives Previous Year
(i)	Derivatives (Notional Principal Amount)				
a)	For hedging	4,075.20	1,631.21	14,197.35	11,201.98
b)	For trading	111,307.23	214,446.76	93,493.15	144,726.44
(ii)	Marked to Market Positions				
a)	Asset	15,041.54	3,705.16	1,333.78	414.73
b)	Liability	94.67	37.43	338.92	463.89
(iii)	Credit Exposure	20,205.45	10,574.55	3,715.10	2,671.73
(iv)	Likely impact of one percentage change in interest rate (100* PV01)				
a)	on hedging derivatives.	-44.74	-11.56	-23.33	205.32
b)	on trading derivatives	-0.53	63.03	13.51	20.52
v)	Maximum and Minimum of 100* PV 01 observed during the year				
a)	on hedging	5.23 & 62.92	-7.45 & 13.32	12.19 & 44.57	231.79 & 89.36
b)	on trading	-0.09 & 0.36	94.57 & 3.99	20.63 & 0.40	42.65 & 1.75

d) The Bank has suffered Marked to Market loss on the outstanding Derivative contracts to the extent of Rs. 455.64 crores. In the same period Bank has booked exchange and other income on derivative transactions to the tune of Rs. 481.21 crores. Net impact on Profit & Loss of the Bank on account of derivative transactions is Rs. 25.57 crores as profit for the financial year 2008-09.

e) The outstanding derivatives used for hedging where the underlying assets/liabilities have not been marked to market amounts to Rs. 19897.28 crores (Previous Year Rs. 12833.19 crores) and there is no loss (Previous Year No Loss) in the mark to market value of this derivative portfolio

18.6 Asset Quality

a) Non-Performing Asset

	Particulars	As at 31-Mar-2009	As at 31-Mar-2008
i)	Net NPAs to Net Advances (%)	1.76%	1.78%
ii)	Movement of NPAs (Gross)		
(a)	Opening balance	12,837.34	9,998.22
(b)	Additions during the year.	11,014.81	7,899.04
(c)	Reductions during the year	8,263.55	5,059.92
(d)	Closing balance	15,588.60	12,837.34
iii)	Movement of Net NPAs		
(a)	Opening balance	7,424.33	5,257.72
(b)	Additions during the year.	6,736.85	5,063.06
(c)	Reductions during the year	4,609.16	2,896.45
(d)	Closing balance	9,552.02	7,424.33
iv)	Movement of provisions for NPAs		
(a)	Opening balance	5,413.01	4,740.50
(b)	Provisions made during the year	4,277.96	2,835.98
(c)	Write-off/write-back of excess	3,654.39	2,163.47
(d)	Closing balance	6,036.58	5,413.01

b) **Details of Loan Assets subjected to Restructuring**

I. **Loan Assets subjected to restructuring, rescheduling & renegotiation during the period from 1st April 2008 to 27th August 2008**

Particulars	Under Corporate Debt Restructuring (CDR) Scheme (A)	Medium Enterprises Scheme (B)	CDR & SME Scheme (C)	A+B+C
(i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation	367.01 (322.54)	91.83 (52.89)	1574.67 (1045.97)	2033.51 (1421.40)
(ii) The amount of Standard Assets subjected to restructuring, rescheduling, renegotiation	352.42 (288.53)	91.11 (18.88)	1571.74 (1019.45)	2015.27 (1326.86)
(iii) The amount of Sub-Standard Assets subjected to restructuring, rescheduling, renegotiation	14.59 (26.09)	0.05 (0.04)	2.92 (26.02)	17.56 (52.15)
(iv) The amount of Doubtful Assets subjected to restructuring, rescheduling, renegotiation	0 (7.92)	0.67 (33.97)	0.01 (0.50)	0.68 (42.39)

II. (i) **Loan Assets subjected to restructuring, rescheduling & renegotiation during the period from 28th August 2008 to 31st March 2009**

Particulars	Particulars	CDR Mechanism	SME Debt Restructuring	Others	Total
Standard advances restructured	No. of Borrowers	29	6,355	30,859	37,243
	Amount outstanding	285.01	1,290.50	9,201.83	10,777.34
	Sacrifice (diminution in the fair value)	22.09	20.87	155.73	198.69
Sub standard advances restructured	No. of Borrowers	3	184	1473	1660
	Amount outstanding	15.06	53.87	81.35	150.28
	Sacrifice (diminution in the fair value)	0	0.82	2.34	3.16
Doubtful advances restructured	No. of Borrowers	0	5	214	219
	Amount outstanding	0	1.96	72.17	74.13
	Sacrifice (diminution in the fair value)	0	0.21	3.09	3.30
TOTAL	No. of Borrowers	32	6544	32546	39122
	Amount outstanding	300.07	1,346.33	9,355.35	11,001.75
	Sacrifice (diminution in the fair value)	22.09	21.90	161.16	205.15

(ii) Additional disclosure regarding restructured accounts*:

Sr. No.	Disclosures	Number	Am ount
1	Application received up to March 31, 2009 for restructuring, in respect of accounts which were standard as on September 1, 2008.	43,290	21,792.86
2	Of (1), proposals approved and implemented as on March 31, 2009 and thus became eligible for special regulatory treatment and classified as standard assets as on the date of the balance sheet.	37,243	10,777.34

3	Of (1), proposals approved and implemented as on March 31, 2009 but could not be upgraded to the standard category.	1,128	64.36
4	Of (1), proposals under process/ implementation which were standard as on March 31, 2009.	3,270	8,786.69
5	Of (1), proposals under process/ implementation which turned NPA as on March 31, 2009 but are expected to be classified as standard assets on full implementation of the package	1,649	2,164.47

* (as compiled by management and relied upon by the auditors)

c) Details of financial assets sold to Securitisation Company (SC)/Reconstruction Company (RC) for Asset Reconstruction

	Particulars	Current Year	Previous Year
i)	No. of Accounts	5	2
ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	15.20	16.61
iii)	Aggregate consideration	92.93*	19.87
iv)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
v)	Aggregate gain / (loss) over net book value	77.73	3.26

d) Details of non-performing financial assets purchased:

		Particulars	Current Year	Previous Year
1)	(a)	No. of Accounts purchased during the year .	Nil	1
	(b)	Aggregate outstanding	Nil	6.35
2)	(a)	Of these, number of accounts restructured during the year	Nil	Nil
	(b)	Aggregate outstanding	Nil	Nil

e) Details of non-performing financial assets sold:

	Particulars	Current Year	Previous Year
1)	No. of Accounts sold	5	2
2)	Aggregate outstanding	288.77	25.22
3)	Aggregate consideration received	92.93*	19.87

* Does not include Security Receipts of Rs. 34.75 crores recognised at Re 1/- in accordance with RBI guidelines.

f) Provision on Standard Assets:

The Provision on Standard Assets held by the Bank in accordance with RBI guidelines is as under:

Particulars	As at 31-Mar-2009	As at 31-Mar-2008
Provision towards Standard Assets	2,245.14*	1,981.62

* Includes Rs. 59.49 crores transferred on acquisition of eSBS. Excludes Rs. 30.79 crores made for Foreign offices during current year.

g) Business Ratios

	Particulars	Current Year	Previous Year
i.	Interest Income as a percentage to Working Funds	7.29%	7.32%
ii.	Non-interest income as a percentage to Working Funds	1.45%	1.30%
iii.	Operating Profit as a percentage to Working Funds	2.05%	1.96%
iv.	Return on Assets	1.04%	1.01%
v.	Business (Deposits plus advances) per employee (Rs. in thousands)	55,600	45,600
vi.	Profit per employee (Rs. in thousands)	473.77	372.57

h) **Asset Liability Management: Maturity pattern of certain items of assets and liabilities as at 31st March 2009**

	Upto 14 days	15 to 28 days	29 days to 3 m onths	Over 3 m onths & upto 6 m onths	Over 6 m onths & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	TOTAL
Deposits	83,690.40 (66,386.15)	14,592.93 (6,317.86)	37,853.31 (22,983.65)	56,627.41 (25,871.69)	86,114.19 (36,525.64)	181,909.61 (118,495.71)	102,864.77 (93,357.76)	178,420.51 (167,465.48)	742,073.13 (537,403.94)
Advances	87,221.68 (78,308.83)	8,026.04 (12,467.60)	33,299.25 (12,966.63)	26,620.89 (11,380.72)	19,452.19 (15,298.44)	240,706.90 (168,907.79)	42,276.20 (43,212.08)	84,900.05 (74,226.11)	542,503.20 (416,768.20)
Investments	18,024.74 (83.68)	4,494.75 (1,325.32)	21,733.42 (3,729.36)	7,848.99 (5,208.98)	6,777.18 (6,274.24)	32,238.61 (38,455.91)	60,331.76 (33,888.13)	124,504.50 (100,535.65)	275,953.95 (189,501.27)
Borrowings	12,362.18 (11,629.39)	5,531.82 (5,726.92)	10,490.96 (15,887.11)	8,523.60 (4,142.76)	4,384.83 (7,130.49)	9,173.88 (5,860.76)	3,052.88 (771.99)	193.53 (577.99)	53,713.68 (51,727.41)
Foreign Currency Assets	28,940.13 (29,826.39)	7,332.46 (9,739.96)	29,855.55 (4,285.54)	19,109.41 (4,120.29)	5,943.45 (4,406.49)	17,732.69 (8,034.06)	11,663.61 (7,861.81)	11,379.36 (11,056.80)	131,956.66 (79,331.34)
Foreign Currency Liabilities	31,287.61 (16,335.17)	9,152.31 (8,157.90)	14,704.28 (17,578.48)	15,303.09 (7,513.62)	14,831.34 (13,431.40)	17,878.41 (11,628.58)	6,550.34 (2,603.73)	1,677.01 (1,301.36)	111,384.39 (78,550.24)

(Figures in brackets are as at 31st March 2008)

18.7 Exposures

The Bank has lending to sectors which are sensitive to asset price fluctuations. These sensitive sectors are real estate and capital markets.

a) **Real Estate Sector**

Direct exposure

Particulars		**As at 31-Mar-2009**	**As at 31-Mar-2008**
i)	Residential Mortgages	46,281.86	42,116.80
	Of which individual housing loans up to Rs.20 Lakhs	30,146.88	33,103.18
ii)	Commercial Real Estate	16,939.71	11,958.38
iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures:	667.26	—
	Residential	5.25	—
	Commercial Real Estate	662.01	—
	Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) .	216.14	3,795.36
	Total	**64,104.97**	**57,870.54**

b) Capital Market

Particulars		As at 31-Mar-2009	As at 31-Mar-2008
1)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	5,793.37	5,352.53
2)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity- oriented mutual funds	26.94	367.47
3)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	43.89	32.38
4)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances	734.26	45.68
5)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	17.52	277.37
6)	Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter 's contribution to the equity of new companies in anticipation of raising resources	—	200.00
7)	Bridge loans to companies against expected equity flows/issues	—	—
8)	Underwriting commitments taken up by the Banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	—	—
9)	Financing to stockbrokers for margin trading	0.08	0.20
10)	Exposures to Venture Capital Funds	358.27	312.72
Total Exposure to Capital Market		**6,974.33**	**6,588.35**

c) Country-Risk Categorywise

As per the extant RBI guidelines, the country where exposure of the Bank is categorised into various risk categories listed in the following table. The country exposure (net funded) of the Bank for any country does not exceed 1% of its total assets except to a country in insignificant risk category. Provision of Rs. 25.03 crores has been made in accordance with RBI guidelines.

	Exposure (net)		Provision held	
Risk Category	**As at 31-Mar-2009**	**As at 31-Mar-2008**	**As at 31-Mar-2009**	**As at 31-Mar-2008**
Insignificant	33,980.08	22,208.55	25.03	12.50
Low	10,859.90	5,185.89	Nil	Nil
Moderate	6,237.82	4,713.24	Nil	Nil
High	4,783.54	3,314.57	Nil	Nil
Very High	1,022.73	1,015.84	Nil	Nil
Restricted / Off-Credit	765.16	19.50	Nil	Nil
Total	57,649.23	36,457.59	25.03	12.50

d) Single Borrower and Group Borrower exposure limits exceeded by the Bank:

The Bank had taken single borrower exposure in excess of the prudential limit in the cases given below:

Name of the Borrower	Exposure ceiling	Limit Sanctioned (Peak Level)	Period during which limit exceeded	Outstanding as on 31.03.09
Reliance Industries Ltd	10,464.39	13,764.04	May 2008 to August 2008	11,197.65
	10,770.67	14,129.89	September 2008 to March 2009	
Indian Oil Corporation Ltd	10,464.39	10,503.72	April 2008	14,791.97
	17,440.66	20,241.17	July 2008 to August 2008	
	17,915.13	20,533.87	September 2008 to March 2009	

* with the approval of the Board

e) Letter of Comfort issued for Subsidiaries:

The Bank has issued letters of comfort on behalf of its subsidiaries. Outstanding letters of comfort as on 31st March 2009 aggregate to Rs. 166.45 crores (Previous Year Rs. 341.23 crores.) In the Bank's assessment no financial impact is likely to arise.

f) Withdrawal from Reserves:

During the year, the bank has withdrawn following amount from the Reserves:

Particulars	As at 31-Mar-2009	As at 31-Mar-2008
Transitional liability on implementation of AS 15 (Revised 2005)	—	4,075.64
On account of payment of Drafts under reconciliation .	—	0.10
Dividend on account of ESPS shares and dividend distribution tax thereon	8.58	—

18.8 Miscellaneous

a) Disclosure of Penalties imposed by RBI:

Nil (Previous year - Nil)

b) Status of customer complaints:

Particulars	As at 31-Mar-2009	As at 31-Mar-2008
No. of complaints pending at the beginning of the year	1,030	454
Addition on account of acquisition of eSBS	258	—
No. of complaints received during the year	23,571	16,461
No. of complaints redressed during the year	23,709	15,885
No. of complaints pending at the end of the year	1,150	1,030

c) Awards passed by the Banking Ombudsman:

Particulars	Current Year	Previous Year
No. of unimplemented Awards at the beginning of the year	4	0
No. of Awards passed by the Banking Ombudsman during the year	19	22
No. of Awards implemented during the year	22	18
No. of unimplemented Awards at the end of the year	1	4

d) The bank has not received any intimation from the suppliers regarding their status under the Micro, Small & Medium Enterprises Development Act, 2006 and hence the disclosures relating to amount unpaid as at the end of the year together with interest payable as required under the said act has not been furnished and provision for interest, if any, on delayed payment is not ascertainable at this stage

18.9 Disclosure Requirements as per Accounting Standards

a) Changes in Accounting Policy

The Bank has been making annual contributions to the pension fund administered by trustees based on an independent actuarial valuation carried out at the year end. The Bank has decided to make its contribution to the Pension Fund at 10% of the basic salary in terms of SBI pension Fund Rules. The balance amount as per actuarial liability is fully provided for and kept in a special provision account for settlement to pensioners.

Consequent to this change, the profit after tax has gone up by Rs. 296 crores after considering the deferred tax asset of Rs. 508 crores.

b) Investments / Commitments in Subsidiaries, Joint Ventures, Associates

1. SBI has established a wholly owned subsidiary, SBI Custodial Services Pvt. Ltd., with a capital of Rs. 13.76 crores. A joint venture agreement has been entered with Societe Generale, France, with the bank having 65% stake. RBI has approved the said joint venture and the bank is awaiting approval from SEBI. The authorised share capital of the joint venture is envisaged at Rs. 100 crores.

2. The Bank's subsidiary, Indian Ocean International Bank (IOIB) amalgamated with SBI International (Mauritius) Ltd, another subsidiary of the Bank and the amalgamated entity's name has been changed to SBI (Mauritius) Ltd. and converted as a Public Limited Company from its erstwhile status as a Private Limited Company.

   The Scheme of Merger has been sanctioned by Bank of Mauritius from 1st April 2008, being the appointed date. Consequently, the Bank's stake in SBI (Mauritius) has reduced from a 98% holding (pre-merger) to 93.40% holding as at 31st March 2009 (post-merger).

3. The bank has incorporated SBI General Insurance Company Limited, with authorised share capital of Rs. 20 crores, for providing General Insurance subject to regulatory approvals. The Bank has signed a joint venture agreement with Insurance Australia Group (IAG) for conducting the General Insurance business. The bank will hold 74% equity in the JV, while IAG will hold 26% equity.

4. The bank has signed a joint venture with Macquarie Capital Group, Australia and IFC, Washington for setting up an Infrastructure fund of USD 3 billion for investing in various infrastructure projects in India for which RBI and Government approval have been received.

5. The bank has signed an MOU with State General Reserve Fund (SGRF) of Oman, a Sovereign Fund of that country with an objective to set up a general fund to invest in various sectors in India.While the RBI approval has been received , the Government of India approval is awaited.

6. The Boards of the Bank and SBI Capital Markets Ltd. (SBICAP) have approved takeover of SBICAP Securities Limited (SSL) by SBI as its subsidiary from SSL's holding company — SBICAP, subject to necessary regulatory approval.

c) Employee Benefits

i. Defined Benefit Plans

The following table sets out the status of the defined benefit Pension Plan and Gratuity Plan as required under AS 15 (Revised 2005)

Particulars	Pension Plans Current Year	Pension Plans Previous Year	Gratuity Current Year	Gratuity Previous Year
Change in the present value of the defined benefit obligation				
Opening defined benefit obligation at 1st April 2008	16,810.00	15,929.00	3,544.18	3,527.00
Liability acquired on acquisition of State Bank of Saurashtra	571.36	—	121.66	—
Current Service Cost	755.83	423.14	130.20	126.15
Interest Cost	1,362.00	1,290.00	285.00	285.00
Actuarial losses (gains)	905.07	219.62	-88.56	-72.97
Benefits paid	-1,075.54	-1,051.76	-214.30	-321.00
Closing defined benefit obligation at 31st March 2009	19,328.72	16,810.00	3,778.18	3,544.18
1st April 2008	13,084.80	12,205.26	3,544.18	3,527.00
Asset acquired on acquisition of State Bank of Saurashtra	172.91	—	90.21	—
Expected Return on Plan assets	1,046.78	976.42	278.88	269.72
Contributions by employer	356.44	884.14	49.00	5.00
Benefit Paid	-1,051.76	-1,075.54	-214.30	-321.00
Actuarial Gains	124.74	70.74	-1.24	63.46
Closing fair value of plan assets at 31st March 2009	13,710.13	13,084.80	3,746.73	3,544.18
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of Funded obligation at 31st March 2009	19,328.72	16,810.00	3,778.18	3,544.18
Fair Value of Plan assets at 31st March 2009	13,710.13	13,084.80	3,746.73	3,544.18
Deficit/(Surplus)	5,618.59	3,725.20	31.45	—
Unrecognised Past Service Cost	—	—	—	—
Net Liability/(Asset)	5,618.59	3,725.20	31.45	—
Am ount Recognised in the Balance **Sheet**				
Liabilities	19,328.72	16,810.00	3,778.18	3,544.18
Assets	13,710.13	13,084.80	3,746.73	3,544.18
Net Liability / (Asset) recognised in Balance Sheet	5,618.59	3,725.20	31.45	—
Net Cost recognised in the profit and loss account				
Current Service Cost	755.83	423.14	130.20	126.15
Interest Cost	1,362.00	1,290.00	285.00	285.00
Expected return on plan assets	-1,046.78	-976.42	-278.88	-269.72
Net actuarial losses (Gain) recognised during the year	780.33	148.88	-87.32	-136.43
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	1,851.38	885.60	49.00	5.00

Reconciliation of expected return and actual return on Plan Assets				
Expected Return on Plan Assets	1,046.78	976.42	278.88	269.72
Actuarial Gain/ (loss) on Plan Assets	124.74	70.74	-1.24	63.46
Actual Return on Plan Assets	1,171.52	1,047.16	277.64	333.18
Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet				
Opening Net Liability as at 1st April 2008	3,725.20	3,723.74	—	—
Expenses as recognised in profit and loss account	1,851.38	885.60	49.00	5.00
Liability on account of acquisition of eSBS	571.36	—	121.66	—
Assets on account of acquisition of eSBS	172.91	—	90.21	—
Employers Contribution	356.44	884.14	49.00	5.00
Net liability/(Asset) recognised in Balance Sheet	5,618.59	3,725.20	31.45	—

During the next financial year, the Bank expects to pay Rs. 735 crores and Rs. 45 crores in respect of defined benefit Pension Plan and Gratuity Plan respectively. Investments under Plan Assets of Gratuity Fund & Pension Fund as on 31st March 2009 are as follows:

Category of Assets	**Gratuity Fund**	**Pension Fund**
	% of Plan Assets	**% of Plan Assets**
Central Govt. Securities	34.41	
State Govt. Securities	23.28	
Public Sector Bonds	36.60	
FDR / TDR with Bank	1.71	
Bank Deposits	1.57	100*
Others	2.43	
Total	**100**	**100**

* Held with the Bank

Principal actuarial assumptions:

	Pension Plans		**Gratuity Plans**	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Discount Rate	8.00%	8.00%	7.85%	8.00%
Expected Rate of return on Plan Asset	8.00%	8.00%	8.00%	8.00%
Salary Escalation	5.00%	5.00%	5.00%	5.00%

The estimates of future salary growth, factored in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Such estimates are very long term and are not based on limited past experience / immediate future. Empirical evidence also suggests that in very long term, consistent high salary growth rates are not possible, which has been relied upon by the auditors.

ii. Employees Provident Fund

In terms of the guidance on implementing the AS-15 (Revised 2005) issued by the Institute of the Chartered Accountants of India, the Employees Provident Fund set up by the Bank is treated as a defined benefit plan since the Bank has to meet the specified minimum rate of return. As at the year end, no shortfall remains unprovided for. Accordingly, other related disclosures in respect of Provident Fund have not been made and an amount of Rs.337.53 crores (Previous Year Rs. 344.60 crores) is recognised as an expense towards the Provident Fund scheme of the Bank included under the head "Payments to and provisions for employees" in Profit and Loss Account.

iii. Other Long term Employee Benefits

Amount of Rs. 49.05 crores (Previous Year expenditure Rs. 133.40 crores) net of payments is written back towards Long term Employee Benefits and is included under the head "Payments to and provisions for employees" in Profit and Loss account.

Details of Provisions made for various long Term Employees' Benefits during the year;

Sr. No.	Long Term Employees' Benefits	Current Year	Previous Year
1	Privilege Leave (Encashment) incl. leave encashment at the time of retirement	-33.58	88.00
2	Leave Travel and Home Travel Concession (Encashment/Availment)	-0.81	25.12
3	Sick Leave	-17.06	18.40
4	Silver Jubilee Award	-6.35	1.22
5	Resettlement Expenses on Superannuation	2.55	3.73
6	Casual Leave	5.78	-2.02
7	Retirement Award	0.42	-1.05
Total		**-49.05**	**133.40**

d) Segment Reporting:

1. Segment identification

A) Primary (Business Segment)

The following are the primary segments of the Bank:

— Treasury

— Corporate / Wholesale Banking

— Retail Banking

— Other Banking Business

The present accounting and information system of the Bank does not support capturing and extraction of the data in respect of the above segments separately. However, based on the present internal, organisational and management reporting structure and the nature of their risk and returns, the data on the primary segments have been computed as under:

a) **Treasury -** The Treasury Segment includes the entire investment portfolio and trading in foreign exchange contracts and derivative contracts. The revenue of the treasury segment primarily consists of fees and gains or losses from trading operations and interest income on the investment portfolio.

b) **Corporate / Wholesale Banking -** The Corporate / Wholesale Banking segment comprises the lending activities of Corporate Accounts Group, Mid Corporate Accounts Group and Stressed Assets Management Group. These include providing loans and transaction services to corporate and institutional clients and further include non treasury operations of foreign offices.

c) **Retail Banking -** The Retail Banking Segment comprises of branches in National Banking Group, which primarily includes personal Banking activities including lending activities to corporate customers having Banking relations with branches in the National Banking Group. This segment also includes agency business and ATM's

d) **Other Banking business -** Segments not classified under (a) to (c) above are classified under this primary segment.

B) Secondary (Geographical Segment)

i) Domestic Operations - Branches/Offices having operations in India

ii) Foreign Operations - Branches/Offices having operations outside India and offshore Banking units having operations in India

C) **Pricing of Inter-segmental transfers**

The Retail Banking segment is the primary resource mobilising unit. The Corporate/Wholesale Banking and Treasury segments are recipient of funds from Retail Banking. Market related Funds Transfer Pricing (MRFTP) is followed under which a separate unit called Funding Centre has been created. The Funding Centre notionally buys funds that the business units raise in the form of deposits or borrowings and notionally sell funds to business units engaged in creating assets.

D) **Allocation of Expenses, Assets and liabilities**

Expenses incurred at Corporate Centre establishments directly attributable either to Corporate / Wholesale and Retail Banking Operations or to Treasury Operations segment, are allocated accordingly. Expenses not directly attributable are allocated on the basis of the ratio of number of employees in each segment/ratio of directly attributable expenses.

The Bank has certain common assets and liabilities which cannot be attributed to any segment and the same are treated as unallocated.

2. **Segment Information**

Part A: Primary (Business segments)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Elimination	Total
Revenue #	19,838.88	24,241.41	32,398.93			76,479.22
Result #	3,744.64	5,071.11	7,222.86			16,038.61
Unallocated Income /						
(Expenses) - net #						(1,857.97)
Operating Profit #						14,180.64
Tax #						(5,059.41)
Extraordinary Profit #						
— Net Profit #						9,121.23
Other Information:						
Segment Assets *	319,326.13	262,838.92	657,26691		280,838.14	958,593.82
Unallocated Assets *						5,838.26
Total Assets *						964,432.08
Segment Liabilities *	190,703.86	254,287.95	707,596.46		280,838.14	871,750.13
Unallocated Liabilities*						34,734.25
Total Liabilities *						906,484.38

Part B: Secondary (Geographic Segments)

	Domestic		Foreign		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue #	71,563.34	51,493.43	4,915.88	6,151.81	76,479.22	57,645.24
Assets *	856,147.58	632,865.94	108,284.50	88,660.37	964,432.08	721,526.31

* As at 31st March 2009

For the year ended 31st March 2009

e) Related Party Disclosures

1. Related Parties

A. SUBSIDIARIES

i. DOMESTIC BANKING SUBSIDIARIES

1. State Bank of Bikaner & Jaipur
2. State Bank of Hyderabad
3. State Bank of Indore
4. State Bank of Mysore
5. State Bank of Patiala
6. State Bank of Saurashtra
   (upto13th August 2008, refer note 18.11)
7. State Bank of Travancore
8. SBI Commercial and International Bank Ltd.

ii. FOREIGN BANKING SUBSIDIARIES

1. SBI (Mauritius) Ltd.
2. State Bank of India (Canada)
3. State Bank of India (California)
4. Commercial Bank of India LLC, Moscow (##)
5. PT Bank Indo Monex

iii. DOMESTIC NON-BANKING SUBSIDIARIES

1. SBI Factors & Commercial Services Pvt. Ltd.
2. SBI Capital Markets Limited
3. SBI DFHI Limited
4. SBI Mutual Funds Trustee Company Pvt. Ltd
5. SBI CAP Securities Ltd.
6. SBI CAPS Ventures Ltd.
7. SBI CAP Trustees Co. Ltd.
8. SBI Cards & Payment Services Pvt. Ltd.(##)
9. SBI Funds Management Pvt. Ltd. (##)
10. SBI Life Insurance Company Ltd. (##)
11. SBI Pension Fund Private Limited
12. SBI Custodial Services Private Limited (##)
13. Global Trade Finance Ltd.
14. SBI General Insurance Company Ltd

iv. FOREIGN NON-BANKING SUBSIDIARIES

1. SBICAP (UK) Ltd.
2. SBI Funds Management (International) Private Ltd.(##)

These entities are jointly controlled.

B. JOINTLY CONTROLLED ENTITIES

1. GE Capital Business Process Management Services Pvt. Ltd
2. C-Edge Technologies Ltd.

C. ASSOCIATES

i. **Regional Rural Banks**

1. Andhra Pradesh Grameena Vikas Bank
2. Arunachal Pradesh Rural Bank
3. Cauvery Kalpatharu Grameena Bank
4. Chhattisgarh Gramin Bank
5. Deccan Grameena Bank
6. Ellaquai Dehati Bank
7. Meghalaya Rural Bank
8. Krishna Grameena Bank
9. Langpi Dehangi Rural Bank
10. Madhya Bharat Gramin Bank
11. Malwa Gramin Bank
12. Marwar Ganganagar Bikaner Bank
13. Mizoram Rural Bank
14. Nagaland Rural Bank
15. Parvatiya Gramin Bank
16. Purvanchal Kshetriya Gramin Bank
17. Samastipur Kshetriya Gramin Bank
18. Saurashtra Gramin Bank
19. Utkal Gramya Bank
20. Uttaranchal Gramin Bank
21. Vananchal Gramin Bank
22. Vidisha Bhopal Kshetriya Gramin Bank ii.

ii. **Others**

1. SBI Home Finance Limited
2. Clearing Corporation of India Ltd.
3. Nepal SBI Bank Ltd.
4. Bank of Bhutan
5. UTI Asset Management Company Pvt. Ltd.
6. S S Ventures Services Ltd.

D. Key Management Personnel of the Bank

1. Shri O. P. Bhatt, Chairman
2. Shri S. K. Bhattacharyya, Managing Director
3. Shri R.Sridharan, Managing Director from 5th December 2008

2. Parties with whom transactions were entered into during the year

No disclosure is required in respect of related parties which are “State-controlled Enterprises” as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of Banker-customer relationship are not required to be disclosed in respect of Key Management Personnel and relatives of Key Management Personnel. Other particulars are as under:

1. C-Edge Technologies Ltd.
2. GE Capital Business Process Management Services Pvt. Ltd.
3. Bank of Bhutan
4. Nepal SBI Bank Ltd.
5. SBI Home Finance Ltd.
6. S S Ventures Services Ltd
7. Shri O. P. Bhatt, Chairman
8. Shri S. K. Bhattacharyya, Managing Director
9. Shri R.Sridharan, Managing Director from 5th December 2008

3. **Transactions and Balances:**

Particulars	Associates/ Joint Ventures	Key Management Personnel	Total
Deposits #	91.07	0.69	91.76
	(62.56)	(0.00)	(62.56)
Other Liabilities #	0.03	0.26	0.29
	(0.01)	(0.00)	(0.01)
Investments #	19.75	0	19.75
	(35.45)	(0.00)	(35.45)
Advances #	0.00	0.00	0.00
	0.00	00.00	0.00
Interest received*	0.00	0.00	0.00
	0.00	0.00	0.00
Interest paid*	2.70	0.00	2.70
	(3.16)	(0.00)	(3.16)
Income earned by way of dividend*	1.89	0.00	1.89
	(2.94)	(0.00)	(2.94)
Other Income*	0.01	0.00	0.01
	(0.01)	(0.00)	(0.01)
Other expenditure*	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)
Management contracts * .	0.00	0.38	0.38
	(0.00)	(0.54)	(0.54)

(Figures in brackets are for Previous Year)

As at 31st March 2009

* For the year ended 31st March 2009

f) **Lease:**

i) Assets given on Financial Lease on or after 1st April 2001: The details of finance leases are given below:

Particulars	As at 31-Mar-2009	As at 31-Mar-2008
Gross investment in the leases	37.09	43.29
Present value of minimum lease payments receivable Less than 1 year	6.48	8.91
1 to 5 years	—	9.67
5 years and above	—	—
Total	6.48	18.58
Present value of unearned finance income	0.28	3.76

ii) Operating Lease

A. Operating lease comprise of Office Premises/Staff Quarters

(Rs. in Crores)

i. Minimum Lease Rent Payable*		
	a. Payable not later than 1 year i.e. 2009-10	30.38
	b. Payable later than 1 year and not later than 5 years i.e. 2010-11 to 2013-14	100.60
	c. Payable later than 5 years i.e. after 2013-14 * in respect of non cancellable lease only	23.38
ii. Amount of lease charges debited to charges account during the year		385.13

iii. The lease agreements provide for an option to the Bank to renew the lease period at the end of non-cancellable period. There are no exceptional/ restrictive covenants in the lease agreements.

B. The Bank has no assets given on non cancellable Operating Leases as on 31st March 2009. No contingent rents have been recognised in the Profit & Loss Account. The cancellable Leases are of insignificant value.

g) Earnings per Share

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 - "Earnings per Share". "Basic earnings" per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

Particulars	**Current Year**	**Previous Year**
Basic and diluted		
Weighted average no of equity shares used in computing basic earning per share	63,44,13,120	53,14,45,447
Add: Potential number of equity shares that could arise on account of ESPS scheme	—	5,09,911
Weighted average number of shares used in computing diluted earning per share	63,44,13,120	53,19,55,358
Net profit	9,121.23	6,729.12
Basic earnings per share (Rs.)	143.77	126.62
Diluted earnings per share (Rs.)	143.77	126.50
Nominal value per share (Rs.)	10.00	10.00

h) Accounting for Taxes on Income

i. During the year, Rs. 1055.10 crores [Previous Year Rs. 219.43 crores] has been credited to Profit and Loss Account by way of adjustment of deferred tax.

ii. The Bank has outstanding net deferred tax asset of Rs. 1026.89 crores (Previous Year - Rs. 42.05 crores), which has been included in other assets-others. The break up of deferred tax assets and liabilities into major items is given below:

Particulars	**As at 31-Mar-2009**	**As at 31-Mar-2008**
Deferred Tax Assets		
Provision for wage revision	676.06	195.44
Provision for long term employees' benefits	689.21	181.06
Ex-gratia paid under Exit option	98.49	145.44
Others	174.00	118.88
Total	**1,637.76**	**640.82**

Particulars	As at 31-Mar-2009	As at 31-Mar-2008
Deferred Tax Liabilities		
Depreciation on Fixed Assets .	115.10	103.00
Interest on securities	495.77	495.77
Total	**610.87**	**598.77**
Net Deferred Tax Assets/(Liabilities)	**1,026.89**	**42.05**

i) Investments in jointly controlled entities

Investments include Rs. 15.70 crores (Previous Year Rs.15.70 crores) representing Bank's interest in the following jointly controlled entities

Sr. No.	Name of the Company	Am ount	Country of Residence	Holding %
1	GE Capital Business Process Management Services Pvt. Ltd.	10.80	India	40% (10.80)
2	C - Edge Technologies Ltd.	4.90	India	49% (4.90)

(Figures in brackets relate to previous year)

As required by AS 27, the aggregate amount of the assets, liabilities, income, expenses, contingent liabilities and commitments related to the Bank's interests in jointly controlled entities are disclosed as under:

Particulars	As at 31-Mar-2009	As at 31-Mar-2008
Liabilities		
Capital & Reserves	69.71	63.21
Deposits	—	—
Borrowings	0.26	0.35
Other Liabilities & Provisions	28.65	27.05
Total	98.62	90.61
Assets		
Cash and Balances with RBI	0.01	0.01
Balances with Banks and money at call and short notice	21.44	2.04
Investments	3.52	2.62
Advances	—	—
Fixed Assets	10.57	15.03
Other Assets	63.08	70.91
Total	98.62	90.61
Capital Commitments	—	—
Other Contingent Liabilities	—	—
Income		
Interest earned	0	5.69
Other income	51.47	61.63
Total	51.47	67.32
Expenditure		
Interest expended	—	—
Operating expenses	40.74	49.81
Provisions & contingencies	4.23	6.43
Total	44.97	56.24
Profit	6.50	11.08

j) Impairment of Assets

In the opinion of the Bank's Management, there is no impairment to the assets during the year to which Accounting Standard 28 - "Impairment of Assets" applies.

k) Provisions, Contingent Liabilities & Contingent Assets

a) Break-up of Provisions

Particulars	**Current Year**	**Previous Year**
Provision for Taxation		
Current Tax	5971.52	3823.50
Fringe Benefit Tax	142.00	105.00
Deferred Tax	-1055.10	-219.43
Other Tax	1.00	0.70
Provision for Depreciation on Investments	707.16	-88.68
Provision on Non-Performing Assets	2,474.96	2,000.94
Provision for Agricultural Debt Waiver & Relief Scheme	140.00	—
Provision on Standard Assets	234.82	566.97
Provision for Other Assets	177.64	189.43
Total	8,794.00	6,378.43

b) Floating Provisions

Particulars	**Current Year**	**Previous Year**
Opening Balance	Nil	Nil
Addition during the year	Nil	Nil
Draw down during the year	Nil	Nil
Closing Balance	Nil	Nil

c) Description of Contingent Liabilities and Contingent Assets

Sr. No.	**Items**	**Brief Description**
1,	Claims against the Group not acknowledged as debts	The parent and its constituents are parties to various proceedings in the normal course of business. It does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
2.	Liability on account of contracts outstanding forward exchange contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities, are typically amounts used as a benchmark for the calculation of the interest component of the contracts.

3.	Guarantees given on behalf of constituents, acceptances endorsements and other obligations	As a part of its commercial banking activities, the Bank issues documentary credits and guarantees on behalf of its customers. Documentary credits enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfil its financial or performance obligations.
4.	Other items for which the Group is contingently liable	The Bank is a party to various taxation matters in respect of which appeals are pending. These are being contested by the Bank and not provided for. Further the Bank has made commitments to subscribe to shares in the normal course of business.

d) The Contingent Liabilities mentioned above are dependent upon the outcome of Court/arbitration/ out of Court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

e) Movement of provisions against Contingent Liabilities

Particulars	**Current Year**	**Previous Year**
Opening balance	77.44	71.90
Additions during the year.	26.48	19.90
Reductions during the year	18.38	14.36
Closing balance	85.54	77.44

18.10 Agricultural Debt Waiver and Debt Relief Scheme 2008

As per the Agricultural Debt Waiver and Debt Relief Scheme 2008, the amount receivable from the Central Government on account of debt waiver is Rs. 5506 crores and on account of debt relief is Rs. 322 crores, which is treated as part of advances and other assets respectively in accordance with the scheme. For the Debt Waiver, the Government of India has agreed to provide interest on the amount receivable from it from the date of payment of the first instalment and accordingly no provision for loss of interest on present value terms has been made. Further, the first instalment of Rs. 2168 crores has been received on 24 December 2008. In respect of Debt Relief, the Bank has made provision of Rs. 140 crores towards present value of loss of interest on amount receivable from eligible farmers, which is reversible to General Reserve upon complete settling of the account after receipt of claim from the Government. The figures of debt relief are subject to payment of dues by the farmers.

18.11 Acquisition of State Bank of Saurashtra

The Govt. of India has notified the acquisition by the Bank of the State Bank of Saurashtra (SBS), a wholly owned subsidiary of the Bank, with effect from 14th August 2008. Pursuant to the said notification, the entire undertaking of the erstwhile SBS stands acquired by the Bank. The acquisition of SBS has been accounted using pooling of interest method as per Accounting Standard 14. The goodwill arising on acquisition amounting to Rs. 0.65 crores has been charged off to the revenue during the period.

18.12 Inter Office Account

Inter Office Accounts between branches, controlling offices and local head offices and corporate centre establishments have been reconciled upto December 2008. Further, reconciliation is being done on an ongoing basis and no material effect is expected on the profit and loss account of the current year.

18.13 Pending Wage Agreement

The Eighth Bipartite Settlement entered into by the Indian Banks' Association on behalf of the member Banks with the All India Unions of Workmen expired on 31st October 2007. Pending the execution of a new agreement a provision of Rs.1414 crores (Previous Year Rs. 575 crores) has been made during the year in the accounts for the Bank's estimated liability in respect of wage revision to be effective from 1st November 2007. The total provision held on account of wage revision as on 31st March 2009 is Rs. 2010.55 crores (including Rs. 21.55 crores transferred from eSBS).

18.14 Proposed Merger

Pursuant to a Scheme of Amalgamation approved by the Central Board at its meeting held on 25th June 2008, SBI Commercial and International Bank Ltd, a wholly owned subsidiary of the Bank is to be merged with the Bank. The relevant scheme is yet to be approved by the Government of India, RBI and other authorities. Pending such approvals no effect has been given to the said scheme in the accounts.

18.15 The figures of the current period include the working results of the branches of erstwhile State Bank of Saurashtra (SBS) for the period from 14th August 2008 consequent to merger of e-SBS with the Bank. Accordingly, the figures of the previous period are strictly not comparable. Previous period figures have been regrouped/reclassified, wherever necessary, to conform to current period classification. In cases where disclosures have been made for the first time in terms of RBI guidelines / Accounting Standards, previous year 's figures have not been mentioned.

PRINCIPAL ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (UNCONSOLIDATED) FOR THE YEAR ENDED 31ST MARCH 2008

SCHEDULE 17 — PRINCIPAL ACCOUNTING POLICIES

A. BASIS OF PREPARATION

The accompanying financial statements have been prepared under the historical cost convention **as m odified for derivatives and foreign currency transactions, as enumerated in Part C below**. They conform to Generally Accepted Accounting Principles (GAAP) in India, which comprise the statutory provisions, guidelines of regulatory authorities, Reserve Bank of India (RBI), accounting standards/guidance notes issued by the Institute of Chartered Accountants of India (ICAI), and the practices prevalent in the banking industry in India.

B. USE OF ESTIMATES

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to the accounting estimates is recognized prospectively in the current and future periods.

C. PRINCIPAL ACCOUNTING POLICIES

1. Revenue recognition

1.1 Income and expenditure are accounted on accrual basis, except otherwise stated below. In respect of banks' foreign offices, income is recognized as per the local laws of the country in which the respective foreign office is located.

1.2 Interest income is recognized in the Profit and Loss Account as it accrues except (i) income from non-performing assets (NPAs), comprising of advances, leases and investments, which is recognized upon realization, as per the prudential norms prescribed by the RBI/ respective country regulators (hereafter collectively referred to as Regulatory Authorities), (ii) interest on application money on investments (iii) overdue interest on investments and bills discounted, (iv) Income on Rupee Derivatives designated as "Trading".

1.3 Profit/Loss on sale of investments is credited/debited to "Profit/Loss on Sale of Investments" and thereafter in respect of profit on sale of investments in the Held to Maturity category is appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve.

1.4 Income from finance leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease, over the primary lease period. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of finance leases. The principal amount is utilized for reduction in balance of net investment in lease and finance income is reported as interest income.

1.5 Income (other than interest) on investments in "Held to Maturity" (HTM) category acquired at a discount to the face value, is recognized as follows:

a) On Interest bearing securities, it is recognized only at the time of sale/redemption.

b) On zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

1.6 Dividend is accounted on an accrual basis where the right to receive the dividend is established.

1.7 All other commission and fee incomes are recognized on their realization except for (i) Guarantee commission on deferred payment guarantees, which is spread over the period of the guarantee and (ii) Commission on Government Business, which is recognized as it accrues.

2. Investments

Investments are accounted for in accordance with the extant regulatory guidelines. The bank follows trade date method for accounting of its investments.

2.1 Classification

Investments are classified into 3 categories, viz. Held to Maturity, Available for Sale and Held for Trading categories (hereafter called categories). Under each of these categories, investments are further classified into the following six groups:

i. Government Securities,

ii. Other Approved Securities,

iii. Shares,

iv. Debentures and Bonds,

v. Subsidiaries/Joint ventures and

vi. Others.

2.2 Basis of classification:

i. Investments that the Bank intends to hold till maturity are classified as Held to Maturity.

ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as Held for Trading.

iii. Investments, which are not classified in the above two categories, are classified as Available for Sale.

iv. An investment is classified as Held to Maturity, Available for Sale or Held for Trading at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

v. Investments in subsidiaries, joint ventures and associates are classified under as Held to Maturity.

2.3 Valuation:

i. In determining the acquisition cost of an investment:

(a) Brokerage/commission received on subscriptions is reduced from the cost.

(b) Brokerage, commission etc. paid in connection with acquisition of investments are expensed upfront and excluded from cost.

(c) Broken period interest paid/received on debt instruments is treated as interest expense/income and is excluded from cost/sale consideration.

(d) Cost is determined on the weighted average cost method.

(e) The transfer of a security amongst the above three categories is accounted for at the least of acquisition cost/book value/market value on the date of transfer, and the depreciation, if any, on such transfer is fully provided for.

ii. Treasury Bills and Commercial Papers are valued at **carrying cost**.

iii. **Held to Maturity category:** Each scrip under Held to Maturity category is carried at its acquisition cost or at amortized cost, if acquired at a premium over the face value. Any premium on acquisition is amortized over the remaining maturity period of the security on constant yield basis. Such amortization of premium is adjusted against income under the head "interest on investments". A provision is made for diminution, other than temporary. Investments in subsidiaries, joint ventures and associates (both in India and abroad) are valued at historical cost except for investments in Regional Rural Banks, which are valued at carrying cost (i.e book value).

iv. **Available for Sale and Held for Trading categories:** Each scrip in the above two categories is revalued at the market price or fair value **determined as per Regulatory guidelines**, and only the net depreciation of each group for each category is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual securities remains unchanged after marking to market.

v. Security receipts issued by an asset reconstruction company (ARC) are valued in accordance with the guidelines applicable to non-SLR instruments. Accordingly, in cases where the security receipts issued by the ARC are limited to the actual realization of the financial assets assigned to the instruments in the concerned scheme, the Net Asset Value, obtained from the ARC, is reckoned for valuation of such investments.

vi. Investments are classified as performing and non-performing, based on the guidelines issued by the RBI in case of domestic offices and respective regulators in case of foreign offices. Investments of domestic offices become non performing where:

a) Interest/installment (including maturity proceeds) is due and remains unpaid for more than 90 days.

b) In the case of equity shares, in the event the investment in the shares of any company is valued at Re. 1 per company on account of the non availability of the latest balance sheet, those equity shares would be reckoned as NPI.

c) If any credit facility availed by the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer would also be treated as NPI and vice versa.

d) The above would apply mutatis-mutandis to preference shares where the fixed dividend is not paid.

e) The investments in debentures/bonds, which are deemed to be in the nature of advance, are also subjected to NPI norms as applicable to investments.

f) In respect of foreign offices, provisions for non performing investments are made as per the local regulations or as per the norms of RBI, whichever is higher.

vii. The Bank has adopted the Uniform Accounting Procedure prescribed by the RBI for accounting of Repo and Reverse Repo transactions [other than transactions under the Liquidity Adjustment Facility (LAF) with the RBI]. Accordingly, the securities sold/purchased under Repo/Reverse repo are treated as outright sales/purchases and accounted for in the Repo/Reverse Repo Accounts, and the entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo/Reverse Repo Account is adjusted against the balance in the Investment Account.

viii. Securities purchased/sold under LAF with RBI are debited/credited to Investment Account and reversed on maturity of the transaction. Interest expended/earned thereon is accounted for as expenditure/revenue.

3. Loans/Advances and Provisions thereon

3.1 Loans and Advances are classified as performing and non-performing, based on the guidelines issued by the RBI. Loan assets become non-performing where:

i. In respect of term loan, interest and/or installment of principal remains overdue for a period of more than 90 days;

ii. In respect of an Overdraft or Cash Credit advance, the account remains "out of order", i.e. if the outstanding balance exceeds the sanctioned limit/drawing power continuously for a period of 90 days, or if there are no credits continuously for 90 days as on the date of balance-sheet, or if the credits are not adequate to cover the interest due during the same period;

iii. In respect of bills purchased/discounted, the bill remains overdue for a period of more than 90 days;

iv. In respect of agricultural advances for short duration crops, where the installment of principal or interest remains overdue for 2 crop seasons;

v. In respect of agricultural advances for long duration crops, where the principal or interest remains overdue for one crop season.

3.2 Non-Performing advances are classified into sub-standard, doubtful and loss assets, based on the following criteria stipulated by RBI:

i. Sub-standard: A loan asset that has remained non-performing for a period less than or equal to 12 months.

ii. Doubtful: A loan asset that has remained in the sub-standard category for a period of 12 months.

iii. Loss: A loan asset where loss has been identified but the amount has not been fully written off.

3.3 Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below by the RBI:

Substandard Assets:	i.	A general provision of 10%
	ii.	Additional provision of 10% for exposures which are unsecured ab-initio (where realizable value of security is not more than 10 percent ab-initio)
Doubtful Assets:		
— Secured portion:	i.	Upto one year - 20%
	ii.	One to three years - 30%
	iii.	More than three years - 100%
— Unsecured portion:		100%
Loss Assets:		100%

3.4 In respect of foreign offices, provisions for non performing advances are made as per the local regulations or as per the norms of RBI, whichever is higher.

3.5 The sale of NPAs is accounted as per guidelines prescribed by the RBI, which requires provisions to be made for any deficit (where sale price is lower than the net book value), while surplus (where sale price is higher than the net book value) is ignored. Net book value is outstandings as reduced by specific provisions held and ECGC claims received.

3.6 Advances are net of specific loan loss provisions, unrealized interest, ECGC claims received and bills rediscounted.

3.7 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by RBI, which requires that the present value of future interest due as per the original loan agreement, compared with the present value of the interest expected to be earned under the restructuring package, be provided in addition to provision for NPAs. The provision for interest sacrifice is not reduced from advances and is included in the balance sheet under the head "Other Liabilities — Others".

3.8 In the case of loan accounts classified as NPAs, an account may be reclassified as a performing account if it conforms to the guidelines prescribed by the regulators.

3.9 Amounts recovered against debts written off in earlier years are recognized as revenue.

3.10 Unrealized Interest recognized in the previous year on advances which have become non-performing during the current year, is provided for.

3.11 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per the extant guidelines prescribed by the RBI. The provisions on standard assets are not reckoned for arriving at net NPAs. These provisions are reflected in Schedule 5 of the balance sheet under the head "Other Liabilities & Provisions — Others."

4. Provision for Country Exposure

In addition to the specific provisions held according to the asset classification status, provisions are held for individual country exposures (other than the home country). Countries are categorized into seven risk categories, namely, insignificant, low, moderate, high, very high, restricted and off-credit, and provisioning made as per extant RBI guidelines. If the country exposure (net) of the bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures.

5. Derivatives:

5.1 The Bank enters into derivative contracts, such as foreign currency options, interest rate swaps, currency swaps, and cross currency interest rate swaps and forward rate agreements in order to hedge on-balance sheet/off-balance sheet assets and liabilities or for trading purposes. The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of the underlying assets and accounted in accordance with the principles of hedge accounting.

5.2 All derivative instruments are recognized as assets or liabilities in the balance sheet and measured at marked to market.

5.3 Derivative contracts classified as hedge are recorded on accrual basis. Hedge contracts are not marked to market unless the underlying Assets/Liabilities are also marked to market.

5.4 Except as mentioned above, all other derivative contracts are marked to market as per the generally accepted practices prevalent in the industry. In respect of derivative contracts that are marked to market, changes in the market value are recognized in the profit and loss account in the period of change.

5.5 Option premium paid or received is recorded in profit and loss account at the expiry of the option.

6. Fixed Assets and Depreciation

6.1 Fixed assets are carried at cost less accumulated depreciation.

6.2 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset before it is put to use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefits from such assets or their functioning capability.

6.3 Depreciation is provided on the written down value method at the rates prescribed under the Income Tax Rules 1962, which are considered appropriate by the management. The rates of depreciation and method of charging depreciation in respect of domestic operations are as under:

Sr. No.	**Description of fixed assets**	**Method of charging depreciation**	**Depreciation/am ortization rate**
1	Computers	Straight Line Method	33.33% every year
2	Computer software forming an integral part of hardware	Written Down Value Method	60%
3	Computer Software which does not form an integral part of hardware	Straight Line Method	100%, in the year of acquisition
4	Assets given on financial lease up to 31st March 2001	Straight Line Method	At the rate prescribed under Companies Act 1956
5	Other fixed assets	Written down value method	At the rate prescribed under Income-tax Rules 1962

6.4 In respect of assets acquired for domestic operations during the year, depreciation is charged for half an year in respect of assets used for upto 182 days and for the full year in respect of assets used for more than 182 days, except depreciation on computers and software, which is charged for the full year irrespective of the period for which the asset was put to use.

6.5 Items costing less than Rs.1,000 each are charged off in the year of purchase.

6.6 In respect of leasehold premises, the lease premium, if any, is amortized over the period of lease and the lease rent is charged in the respective year.

6.7 In respect of assets given on lease by the Bank on or before 31st March 2001, the value of the assets given on lease is disclosed as Leased Assets under fixed assets, and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalization Account.

6.8 In respect of fixed assets held at foreign offices, depreciation is provided as per the regulations/norms of the respective countries.

7. Leases

7.1 Assets given on financial lease by the Bank on or after 1st April 2001 are accounted as per Accounting Standard 19. Such assets are included under Other Assets.

7.2 The asset classification and provisioning norms applicable to advances, as laid down in Para 3 above, are applied to such financial leases.

8. **Impairment of Assets**

Fixed Assets are reviewed for impairment whenever events or changes in circumstances warrant that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

9. **Effect of Changes in the Foreign Exchange Rate**

9.1 Foreign Currency Transactions

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Foreign currency monetary items are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing spot rates.

iii. Foreign currency non-monetary items, which are carried in terms at historical cost, are reported using the exchange rate at the date of the transaction.

iv. Contingent liabilities denominated in foreign currency are reported using the FEDAI closing spot rates.

v. Outstanding foreign exchange spot and forward contracts held for trading are revalued at the exchange rates notified by FEDAI for specified maturities, and the resulting profit or loss is included in the Profit or Loss account.

vi. Foreign exchange forward contracts which are not intended for trading and are outstanding at the balance sheet date, are valued at the closing spot rate. The premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract.

vii. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognized as income or as expense in the period in which they arise.

9.2 Foreign Operations

Foreign Branches of the Bank and Offshore Banking Units have been classified as Non-integral

Operations and Representative Offices have been classified as Integral Operations.

a. Non-integral Operations:

i. Both monetary and non-monetary foreign currency assets and liabilities including contingent liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date.

ii. Income and expenditure of non-integral foreign operations are translated at quarterly average closing rates.

iii. Exchange differences arising on net investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the net investment.

b. Integral Operations:

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Monetary foreign currency assets and liabilities of integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss is included in the profit and loss account.

iii. Foreign currency non-monetary items which are carried in terms of historical cost are reported using the exchange rate at the date of the transaction.

10. Employee Benefits:

10.1 Short Term Employee Benefits:

The undiscounted amount of short-term employee benefits, such as medical benefits, casual leave etc. which are expected to be paid in exchange for the services rendered by employees are recognized during the period when the employee renders the service.

10.2 Post Employment Benefits:

i. Defined Benefit Plan

a. The Bank operates a Provident Fund scheme. All eligible employees are entitled to receive benefits under the Bank's Provident Fund scheme. The Bank contributes monthly at a determined rate (currently 10% of employee's basic pay plus eligible allowance). These contributions are remitted to a trust established for this purpose and are charged to Profit and Loss Account. The trust funds are retained as deposits in the bank. The bank is liable for annual contributions and interest on deposits held by the bank, which is payable at Government specified minimum rate of interest on provident fund balances of Government Employees. The bank recognizes such annual contributions and interest as an expense in the year to which they relate.

b. The bank operates gratuity and pension schemes which are defined benefit plans.

c. The Bank provides for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement, on death while in employment, or on termination of employment, for an amount equivalent to 15 days basic salary payable for each completed year of service, subject to a maximum amount of Rs.350,000. Vesting occurs upon completion of five years of service. The Bank makes annual contributions to a fund administered by trustees based on an independent external actuarial valuation carried out annually.

d. The Bank provides for pension to all eligible employees. The benefit is in the form of monthly payments as per rules and regular payments to vested employees on retirement, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The Bank makes annual contributions to funds administered by trustees based on an independent external actuarial valuation carried out annually.

e. The cost of providing defined benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains/losses are immediately recognized in the statement of profit and loss and are not deferred.

ii. Other Long Term Employee benefits:

a. All eligible employees of the bank are eligible for compensated absences, silver jubilee award, leave travel concession, retirement award and resettlement allowance. The costs of such long term employee benefits are internally funded by the Bank.

b. The cost of providing other long term benefits is determined using the projected unit credit method with actuarial valuations being carried out at each balance sheet date. Past service cost is immediately recognized in the statement of profit and loss and is not deferred.

11. Provision for Taxation

11.1 Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax charge. Current year taxes are determined in accordance with the provisions of Accounting Standard 22 and tax laws prevailing in India after taking into account taxes of foreign offices, which are based on the tax laws of respective jurisdiction. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

11.2 Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. Deferred tax assets and liabilities are recognized on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis, and carry forward losses. The impact of changes in the deferred tax assets and liabilities is recognized in the profit and loss account.

11.3 Deferred tax assets are recognized and reassessed at each reporting date, based upon management's judgement as to whether realization is considered certain. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future profits.

12. Earning per Share

12.1 The Bank reports basic and diluted earnings per share in accordance with AS 20 - 'Earnings per Share' issued by the ICAI. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

12.2 Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

13. Accounting for Provisions, Contingent Liabilities and Contingent Assets

13.1 In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

13.2 No provision is recognized for

i. any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

ii. any present obligation that arises from past events but is not recognized because

a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

b. a reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

13.3 Contingent Assets are not recognized in the financial statements as this may result in the recognition of income that may never be realized.

14. Cash and cash equivalents

Cash and cash equivalents include cash on hand and in ATM's, and gold in hand, balances with RBI, balances with other banks, and money at call and short notice.

15. Employee Share Purchase Scheme:

In accordance with the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India (SEBI), the excess of market price one day prior to the date of issue of the shares over the price at which they are issued is recognized as employee compensation cost.

16. Share Issue Expenses

Share issue expenses are charged to the Share Premium Account.

SCHEDULE 18 — NOTES ON ACCOUNTS

Am ount in Rupees in crores

18.1 Capital:

1. Capital Adequacy Ratio:

   The Capital to Risk-weighted Assets Ratio (CAR) as assessed by the Bank on the basis of the financial statements and guidelines issued by the Reserve Bank of India (RBI) has been computed as below:

   a) As per BASEL-I:

Items	As at 31-Mar-2008	As at 31-Mar-2007
Capital to Risk-weighted Assets Ratio — Overall	13.47%	12.34%
Capital to Risk-weighted Assets Ratio — Tier I	9.14%	8.01%
Capital to Risk-weighted Assets Ratio — Tier II	4.33%	4.33%

   b) As per the Revised Guidelines for implementation of the New Capital Adequacy Framework (BASEL-II):

Items	As at 31-Mar-2008
Capital to Risk-weighted Assets Ratio — Overall	12.64%
Capital to Risk-weighted Assets Ratio — Tier I	8.48%
Capital to Risk-weighted Assets Ratio — Tier II	4.16%

   c) The computation of the CAR as per BASEL II is as compiled by the management and could not be verified by the auditors in the absence of complete details.

2. Share capital:

   a) During the year, the RBI had transferred their entire shareholding of 31,43,39,200 shares in the Bank representing 59.73% of the issued capital of the Bank to the Government of India.

   b) During the year, the Bank has issued 10,52,59,776 equity shares of Rs.10 each for cash at a premium of Rs.1580 per equity share i.e. at Rs.1590 per equity share aggregating to Rs.16736.30 crore on right basis. Of the above, the Bank has allotted 10,51,71,498 fully paid equity shares to the eligible applicants, keeping in abeyance the allotment of 88,278 equity shares of Rs.10 each which are subject matter of title disputes or are subjudice.

   c) The Government of India has subscribed to 6,28,68,000 equity shares of Rs.10 each at a premium of Rs.1580 per share as part of rights offer of the Bank. The Government has discharged the total consideration of Rs.9996.01 crore by issue of "8.35% SBI Rights Issue GOI Special Bonds 2024". Certain restrictions have been placed by the Government on the sale of these bonds.

   d) Expenses in relation to the issue of shares amounting to Rs.28.70 crore have been debited to the Share Premium Account.

   e) Shareholding of Government of India

No. of shares Holding		%	
Current Year	**Previous Year**	**Current Year**	**Previous Year**
37,72,07,200	Nil	59.73%	Nil

3. Employee Stock Purchase Scheme

   a) The Central Board of the Bank has adopted the Employees Share Purchase Scheme (the Scheme), duly approved by the Central Government, and accordingly has approved the offer of 86,17,500 equity shares of Rs.10 each at a premium of Rs.1580 as part of its rights issue to the employees of the Bank including the Chairman and Managing Directors. The Scheme is in accordance with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The said scheme has since closed on 30th April 2008.

b) As on date, no equity shares have been allotted, under the Scheme, since the Bank is in the process of compiling the data on the number of shares to be issued pursuant to the exercise of the rights by the employees. The Bank has made provision of Rs.11.00 crore towards employee compensation expenses on an estimated basis.

18.2 Hybrid Bonds:

During the year, the Bank has raised USD 225 million (equivalent to Rs.902.70 crore as of 31st March 2008) by issuing "SBI Perpetual Non Call 10 Years + 1 day Bonds-June 2007 issue", which qualifies for Hybrid Tier I Capital. These bonds carry fixed interest rate for a period of 10 years 1 day. In case the Bank does not exercise call option by 27th June 2017, the interest rate will be raised and fixed rate would be converted into floating rate. These bonds have been listed on Singapore Stock Exchange.

The details of bonds issued in foreign currency, which qualify for Hybrid Tier I Capital and outstanding as on 31st March 2008 are as under:

Particulars	Date of Issue	Tenor	Am ount	Equivalent as on 31.03.08	Equivalent as on 31.03.07
Bond issued under the MTN Programme — 12th Series	15.02.2007	Perpetual Non call 10.25 years	USD 400 million	Rs.1604.80	Rs.1738.80
Bond issued under the MTN Programme — 14th Series	26.06.2007	Perpetual Non call 10 years 1 day	USD 225 million	Rs.902.70	—
Total			**USD 625 million**	**Rs.2507.50**	**Rs.1738.80**

18.3 Subordinated Debt:

Items	As at 31-Mar 2008	As at 31-Mar-2007
Amount of Subordinated Debt raised as Tier-II capital during the year	Rs.6023.50	Rs.9442.90

i) The subordinated debts raised through private placement of Bonds are unsecured, long term, non-convertible and are redeemable at par. The debt is subordinated to present and future senior indebtedness of the Bank and qualifies for Tier II capital.

ii) The details of such outstanding subordinated debt are given below:

Particulars	Date of issue	Rate of Interest P.A.	Tenor	Equivalent Amount as on 31.03.08	Equivalent Amount as on 31.03.07
Private Placement Bonds 2001	01.01.2001	11.90%	87 months	—	1675.20
Private Placement Bonds 2005	05.12.2005	7.45%	113 months	3283.00	3283.00
Private Placement Bonds 2006	05.06.2006	8.80%	180 months	2327.90	2327.90
Private Placement Bonds 2006 (II)	06.07.2006	9.00%	180 months	500.00	500.00
Private Placement Bonds 2006 (III)	12.09.2006	8.96%	180 months	600.00	600.00
Private Placement Bonds 2006 (IV)	13.09.2006	8.97%	180 months	615.00	615.00
Private Placement Bonds 2006 (V)	15.09.2006	8.98%	180 months	1500.00	1500.00

Particulars	Date of issue	Rate of Interest P.A.	Tenor	Equivalent Amount as on 31.03.08	Equivalent Amount as on 31.03.07
Private Placement Bonds 2006 (VI)	04.10.2006	8.85%	180 months	400.00	400.00
Private Placement Bonds 2006 (VII)	16.10.2006	8.88%	180 months	1000.00	1000.00
Private Placement Bonds 2006 (VIII)	17.02.2007	9.37%	180 months	1000.00	1000.00
Private Placement Bonds 2006 (IX)	21.03.2007	9.85%	111 months	1500.00	1500.00
Private Placement Bonds 2007-08(I)	07.06.2007	10.20%	180 months	2523.50	—
Private Placement Bonds 2007-08 (II)	12.09.2007	10.10%	180 months	3500.00	—
Unsecured Loan in Foreign Currency	12.04.2000	6.50%	108 months	32.44	29.59
Total				**18781.84**	**14430.69**

18.4 Investments

1. The Details of investments and the movement of provisions held towards depreciation on investments of the Bank are given below:

Particulars	As at 31-Mar-2008	As at 31-Mar-2007
I. Value of Investments		
i) Gross value of Investments		
(a) In India	185278.42	144580.01
(b) Outside India	5204.27	5823.31
ii) Provisions for Depreciation		
(a) In India	948.32	1243.69
(b) Outside India	33.10	10.75
iii) Net value of Investments		
(a) In India	184330.10	143336.32
(b) Outside India	5171.17	5812.56
2. Movement of provisions held towards depreciation on investments		
i) Opening Balance	1254.44	6156.76
ii) Add: Provisions made during the year	242.83	477.20
iii) Less: Write off/write back of excess provision during the year	515.85	5379.52
iv) Closing balance	981.42	1254.44

Notes:

a) Investments exclude securities utilized under Liquidity Adjustment Facility with RBI — Rs.17000 crore (Previous year Rs.5000 crore) and Rs.515 crore under Market Repo (Previous year Rs. Nil).

b) Investments amounting to Rs.20055 crore (Previous Year Rs.22755.00 crore) are kept as margin with the RBI/ Clearing Corporation of India Ltd. towards Real Time Gross Settlement (RTGS)/NDS.

c) Other investments include deposits with NABARD under the RIDF Deposit Scheme amounting to Rs.12039.18 crore (Previous year Rs.7652.53 crore).

d) During the year, the Bank has acquired/subscribed to 92.03% of equity of Global Trade Finance Ltd. (GTFL) Consequently, GTFL has become a subsidiary of the Bank.

e) During the year, the Bank has infused additional capital of Rs.1176.30 crore in subsidiaries to augment their capital base.

f) Foreign offices of the Bank take exposure on Credit Link Notes (CLN) and Collateralized Debt Obligation (CDO). These are acquired under investment portfolio at Foreign Offices which are governed by "Investment Policy for Foreign Offices" approved by the Central Board. The Bank intends to hold such instruments till its maturity. The aggregate value of such portfolio as on the date of the Balance Sheet is Rs.1798.88 crore (previous year Rs.1799.29 crore) against which the bank has made prudential provision of Rs.56 crore.

2. Repo Transactions

The details of securities sold and purchased under repos and reverse repos during the year are given below:

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as on year end
Securities sold under repos	0.00	17900.00	1627.68	17500.00
	(0.00)	(11873.63)	(325.38)	(5000.00)
Securities purchased under reverse repos	0.00	24480.00	2296.11	0.00
	(0.00)	(20512.05)	(3707.28)	(0.00)

(Figures in brackets are for Previous Year)

3. Non-SLR Investment Portfolio

a) Issuer composition of Non SLR Investments:

The issuer composition of non-SLR investments of the Bank is given below:

No.		Gross outstanding	Extent of Private Placement	Extent of Below Investment Grade' Securities*	Extent of 'Unrated' Securities*	Extent of 'Unlisted' Securities*
(i)	PSUs@	16315.61	828.16	94.00	137.40	393.10
		(5865.49)	(603.93)	(132.00)	(34.11)	(111.11)
(ii)	FIs	1812.28	919.29	456.04	199.24	771.04
		(1401.04)	(1398.36)	(255.90)	(108.65)	(404.54)
(iii)	Banks	3786.33	2259.57	158.00	19.06	550.00
		(3507.06)	(2313.53)	(125.13)	(0.00)	(60.00)
(iv)	Private Corporates	5131.00	653.01	202.60	172.80	92.10
		(3701.90)	(757.49)	(143.59)	(80.07)	(110.27)
(v)	Subsidiaries/Joint ventures**	4383.94	0.00	0.00	0.00	0.00
		(2611.26)	(0.00)	(0.00)	(0.00)	(0.00)
(vi)	Others	15370.55	284.48	141.00	51.00	16.00
		(11605.76)	(8337.63)	(538.82)	(513.20)	(1842.79)
(vii)	Provision held towards	770.73	0.00	45.00	4.00	26.00
	depreciation	(589.79)	NA	(0.92)	NA	NA
	Total	46028.98	4944.51	1006.64	575.50	1796.24
	Previous Year	(28102.72)	(13410.94)	(1194.52)	(736.03)	(2528.71)

@ 8.35% SBI Right Issue Government of India Bonds — Rs.9481.01 crore (Previous Year — Nil) and Oil Bonds Rs.4967.62 crore (Previous Year Rs.4969.05 crore) are included under this category. (Figures in brackets are for Previous Year)

* Investment in equity, equity linked instruments, asset backed securitized instruments, Govt. securities and pass through certificates have not been segregated under these categories as these are not covered under relevant RBI Guidelines.

** Investments in Subsidiaries/Joint Venture have not been segregated into various categories as these are not covered under relevant RBI Guidelines.

b) Non Performing Non-SLR Investments

Particulars	Current Year	Previous Year
Opening Balance	243.42	254.57
Additions during the year.	24.18	19.13
Reductions during the year	37.37	30.28
Closing balance	230.23	243.42
Total provisions held	201.32	208.68

18.5 Derivatives

a) Forward Rate Agreements/Interest Rate Swaps

	Particulars	As at 31-Mar-2008	As at 31-Mar-2007
i)	The notional principal of swap agreements	155,928.42	186,610.70
ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	1,666.30	2,415.53
iii)	Collateral required by the Bank upon entering into swaps	Nil	Nil
iv)	Concentration of credit risk arising from the swaps	Not Significant	Not Significant
v)	The fair value of the swap book	160.50	35.41

b) Exchange Traded Interest Rate Derivatives

Sr. No.	Particulars	Current Year	Previous Year
1	Notional principal amount of exchange traded interest rate derivatives undertaken during the year	Nil	Nil
2	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2008	Nil	Nil
3	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	Nil	Nil
4	Marked-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	Nil	Nil

c) Disclosures on Risk Exposure in Derivatives

(A) Qualitative Disclosure

i. The Bank currently deals in over-the-counter (OTC) interest rate and currency derivatives. Interest rate derivatives dealt with by the Bank are rupee interest rate swaps, foreign currency interest rate swaps and forward rate agreements. Currency derivatives dealt with by the Bank are currency swaps, rupee dollar options and cross-currency options. The products are offered to the Bank's customers to manage their exposures and the Bank enters into derivatives contracts to cover such exposures. Derivatives are also used by the Bank both for trading as well as hedging on-balance sheet items. The Bank also deals in a mix of these generic instruments, under the portfolio of Structured Products.

ii. Derivative transactions carry market risk i.e. the probable loss the Bank may incur as a result of adverse movements in interest rates/ exchange rates and credit risk i.e. the probable loss the Bank may incur if the counterparties fail to meet their obligations. The Bank's "Policy for Derivatives" approved by the Board prescribes risk parameters to control and manage market risk (cut-loss triggers, open position limits, duration, modified duration, PV01 etc.). The policy also prescribes customer eligibility criteria (credit rating, tenure of relationship etc.); credit risk is controlled by entering into derivative transactions only with counterparties satisfying these criteria, setting appropriate counterparty exposure limits taking into accountability to honour obligations and entering into ISDA agreements with each counterparty.

iii. The Asset Liability Management Committee (ALCO) of the Bank oversees efficient management of these risks. The Bank's Market Risk Management Department (MRMD), independently identifies measures and monitors market risk associated with derivative transactions, assists ALCO in controlling and managing these risks and reports compliance with policy prescriptions to the Risk Management Committee of the Board (RMCB) at regular intervals.

iv. The accounting policy for derivatives has been drawn-up in accordance with RBI guidelines.

B) Quantitative Disclosures:

		Currency Derivatives		**Interest Rate Derivatives**	
Sr. No.	**Particulars**	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	1631.21	—	11,201.98	7,428.99
	b) For trading	214,446.76	49,938.77	144,726.44	179,181.71
(ii)	Marked to Market Positions				
	a) Asset	3,705.16	21.72	414.73	162.11
	b) Liability	37.43	—	463.89	108.79
(iii)	Credit Exposure	10,574.55	1,517.60	2,671.73	3,059.23
(iv)	Likely impact of one percentage change in interest rate (100* PV01)				
	a) on hedging derivatives	(11.56)	—	205.32	141.99
	b) on trading derivatives	63.03	0.04	20.52	-3.38
(v)	Maximum and Minimum of 100* PV 01 observed during the year				
	a) on hedging	(7.45) & (13.32)	—	231.79 & 89.36	12.85 & -0.24
	b) on trading	94.57 & 3.99	-0.65 &-0.23	42.65 & 1.75	40.82 & -4.12

d) The outstanding derivatives used for hedging where the underlying assets/liabilities have not been marked to market amounts to Rs.12833.19 crore and there is no loss in the mark to market value of this derivative portfolio.

18.6 Asset Quality

a) Non-Performing Asset

Particulars	As at 31-Mar-2008	As at 31-Mar-2007
i) Net NPAs to Net Advances (%)	1.78%	1.56%
ii) Movement of NPAs (Gross)		
(a) Opening balance	9,998.22	9,628.14
(b) Additions during the year.	7,899.04	4,963.87
(c) Reductions during the year	5,059.92	4,593.79
(d) Closing balance	12,837.34	9,998.22
iii) Movement of Net NPAs		
(a) Opening balance	5,257.72	4,911.41
(b) Additions during the year.	5,063.06	3,538.50
(c) Reductions during the year	2,896.45	3,192.19
(d) Closing balance	7,424.33	5,257.72
iv) Movement of provisions for NPAs		
(a) Opening balance	4,740.50	4,716.73
(b) Provisions made during the year	2,835.98	1,425.37
(c) Write-off/write-back of excess provisions	2,163.47	1,401.60
(d) Closing balance	5,413.01	4,740.50

b) Details of Loan Assets subjected to Restructuring

	Particulars	No. of A/cs. (CDR)	Under Corporate Debt Restructuring (CDR) Scheme (A)	Amount Sacrificed under CDR	Under Small & Medium Enterprises Scheme (B)	Other than Under CDR & SME Scheme (C)	Total A+B+C
(i)	Total amount of loan assets subjected to restructuring, rescheduling, renegotiation	**32** (13)	**322.54** (78.52)	**5.02** (11.37)	**52.89** (327.76)	**1045.97** (488.66)	**1421.40** (894.94)
(ii)	The amount of Standard Assets subjected to restructuring, rescheduling, renegotiation	**25** (11)	**288.53** (31.35)	**2.99** (11.37)	**18.88** (267.35)	**1019.45** (327.02)	**1326.86** (625.72)
(iii)	The amount of Sub-Standard Assets subjected to restructuring, rescheduling, renegotiation	**5** (0)	**26.09** (0)	**1.90** (0)	**0.04** (30.84)	**26.02** (44.68)	**52.15** (75.52)
(iv)	The amount of Doubtful Assets subjected to restructuring, rescheduling, renegotiation	**2** (2)	**7.92** (47.17)	**0.14** (0)	**33.97** (29.57)	**0.5** (116.96)	**42.39** (193.7)

c) Details of financial assets sold to Securitization Company (SC)/Reconstruction Company (RC) for Asset Reconstruction

	Particulars	Current Year	Previous Year
i)	No. of Accounts	2	90
ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	16.61	19.62
iii)	Aggregate consideration	19.87	33.00
iv)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
v)	Aggregate gain/(loss) over net book value	3.26	13.38

d) Details of non-performing financial assets purchased:

	Particulars	Current Year	Previous Year
1)	(a) No. of Accounts purchased during the year .	1	N.A.
	(b) Aggregate outstanding	6.35	N.A.
2)	(a) Of these, number of accounts restructured during the year	Nil	N.A.
	(b) Aggregate outstanding	Nil	N.A.

e) Details of non-performing financial assets sold:

	Particulars	Current Year	Previous Year
1)	No. of Accounts sold	Nil	20
2)	Aggregate outstanding	Nil	45.08
3)	Aggregate consideration received	Nil	11.61

f) Provision on Standard Assets:

The Provision on Standard Assets (including provision for restructured standard assets) held by the Bank in accordance with RBI guidelines is as under:

Particulars	As at 31-Mar-2008	As at 31-Mar-2007
Provision towards Standard Assets	2,252.87	1,713.93

g) Business Ratios

	Particulars	Current Year	Previous Year
i.	Interest Income as a percentage to Working Funds	7.32%	7.34%
ii.	Non-interest income as a percentage to Working Funds	1.30%	1.07%
iii.	Operating Profit as a percentage to Working Funds	1.96%	1.86%
iv.	Return on Assets	1.01%	0.84%
v.	Business (Deposits plus advances) per employee (Rs. in thousands)	45600	35700
vi.	Profit per employee (Rs. In thousands)	372.57	236.81

h) Maturity pattern of certain items of assets and liabilities as at 31st March 2008

	Upto 14 days	15 to 28 days	29 days to 3 months	Over 3 months & upto 6 m onths	Over 6 months & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	TOTAL
Deposits *	66,386.15	6,317.86	22,983.65	25,871.69	36,525.64	118,495.71	93,357.76	167,465.48	537,403.94
	(56,990.43)	(5,231.58)	(17,980.35)	(18,266.34)	(40,393.61)	(120,010.53)	(95,365.79)	(81,282.46)	(435,521.09)
Advances*	78,308.83	12,467.60	12,966.63	11,380.72	15,298.44	168,907.79	43,212.08	74,226.11	416,768.20
	(56,774.22)	(5,477.79)	(16,079.60)	(15,482.72)	(13,281.92)	(144,478.01)	(32195.00)	(53,567.23)	(337336.49)
Investments . . . . .*	83.68	1,325.32	3,729.36	5,208.98	6,274.24	38,455.91	33,888.13	100,535.65	189,501.27
	(656.34)	(3,303.68)	(9,569.63)	(3,475.99)	(2647.09)	(27,142.16)	(21,411.21)	(80,942.78)	(149,148.88)
Borrowings . . . .*	11,629.39	5,726.92	15,887.11	4,142.76	7,130.49	5,860.76	771.99	577.99	51,727.41
	(9,466.58)	(1,658.72)	(8,519.72)	(4,361.37)	(3,579.61)	(5,304.65)	(5,579.20)	(1,233.48)	(39,703.33)
Foreign Currency Assets*.	29,826.39	9,739.96	4,285.54	4,120.29	4,406.49	8,034.06	7,861.81	11,056.80	79,331.34
	(25,077.27)	(3,495.20)	(12,064.98)	(10,498.96)	(5345.62)	(10,942.91)	(7,867.62)	(3,925.82)	(79,218.38)
Foreign Currency Liabilities	16,335.17	8,157.90	17,578.48	7,513.62	13,431.40	11,628.58	2,603.73	1,301.36	78,550.24
	(16643.24)	(5457.66)	(17742.00)	(9,268.26)	(10215.19)	(11,007.09)	(6,207.31)	(1,573.32)	(78114.07)

Figures in brackets are as at 31st March 2007

Data has not been compiled for the bucket '1 Day' and '2 to 7 days' and '8 to 14' days separately.

The bank has not disclosed retail deposits, saving Bank deposits, current deposits, cash credit and demand loans under different maturity buckets.

18.7 Exposures

The Bank has lending to sectors which are sensitive to asset price fluctuations. These sensitive sectors are real estate and capital markets.

	Particulars	As at 31-Mar-2008	As at 31-Mar-2007
a)	**Real Estate Sector**		
	Direct exposure		
	i) Residential Mortgages	42,116.80	33,412.29
	— Of which individual housing loans up to Rs.15 Lakhs	33,103.18*	26,851.28
	ii) Commercial Real Estate	11,958.38	6,264.55
	iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures:		
	Residential	—	—
	Commercial Real Estate	—	0.08
	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	3,795.36	1,044.21
	Total	57,870.54	40,721.13

* The data has been reported for individual housing loan upto Rs.20 Lakhs as against Rs.15 Lakhs as required by the RBI guidelines.

b) Capital Market

	Particulars	As at 31-Mar-2008	As at 31-Mar-2007
1)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity- oriented mutual funds the corpus of which is not exclusively invested in corporate debt	5,352.53	2766.89
2)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	367.47	317.70
3)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	32.38	N.A.
4)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances	45.68	N.A.
5)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	277.37	181.90
6)	Loans sanctioned to corporates against the security of shares/ bonds/debentures or other securities or on clean basis for meeting promoter 's contribution to the equity of new companies in anticipation of raising resources	2,721.45	N.A.
7)	Bridge loans to companies against expected equity flows/issues	—	N.A.

8)	Underwriting commitments taken up by the Bank in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	—	N.A.
9)	Financing to stockbrokers for margin trading	0.20	N.A.
10)	Exposures to Venture Capital Funds	312.72	N.A.
	Total Exposure to Capital Market	9,109.80	3266.49

c) **Country-Risk Categorywise: As compiled by the management and relied upon by the auditors.**

As per the extant RBI guidelines, the country exposure of the Bank is categorized into various risk categories listed in the following table. The country exposure (net funded) of the Bank for any country does not exceed 1% of its total assets except to a country in insignificant risk category. Provision of Rs.12.50 crore has been made in accordance with RBI guidelines.

	Exposure (net)		**Provision held**	
Risk Category	**As at 31-Mar-2008**	**As at 31-Mar-2007**	**As at 31-Mar-2008**	**As at 31-Mar-2007**
Insignificant	22208.55	17422.69	12.50	Nil
Low	5185.89	5820.66	Nil	Nil
Moderate	4713.24	6425.83	Nil	Nil
High	3314.57	3041.29	Nil	Nil
Very High	1015.84	1340.10	Nil	Nil
Restricted/Off-Credit	19.50	19.57	Nil	Nil
Total	36457.59	34070.14	12.50	Nil

d) **Single Borrower and Group Borrower exposure limits exceeded by the Bank:**

The Bank had taken single borrower exposure in excess of the prudential limit in the cases given below:

Name of the Borrower	**Exposure ceiling**	**Limit Sanctioned (Peak Level)**	**Period during which limit exceeded**	**Outstanding as on 31.03.08**
Reliance Industries Ltd.*	7040.04	8728.47	July 2007 to August 2007	
	8080.95	9422.13	September 2007 to 30.03.2008	4360.83
	10589.29	9423.19	Within the ceiling on 31.03.2008	
Indian Oil Corporation Ltd.*	7040.04	8321.27	July 2007 to August 2007	
	8080.95	10503.72	September 2007 to 30.03.2008	9345.97
	10589.29	10503.72	Within the ceiling on 31.03.2008	

with the approval of the Board

e) **Letter of Comfort issued for Subsidiaries:**

The Bank has issued letters of comfort on behalf of its subsidiaries. Outstanding letters of comfort as on 31st March 2008 aggregate to Rs.341.23 crore.

f) Withdrawal from Reserves:

During the year, the bank has withdrawn following amount from the Reserves:

Particulars	As at 31-Mar-2008
Transitional liability on implementation of AS 15 (Revised 2005)	4,075.64
On account of payment of drafts under reconciliation	0.10

18.8 Miscellaneous

a) Disclosure of Penalties imposed by RBI:

Nil (Previous year — Nil)

b) Status of customer complaints: As compiled by the Management.

Particulars	As at 31-Mar-2008	As at 31-Mar-2007
No. of complaints pending at the beginning of the year	454	322
No. of complaints received during the year	16,461	16,168
No. of complaints redressed during the year	15,885	16,036
No. of complaints pending at the end of the year	1,030	454

c) Awards passed by the Banking Ombudsman: As compiled by the Management

Particulars	Current Year	Previous Year
No. of unimplemented Awards at the beginning of the year	0	0
No. of Awards passed by the Banking Ombudsman during the year	22	10
No. of Awards implemented during the year	18	10
No. of unimplemented Awards at the end of the year	4	0

d) The Bank has not received any intimation from the suppliers regarding their status under the Micro, Small & Medium Enterprises Development Act, 2006 and hence the disclosures relating to amount unpaid as at the end of the year together with interest payable as required under the said act has not been furnished and provision for interest, if any, on delayed payment is not ascertainable at this stage.

18.9 Disclosure Requirements as per Accounting Standards

a) Significant changes in the principal accounting policies.

i. Dividend Accounting

During the year the Bank has changed its accounting policy in respect of recognition of dividend on shares of corporate bodies from realization basis to accrual basis where the right to receive the dividend is established. Consequently, the dividend income and the profit for the year are higher by Rs.4.68 crore.

ii. Am ortization of Premium on HTM Securities

As required by RBI general clarification dated July 11, 2007, the Bank has deducted the amortization of premium on Government securities, from “Income on investments” included in “Interest earned” which was earlier included in “Other income” amounting to Rs.1020.22 crore for the year ended March 31, 2008 (Rs.1036.79 crore for the year ended March 31, 2007). Prior year figures have been reclassified to conform to the current classification. This change in accounting procedure does not have any impact on the net profit for the year.

iii. Mark-to-Market gains/losses of Forex OTC options

The Bank has changed the accounting policy in respect of accounting of Mark-to-Mark (MTM) gains/ losses in case of forex OTC options, where-by the balance in premium received on options sold and premium paid on options bought have been considered from this year to arrive at MTM value for forex OTC options. Consequent to this change in the accounting policy, the profit for the year is higher by

Rs.133.80 crore.

iv. Segment Reporting

During the year, the Bank has reclassified its primary segments as Treasury, Corporate/Wholesale Banking and Retail Banking business in line with the directions issued by RBI. The Bank had hitherto been classifying Banking and Treasury operations as primary segments.

v. Employee Benefits

I. The Bank had hitherto been measuring the liability for employee retirement benefits as per the erstwhile AS 15 (1995) "Accounting for Retirement Benefits". The Bank has adopted AS 15 (Revised 2005) "Employee Benefits", effective from 1st April 2007. Consequently an additional obligation of Rs.4,256.70 crore has accrued as on that date. Out of this, Rs.3,723.74 crore pertains to pension benefits and Rs.351.64 crore (Net of deferred tax assets of Rs.181.06 crore) pertains to long term employee benefits.

II. The Bank has exercised the option of charging the additional obligation to Revenue & Other Reserves. Accordingly, the transitional liability of Rs.4075.64 crore (net of deferred tax assets of Rs.181.06 crore) has been set off against transfer from Revenue & Other Reserves.

III. Consequent to the adoption of AS-15 (Revised 2005) profit before tax for the year is higher by Rs.192.69 crore.

b) Prior Period Items: Domestic Offices

Particulars	Current Year	Previous Year
Depreciation	36.70	(17.47)
Operating expenses	13.33	16.38
Interest expended	—	264.76
Other income	3.31	2.42

c) Employee's Benefits

i. Defined Benefit Plans

The following table sets out the status of the defined benefit Pension Plan and Gratuity Plan as required under AS 15 (Revised 2005)

Particulars	Pension Plans	Gratuity
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April 2007	15929.00	3527.00
Current Service Cost	423.14	126.15
Interest Cost	1290.00	285.00
Actuarial losses (gains)	219.62	(72.97)
Benefits paid	(1051.76)	(321.00)
Closing defined benefit obligation at 31st March 2008	16810.00	3544.18
Change in Plan Assets		
Opening fair value of plan assets at 1st April 2007	12205.26	3527.00
Expected Return on Plan assets	976.42	269.72
Contributions by employer	884.14	5.00
Benefit Paid	(1051.76)	(321.00)
Actuarial Gains	70.74	63.46
Closing fair value of plan assets at 31st March 2008	13084.80	3544.18
Reconciliation of present value of the obligation and fair value of the plan assets		
Present Value of Funded obligation at 31st March 2008	16810.00	3544.18
Fair Value of Plan assets at 31st March 2008	13084.80	3544.18

Particulars	Pension Plans	Gratuity
Deficit/(Surplus)	3725.20	Nil
Unrecognized Past Service Cost	Nil	Nil
Net Liability/(Asset)	3725.20	Nil
Am ount Recognized in the Balance Sheet Liabilities	3725.20	Nil
Assets	Nil	Nil
Net Liability/(Asset) recognized in Balance Sheet	3725.20	Nil
Net Cost recognized in the Profit and Loss Account Current Service Cost	423.14	126.15
Interest Cost	1290.00	285.00
Expected return on plan assets	(976.42)	(269.72)
Net actuarial losses (Gain) recognized during the year	148.88	(136.43)
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	885.60	5.00
Reconciliation of expected return and actual return on Plan Assets		
Expected Return on Plan Assets	976.42	269.72
Actuarial Gain/ (loss) on Plan Assets	70.74	63.46
Actual Return on Plan Assets	1047.16	333.18
Reconciliation of opening and closing net liability/(asset) recognized in Balance Sheet		
Opening Net Liability as at 1st April 2007	3723.74	Nil
Expenses as recognized in profit and loss account	885.60	5.00
Employers Contribution	884.14	5.00
Net liability/(Asset) recognized in Balance Sheet	3725.20	Nil

The Bank expects to contribute Rs.652.76 crore and Rs.43.20 crore to its defined benefit Pension Plan and Gratuity Plan respectively during the next financial year.

Investments under Plan Assets of Gratuity Fund & Pension Fund as on 31st March 2008 are as follows:

Category of Assets	Gratuity Fund % of Plan Assets	Pension Fund % of Plan Assets
Central Govt. Securities	39.45%	
State Govt. Securities	24.59%	
Public Sector Bonds	15.11%	
FDR / TDR with Bank	16.54%	
Bank Deposits	0.94%	100.00%*
Others	3.37%	
Total	**100.00%**	**100.00%**

* Held with the Bank

Principal actuarial assumptions:

	Pension and Gratuity Plans	
Particular	**Current year**	**Previous year**
Discount Rate	8.00%	8.15%
Expected Rate of return on Plan Asset	8.00%	8.00%
Salary Escalation	5.00%	4.00%

The estimates of future salary growth, factored in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Such estimates are very long term and are not based on limited past experience / immediate future. Empirical evidence also suggests that in very long term, consistent high salary growth rates are not possible, which has been relied upon by the auditors.

ii. Employees Provident Fund

In terms of the guidance on implementing the AS-15 (Revised 2005) issued by the Institute of the Chartered Accountants of India, the Employees Provident Fund set up by the Bank is treated as a defined benefit plan since the Bank has to meet the specified minimum rate of return. As at the year end, no shortfall remains unprovided for. Accordingly, other related disclosures in respect of Provident Fund have not been made and an amount of Rs.344.60 crore is recognized as an expense towards the Provident Fund scheme of the Bank included under the head “Payments to and provisions for employees” in Profit and Loss Account.

iii. Other Long term Employee Benefits

Amount of Rs.133.40 crore is recognized as an expense towards Long term Employee Benefits included under the head “Payments to and provisions for employees” in Profit and Loss account.

Details of Provisions made for various long Term Employees’ Benefits during the year;

Sr. No.	Long Term Employees’ Benefits	Am ount
1	Privilege Leave (Encashment) incl. leave encashment at the time of retirement	88.00
2	Leave Travel and Home Travel Concession (Encashment/Availment)	25.12
3	Sick Leave	18.40
4	Silver Jubilee Award	1.22
5	Resettlement Expenses on Superannuation	3.73
6	Casual Leave	(2.02)
7	Retirement Award	(1.05)
	Total	**133.40**

d) Segment Reporting: As compiled by the Management and relied upon by the auditors

1. Segment identification

A) Primary (Business Segment)

In compliance with the then prevailing RBI directions, the Bank had hitherto being classifying (i) Banking Operations and (ii) Treasury Operations as the primary segments. The RBI vide their circular no. BP.BC.81/ 21.04.018/2006-07 dated 18th April 2007, has modified its directions, requiring the Banks to identify/ reclassify the following segments as primary segments:

— Treasury

— Corporate/Wholesale Banking

— Retail Banking

— Other Banking Business

The present accounting and information system of the Bank does not support the capturing and extraction of the data in respect of the above segments separately. However, based on the present internal organizational and management reporting structure and the nature of their risk and returns, the existing primary segments have been regrouped as under:

a) **Treasury** — The Treasury Segment includes the entire investment portfolio and trading in foreign exchange contracts and derivative contracts. The revenue of the treasury segment primarily consists of fees and gains or losses from trading operations and interest income on the investment portfolio.

b) **Corporate/Wholesale Banking** — The Corporate/Wholesale Banking segment comprises the lending activities of Corporate Accounts Group, Mid Corporate Accounts Group and Stressed Assets Management Group. These include providing loans and transaction services to corporate and institutional clients and further include non treasury operations of foreign offices.

c) **Retail Banking** — The Retail Banking Segment comprises of branches in National Banking Group, which primarily includes personal Banking activities including lending activities to corporate customers having Banking relations with branches in the National Banking Group. This segment also includes agency business and ATM's

a) **Other Banking Business** — Segments not classified under (a) to (c) above are classified under this primary segment.

The Management is of the opinion that the above reclassification meets the requirements of the revised RBI guidelines and also is in compliance with the requirements of the Accounting Standard — 17 — "Segment Reporting" issued by the Institute of Chartered Accountants of India.

B) **Secondary (Geographical Segment)**

i) Domestic Operations — Branches/Offices having operations in India

ii) Foreign Operations — Branches/Offices having operations outside India and Offshore Banking Units having operations in India

C) **Pricing of Inter-segmental transfers**

The Retail Banking segment is the primary resource mobilizing unit. The Corporate/Wholesale Banking and Treasury segments are recipient of funds from Retail Banking. Market related Funds Transfer Pricing (MRFTP) is followed under which a separate unit called Funding Centre has been created. The Funding Centre notionally buys funds that the business units raise in the form of deposits or borrowings and notionally sell funds to business units engaged in creating assets.

D) **Allocation of Expenses, Assets and Liabilities**

Expenses incurred at Corporate Centre establishments directly attributable either to Corporate/Wholesale and Retail Banking Operations or to Treasury Operations segment, are allocated accordingly. Expenses not directly attributable are allocated on the basis of the ratio of number of employees in each segment/ ratio of directly attributable expenses.

The Bank has certain common assets and liabilities which cannot be attributed to any segment and the same are treated as unallocated.

2. **Segment Results**

Part A: Primary (Business segments)

Business Segments	**Treasury**	**Corporate/ Wholesale Banking**	**Retail Banking**	**Other Banking Operations**	**Total**
Revenue#	13,982.33	15,662.77	27,654.45	—	57,299.55
Result#	1230.76	4,961.26	5,617.52	—	11,809.54
Unallocated Income/ (Expenses) - net#	—	—	—	—	(1,370.64)
Operating Profit#	—	—	—	—	10,438.90
Tax#	—	—	—	—	(3,709.78)
Extraordinary Profit#	—	—	—	—	—
Net Profit#	—	—	—	—	6,729.12
Other Information:					
Segment Assets*	192,471.76	430,917.27	93,369.89	—	716,758.92
Unallocated Assets*	—	—	—	—	4,767.39
Total Assets*	192,471.76	430,917.27	93,369.89	—	721,526.31
Segment Liabilities*	179,609.11	211,301.94	307,151.05	—	698,062.10
Unallocated Liabilities*	—	—	—	—	23,464.21
Total Liabilities*	179,609.11	211,301.94	307,151.05	—	721,526.31

Part B: Secondary (Geographic Segments)

	Domestic		Foreign		Total	
	Current Year	**Previous Year**	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Revenue#	51493.43	40198.44	6151.81	3809.15	57645.24	44007.59
Assets*	632865.94	513812.16	88660.37	52753.08	721526.31	566565.24

* As at 31st March 2008

\# For the year ended 31st March 2008

In view of the revision in the format, previous years figures have not been disclosed in view of RBI circular no. BP.BC.81/21.04.018/2006-07 dt. 18.04.2007.

e) **Related Party Disclosures: As identified by the Management and relied upon by the Auditors.**

1. **Related Parties**

A. **SUBSIDIARIES**

I. **DOMESTIC BANKING SUBSIDIARIES**

1. State Bank of Bikaner & Jaipur
2. State Bank of Hyderabad
3. State Bank of Indore
4. State Bank of Mysore
5. State Bank of Patiala
6. State Bank of Saurashtra
7. State Bank of Travancore
8. SBI Commercial and International Bank Ltd.

II. **FOREIGN BANKING SUBSIDIARIES**

1. SBI International (Mauritius) Ltd.
2. State Bank of India (Canada)
3. State Bank of India (California)
4. Indian Ocean International Bank Ltd.
5. Commercial Bank of India LLC, Moscow (##)
6. PT Bank Indo Monex

III. **DOMESTIC NON-BANKING SUBSIDIARIES**

1. SBI Factors & Commercial Services Pvt. Ltd.
2. SBI Capital Markets Limited
3. SBI DFHI Limited
4. SBI Mutual Funds Trustee Company Pvt. Ltd.
5. SBI CAP Securities Ltd.
6. SBI CAPS Ventures Ltd.
7. SBI CAP Trustees Co. Ltd.
8. SBI Cards & Payment Services Pvt. Ltd.(##)
9. SBI Funds Management Pvt. Ltd. (##)
10. SBI Life Insurance Company Ltd. (##)
11. Global Trade Finance Ltd.

IV. FOREIGN NON-BANKING SUBSIDIARIES

1. SBICAP (UK) Ltd.
2. SBI Funds Management (International) Ltd.(##)

These entities are jointly controlled.

B. JOINTLY CONTROLLED ENTITIES

1. GE Capital Business Process Management Services Pvt. Ltd
2. C-Edge Technologies Ltd.

C. ASSOCIATES

i. **Regional Rural Banks**

1 Andhra Pradesh Grameena Vikas Bank
2 Arunachal Pradesh Rural Bank
3 Cauvery Kalpatharu Grameena Bank
4 Chhattisgarh Gramin Bank
5 Deccan Grameena Bank
6 Ellaquai Dehati Bank
7 Meghalaya Rural Bank (Formerly known as Ka Bank Nongkyndong Ri Khasi Jaintia)
8 Krishna Grameena Bank
9 Langpi Dehangi Rural Bank
10 Madhya Bharat Gramin Bank
11 Malwa Gramin Bank
12 Marwar Ganganagar Bikaner Bank
13 Mizoram Rural Bank
14 Nagaland Rural Bank
15 Parvatiya Gramin Bank
16 Purvanchal Kshetriya Gramin Bank
17 Samastipur Kshetriya Gramin Bank
18 Saurashtra Gramin Bank
19 Utkal Gramya Bank
20 Uttaranchal Gramin Bank
21 Vananchal Gramin Bank
22 Vidisha Bhopal Kshetriya Gramin Bank

ii. Others

1. SBI Home Finance Limited
2. Clearing Corporation of India Ltd.
3. Nepal SBI Bank Ltd.
4. Bank of Bhutan
5. UTI Asset Management Company Pvt. Ltd.
6. SS Ventures Services Ltd.

D. Key Management Personnel of the Bank

1. Shri O. P. Bhatt, Chairman
2. Shri T. S. Bhattacharya, Managing Director upto 31st January 2008
3. Shri Yogesh Agarwal, Managing Director upto 30th June 2007
4. Shri S. K. Bhattacharyya, Managing Director from 8th October 2007

2. **Related parties with whom transactions were entered into during the year**

No disclosure is required in respect of related parties which are "State-controlled Enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of Banker-customer relationship are not required to be disclosed in respect of Key Management Personnel and relatives of Key Management Personnel. Other particulars are as under:

1. C-Edge Technologies Ltd.
2. GE Capital Business Process Management Services Pvt. Ltd.
3. Bank of Bhutan
4. Nepal SBI Bank Ltd.
5. SBI Home Finance Ltd.
6. S S Ventures Services Ltd.
7. Shri O. P. Bhatt
8. Shri T. S. Bhattacharya (upto 31.01.08)
9. Shri Yogesh Agarwal, (upto 30.06.2007)
10. Shri S. K. Bhattacharyya (from 08.10.2007)

3. **Transactions and Balances:**

	Associates/ Joint ventures	**Key Management Personnel**	**Total**
Deposits #	62.56	—	62.56
	(295.37)	(0.00)	(295.37)
Other Liabilities #	0.01	—	0.01
	(1.76)	(0.00)	(10.76)
Investments #	35.45	—	35.45
	(35.45)	(0.00)	(35.45)
Interest paid *	3.16	—	3.16
	(6.59)	(0.00)	(6.59)
Income earned by way of dividend*	2.94	—	2.94
	(0.50)	(0.00)	(0.50)
Other Income*	0.01	—	0.01
	(0.00)	(0.00)	(0.00)
Other expenditure*	—	—	—
	(1.66)	(0.00)	(1.66)
Management contracts *	—	0.54	0.54
	(0.65)	(0.15)	(0.80)

(Figures in brackets are for Previous Year)

As at 31st March 2008

* For the year ended on 31st March 2008

f) **Leases:**

Assets given on Financial Leases on or after 1st April 2001: The details of finance leases are given below:

Particulars	**As at 31-Mar-2008**	**As at 31-Mar-2007**
Gross investment in the leases	43.29	164.73
Present value of minimum lease payments receivable Less than 1 year	8.91	8.91
1 to 5 years	9.67	15.04
5 years and above	—	—
Total	18.58	23.95
Present value of unearned finance income	3.76	5.00

The Bank has not compiled the data on the operating leases taken and operating leases granted. Accordingly, no disclosure for the same is made.

g) Earning per Share

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 — "Earnings per Share". "Basic earnings" per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

Basic and diluted

Particular	**Current year**	**Previous year**
Weighted average no of equity shares used in computing basic earning per share	53,14,45,447	52,62,98,878
Add: Potential number of equity shares that could arise on account of ESPS scheme	5,09,911	—
Weighted average number of shares used in computing diluted earning per share	53,19,55,358	—
Net profit	6,729.12	4,541.31
Basic earnings per share (Rs.)	126.62	86.10
Diluted earnings per share (Rs.)	126.50	86.10
Nominal value per share (Rs.)	10.00	10.00

h) Accounting for Taxes on Income

i. During the year, Rs.219.43 crore [Previous Year Rs.19.83 crore] has been credited to Profit and Loss Account by way of adjustment of deferred tax.

ii. During the year, Rs.125.53 crore was reversed to "tax paid in advance account" by an adjustment to deferred tax liability in respect of taxation of interest on securities on "due" basis, as the same was earlier created by debit to "tax paid in advance account" based on an expert's opinion.

iii. During the year Rs.181.06 crore (previous year Nil) has been netted off by debit to Revenue and other Reserve by way of adjustment of deferred tax on Transitional Liability of Rs.532.70 crore towards long term employee benefits (other than pension)

iv. The Bank has outstanding net deferred tax asset of Rs.42.05crore (Previous Year-Deferred tax liability of Rs.483.68 crore), which has been included in other assets-others and other liabilities- others respectively. The break up of deferred tax assets and liabilities into major items is given below:

Particulars	**As at 31-Mar-2008**	**As at 31-Mar-2007**
Deferred Tax Assets		
Provision for wage revision	195.44	—
Provision for long term employees' benefits	181.06	—
Ex-gratia paid under Exit option	145.44	143.38
Others	118.88	97.51
Total	640.82	240.89
Deferred Tax Liabilities		
Depreciation on Fixed Assets	103.00	103.27
Interest on securities	495.77	621.30
Total	598.77	724.57
Net Deferred Tax Assets/(Liabilities)	42.05	(483.68)

i) Investments in jointly controlled entities

Investments include Rs.15.70 crore (Previous Year Rs.15.70 crore) representing Bank's interest in the following jointly controlled entities

Sr. No.	Name of the Company	Am ount	Country of Residence	Holding %
1	GE Capital Business Process Management Services Pvt. Ltd	10.80 (10.80)	India	40%
2	C - Edge Technologies Ltd	4.90 (4.90)	India	49%

(Figures in brackets relate to previous year)

As required by AS 27, the aggregate amount of the assets, liabilities, income and expenses related to the Bank's interests in jointly controlled entities are disclosed as under:

Particulars	As at 31-Mar-2008	As at 31-Mar-2007
Liabilities		
Capital & Reserves	63.21	52.13
Deposits	—	—
Borrowings	0.35	0.21
Other Liabilities & Provisions	27.05	20.60
Total	90.61	72.94
Assets		
Cash and Balances with RBI	0.01	0.01
Balances with Banks and money at call and short notice	2.04	3.66
Investments	2.62	2.47
Advances	—	—
Fixed Assets	15.03	19.79
Other Assets	70.91	47.01
Total	90.61	72.94
Capital Commitments	Nil	Nil
Other Contingent Liabilities	Nil	Nil
Income		
Interest earned	5.69	0.04
Other income	61.63	65.85
Total	67.32	65.89
Expenditure		
Interest expended	—	—
Operating expenses	49.81	38.25
Provisions & contingencies	6.43	10.07
Total	56.24	48.32
Profit	11.08	17.57

j) Impairment of Assets

In the opinion of the Bank's Management, there is no impairment to the assets during the year to which Accounting Standard 28 — "Impairment of Assets" applies.

k) Provisions, Contingent Liabilities & Contingent Assets

a) Break-up of Provisions

Particular	Current year	Previous year
Provision for Taxation		
Current Tax	3823.50	3014.61
Fringe Benefit Tax	105.00	88.50
Deferred Tax	(219.43)	(19.83)
Other Tax	0.70	0.49
Provision for Depreciation on Investments	(88.68)	379.23
Provision on Non-Performing Assets	2000.94	1429.50
Provision on Standard Assets	566.97	589.19
Provision for Other Assets	189.43	(23.06)
Total	6378.43	5458.63

b) Floating Provisions

Particular	Current year	Previous year
Opening Balance	Nil	Nil
Addition during the year	Nil	Nil
Draw down during the year	Nil	Nil
Closing Balance	Nil	Nil

c) Description of Contingent Liabilities and Contingent Assets

Sr. No.	Items	Brief Description
1.	Claims against the Bank not acknowledged as debts	The Bank is a party to various proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
2.	Liability on account of outstanding forward exchange contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-Bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities, are typically amounts used as a benchmark for the calculation of the interest component of the contracts.
3.	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial Banking activities, the Bank issues documentary credits and guarantees on behalf of its customers. Documentary credits enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfil its financial or performance obligations.

4.	Other items for which the Bank is contingently liable.	The Bank is a party to various taxation matters in respect of which appeals are pending. These are being contested by the Bank and not provided for. Further, the Bank has made commitments to subscribe to shares in the normal course of business.

d) The contingent liabilities mentioned above are dependent upon the outcome of Court/ arbitration/out of Court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

e) Movement of provisions against contingent liabilities

Particular	**Current year**	**Previous year**
Opening balance	71.90	63.38
Additions during the year.	19.90	12.76
Reductions during the year	14.36	4.24
Closing balance	77.44	71.90

18.10 Pending Wage Agreement

The Eighth Bipartite Settlement entered into by the Indian Banks' Association on behalf of the member Banks with the All India Unions of Workmen expired on 31st October 2007. Pending the execution of a new agreement a provision of Rs.575 crore has been made in the accounts for the Bank's estimated liability in respect of wage revision to be effective from 1st November 2007.

18.11 Proposed Merger

Pursuant to a Scheme of Amalgamation approved by the Central Board at its meeting held on 25th August 2007, State Bank of Saurashtra, a wholly owned subsidiary of the Bank is to be merged with the Bank. The relevant scheme is yet to be approved by the Government of India, RBI and other authorities. Pending such approvals no effect has been given to the said scheme in these Accounts.

18.12 Exit Option

The Bank had implemented an Exit Option Scheme for its eligible employees. The ex-gratia payments under exit option aggregating to Rs.140.00 crore (previous year Rs.478.30 crore) have been charged to the Profit & Loss Account during the year.

18.13 Inter Office Accounts/Government Accounts/Suspense Accounts

Inter Office transactions between branches, controlling offices and local head offices and corporate centre establishment have been reconciled upto 31st December 2007. Further, pipeline transitions in respect of foreign exchange, gold, currency transactions and Government transactions are under reconciliation. Steps for adjustment/ elimination of outstanding entries are in progress. These balances are subject to reconciliation, the ultimate effect of which is not expected to be material.

18.14 Additional Contribution to Pension Fund

The Bank's Pension fund rules state that the bank shall contribute 10% of salary to the Pension Fund. The Government of India, have advised the Bank to contribute to the Pension Fund in accordance to the funds rules. However, in order to comply with the Accounting Standard 15 (Revised 2005), and to make adequate prudential provisions in accordance with the actuarial valuations, the Bank has made an additional contribution of Rs.546 crore (previous year Rs.864 crore) to the Pension Fund during the financial year.

18.15 Previous year 's figures have been regrouped and reclassified, wherever necessary and determinable, to make them comparable with current year 's figures. In cases where disclosures have been made for the first time in terms of RBI guidelines/ Accounting Standards, previous year 's figures have not been mentioned.

SCHEDULE 17

Principal Accounting Policies

1. Basis of Preparation

The accompanying financial statements have been prepared under the historical cost convention. They conform to Generally Accepted Accounting Principles (GAAP) in India, which comprise the statutory provisions, regulatory/ Reserve Bank of India (RBI) guidelines, accounting standards/ guidance notes issued by the Institute of Chartered Accountants of India (ICAI), and the practices prevalent in the banking industry in India. In respect of foreign offices, statutory provisions and practices prevailing in respective countries are complied with.

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenditure during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

2. Advances and Provisions thereon

2.1 Advances are shown net of provisions and unrealised interest on Non-Performing Assets (NPAs).

2.2 A general provision is required to be made on Standard Assets on the global portfolio. The provision rates for the different categories of Standard Assets are summarised below :-

a.	Direct advances to agricultural and SME Sectors	0.25%
b.	Residential housing loans beyond Rs.20 lakhs	1.00%
c.	Personal Loans	2.00%
	Loans and advances qualifying as capital market exposures, Commercial real estate loans, and Loans and advances to systemically important NBFCs - Non Deposit Taking	
d.	All other loans and advances not included in (a), (b) and (c)	0.40%

2.3 Indian Offices

2.3.1 All advances are classified under four categories, viz. (a) Standard Assets, (b) Sub-standard Assets, (c) Doubtful Assets and (d) Loss Assets.

2.3.2 Provisions are made on outstanding non-performing advances (net of interest not realized) as under :

- Substandard Assets : 10%
  : 20% In case of unsecured exposures (where realisable value of security is not more than 10 per cent, ab initio)
- Doubtful Assets

a) Unsecured portion at 100 per cent after netting retainable/realisable amount of guarantee cover provided by Export Credit Guarantee Corporation/ Credit Guarantee Trust for Small Industries, wherever applicable.

b) Secured portion

Period for which the advance has been considered as doubtful

Upto one year	20%
One to three years	30%
More than three years	100%

- Loss assets 100%
- "Financial Assets" sold are recognised as under :

i) In case the sale is at a price lower than the Net Book Value (NBV), the difference is charged to the Profit & Loss Account.

ii) In case the sale is at a price higher than the NBV, the surplus provision is not reversed and is utilised to meet the shortfall on sale of other such non-performing financial assets.

2.3.3. Unrealised Interest recognised in the previous year on advances which have become non-performing during the current year, is provided for.

2.3.4 In case of restructuring/rescheduling of advances, the difference between the present value of the future interest as per the original agreement and the present value of the future interest as per the revised agreement is provided for at the time of restructuring/rescheduling.

2.4 Foreign Offices

2.4.1 Advances are classified under four categories in line with those of Indian Offices.

2.4.2 Provisions in respect of non-performing advances are made as per the local law or as per the norms of RBI, whichever is higher.

3. Investments

3.1 Investments are classified into 3 categories, viz. 'Held for Trading', 'Available for Sale' and 'Held to Maturity' :

Under each of these categories, investments are further classified under following six groups :

i) Government Securities

ii) Other Approved Securities

iii) Shares

iv) Debentures and Bonds

v) Investments in Subsidiaries/Joint Ventures and

vi) Other Investments

3.1.1 Investments that are acquired by the Bank with the intention to trade by taking advantage of short term price /interest rate movement are classified under 'Held for Trading'. These investments are held under this category upto 90 days from the date of acquisition.

3.1.2 Investments which are intended to be held up to maturity are classified as 'Held to Maturity'.

3.1.3 Investments which are not classified in either of the above categories are classified as 'Available for Sale'.

3.2 Valuation

3.2.1 In determining the acquisition cost of an investment:

(a) Brokerage/commission received on subscriptions is deducted from the cost of securities.

(b) Brokerage, commission and stamp duty paid in connection with acquisition of securities are treated as revenue expenses.

(c) Interest accrued upto the date of acquisition of securities i.e. broken-period interest, is excluded from the acquisition cost and recognized as interest expense. Broken-period interest received on sale of securities is recognized as interest income.

(d) Cost is determined on the weighted average cost method.

(e) The transfer of a security (from one category to another) is accounted for at the least of acquisition cost/book value/market value on the date of transfer and the depreciation, if any, on such transfer is charged to Profit and Loss Account - "Profit on Revaluation of Investments" as a deduction.

3.2.2 Individual scrips classified under 'Held for Trading' category are valued at lower of book value or market value. Securities are valued scrip-wise and depreciation/appreciation is aggregated for each classification. Net depreciation in each classification, if any, is provided for while net appreciation is ignored. The book value of the scrips continue to remain unchanged.

3.2.3 Investments under 'Held to Maturity' (HTM) category are carried at acquisition cost. Wherever the book value is higher than the face value/redemption value, the premium on acquisition or on transfer from another category is amortised over the remaining period to maturity of the security using Constant

Yield Method (CYM). Amortisation loss is charged to Profit and Loss Account - "Profit on Revaluation of Investments" as a deduction. The book value of the security is reduced to the extent of the amount amortised.

3.2.4 Investments under 'Available for Sale' category are valued at cost or market value, whichever is lower. Where market quotations are not available, market value for this purpose is arrived at on the basis of realizable market price computed as per the guidelines of the Fixed Income Money Market and Derivatives Association of India (FIMMDA) / Primary Dealers Association of India (PDAI) / RBI. Securities are valued scrip-wise and depreciation/appreciation is aggregated for each classification. Net depreciation in each classification, if any, is provided for while net appreciation is ignored. The book value of the scrips continues to remain unchanged.

3.2.5 Treasury Bills and Commercial Papers are valued at cost.

3.2.6 Investments in subsidiaries and joint ventures (both in India and abroad) are valued at historical cost after netting off provisions, if any.

3.2.7 Non-Performing Investments are recognised as per RBI guidelines and provision is made as per RBI norms applicable to Non-Performing Advances.

3.2.8 Investments in Regional Rural Banks (RRBs) are valued at carrying cost (i.e. book value)

3.3 The Bank has adopted the Uniform Accounting Procedure prescribed by the RBI for accounting of Repo and Reverse Repo transactions [other than transactions under the Liquidity Adjustment facility (LAF) with the RBI]. Accordingly, the securities sold/purchased under Repo/Reverse Repo are treated as outright sales/ purchases and accounted for in the Repo/Reverse Repo Accounts and the entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo/Reverse Repo Account is adjusted against the balance in the Investment Account.

Securities purchased/sold under LAF with RBI are debited/credited to Investment Account and reversed on maturity of the transaction. Interest expended/earned thereon is accounted for as expenditure/revenue.

4. **Derivatives :**

The Bank presently deals in Interest Rate Derivatives viz.Rupee Interest Rate Swaps, Cross Currency Interest Rate Swaps and Forward Rate Agreements, and Currency Derivatives viz. Options and Currency Forwards. The Bank also deals in a mix of these generic instruments, under the portfolio of Structured Products.

4.1 Based on RBI guidelines, Derivatives are valued as under :

a) Derivatives used for trading are marked to market and net appreciation/ depreciation is recognised in the Profit and Loss Account.

b) Derivatives used for hedging are :

i) Marked to market in cases where the underlying Assets/Liabilities are marked to market. The resultant gain/loss is recognised in the Profit & Loss Account.

ii) Accounted on accrual basis in cases where the underlying Assets/Liabilities are not marked to market.

The net outstanding marked to market position of each type of derivative is shown either under Asset or Liability, as the case may be.

5. Fixed Assets and Depreciation

5.1 Premises and other fixed assets are accounted on historical cost basis.

5.2 Depreciation is provided on the written down value method at the rates prescribed under the Income Tax Rules, 1962, which are considered appropriate by the management. In respect of computers, depreciation is provided on straight line method @ 33.33% per annum, as per RBI guidelines. Computer software not forming an integral part of hardware is depreciated fully in the year of purchase.

5.3 Assets costing upto Rs.1000/- are charged off to the Profit and Loss Account.

5.4 In respect of fixed assets held at Foreign Offices, depreciation is provided as per the laws/norms of the respective countries.

5.5 In respect of leasehold premises, the lease amount is amortised over the period of lease.

6. **Assets given on Lease**

6.1 In respect of assets given on lease by the Bank on or before 31st March 2001, the value of the assets given on lease and the amounts paid as advance for assets to be given on lease are disclosed as "Leased Assets" and "Capital Work-in-progress (Leased Assets)" respectively under fixed assets. Depreciation is provided on straight line method as per the Companies Act, 1956, and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalisation Account as per the guidelines issued by the ICAI.

6.2 Assets given on lease by the Bank on or after 1st April 2001 are accounted as per Accounting Standard 19 (Leases) issued by the ICAI. Such assets are included under "Other Assets".

6.3 Provisions on non-performing leased assets are made on the basis of RBI guidelines applicable to advances.

7. **Impairment of Assets**

Impairment losses (if any), are recognized in accordance with Accounting Standard-28 issued by the ICAI and charged off to Profit and Loss Account.

8. **Foreign Currency Transactions**

8.1 In conformity with Accounting Standard 11 (The effects of changes in foreign exchange rates) of the ICAI, Foreign Branches of the Bank and Offshore Banking Units (OBUs) have been classified as Non-integral Operations and Representative Offices classified as Integral Operations.

8.2 a) Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

b) Foreign currency monetary items are reported using the FEDAI closing spot rates.

c) Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

8.3 Non-integral Operations

a) All monetary/non-monetary assets and liabilities as well as contingent liabilities are translated at the closing rate notified by FEDAI.

b) Income and expenditure are translated using the quarterly average rate notified by FEDAI at the end of the respective quarter.

c) All resulting exchange differences are accumulated in a separate "Foreign Currency Translation Reserve" account till the disposal of the net investment.

8.4 Integral Operations

a) All income and expenditure of integral operations are recorded at the rates prevalent on the date of transaction.

b) All foreign currency monetary items are reported using the FEDAI closing spot rates.

8.5 Forward Exchange Contracts

In accordance with the guidelines of FEDAI and the provisions of AS -11, net outstanding forward exchange contracts in each currency are revalued at the Balance Sheet date at the corresponding forward rates for the residual maturity of the contracts. The difference between the revalued amount and the contracted amount is recognised as profit or loss, as the case may be.

9. Revenue Recognition

9.1 Income and expenditure are accounted on accrual basis. In case of Foreign Offices, income is recognised as per the local laws of the country in which the respective foreign office is located.

9.2 The following items of income are recognised on realization basis:

(a) Commission (other than commission on deferred payment guarantees and government transactions), exchange and brokerage.

(b) Dividend on investments.

(c) Income on Rupee Derivatives designated as “Trading”.

(d) Interest on application money on investments and overdue interest on investments.

9.3 The following items of income are recognised on realisation basis, owing to significant uncertainty in collection thereof:

(a) Income on non-performing advances, Overdue bills and non-performing leased assests

(b) Interest on non-performing investments.

9.4 Income (other than interest) on investments in “Held to Maturity” (HTM) category acquired at a discount to the face value, is recognised as follows :

a) On Interest bearing securities, it is recognised only at the time of sale / redemption.

b) On zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

9.4.1 Profit on sale of investments in this category is first credited to the Profit & Loss Account and thereafter appropriated to the “Capital Reserve Account”. Loss on sale is recognised in the Profit & Loss Account.

10. Retirement Benefits

10.1 Contributions payable to the Bank’s Provident Fund Trust in terms of its Provident Fund Scheme are charged to Profit and Loss account on accrual basis.

10.2 Liability for gratuity, pension and leave encashment (which are defined benefits) is determined on the basis of actuarial valuations carried out at the year end and the incremental liability is provided for by charging to the Profit and Loss Account.

11. Provision for Taxation

Provision for tax comprises of current tax for the period determined in accordance with the relevant laws, fringe benefit tax and deferred tax charge or credit reflecting the tax effects of timing differences between accounting income and taxable income for the period, in conformity with Accounting Standard 22 (Accounting for taxes on income) of the Institute of Chartered Accountants of India. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are not recognized unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets will be realized.

Schedule - 18

NOTES ON ACCOUNTS

Amount in Rupees in Crores

18.1. Capital :

The Capital to Risk-weighted Assets Ratio as assessed by the Bank on the basis of the financial statements and guidelines issued by RBI is given below:

Items	**As at 31-Mar-2007**	**As at 31-Mar-2006**
Capital to Risk-weighted Assets Ratio - Overall	12.34%	11.88%
Capital to Risk-weighted Assets Ratio - Tier I	8.01%	9.36%
Capital to Risk-weighted Assets Ratio - Tier II	4.33%	2.52%
Shareholding of the Government of India	Nil	Nil
Amount of Subordinated Debt raised as Tier-II capital during the year	9442.90	3283.00

18.2. **Hybrid Bonds :**

During the year, the Bank has raised USD 400 million (Rs.1738.80 crores as on 31st March 2007) by issuing "SBI Perpetual Non Call 10.25 Years Bonds - February 2007 issue", which qualifies for Hybrid Tier I Capital. These bonds carry a fixed interest rate for a period of 10.25 years. In case the Bank does not exercise its call option by 15.05.2017, the interest rate will be raised and the fixed rate would be converted into a floating rate. These bonds have been listed on the Singapore Stock Exchange.

18.3 Subordinated Debt :

i) The subordinated debts are unsecured, long term, non-convertible and are redeemable at par. The debt is subordinated to present and future senior indebtedness of the Bank and qualifies for Tier II capital.

ii) The details of outstanding subordinated debt raised through private placement of bonds are given below :

Particulars	Date of issue	Rate of Interest	Tenor (Per annum)	Equivalent Amount
Private Placement Bonds 2000-2001	01.01.2001	11.90%	87 months	1675.20
Private Placement Bonds 2005	05.12.2005	7.45%	113 months	3283.00
Private Placement Bonds 2006 (I)	05.06.2006	8.80%	180 months	2327.90
Private Placement Bonds 2006(II)	06.07.2006	9.00%	180 months	500.00
Private Placement Bonds 2006(III)	12.09.2006	8.96%	180 months	600.00
Private Placement Bonds 2006(IV)	13.09.2006	8.97%	180 months	615.00
Private Placement Bonds 2006(V)	15.09.2006	8.98%	180 months	1500.00
Private Placement Bonds 2006(VI)	04.10.2006	8.85%	180 months	400.00
Private Placement Bonds 2006(VII)	16.10.2006	8.88%	180 months	1000.00
Private Placement Bonds 2006(VIII)	17.02.2007	9.37%	180 months	1000.00
Private Placement Bonds 2006(IX)	21.03.2007	9.85%	111 months	1500.00
Unsecured Loan in Foreign Currency	12.04.2000	6.50%	108 months	29.59
Total				14430.69

18.4 Investment

The Details of investments and the movement of provisions held towards depreciation on investments of the Bank are given below :

Items	**As at 31-Mar-2007**	**As at 31-Mar-2006**
I. Value of Investments		
i) Gross value of Investments		
(a) In India	144580.01	163430.99
(b) Outside India	5823.31	5260.01
ii) Provisions for Depreciation		
(a) In India	1243.69	6144.79
(b) Outside India	10.75	11.97
iii) Net value of Investments		
(a) In India	143336.32	157286.20
(b) Outside India	5812.56	5248.04
II. Movement of provisions held towards depreciation on investments		
i) Opening Balance	6156.76	3075.24
ii) Add: Provisions made during the year	477.20	3925.87
iii) Less : Write off/write back of excess provision / reclassification	5379.52	844.35
iv) Closing balance	1254.44	6156.76

Notes :

1. Investments include securities utilised under Liquidity Adjustment Facility with Reserve Bank of India - Rs.5000.00 Crores (Previous year Rs.2000.00 Crores)
2. Investments amounting to Rs.22755.00 Crores (Previous Year Rs.22755.00 Crores) are kept as margin with the Reserve Bank of India/Clearing Corporation of India Ltd. towards Real Time Gross Settlement (RTGS)/NDS.
3. Other investments include deposits with NABARD under the RIDF Deposit Scheme amounting to Rs.7652.53 Crores (Previous Year Rs. 4141.67 Crores).
4. On 14.12.2006, the Bank has acquired 76% equity shares of PT Bank Indo Monex (PBIM). Consequently, PBIM has become a subsidiary of the Bank since that date.

18.4.1. **Repo Transactions**

The details of securities sold and purchased under repos and reverse repos during the year are given below :

Items	Minimum outstanding during the year*	Maximum outstanding during the year	Daily Average outstanding during the year*	Balance as on year end
Securities sold under repos	0.00 (0.00)	11873.63 (9208.00)	325.38 (365.87)	5000.00 (2100.00)
Securities purchased under reverse repos	0.00 (0.00)	20512.05 (18299.00)	3707.28 (1672.77)	0.00 (0.00)

Figures in brackets are for Previous Year)

18.4.2 **Ø** Non-SLR Investment Portfolio

(i) Issuer composition of Non SLR Investments

The issuer composition of non-SLR investments of the Bank is given below :

Issuer No.	Gross	Extent of outstanding	Extent of Private Placement	Extent of 'Below Investment Grade' Securities *	Extent of `Unrated' Securities *	`Unlisted' Securities *
(i)	PSUs	5865.49 (6195.41)	603.93 (1123.06)	132.00 (0.00)	34.11 (33.27)	111.11 (299.13)
(ii)	FIs	1401.04 (1198.25)	1398.36 (1196.87)	255.90 (0.00)	108.65 (255.90)	404.54 (255.90)
(iii)	Banks	3507.06 (3582.62)	2313.53 (2473.95)	125.13 (93.72)	0.00 (5.00)	60.00 (45.00)
(iv)	Private Corporates	3701.90 (3666.87)	757.49 (630.46)	143.59 (98.42)	80.07 (601.30)	110.27 (638.00)
(v)	Subsidiaries / Joint ventures **	2611.26 (2449.65)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
(vi)	Others	11605.76 (7727.33)	8337.63 (4518.95)	538.82 (218.48)	513.20 (456.54)	1842.79 (1391.99)
(vii)	Provision held towards depreciation	589.79 (465.13)	NA NA	0.92 (1.38)	NA NA	NA NA
	Total	28102.72	13410.94	1195.44	736.03	2528.71
	Previous Year	24355.00	9943.29	410.63	1352.01	2630.02

Figures in brackets are for Previous Year)

* Investment in equity, equity linked instruments, asset backed securitised instruments, Govt. securities and pass through certificates have not been segregated under these categories as these are not covered under relevant RBI guidelines.

**Investments in Subsidiaries/Joint Venture have not been segregated into various categories as these are not covered under relevant RBI guidelines.

ii) Non Performing Non-SLR Investments

Particulars	Amount 2006-07	Amount 2005-06
Opening Balance	254.57	221.97
Additions during the year	19.13	93.29
Reductions during the year	30.28	60.69
Closing balance	243.42	254.57
Total provisions held	208.68	232.24

18.5 Derivatives

18.5.1 Forward Rate Agreement / Interest Rate Swap

	Items	As at 31-Mar-2007	As at 31-Mar-2006
i)	The notional principal of swap agreements	186610.70	97967.93
ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	2415.53	671.59
iii)	Collateral required by the Bank upon entering into swaps	Nil	Nil
iv)	Concentration of credit risk arising from the swaps	Not Significant	Not Significant
v)	The fair value of the swap book	35.41	- 82.52

18.5.2 Exchange Traded Interest Rate Derivatives

Sr. No.	Particulars	Current Year	Previous Year
1	Notional principal amount of exchange traded interest rate derivatives undertaken during the year	Nil	Nil
2	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2007	Nil	Nil
3	Notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective'	Nil	Nil
4	Marked-to-market value of exchange traded interest rate derivatives outstanding and not 'highly effective'.	Nil	Nil

18.5.3 Disclosures on Risk Exposure in Derivatives

A) Qualitative Disclosure

The Bank currently deals in over-the counter (OTC) interest rate and currency derivatives. Interest rate derivatives dealt with by the Bank are rupee interest rate swaps, foreign currency interest rate swaps and forward rate agreements. Currency derivatives dealt with by the Bank are currency swaps, rupee dollar options and cross-currency options. The products are offered to the Bank's customers to manage their exposures and the Bank enters into derivatives contracts to cover such exposures. Derivatives are also used by the Bank both for trading as well as hedging on-balance sheet items. The Bank also deals in a mix of these generic instruments, under the portfolio of Structured Products.

Derivative transactions carry market risk i.e. the probable loss the Bank may incur as a result of adverse movements in interest rates/exchange rates and credit risk i.e. the probable loss the Bank may incur if the counterparties fail to meet their obligations. The Bank's 'Policy for Derivatives' approved by the Board prescribes risk parameters to control and manage market risk (cut-loss triggers, open position limits, duration, modified duration, PV01 etc.). The policy also prescribes customer eligibility criteria (credit rating, tenure of relationship etc.); credit risk is controlled by entering into derivitive transactions only with counterparties satisfying these criteria, setting appropriate counterparty exposure limits taking into account ability to honour obligations, and entering into ISDA agreements with each counterparty.

The Asset Liability Management Committee (ALCO) of the Bank oversees efficient management of these risks. The Bank's Mid-Office and Risk Control (MORC) Department at Treasury, now Market Risk Management Department (MRMD), independently identifies, measures, and monitors market risk associated with derivative transactions, assists ALCO in controlling and managing these risks, and reports compliance with policy prescriptions to the Risk Management Committee of the Board (RMCB) at regular intervals.

The accounting policy for derivatives has been drawn up in accordance with RBI guidelines.

B) Quantitative Disclosures :

Sr. No.	Particulars	Currency Derivatives		Interest Rate Derivatives	
		Current Year	Previous Year	Current Year	Previous Year
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	3293.79	7428.99	21219.72
	b) For trading	49938.77	6377.87	179181.71	76748.21
(ii)	Marked to Market Positions				
	a) Asset (+)	21.72	-	162.11	57.55
	b) Liability (-)	-	-	108.79	97.08
(iii)	Credit Exposure	1517.60	3945.84	3059.23	1135.47
(iv)	Likely impact of one percentage change in interest rate (100* PV01)				
	a) on hedging derivatives	-	-	141.99	136.62
	b) on trading derivatives	0.04	0.82	- 3.38	70.74
v)	Maximum and Minimum of 100* PV 01 observed during the year				
	a) on hedging	-	-	12.85 & -0.24	170.19 & 30.19
	b) on trading	-0.65 & -0.23	82.06 & -13.46	40.82 & -4.12	106.80& - 35.81

18.6 Asset Quality

18.6.1 Non-Performing Asset

	Items	As at 31-Mar-2007	As at 31-Mar-2006
i)	Net NPAs to Net Advances (%)	1.56%	1.88%
ii)	Movement of NPAs (Gross)		
	(a) Opening balance	9628.14	11656.99
	(b) Additions during the year	4963.87	4327.28
	(c) Reductions during the year	4593.79	6356.13
	(d) Closing balance	9998.22	9628.14
iii)	Movement of Net NPAs		
	(a) Opening balance	4911.41	6303.34
	(b) Additions during the year	3538.50	3238.78
	(c) Reductions during the year	3192.19	4630.71
	(d) Closing balance	5257.72	4911.41
iv)	Movement of provisions for NPAs		
	(a) Opening balance	4716.73	5353.65
	(b) Provisions made during the year	1425.37	1088.50
	(c) Write-off/write-back of excess provisions	1401.60	1725.42
	(d) Closing balance	4740.50	4716.73

18.6.2. Details of Loan Assets subjected to Restructuring

Items		No. of A/cs. (CDR)	Under Corporate Debt Restructuring (CDR) Scheme (A)	Amount sacrificed under CDR	Under Small & Medium Enterprises Scheme (B)	Other than under CDR & SME Scheme(C)	Total
i)	Total amount of loan assets subjected to restructuring, rescheduling, renegotiation	**13**	**78.52**	**11.37**	**327.76**	**488.66**	**906.31**
		(108)	**(442.82)**	**(31.70)**	**(81.88)**	**(902.17)**	**(1458.57)**
(ii)	The amount of Standard Assets subjected to restructuring, rescheduling, renegotiation	**11**	**31.35**	**11.37**	**267.35**	**327.02**	**637.09**
		(44)	**(98.08)**	**(0.44)**	**(51.52)**	**(270.43)**	**(420.47)**
(iii)	The amount of Sub-Standard Assets subjected to restructuring, rescheduling, renegotiation	**0**	**0**	**0**	**30.84**	**44.68**	**75.52**
		(56)	**(210.05)**	**(25.80)**	**(6.86)**	**(225.03)**	**(467.74)**
(iv)	The amount of Doubtful Assets subjected to restructuring, rescheduling, renegotiation	**2**	**47.17**	**0**	**29.57**	**116.96**	**193.7**
		(8)	**(134.69)**	**(5.46)**	**(23.50)**	**(406.71)**	**(570.36)**

18.6.3 Details of financial assets sold to Securitisation / Reconstruction Companies for Asset Reconstruction

Items		Current Year	Previous Year
i)	No. of Accounts	90	131
ii)	Aggregate value (net of provisions) of accounts sold to SC/RC)	19.62	203.68
iii)	Aggregate consideration	33.00	196.78
iv)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
v)	Aggregate gain / loss over net book value	13.38	-6.90

18.6.4 Provision on Standard Assets :

The Provision on Standard Assets (including provision for restructured standard assets) held by the Bank in accordance with RBI guidelines is as under :

Items	As at 31-Mar-2007	As at 31-Mar-2006
Provision towards Standard Assets	1713.93	1123.50

18.6.5 Business Ratios

Items		Current Year	Previous Year
i.	Interest Income as a percentage to Working Funds	7.34%	7.19%
ii.	Non-interest income as a percentage to Working Funds	1.07%	1.48%
iii.	Operating Profit as a percentage to Working Funds	1.86%	2.27%
iv.	Return on Assets	0.84%	0.89%
v.	Business (Deposits plus advances) per employee (Rs. in thousands)	35700	29923
vi.	Profit per employee (Rs. in thousands)	236.81	216.76

18.6.6 **Asset Liability Management :**

Maturity pattern of certain items of assets and liabilities as at 31st March 2007

	Upto 14 days	15 to 28 days	29 days to 3 months	Over 3 months & upto 6 months	Over 6 months & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	TOTAL
Deposits	56990.43	5231.58	17980.35	18266.34	40393.61	120010.53	95365.78	81282.46	435521.09
	(49404.38)	(4520.29)	(9855.03)	(11748.82)	(38549.13)	(108646.22)	(79466.47)	(77855.71)	(380046.05)
Advances	56774.22	5477.79	16079.60	15482.72	13281.92	144478.01	32195.00	53567.23	337336.49
	(42549.93)	(4746.40)	(13806.29)	(11608.41)	(10270.39)	(109432.89)	(22055.34)	(47331.29)	(261800.94)
Investments	656.34	3303.68	9569.63	3475.99	2647.09	27142.16	21411.21	80942.78	149148.88
	(1043.92)	(2244.92)	(8544.31)	(4806.39)	(2061.02)	(28351.24)	(29926.36)	(85556.08)	(162534.24)
Borrowings	9466.58	1658.72	8519.72	4361.37	3579.61	5304.65	5579.20	1233.48	39703.33
	(9500.71)	(2902.69)	(2750.27)	(4883.05)	(1805.31)	(3860.97)	(4588.16)	(350.08)	(30641.24)
Foreign	25077.27	3495.20	12064.98	10498.96	5345.62	10942.91	7867.62	3925.82	79218.38
Curency Assets *	(22097.59)	(4983.45)	(13597.43)	(7697.79)	(4933.79)	(9812.51)	(6867.94)	(2201.63)	(72192.13)
Foreign Currency	16643.24	5457.66	17742.00	9268.26	10215.19	11007.09	6207.31	1573.32	78114.07
Liabilties	(19843.98)	(5688.11)	(10327.21)	(10645.15)	(10285.82)	(8414.29)	(4964.48)	(770.42)	(70939.46)

Figures in brackets are as at 31st March 2006

· As compiled by the Management and relied upon by the Auditors

8.7 Lending to Sensitive Sectors

The Bank has lending to sectors which are sensitive to asset price fluctuations. These sensitive sectors are real estate and capital markets.

18.7.1. Exposure to Real Estate Sector

Items		As at 31-Mar-2007	As at 31-Mar-2006
A)	Direct exposure		
i)	Residential Mortgages	33412.29	23248.97
	Of which individual housing loans up to Rs.15 lakhs	26851.28	16704.62
ii)	Commercial Real Estate	6264.55	4574.16
iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures : -		
a)	Residential	—	6.85
b)	Commercial Real Estate	0.08	112.09
B)	Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	1044.21	4779.27
Total		40721.13	32721.34

18.7.2 Exposure to Capital Market

Items		As at 31-Mar-2007	As at 31-Mar-2006
i)	Investments made in equity shares	1973.48	1518.02
ii)	Investments in convertible bonds / convertible debentures	142.63	105.76
iii)	Investments in units of equity-oriented mutual funds	650.78	651.06
iv)	Advances against shares to individuals for investment in equity shares (including IPOs/ESOPS), bonds and debentures, units of equity oriented mutual funds.	317.70	63.54
v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	181.90	0.32
	Total Exposure to Capital Market	3266.49	2338.70
vi)	Of (v) above, the total finance extended to stockbrokers for margin trading	—	—

18.7.3 Risk Categorywise Country Exposure : As compiled by the management and relied upon by the auditors.

As per the extant RBI guidelines, the country exposure of the Bank is categorised into various risk categories listed in the following table. The country exposure (net) of the Bank does not exceed 1% for any country, and hence no provision for the country exposure is required.

Risk Category	Exposure (net)		Provision held	
	As at 31-Mar-2007	As at 31-Mar-2006	As at 31-Mar-2007	As at 31-Mar-2006
Insignificant	17422.69	11877.51	Nil	Nil
Low	5820.66	3866.53	Nil	Nil
Moderate	6425.83	4668.10	Nil	Nil
HIgh	3041.29	2759.90	Nil	Nil
Very HIgh	1340.10	427.16	Nil	Nil
Restricted / Off-Credit	19.57	–	Nil	Nil
Total	34070.14	23599.20	Nil	Nil

18.7.4 Details of Single Borrower Limit, Group Borrower Limit exceeded by the Bank :

The Bank had taken single borrower exposures in excess of the prudential limit in the cases given below :

Name of the Borrower	Exposure ceiling	Limit Sanctioned (Peak Level)	Period during which limit exceeded	Position as on 31.03.07 (Outsta-nding)
Indian Oil Corporation Ltd.*	4793.55	7681.72	April 2006 to March 2007	7604.22
Bharat Heavy Electricals Ltd.**	4793.55	5237.25	July 2006 to March 2007	5237.25
Reliance Industries Ltd. **	4793.55	5457.66	August 2006 to March 2007	5278.75

* with the specific approval of RBI

** with the approval of Board

18.8 Miscellaneous

18.8.1 Disclosure of Penalties imposed by RBI Nil

(Previous year - Nil)

18.8.2 Status of customer complaints : As compiled by the management.

Items	As at 31-Mar-2007
No. of complaints pending at the beginning of the year	322
No. of complaints received during the year	16168
No. of complaints redressed during the year	16036
No. of complaints pending at the end of the year	454

18.8.3 Awards passed by the Banking Ombudsman : As compiled by the management.

Items	Current Year
No. of unimplemented Awards at the beginning of the year	
No. of Awards passed by the Banking Ombudsman during the year	10
No. of Awards implemented during the year	10
No. of unimplemented Awards at the end of the year	—

18.8.4 The Bank has not received any intimation from the suppliers regarding their status under the Micro, Small & Medium Enterprises Development Act, 2006 and hence the disclosures relating to amount unpaid as at the end of the year together with interest payable as required under the said act has not been furnished and provision for interest, if any, on delayed payment is not ascertainable at this stage.

18.9 Disclosure Requirements as per Accounting Standards

18.9.1 Significant changes in the principal accounting policies.

During the year, the Bank has changed the segmental pricing methodology, which was necessitated for presenting more meningful segment results. The financial effect of the change on the segmental result cannot be reasonably determined. However, this change does not have any impact on the financials of the Bank.

18.9.2 The Bank had hitherto been following a policy of amortization of premium in respect of securities held in the "Held to Maturity* (HTM) category by an adjustment to the account head "Provision and Contingencies". From the current financial year and in accordance with RBI directive dated 20th April 2007, the Bank has charged the amortization amount as well as marked to market losses on transfer of securities from "Available for Sale" (AFS) to HTM category by an adjustment to the account head Other Income : " Profit on Revaluation of Investments" as a deduction. As a result of this change in accounting policy, the book value of the securities is reduced by Rs.6357.06 crores being the amortization and marked to market losses on intercategory transfer of Rs.1677.51 crores for the current year and Rs.4679.55 crores for the previous year. However, there is no impact on the Net Profit for the year.

18.9.3 Prior Period Items : Domestic Offices

Items	Current year	Previous year
Depreciation	(17.47)	Nil
Operating expenses	16.38	Nil
Interest expended	264.76	Nil
Other income	2.42	Nil

The Bank accounts for the interest on income tax refund on determination of interest by taxation authorities. Such interest is credited to profit and loss account on such determination. Any subsequent withdrawal of interest is being charged to profit and loss account. However, during earlier years, Interest of Rs.264.76 crores withdrawan by taxation authorities, was debited to the "Tax paid in advance". This has been rectified during the year to fall in line with the rationale of opinion expressed by Expert Advisory Committee of the Institute of Chartered Accountants of India in similar instance.

18.9.4 Segment Reporting

i) Segment identification

Primary

i) Banking Operations : Other than treasury (Business Segment) operations

ii) Treasury Operations -> Domestic rupee treasury

Secondary

i) Domestic Operations - Branches/Offices Geographical Segment) having operations in India

ii) Foreign Operations - Branches/Offices having operations outside India and offshore banking units having operations in India

ii) Pricing of Inter-segmental transfers

The Banking Operations segment is the primary resource mobilising unit. The Treasury Operations segment is a recipient of funds from Banking Operations. From Ist April 2006; Market related Funds Transfer Pricing (MRFTP) has been introduced under which a separate unit called Funding Centre has been created. The Funding Centre notionally buys funds that the business units raise in the form of deposits or borrowings and notionally sell funds to business units engaged in creating assets.

iii) Allocation of Expenses

- Expenses incurred at Corporate Centre establishments directly attributable either to Banking Operations or to Treasury Operations segment, are allocated accordingly. Expenses not directly attributable are allocated on the basis of the ratio of number of employees in each segment/ratio of directly attributable expenses.

iv) Segment Results

¼Part A : Primary (Business segments)

Business Segments	Banking Operations		Treasury		Eliminations		Total	
Particulars	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue #	44472.16	35265.88	11464.20	17436.77	10739.92	11474.69	45196.44	41227.96
Result #	8706.06	6042.34	117.73	-1991.32	—	—	8823.79	4051.02
Unallocated Income / (Expenses) - net #							(1233.98)	1918.65
Operating Profit #							7589.81	5969.67
Income Tax #		—					3048.50	2499.48
Extraordinary Profit #		936.48		—		—		936.48
Net Profit #							4541.31	4406.67
Other Information :								
Segment Assets *	428911.94	219714.80	206373.26	382211.31	71259.28	110480.29	564025.92	491445.82
Unallocated Assets *							2539.32	2583.13
Total Assets *							566565.24	494028.95
Segment Liabilities *	401013.33	216599.31	202973.32	357682.71	86738.82	108709.24	517247.83	465572.78
Unallocated Liabilities *							18018.85	812.08
Total Liabilities *	—						535266.68	466384.86

Part B : Secondary (Geographic Segments)

Particulars	Domestic Current Year	Domestic Previous Year	Foreign Current Year	Foreign Previous Year	Total Current Year	Total Previous Year
Revenue #	41451.12	40726.40	3809.15	2688.37	45260.27	43414.77
Assets *	513812.16	450482.65	52753.08	43546.30	566565.24	494028.95

* As at 31st March For the year ended 31st March

18.9.4 Related Party Disclosures : As identified by the management and relied upon by the auditors.

A. Related Parties

i. SUBSIDIARIES

a. DOMESTIC BANKING SUBSIDIARIES

1. State Bank of Bikaner & Jaipur
2. State Bank of Hyderabad
3. State Bank of Indore
4. State Bank of Mysore
5. State Bank of Patiala
6. State Bank of Saurashtra
7. State Bank of Travancore
8. SBI Commercial and International Bank Ltd.

b. FOREIGN BANKING SUBSIDIARIES

1. SBI International (Mauritius) Ltd.
2. State Bank of India (Canada)
3. State Bank of India (California)
4. Indian Ocean International Bank Ltd.
5. Commercial Bank of India LLC, Moscow (##)
6. PT Bank Indo Monex

c. DOMESTIC NON-BANKING SUBSIDIARIES

1. SBI Factors & Commercial Services Pvt. Ltd.
2. SBI Capital Markets Limited
3. SBI DFHI Limited
4. SBI Mutual Funds Trustee Company Pvt. Ltd
5. SBI CAP Securities Ltd.
6. SBI CAPS Ventures Ltd.
7. SBI CAP Trustees Co. Ltd.
8. SBI Cards & Payment Services Pvt. Ltd.(##)
9. SBI Funds Management Pvt. Ltd. (##)
10. SBI Life Insurance Company Ltd. (##)

d. FOREIGN NON-BANKING SUBSIDIARIES

1. SBICAP (UK) Ltd.
2. SBI Funds Management (International) Ltd.(##)

These entities are jointly controlled.

ii. JOINTLY CONTROLLED ENTITIES

1. GE Capital Business Process Management Services Pvt. Ltd
2. C-Edge Technologies Ltd.

iii. ASSOCIATES

a) Regional Rural Banks

1 Andhra Pradesh Grameena Vikas Bank
2 Arunachal Pradesh Rural Bank
3 Cauvery Kalpatharu Grameena Bank
4 Chhattisgarh Gramin Bank
5 Deccan Grameena Bank
6 Ellaquai Dehati Bank
7 Ka Bank Nongkyndong Ri Khasi Jaintia
8 Krishna Grameena Bank
9 Langpi Dehangi Rural Bank
10 Madhya Bharat Gramin Bank
11 Malwa Gramin Bank
12 Marwar Ganganagar Bikaner Bank
13 Mizoram Rural Bank
14 Nagaland Rural Bank
15 Parvatiya Gramin Bank
16 Purvanchal Kshetriya Gramin Bank
17 Samastipur Kshetriya Gramin Bank
18 Saurashtra Gramin Bank
19 Utkal Gramya Bank
20 Uttaranchal Gramin Bank
21 Vananchal Gramin Bank
22 Vidisha Bhopal Kshetriya Gramin Bank

b. Others

1. SBI Home Finance Limited
2. Clearing Corporation of India Ltd.
3. Nepal SBI Bank Ltd.
4. Bank of Bhutan
5. UTI Asset Management Company Pvt. Ltd.

iv. Key Management Personnel of the Bank

1. Shri O.P. Bhatt, Managing Director from 26.04.2006 to 29.06.2006 & Chairman from 30th June 2006
2. Shri A.K. Purwar, Chairman upto 31st May 2006

3. Shri T. S. Bhattacharya, Managing Director
4. Shri Yogesh Agarwal, Managing Director from 10th October 2006

B. Related parties with whom transactions were entered into during the year

No disclosure is required in respect of related parties which are “State-controlled Enterprises” as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of banker-customer relationship are not required to be disclosed in respect of Key Management Personnel and relatives of Key Management Personnel. Other particulars are

1. C-Edge Technologies Ltd.
2. GE Capital Business Process Management Services Pvt. Ltd.
3. Bank of Bhutan
4. Nepal SBI Bank Ltd.
5. SBI Home Finance Ltd.
6. Shri A.K. Purwar, (Upto 31.05.2006)
7. Shri O.P. Bhatt, (from 26.04.2006)
8. Shri T.S. Bhattacharya
9. Shri Yogesh Agarwal, (from 10.10.2006)

C. Transactions and Balances :

Items	Outstanding		Total
	Associates/ Joint Ventures	Key Management Personnel	
Deposits #	295.37 (1770.31)	0.00 (0.00)	295.37 (1770.31)
Other Liabilities #	1.76 (0.00)	0.00 (0.00)	1.76 (0.00)
Investments #	19.75 (39.97)	0.00 (0.00)	19.75 (39.97)
Advances #	(26.52)	(0.00)	(26.52)
Interest paid *	6.59 (28.23)	0.00 (0.00)	6.59 (28.23)
Interest received *	0.00 (10.88)	0.00 (0.00)	0.00 (10.88)
Income earned by way of dividend*	0.50 (0.00)	0.00 (0.00)	0.50 (0.00)
Other Income*	0.00 (3.61)	0.00 (0.00)	0.00 (3.61)
Other expenditure*	1.66 (0.00)	0.00 (0.00)	1.66 (0.00)
Management contracts *	0.65 (0.00)	0.15 (0.14)	0.80 (0.14)

(Figures in brackets are for Previous Year)

As at 31st March 2007

* For the year ended on 31st March 2007

18.9.5 **Leases :**

A. Assets given on Financial Leases on or after 1st April 2001 : The details of finance leases are given below :

Items	As at 31-Mar-2007	As at 31-Mar-2006
Gross investment in the leases	164.73	164.73
Present value of minimum lease payments receivable		
Less than 1 year	8.91	17.60
1 to 5 years	15.04	20.49
5 years and above	—	—
Total	23.95	38.09
Present value of unearned finance income	5.00	6.76

18.9.6 **Earning Per Share**

The Bank reportsbasic and diluted earnings per equity share in accordance with Accounting Standard 20 - "Earnings per Share". "Basic earnings" per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. There are no diluted potential equity shares outstanding during the year.

Items	Current Year	Previous Year
Basic and diluted		
Weighted average no. of equity shares outstanding	52,62,98,878	52,62,98,878
Net profit	4,541.31	4,406.67
Basic and diluted earnings per share (Rs.)	86.29	83.73
Nominal value per share (Rs.)	10.00	10.00

18.9.7 **Accounting for Taxes on Income**

a. During the year, Rs.19.83 Crores (credit) (Previous Year Rs.357.89 Crores debit) has been credited/ debited to Profit and Loss Account by way of adjustment of deferred tax.

b. The bank had succeeded in appeals relating to earlier years, in respect of taxation of securities on due basis and refunds were credited to "Tax paid in advance" account during the year ended 31st March 2006. As the provision for current income tax is being made considering interest on securities on accrual basis, the bank, based on expert opinion, has recognized deferred tax liability of Rs.621.30 crores, being timing difference, by a corrsesponding debit to "Tax paid in advance account". This however, has no impact on the profit for the year.

c. The Bank has outstanding net deferred tax liability of Rs.483.68 Crores (Previous Year deferred tax asset of Rs. 117.80 Crores), which has been included in Other Liabilities-Others and Other Assets-Others respectively. The break-up of deferred tax assets and liabilities into major items is given below:

Items	As at 31-Mar-2007	As at 31-Mar-2006
Deferred Tax Assets		
Provision for non performing assets	—	112.20
Ex-gratia paid under Exit option	143.38	19.45
Others	97.51	117.81
Total	240.89	249.46
Deferred Tax Liabilities		

Depreciation on Fixed Assets	103.27	131.66
Interest on securities	621.30	
Total	724.57	131.66
Net Deferred Tax Assets/(Liabilities)	(483.68)	117.80

18.9.8 **Investments in jointly controlled entities**

(a) Investments include Rs.15.70 Crores (Previous Year Rs.10.82 Crores) representing Bank's interest in the following jointly controlled entities

Sr. No.	Name of the Company	Amount	Country of Residence	Holding %
1	GE Capital Business Process Management Services Pvt. Ltd.	10.80 (10.80)	India	40%
2	C - Edge Technologies Ltd.	4.90 (0.02)	India	49%

(Figures in brackets relate to previous year)

(b) As required by AS 27, the aggregate amount of the assets, liabilities, income and expenses related to the Bank's interests in jointly controlled entities are disclosed as under :

Items	As at 31-Mar-2007	As at 31-Mar-2006
Liabilities		
Capital & Reserves	52.13	33.80
Deposits	—	—
Borrowings	0.21	0.10
Other Liabilities & Provisions	20.60	13.55
Total	72.94	47.45
Assets		
Cash and Balances with Reserve Bank of India	0.01	0.04
Balances with banks and money at call and short notice	3.66	7.20
Investments	2.47	—
Advances	—	—
Fixed Assets	19.79	9.55
Other Assets	47.01	30.66
Total	72.94	47.45
Capital Commitments	Nil	Nil
Other Contingent Liabilities	Nil	Nil
Items	**Current Year**	**Previous Year**
Income		
Interest earned	0.04	0.25
Other income	65.85	48.14
Total	65.89	48.39
Expenditure		
Interest expended	—	—
Operating expenses	38.25	33.86
Provisions & contingencies	10.07	5.26
Total	48.32	39.12
Profit	17.57	9.27

18.9.9 **Impairment of Assets**

In the opinion of the Bank's Management, there is no impairment to the assets during the year to which Accounting Standard 28 - "Impairment of Assets" applies.

18.9.10 **Provisions, Contingent Liabilities & Contingent Assets :**

a. Break-up of Provisions

Items	Current Year	Previous Year
Provision for Taxation		
Current Tax	3014.61	1682.71
Fringe Benefit Tax	88.50	458.00
Deferred Tax	(19.83)	357.89
Other Tax	0.49	0.88
Provision for Depreciation on Investments	379.23	3898.50
Provision on Non-Performing Assets	1428.26	147.81
Provision on Standard Assets	589.19	405.17
Provision for sacrifice of future interest on NPV basis	1.24	—
Provision for Other Assets	(23.06)	(58.41)
Total	5458.63	6892.55

b Floating Provisions

Particulars	Current Year	Previous Year
Opening Balance	Nil	840.00
Addition during the year	Nil	Nil
Draw down during the year	Nil	840.00
Closing Balance	Nil	Nil

c Description of Contingent Liabilities and Contingent Assets

Sr. No.	Items	Brief Description
1	Claims against the Bank not acknowledged as debts	The Bank is a party to various proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
2	Liability on account of outstanding forward exchange contracts	The Bank enters into forward exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities, are typically amounts used as a benchmark for the calculation of the interest component of the contracts.
3	Guarantees given on behalf	As a part of its commercial banking activities, the Bank

	of constituents, acceptances, endorsements and other obligations	issues documentary credits and guarantees on behalf of its customers. Documentary credits enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfil its financial or performance obligations.
4	Other items for which the Bank is contingently liable.	The Bank is a party to various taxation matters in respect of which appeals are pending. These are being contested by the Bank and not provided for. Further, the Bank has made commitments to subscribe to shares in the normal course of business.

d. The contingent liabilities mentioned above are dependent upon the outcome of Court/ arbitration/ out of Court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

e. **Movement of provisions against contingent liabilities**

Particulars	**Current Year**	**Previous Year**
Opening balance	63.38	23.36
Additions during the year	12.76	48.80
Reductions during the year	4.24	8.78
Closing balance	71.90	63.38

18.10 **Exit Option :**

The Bank had implemented an Exit Option Scheme for its eligible employees. The ex-gratia payments under exit option aggregating to Rs.478.30 Crores (previous year Rs.72.24 crores) has been charged to the Profit & Loss account during the year.

18.11 Previous year's figures have been regrouped and reclassified, wherever necessary and determinable, to make them comparable with current year's figures. In cases where disclosures have been made for the first time in terms of RBI guidelines, previous year's figures have not been mentioned.

schedule 17

Principal Accounting Policies : 2005-2006

1. Basis of Preparation

   The financial statements have been prepared under the historical cost convention. They conform to Generally Accepted Accounting Principles (GAAP) in India, which comprises statutory provisions, regulatory/Reserve Bank of India (RBI) guidelines, Accounting Standards/guidance notes issued by the Institute of Chartered Accountants of India (ICAI), and the pratices prevalent in the banking industry in India. In respect of foreign offices, statutory provisions and practices prevailing in respective countries are complied with.

2. Advances and Provisions thereon

   2.1 Advances are shown net of provisions and unrealised interest on Non-Performing Assets (NPAs).

   2.2 A general provision of 0.40% is made on Standard Assets on the global loan portfolio excluding Small and Medium Enterprises and Direct Agriculture advances, where provision of 0.25% is made.

   2.3 Indian Offices

   2.3.1 All advances are classified under four categories, i.e.: (a) Standard Assets, (b) Sub-standard Assets, (c) Doubtful Assets and (d) Loss Assets.

   2.3.2 Provisions are made on all oustanding advances net of interest not realized on NPAs as under:

   - **Sub-standard Assets**
     (i) at 10%
     (ii) at 20%: In case of unsecured exposures (where realisable value of security is not more than 10 percent, ab initio)
   - **Doubtful Assets**
     (a) Unsecured portion at 100 per cent after netting retainable/realisable amount of guarantee cover provided by Export Credit Guarantee Corporation/Credit Guarantee Trust for Small Industries, wherever applicable
     (b) Secured portion

Period for which the advance has been considered as doubtful	**Percentage**
Upto one year	20%
One to three years	30%
More than three years	
(i) As on March 31, 2004	75%
(Previous year 60%)	
(ii) On or after April 1, 2004	100%

     (c) Advances guaranteed by State Governments are classified as 'sub-standard' or 'doubtful' or 'loss', as the case may be, if the amount due to the bank remains overdue for more than 90 days (previous year 180 days) and attracts appropriate provisioning as applicable to other advances.
   - **Loss Assets** at 100%.

     "Financial Assets" sold are recognised as under :

     i) In case the sale is at a price lower than the Net Book Value (NBV), the difference is charged to the Profit & Loss Account.

     ii) In case the sale is at a price higher than the NBV, the surplus provision is not reversed and is to be utilised to meet shortfall on sale of other such non-performing financial assets.

   2.3.3 Unrealised Interest on advances recognized in the previous year, which have become non-performing during the current year, is provided for.

2.3.4 In case of restructuring/rescheduling of advances, the difference between the present value of the future interest as per the original agreement and the present value of the future interest as per the revised agreement is provided for at the time of restructuring/rescheduling.

2.4 <u>Foreign Offices</u>

2.4.1 Advances are classified under four categories in line with those of Indian Offices.

2.4.2 Provisions in respect of advances are made as per the local law or as per the norms of RBI, whichever is higher.

3. <u>Investments</u>

3.1 Investments are classified into 'Held for Trading', 'Available for Sale' and 'Held to Maturity' categories.

3.1.1 The investments that are acquired by the Bank with the intention to trade by taking advantage of the short term price/interest rate movements are classified under 'Held for Trading'. These investments are held under this category up to 90 days from the date of acquisition.

3.1.2 Investments which are intended to be held upto maturity are classified as 'Held to Maturity'.

3.1.3 Investments which are not classified in either of the above categories are classified as 'Available for Sale'.

3.2 Valuation

3.2.1 In determining acquisition cost of an investment:

(a) Brokerage/commission received on subscriptions is deducted from the cost of securities.

(b) Brokerage, commission and stamp duty paid in connection with acquisition of securities are treated as revenue expenses.

(c) Interest accrued up to the date of acquisition of securities i.e. broken-period interest is excluded from the acquisition cost and recognized as interest expense. Broken-period interest received on sale of securities is recognized as interest income.

3.2.2 Individual scrips classified under 'Held for Trading' category are valued at lower of book value or market value. Securities are valued scrip-wise and depreciation/appreciation is aggregated for each classification. Net depreciation in each classification, if any, is provided for while net appreciation is ignored. The book value of the scrips continues to remain unchanged.

3.2.3 Investments under 'Held to Maturity' (HTM) category are carried at acquisition cost. Wherever the book vlaue is higher than the face value/redemption value, the excess amount is amortised over the remaining period of maturity using Constant Yield Method (CYM).

3.2.4 Investments under 'Available for Sale' category are valued at cost or market value, whichever is lower. Where market quotations are not available, market value for this purpose is arrived at on the basis of realisable market price computed as per the guidelines of the Fixed Income Money Market and Derivatives Association of India (FIMMDA)/Primary Dealers Association of India (PDAI) / RBI. Securities are valued scrip-wise and depreciation/appreciation is aggregated for each classification. Net depreciation in each classification, if any, is provided for while net appreciation is ignored. The book value of the scrips continues to remain unchanged.

3.2.5 Treasury Bills and Commercial Papers are valued at cost.

3.2.6 Investments in subsidiaries and joint ventures (both in India and abroad) are valued at historical cost after netting off provisions, if any.

3.2.7 Non-Performing Non-SLR Investments are recognised as per RBI guidelines and provision is made as per RBI norms applicable to Non-performing Advances.

3.2.8 Investments in Regional Rural Banks (RRBs) are valued at carrying cost (i.e. book value).

3.3 The Bank has adopted the Uniform Accounting Procedure prescribed by the RBI for accounting of Repo and Reverse Repo transactions [other than transactions under the Liquidity Adjustment Facility (LAF) with the RBI]. Accordingly, the securities sold/purchased under Repo/Reverse Repo are treated as outright sales/ purchases and accounted for in the Repo/Reverse Repo Accounts and the entries are reversed on the date of maturity. Costs and revenues are accounted for as interest expenditure/income, as the case may be. Balance in Repo/Reverse Repo Account is adjusted against the balance in the Investment Account.

Securities purchased/sold under LAF with RBI are debited/credited to Investment Account and reversed on maturity of the transaction. Interest expended/earned thereon is accounted for as expenditure/revenue.

4. Derivatives

4.1 The Bank presently deals in Interest Rate and Currency Derivatives. The Interest Rate Derivatives dealt with by the Bank are Rupee Interest Rate Swaps, Cross Currency Interest Rate Swaps and Forward Rate Agreements. Currency Derivatives dealt with by the Bank are Options and Currency Swaps.

4.2 Based on RBI guidlines, Derivatives are valued as under :

a) Derivatives used for trading are marked to market and net appreciation/depreciation is recognised in the Profit & Loss Account.

b) Derivatives used for hedging are :

i) Marked to market in case where the underlying Assets/Liabilities are marked to market. The resultant gain/loss is recognised in the Profit & Loss Account.

ii) Accounted for on accrual basis, in cases where the underlying Assets/Liabilities are not marked to market.

The net outstanding marked to market position of each type of derivative is shown either under Asset or Liability, as the case may be.

5. Fixed Assets and Depreciation

5.1 Premises and other fixed assets are accounted for on historical cost basis.

5.2 Depreciation is provided for on written down value method at the rates prescribed under Income Tax Rules, 1962, which are considered appropriate by the management. In respect of computers, depreciation is provided for on straight-line method @ 33.33% per annum, as per RBI guidelines. Computer software not forming an integral part of hardware is depreciated fully during the year of purchase.

5.3 In respect of fixed assets held at foreign offices, depreciation is provided for as per the laws/norms of the respective countries.

5.4 In respect of leasehold premises, the lease amount is amortised over the period of lease.

6. Assets given on Lease

6.1 In respect of assets given on lease by the Bank on or before 31st March 2001, the value of the assets given on lease and the amounts paid as advance for assets to be given on lease are disclosed as “Leased Assets” and “Capital Work-in-progress (Leased Assets)” respectively under fixed assets. Depreciation is provided for on straight-line method as per the Companies Act, 1956, and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalisation Account as per the guidelines issued by the ICAI.

6.2 Assets given on lease by the Bank on or after 1st April 2001 are accounted for as per Accounting Standard 19 issued by the ICAI. Such assets are included under “Other Assets”.

6.3 Provisions on non-performing leased assets are made on the basis of RBI guidelines applicable to advances.

7. Impairment of Assets

Impairment losses (if any), are recognized in accordance with the Accounting Standard-28 issued by ICAI and charged off to Profit and Loss Account.

8. Foreign Currency Transactions

8.1 As stipulated in AS 11, Foreign Branches of the Bank and Offshore Banking Units (OBUs) have been classified as Non-integral Operations and Representative Offices have been classified as Integral Operations.

8.2 a) Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

b) Foreign currency monetary items are reported using the FEDAI closing spot rates.

c) Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

8.3 Non-Integral Operations

a) All monetary/non-monetary assets and liabilities as well as contingent liabilities are translated at the closing rate notified by FEDAI.

b) Income and expenses are translated using the quarterly average rate notified by FEDAI at the end of the respective quarter.

c) All resulting exchange differences are accumulated in a separate account "Foreign Currency Translation Reserve" till the disposal of the net investment.

8.4 Integral Operations

a) All income and expenditure of integral operations are recorded at the rates on the date of transaction.

b) All foreign currency monetary items are reported using the FEDAI closing spot rate.

8.5 Forward Exchange Contracts:

In accordance with the guidelines of FEDAI and the provisions of AS-11, net outstanding forward exchange contracts in each currency are revalued at the Balance Sheet date at the corresponding forward rates for the residual maturity of the contract. The difference between revalued amount and the contracted amount is recognised as profit or loss, as the case may be.

9. Revenue Recognition

9.1 Income and expenditure are accounted for on accrual basis. In case of Foreign Offices, income is recognised as per the local laws of the country in which the respective Foreign Office is located.

9.2 The following items of income are recognised on realisation basis:

(a) Commission (other than commission on deferred payment guarantees and government transactions), exchange and brokerage.

(b) Dividend on investments.

(c) Income on Rupee Derivatives designated at as "Trading".

(d) Interest on application money on investments and overdue interest on investments.

9.3 The following items of income are recognised on realization basis, owing to significant uncertainty in collection thereof :

(a) Interest and lease income on non-performing advances, including overdue bills.

(b) Interest on non-performing investments.

9.4 Income (other than interest) on investment in "Held to Maturity" (HTM) category, which are acquired at a discount to the face value, is recognised as follows :

9.4.1 a) On interest bearing securities, it is recognised only at the time of sale/redemption.

b) On zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

9.4.2 Proift on sale of investments in this category is first credited to the Profit & Loss Account and thereafter appropriated to the "Capital Reserve Account". Loss on sale is recognised in the Profit & Loss Account.

10. Staff Benefits

10.1 Contributions payable to Provident Fund in terms of the provident fund scheme are charged to Profit and Loss Account on accrual basis.

10.2 Liability for gratuity, pension and leave encashment (which are defined benefits) is determined on the basis of actuarial valuations carried out at the year end and the incremental liability is provided for by charging to the Profit and Loss Account.

11. Provision for Taxation

Income-tax comprises current tax, Fringe Benefit Tax (amount of tax for the period determined in accordance with the Income Tax Act, 1961) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) as determined in accordance with Accounting Standard 22 of the Institute of Chartered Accountants of India. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date.

Schedule 18

NOTES TO ACCOUNTS:

1. Investments in Regional Rural Banks (RRBs) were hitherto accounted for after netting off provisions towards losses incurred by RRBs in proportion to and not exceeding the Bank's investment. From the current financial year, these investments have been valued at cost, which is in line with the RBI guidelines. Consequently, the profit for the year is higher by Rs.86.86 crore.

2. Interest Earned-Others includes an amount of Rs.1638.46 crore, (previous year Rs.745.28crore) being interest on refund of Income Tax.

3. Other Income includes an amount of Rs.531.54 crore being Exchange Gain on India Millennium Deposits (IMDs) redemption. Consequently, profit (net of tax) for the year is higher by Rs. 352.62 crore.

4. An amount of Rs. 563.52 crore paid to Reserve Bank Of India for maintenance of value (MOV) by debit to Interest Expended Account in the years 2001 and 2002 was received back during the year on redemption of India Millennium Deposits (IMDs) and credited to Interest Expended account. Consequently, profit (net of tax) for the year is higher by Rs. 373.84 crore.

5. Payments to and provisions for employees, under Operating Expenses includes an amount of Rs.312.87 crore, being arrears of salary paid for the previous financial years.

6. An amount of Rs.128 crore, being the write back of provisions rendered surplus (other than advances, investments and investments in subsidiaries and joint ventures), is netted under the head Provisions and Contingencies .

7. During the year, the Bank has invested an amount of US$11,627,895.19 (equivalent to Rs.53.40 crore) in Indo-Nigerian Bank Ltd. (INBL) increasing its stake from 51.59% to 72.95%. This investment was made as part of a scheme of merger of INBL with 4 other local banks to form Sterling Bank Plc, in compliance with Nigerian regulatory requirements. State Bank of India has a stake of 9.24% in Sterling Bank Plc.

8. During the year, the Bank has invested a sum of Rs. 309.24 crore in UTI Asset Management Company Pvt. Ltd. for which consideration has been paid to the Government of India as per its directives. This amount has been considered as a premium on the shares acquired by the Bank in FY 2002-03 for a 25% stake in the Company.

9. As a one-time measure, in terms of RBI guidelines, unreconciled net credit balances (net value of debit and credit entries outstanding) in the Inter Branch Accounts upto 31.03.1999, aggregating Rs. 316.58 crore, has been credited to Profit & Loss Account under the head Miscellaneous Income. Consequently, profit (net of tax) for the year is higher by Rs. 210.02 crore. Out of this, an amount of Rs.157.52 crore (net of tax and net of transfer to statutory reserves) has been appropriated to Other Reserves.

10. In accordance with RBI Circular DBOD No. BP.BC.38/21.04.141/2005-06 dated 10th October 2005, the Bank has transferred as on 31.03.2006 the balances outstanding in the Investment Fluctuation Reserve amounting to Rs. 5253.89 crore to the Revenue and Other Reserves.

11. (a) During the year 1999-2000, the Bank issued by way of private placement, unsecured, subordinated bonds of the face value of Rs.1,00,000/- each for cash at par at a fixed rate of 10.80% p.a., payable semi annually, for a period of 63 months, for an aggregate amount of Rs. 935.87 crore to augment its Tier II capital. These bonds were redeemed on due date i.e. 01.07.2005.

    (b) During the year 2000-2001, the Bank issued by way of structured private placement, unsecured, subordinated bonds of the face value of Rs.10,00,000/- each for cash at par for an aggregate amount of Rs.2500.00 crore, as under:

        (i) Rs.824.80 crore at a fixed rate of 11.55% p.a. payable annually, and redeemable at par at the end of 63 months from the date of allotment, i.e. redeemed on 01.04.2006.

        (ii) Rs.1675.20 crore at a fixed rate of 11.90% p.a. payable annually, and redeemable at par at the end of 87 months from the date of allotment, i.e. redeemable on 01.04.2008.

    (c) During the year 2000-2001, the Bank raised an unsecured, subordinated loan amounting to Euro.5.113 million, at a fixed rate of 6.5 % p.a. redeemable at par at the end of 108 months, i.e. redeemable on 12.4.2009. The loan amount outstanding as at 31st March 2006 is Euro 5.113 million (Rupee equivalent Rs.27.61crore). (previous year Rupee equivalent was Rs 28.98 crore).

(d) During the year 2005-2006, the Bank issued by way of private placement, unsecured, subordinated bonds of the face value of Rs.10,00,000/- each for cash at par at a fixed rate of 7.45% p.a., payable annually, for an aggregate amount of Rs.3,283 crore to augment its Tier II capital. These bonds are redeemable at par at the end of 113 months from the date of allotment i.e. redeemable on 05.05.2015. The face value of bonds outstanding as at 31st March 2006 is Rs.3,283.00 crore.

DISCLOSURES AS PER RBI GUIDELINES

12. The Capital Adequacy Ratio of the Bank is 11.88 % as at 31st March 2006 (12.45 % as at 31st March 2005). The ratio, arrived at on the basis of guidelines/directives issued by the RBI, comprises:

	31st March 2006	**31st March 2005**
Tier I Capital	9.36%	8.04%
Tier II Capital	2.52%	4.41%

13. Net NPAs to Net Advances as at 31st March 2006 is 1.87 % (2.65% as at 31st March 2005).

14. Break-up of the item "Provisions and Contingencies" included under the head "Expenditure" in the Profit and Loss Account:

(Rs.in crore)

	2005-2006	2004-2005
a) Provision for Income Tax (current tax)	1682.71	2447.22
b) Provision for Income Tax (deferred tax) (Credit)	357.89	230.62
c) Provision for Fringe Benefit Tax	458.00	—
d) Provision for other taxes	0.88	0.48
e) Amount of provision made against NPAs (net of write back)	147.81	1204.00
f) General provision on Standard Assets in the global loan portfolio	405.17	115.00
g) Depreciation in the value of Investments in India	3891.85	2326.76
h) Depreciation in the value of Investments in Foreign Offices	6.65	11.60
i) Others (Net of write back)	-58.41	811.40
Total	6892.55	6685.84

15. Business Ratios:

	2005-2006	2004-2005
i) Interest income as a percentage to Working Funds	7.19%	7.70%
ii) Non-Interest income as a percentage to Working Funds	1.48%	1.69%
iii) Operating Profit as a percentage to Working Funds	2.27%	2.61%
iv Return on Assets	0.89%	0.99%
v) Business (Deposits and Advances) per employee (Rs. in Thousand)	29923	24308
vi) Profit per employee (Rs. in Thousand)	216.76	207.50

16. **a) Maturity Pattern of Assets & Liabilities as at 31st March 2006 (Domestic Operations):**

(Rs. in crore)

	1-14 days	15-28 days	29 days - 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Advances	38686.27	2451.63	7455.83	7052.40	8322.99	105099.51	19084.73	46543.11	234696.47
	(46116.45)	(1964.21)	(5682.01)	(5333.98)	(6135.58)	(70596.94)	(18153.16)	(24492.62)	(178474.95)
Investments	948.54	2171.32	8379.47	4572.46	1411.99	26478.55	28032.48	85291.39	157286.20
	(7219.46)	(140.19)	(2524.16)	(17442.78)	(2281.73)	(29065.44)	(34419.05)	(99363.59)	(192456.40)

Deposits	45607.55	2635.02	7943.78	10270.57	36063.59	107904.11	78600.44	77203.47	366228.53
	(20718.37)	(1596.02)	(6962.35)	(9257.62)	(55760.17)	(102493.78)	(80550.33)	(75460.08)	(352798.72)
Borrowings	2296.61	(—)	52.84	407.72	556.42	2523.23	573.05	233.21	6642.38
	(638.46)	(—)	(34.20)	(133.13)	(105.79)	(227.59)	(98.46)	(4.43)	(1242.06)
Foreign currency	18138.55	2615.07	7082.13	2907.85	2337.36	3806.44	2003.46	1108.18	39999.04
assets	(17877.60)	(1259.27)	(3758.47)	(5139.52)	(3107.47)	(3273.27)	(2656.80)	(737.43)	(37809.83)
Foreign currency	8842.95	900.15	5718.53	4691.57	6551.39	6333.74	83.34	1.31	33122.98
liabilities	(10232.90)	(1558.54)	(4498.59)	(3629.37)	(5034.57)	(6249.46)	(8.39)	(2.96)	(31214.78)

(Figures in brackets pertain to 31st March 2005)

(In compiling the above data, certain assumptions as per RBI guidelines and estimates have been made by the management and relied upon by Auditors)

b) Maturity Pattern of Assets and Liabilities as at 31st March 2006 (Operations of Foreign Offices):

(Rs. in crore)

	1-7 days	8-14 days	15-28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Assets	11059.74	4301.07	6804.08	10843.15	11278.92	3734.10	7737.50	8189.96	1591.41	65539.93
	(7428.15)	(1019.03)	(7181.20)	(11175.00)	(6873.12)	(2709.14)	(5882.78)	(5481.75)	(2248.24)	(49998.41)
Liabilities	15485.40	3364.47	7472.33	12150.74	6848.41	4858.10	4019.22	8510.05	2831.21	65539.93
	(11101.92)	(2201.08)	(3996.18)	(11773.10)	(7293.14)	(2270.17)	(3131.56)	(4282.31)	(3948.95)	(49998.41)

(Figures in brackets pertain to 31st March 2005)

17. Lending to Sensitive Sectors:

(a) Exposure to Real Estate Sector :

(Rs. in crore)

Category		31.03.2006	31.03.2005
a)	Direct exposure	27942.07	12685.30
i)	Residential Mortgages of which individual housing loans upto Rs. 15 lakhs	23248.97 16704.62	9084.65 7880.63
ii)	Commercial Real Estate	4574.16	3552.87
iii)	Investments in Mortgage Backed Securities (MBS) and other securitiesed exposures -		
a)	Residential	6.85	29.35
b)	Commercial Real Estate	112.09	18.43
b)	Indirect exposure -		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	4779.27	3865.39

(b) Exposure to Capital Market :

(Rs. in crore)

Item		31.03.2006	31.03.2005
i)	Investments in equity shares	1518.02	1124.21
ii)	Investments in bonds/ convertable debentures	105.76	104.28
iii)	Investments in units of equity-oriented Mutual Funds	651.06	416.81
iv)	Advances against shares to individuals for investment in equity shares (including IPOs/ESOPS), bonds and debentures, units of equity oriented Mutual Funds	63.54	46.04

v)	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers:	0.32	0.23
	Total Exposures to capital market (i+ii+iii+iv+v)	2338.70	1691.57
vi)	Of (v) above, the total finance extended to stock brokers for margin trading	NIL	NIL

18. **(a) Movements in NPAs:**

(Rs. in crore)

	2005-2006	2004-2005
Gross NPAs as at the beginning of the year	12455.73	12667.21
Add: Additions during the year	4366.65	4284.60
Less: Reductions during the year (including write off of Rs. 1809.66 crore), (Rs. 1337.46 crore in the previous year)	6446.62	4496.08
Gross NPAs as at the end of the year	10375.76	12455.73

(b) Movements in Net NPAs:

(Rs. in crore)

	2005-2006	2004-2005
Net NPAs as at the beginning of the year	5348.89	5441.73
Add: Additions during the year	4241.27	2301.97
Less: Reductions during the year (including write off of Rs.72.76 crore), (Rs. 61.46 crore in the previous year)	4683.74	2394.81
Net NPAs as at the end of the year	4906.42	5348.89

19. **Loan Assets subjected to restructuring during the year 2005-06:**

(Rs. in crore)

		Other than under Corporate Debt Restructuring (CDR) & SME Scheme	Under Small & Medium Enterprises (SMEs) Scheme	Under Corporate Debt Restructuring (CDR) Scheme	Total
(i)	Amount of Standard Assets subjected to restructuring	270.43 (1031.38)	51.52	98.08 (2703.99)	420.03 (3735.37)
(ii)	Amount of Sub-standard Assets subjected to restructuring	225.03 (258.67)	6.86	210.05 (298.04)	441.94 (556.71)
(iii)	Amount of Doubtful Assets subjected to restructuring	406.70 (137.45)	23.50	134.69 (416.36)	564.89 (553.81)
	Total	902.16 (1427.50)	81.88	442.82 (3418.39)	1426.86 (4845.89)

(Figures in brackets pertain to the previous year)

20. i) Issuer composition of Non-SLR investments :

(Rs. in crore)

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' Securities	Extent of 'unrated' Securities	Extent of 'unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	6195.41 (8700.31)	1123.06 (1179.42)	— (—)	33.27 (89.38)	299.13 (549.17)
2	FIs	1198.25 (1168.53)	1196.87 (1167.49)	— (—)	255.90 (255.90)	255.90 (255.90)
3	Banks	2624.38 (1834.79)	2473.95 (1812.66)	— (—)	5.00 (5.00)	45.00 (45.00)
4	Private Corporates	1859.31 (2808.42)	630.46 (803.56)	— (—)	601.30 (629.81)	638.00 (1647.83)
5	Subsidiaries/Joint Ventures	2067.33 (1712.59)	— (—)	— (—)	— (—)	— (—)
6	Others	5615.44 (1411.23)	4518.95 (463.66)	— (—)	25.00 (25.00)	— (Nil)
7	Provision held towards depreciation	449.96 (334.68)	— (—)	— (—)	— (—)	— (—)
	Total	19110.16 (17301.19)	9943.29 (5426.79)	— (—)	920.47 (1005.09)	1238.03 (2497.90)

(Figures in brackets pertain to 31 March 2004)

ii) Non-performing Non-SLR investments:

(Rs. in crore)

Particulars	2005-06	2004-05
Opening Balance	221.97	201.77
Additions during the year	93.29	133.08
Reductions during the above period	60.69	112.88
Closing Balance	254.57	221.97
Total Provisions held	232.24	172.22

(iii) Movement of provisions held towards NPAs, depreciation and provisions **on investments:**

(Rs. in crore)

	Provisions for NPAs (excluding provisions on Standard Assets)		depreciation and provisioning on investments	
	2005-06	2004-05	2005-06	2004-05
Opening Balance	6219.50	6412.39	3075.24	1699.36
Add : Provisions made during the year (net of write-back of Floating NPA provision of Rs.840.00 cr) (previous year Rs. 700 cr)	173.78	1956.78	3925.87	2223.62
Less : Write off/write-back of excess provisions	1762.88	2149.67	844.35	847.74
Closing Balance	4630.40	6219.50	6156.76	3075.24

(iv) Repo Transactions:

(Rs. in crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As at 31st March 2006
Securities sold under Repos *[Liquidity Adjustment Facility (LAF)]*	1050.00 (1000.00)	5250.00 (5450.87)	110.75 (115.61)	2100.00 (—)
Securities purchased under Reverse Repos (LAF)	630.00 (800.00)	15750.00 (9600.00)	1632.25 (646.03)	— (7000.00)
Securities sold under Repos (Market Repo)	29.50 (101.00)	3958.00 (101.00)	255.12 (0.28)	— (—)
Securities purchased under Reverse Repos (Market Repo)	150.00 (49.45)	2549.00 (5441.46)	40.52 (397.51)	— (—)

(Previous year's figures are given in brackets)

(v) Risk exposures in Derivatives:

Qualitative Disclosure:

The Bank currently deals in over-the-counter (OTC) interest rate and currency derivatives. Interest rate derivatives dealt with by the Bank are rupee interest rate swaps, foreign currency interest rate swaps and forward rate agreements. Currency derivatives dealt with by the Bank are currency swaps, rupee dollar options and cross-currency options. The products are offered to the Bank's customers to manage their exposures and the Bank enters into derivative contracts to cover such exposures. Derivatives are also used by the Bank both for trading as well as hedging on-balance sheet items.

Derivative transactions carry market risk i.e. the probable loss the Bank may incur as a result of adverse movements in interest rates/exchange rates and credit risk i.e. the probable loss the Bank may incur if the counterparties fail to meet their obligations. The Bank's "Policy for Derivatives" approved by the Board prescribes risk parameters to control and manage market risk (cut-loss triggers, open position limits, duration, modified duration, PV01 etc.), The Policy also prescribes customer eligibility criteria (credit rating, tenure of relationship etc.), credit risk is controlled by entering into derivative transactions only with counterparties satisfying these criteria, setting appropriate counterparty exposure limits taking into account ability to honour obligations and entering into ISDA agreements with each counterparty.

The Asset Liability Management Committee (ALCO) of the Bank oversees efficient management of these risks. The Bank's Mid-Office and Risk Control (MORC) Department at Treasury independently identifies, measures, monitors market risk associated with derivative transactions, assists ALCO in controlling and managing these risks and reports compliance with policy prescriptions to the Risk Management Committee of the Board (RMCB) at regular intervals.

The accounting policy for derivatives has been drawn-up in accordance with RBI guidelines.

Quantitative Disclosures: (Rs. in crore)

No.	Particulars	Currency Derivaties 31.03.2006	Interest Rate Derivaties 31.03.2006
1.	Derivatives (Notional Principal Amount)		
	a) For hedging	3293.79 (3696.80)	21219.72 (104393.80)
	b) For trading	6377.87 (3095.53)	76748.21 (20830.42)
2.	Marked to Market Positions		
	a) Asset (+)	— (—)	57.55 (4.26)
	b) Liability (-)	— (0.18)	-97.08 (19.58)
3.	Credit Exposure	3945.84 (1387.86)	1135.47 (178.43)
4.	Likely impact of one percentage change in interest rate (100* PV01)		
	a) on hedging derivatives	— (—)	136.62 (1.03)
	b) on trading derivatives	0.82 (0.34)	70.74 (5.65)
5.	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging	— (—)	170.19 & 30.19 (0.04 & 3.14)
	b) on trading	82.06 & -13.46 (—)	106.80 & -35.81 (0.18 & 13.26)

(Previous year's figures are given in brackets)

(vi) Exchange Traded Interest Rate Derivatives: (Rs. in crore)

No.	Particulars	Amount
i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (Instrument-wise)	NIL
ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as at 31st March 2006 (instrument-wise)	NIL
iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective' (Instrument-wise)	NIL
iv)	Marked-to-market value of exchange traded interest rate derivatives outstanding and not 'highly effective' (instrument-wise)	NIL

(Previous year's figures are given in brackets)

(vii) Forward Rate Agreement/Interest Rate Swap: (Rs. in crore)

	Items	31.03.2006	31.03.2005
i)	The notional principal of swap agreements	99396.32	45764.71
ii)	Losses which would be incurred if counterparties fail to fulfil their obligations under the agreement	38.65	79.81
iii)	Collateral required by the Bank upon entering into swaps	—	—
iv)	Concentration of credit risk arising from the swaps	—	—
v)	The fair value of the swap book	-82.52	82.03

21. Risk Category-wise Country-wise Exposure:

As the Bank's net funded exposure for the year ended 31st March 2006 in respect of the foreign exchange transactions with each country is below 1% of the total assets of the Bank, no provision and disclosure are required as per RBI circular.

22. Details of credit exposures where the bank had exceeded the Prudential Exposure during the year :

(Rs. in crore)

No.	Name of the Borrower	Exposure ceiling (Peak Level)	Limit sanctioned	Period during which limit exceeded	Amount Outstanding when the limit was sanctioned	31.03.06 (outstanding)
1.	Indian Oil Corpn. Group	3791	7652	April 2005 to Mar. 2006	5041	5205
2.	Bharat Heavy Electricals	3791	4507	April 2005 to Mar. 2006	3019	3639
3.	Reliance Industries Group	3791	4269	April 2005 to Mar. 2006	3003	3771
4.	HDFC	3791	4420	April 2005 to Mar. 2006	4420	3933

23. Penalties imposed by RBI during the year: NIL

24. a) Assets sold to Asset Reconstruction Companies against Security Receipts/Cash:

(Rs. in crore)

No.	Items	FY 2005-06	FY 2004-05
A.	No. of accounts	131	114
B.	Aggregate value (net of provisions) of accounts sold to Securitization/ Reconstruction Companies	*203.68	173.21
C.	Aggregate consideration	**196.78	145.48
D.	Additional consideration received in respect of accounts transferred in earlier years	NIL	NIL
E.	Aggregate loss over net book value	6.90	27.73

* Comprises Principal Outstanding of Rs.893 crore which includes Rs.330.41 crore in NPAs against which provision available is Rs.126.73 crore and Rs.562.59 crore in Advances Under Collection Account (AUCA) (written off accounts).

** Out of the aggregate price of Rs.262.92 crore, sale on Security Receipts (SRs) basis amounted to Rs.207.72 crore where the sale consideration was recognised at Rs.141.58 crore, being lower of the redemption value (face value) of SRs and Net Book Value (NBV) as per RBI guidelines. Taken together with the cash sale consideration (Rs.55.20 crore), the aggregate consideration was recognised at Rs.196.78 crore.

b) Assets sold to Banks/FIS/NBFCs on Cash Basis :

(Rs. in crore)

A.	No. of accounts sold	290
B.	Aggregate outstandings	#1140.77
C.	Aggregate consideration received	232.22

Includes written off amounts [Rs. 936.41 crore parked in Advances Under Collection Account (AUCA).]

DISCLOSURES AS PER ACCOUNTING STANDARDS:

25. SEGMENTAL REPORTING:

25.1 Segment Identification :

The following segments have been identified :

Primary (Business Segment)	Banking Operations	Treasury Operations
Secondary (Geographical Segment)	Domestic Operations	Foreign Operations

25.2 Pricing of Inter-segmental transfers:

The Banking Operations segment is the primary resource mobilising unit. The Treasury Operations segment is a recipient of funds from Banking Operations segment. The cost of funds lent to Treasury is computed at the cost of deposits of Banking Operations segment plus operating expenses incurred for mobilizing deposits.

25.3 Allocation of Expenses:

a) Expenses incurred at Corporate Centre establishments directly attributable either to Banking Operations segment or to Treasury Operations segment, are allocated accordingly.

b) Expenses not directly attributable are allocated on the basis of the ratio of number of employees in each of the segments / ratio of directly attributable expenses.

25.4 Disclosures:

Part A: Primary Segment:

(Rs. in crore)

Business Segments	Banking Operations		Treasury		Eliminations		Total	
Particulars	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue *	35265.88	32403.55	17436.77	20111.78	11474.69	14132.91	41227.96	38382.42
Results *	6042.34	5404.63	-1991.32	1060.98	—	—	4051.02	6465.61
Un-allocated *							1918.65	55.99
Operating Profit *							5969.67	6521.60
Income Tax *							2499.48	2217.08
Extraordinary items of profit/loss *	936.48	—	—	—	—	—	936.48	—
Net Profit *							4406.67	4304.52
Other Information#								
Segment Assets	382211.31	427057.00	219555.40	216956.54	110480.29	188115.00	491286.42	455898.54
Unallocated Assets							2583.13	3984.33
Total Assets							493869.55	459882.87
Segment Liabilities	357682.71	404730.11	216439.91	215211.31	108709.24	184130.69	465413.38	435810.73
Unallocated Liabilities							812.08	0.00
Total Liabilities							466225.46	435810.73

Part B: Secondary Segment:

(Rs. in crore)

Geographical Segments	Domestic Operations Current Year	Domestic Operations Previous Year	Foreign Operations Current Year	Foreign Operations Previous Year	Total Current Year	Total Previous Year
Revenue *	38539.59	36987.61	2688.37	1394.81	41227.96	38382.42
Assets #	450323.25	429282.13	43546.30	30600.74	493869.55	459882.87

*: Total for the year 2005-2006 # : Balances as AT 31-03-2006

26. Related Party Disclosures:

A. Related Parties:

a) subsidiaries:

Domestic Banking Subsidiaries

State Bank of Bikaner & Jaipur

State Bank of Hyderabad

State Bank of Indore

State Bank of Mysore

State Bank of Patiala

State Bank of Saurashtra

State Bank of Travancore

SBI Commercial and International Bank Ltd.

Domestic Non-Banking Subsidiaries

SBI Factors & Commercial Services Pvt. Ltd.

SBI Capital Markets Limited

SBI DFHI Limited

SBI Mutual Funds Trustee Company Pvt. Ltd.

SBI CAP Securities Ltd./SBICAP (UK)Ltd./SBICAPS Ventures Ltd./SBICAP Trustees Co. Ltd.

Foreign Subsidiaries

SBI International (Mauritius) Ltd.

State Bank of India (Canada)

State Bank of India (California)

Indian Ocean International Bank Ltd.

b) Joint Ventures:

SBI Cards & Payments Services Pvt. Ltd.

SBI Life Insurance Company Limited

GE Capital Business Process Management Services Private Limited

Commercial Bank of India Llc, Moscow

SBI Funds Management Pvt. Ltd.

C-Edge Technologies Ltd.

c) Associates:

Alaknanda Gramin Bank

Andhra Pradesh Grameena Bank

Arunachal Pradesh Rural Bank

Bastar Kshetriya Gramin Bank

Bikaner Kshetriya Gramin Bank

Bilaspur Raipur Kshetriya Gramin Bank

Bolangir Anchalik Gramya Bank

Bundelkhand Kshetriya Gramin Bank
Cauvery Grameena Bank
Damoh-Panna-Sagar Kshetriya Gramin Bank
Deccan Grameena Bank
Ellaquai Dehati Bank
Ganga Yamuna Gramin Bank
Ka Bank Nongkyndong Ri Khasi Jaintia
Kalahandi Anchalika Gramya Bank
Kalpatharu Grameena Bank
Koraput Panchbati Gramya Bank
Krishna Grameena Bank
Langpi Dehangi Rural Bank
Malwa Gramin Bank
Marwar Gramin Bank
Mizoram Rural Bank
Nagaland Rural Bank
Palamau Kshetriya Gramin Bank
Parvatiya Gramin Bank
Pithoragarh Kshetriya Gramin Bank
Purvanchal Kshetriya Gramin Bank
Raigarh Kshetriya Gramin Bank
Samastipur Kshetriya Gramin Bank
Saurashtra Grameena Bank
Santhal Parganas Gramin Bank
Shivpuri-Guna Kshetriya Grameena Bank
Sriganganagar Kshetriya Gramin Bank
Vidisha Bhopal Kshetriya Gramin Bank
SBI Home Finance Limited
Clearing Corporation of India Ltd.
Nepal SBI Bank Ltd.
Bank of Bhutan
UTI Asset Management Company Pvt. Ltd.

d) Key Management Personnel of the Bank:

Shri A.K. Purwar, Chairman

Shri Ashok K. Kini, Managing Director (upto 31.12.2005)

Shri T. S. Bhattacharya, Managing Director

B. Related Parties with whom transactions were entered into during the year :

No disclosure is required in respect of related parties which are ‘State-controlled Enterprises’ as per paragraph 9 of AS 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of banker-customer relationship are not required to be disclosed in respect of Key Management Personnel and relatives of Key Management Personnel. Other particulars are :-

GE Capital Business Process Management Services Pvt. Ltd.

SBI Home Finance Ltd.

Nepal SBI Bank Ltd.

Bank of Bhutan

C-Edge Technologies Ltd.

Shri A.K. Purwar, Chairman

Shri Ashok K. Kini, Managing Director (upto 31.12.2005)

Shri T. S. Bhattacharya, Managing Director

C. Transactions/Balances:

(Rs. in crore)

Items	Related Party Associates/ Joint Ventures		Key Management Personnel @		Relatives of key Management Personnel @		Total	
Borrowings #	—	(—)	—	(—)	—	(—)	—	(—)
Deposits #	524.17	(1770.31)	—	(0.05)	—	(—)	524.17	(1770.36)
Placement of deposits #	—	—	—	(—)	—	(—)	—	(—)
Advances #	—	(26.52)	—	(—)	—	—	—	(26.52)
Investments #	33.42	(39.97)	—	(—)	—	(—)	33.42	(39.97)
Non-funded commitments #	560.08	(—)	—	(—)	—	(—)	560.08	(—)
Leasing/HP arrangements availed *	—	(—)	—	(—)	—	(—)	—	(—)
Leasing/HP arrangements provided *	—	(—)	—	(—)	—	(—)	—	(—)
Purchase of fixed assets *	—	(—)	—	(—)	—	(—)	—	(—)
Sale of fixed assets *	—	(—)	—	(—)	—	(—)	—	(—)
Interest paid *	7.18	(28.23)	—	(—)	—	(—)	7.18	(28.23)
Interest received *	—	(10.88)	—	(—)	—	(—)	—	(10.88)
Rendering of services *	—	(3.61)	—	(—)	—	(—)	—	(3.61)
Receiving of services *	—	(—)	—	(—)	—	(—)	—	(—)
Management contracts *	—	(—)	0.20	(0.14)	—	(—)	0.20	(0.14)

Balances as on 31.03.2006 * For the year 2005-2006

@ Transactions which are not in the nature of banker-customer relationship

(Figures in brackets relate to previous year)

The above disclosures are as identified by the management and relied upon by the Auditors.

27. Assets given on lease with effect from 1.4.2001 accounted for as per Accounting Standard-19:

(Rs. in crore)

	31.03.2006	31.03.2005
Gross investment in the leases	164.73	164.73
Present value of minimum lease payments receivable as on 31.3.2006		
Less than 1 year	17.60	31.28
1 to 5 years	20.49	28.91
5 years and above	—	—
Total	38.09	60.19
Present value of unearned finance income	6.76	10.28

28. Earnings Per Share:

Particulars	Current Year	Previous Year
Basic (Net Profit Rs.4406,67,16,600/	83.73	81.79
weighted average number of equity shares 52,62,98,878)		
Diluted (There are no dilutive potential equity shares)	83.73	81.79

29. Deferred Tax Liabilities (DTL) / Deferred Tax Assets (DTA):

(a) During the year, Rs.357.89 crore (Rs. 230.62 crore previous year) (net) has been debited/credited to Profit and Loss Account by way of adjustment of deferred tax.

(b) Components of DTL and DTA: (Rs. in crore)

DTL	As at 31.3.2006	As at 31.03.2005
Depreciation on leased assets	126.15	174.46
Depreciation on Fixed Assets	5.51	14.62
Total	131.66	189.08
DTA		
Provision made against NPAs	112.20	243.95
Provision for wage revision	—	420.81
Others	137.26	—
Total	249.46	664.76
Net balance (DTA)	117.80	475.68

30. Investments in jointly controlled entities:

Investment includes Rs.10.82 crore (previous year Rs. 18.05 crore) representing the Bank's interest in the following jointly controlled entities as at 31-03-2006:

(Rs. in crore)

No.	Name of the Company	Amount (Rs.)	Country/ Residence	Percentage Holding
1	GE Capital Business Process Management Services Pvt. Ltd.	10.80	India	40%
2	C-Edge Technologies Ltd.	0.02	India	49%

As required by AS-27, the aggregate amount of the assets, liabilities, income and expenses related to the Bank's interests in jointly controlled entities are disclosed as under:

A: Assets & Liabilities

(Rs. in crore)

Capital & Liabilities	**31.03.2006**	**31.03.2005**	**Assets**	**31.03.2006**	**31.03.2005**
Capital & Reserves	33.80	12.05	Cash and balances with Reserve Bank of India	0.04	—
Deposits	—	—	Balances with banks and money at call and short notice	7.20	4.83
Borrowings	0.10	0.06	Investments	—	—
Other Liabilities & Provisions	13.55	4.70	Advances	—	—
			Fixed Assets	9.55	4.19
			Other Assets	30.66	7.79
Total	47.45	16.81	**Total**	47.45	16.81
			Capital Commitments	—	(—)
			Other Contingent Liabilities	—	(—)

B: Income and Expenditure

(Rs. in crore)

		FY 2006	FY 2005
I.	**Income**		
	Interest earned	0.25	0.18
	Other income	48.14	15.49
	Total	48.39	15.67
II.	**Expenditure**		
	Interest expended	—	—
	Operating expenses	33.86	10.30
	Provisions & Contingencies	5.26	2.02
	Total	39.12	12.32
III.	**Profit**	9.27	3.35

31. **Impairment of Assets:**

In the opinion of the Bank's Management, there is no impairment to the assets during the year to which Accounting Standard 28 - "Impairment of Assets" applies.

32. **Provisions, Contingent Liabilities & Contingent Assets :**

a) Movement of provisions for contingent liabilities

(Rs. in crore)

Particulars	Legal cases/contingencies
Balance as on 1st April 2005	23.36 (10.44)
Provided during the year	48.80 (13.83)
Amounts used during the year	1.47 (0.03)
Reversed during the year	7.31 (0.88)
Balance as on 31st March 2006	63.38 (23.36)

(Figures in brackets relate to previous year)

b) Other contingent liabilites (Schedule-12)

Such liabilities at Sl.No. (i), (ii), (iii), (iv), (v) and (vi) are dependent upon the outcome of Court / arbitration / out of Court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

33. Previous year's figures have been regrouped and reclassified, wherever necessary and determinable, to make them comparable with current year's figures. In cases where disclosures have been made for the first time in terms of RBI guidelines, previous year figures have not been mentioned.

ANNEXURE 6

Major changes in the business activities of the Bank

The Bank is in the business of Corporate and Retail Banking, Treasury Operations and other miscellaneous banking business. There has not been any change in the business activities of Bank which has had any material effect on the statement of profit/loss for the five years, including discontinuance of lines of business, loss of agencies or markets and similar factors.

ANNEXURE 7

Statement of Dividends Declared by the Bank

(Rs. in millions)

For the year ending	March 31 2006	March 31, 2007	March 31 2008	March 31 2009	March 31 2010
Number of Equity Shares	52,62,98,878	52,62,98,878	63,14,70,376	63,48,80,222	63,48,82,644
Dividend (Rs)	7,368	7,368	13,577	18,412	19,046
Tax on Dividend (Rs)	1,033	1,252	1,659	2,480	2,368
Dividend Rate (%)	140	140	215	290	300

ANNEXURE 8

(a) ***Summary Statement of Other Income (Unconsolidated)***

(Rs. in millions)

	For the Financial year/Period Ended March 31	March 31 2006	March 31 2007	March 31 2008	March 31 2009	March 31 2010
	Other Income					
1	Commission, exchange and brokerage	39,962	48,045	59,143	76,172	96409
2	Profit/ Loss on sale of investments (Net)	*5,872	*5,678	16,498	25,673	21168
3	Profit/ Loss on revaluation of investments (Net)	-	(16,775)	(7,035)	(6)	0
4	Profit on Exchange Transactions (Net)	10,013	*3,734	*6,927	*11792	15871

Notes :

a) All items of "Other Income" are of recurring nature

b) Those items identified with * are less than 20% of the profit before tax, however for comparison purposes, they have been disclosed

ANNEXURE 9

Statement of Borrowings as on March 31, 2010

(Rs. in millions)

S. No.	Particulars	Outstanding amount	Rate of Interest	Duration	Date of Borrowings	Repayment Terms
	Domestic Borrowings					
1	Term Borrowings	-	-	-	-	-
2	CBLO (Secured Borrowing)	79,254.62	3.65% to 4.90%	5 days	31.03.2010	Bullet
3	Borrowing from Other Institutions/ Agencies					
	a Refinancing by SIDBI	6,526.32	Various rates from 5.10% to 6.00% 6M LIBOR + 280bps	3 years to 14 years & 6 months	23.01.2010 & 31.03.2010	Various from 30.06.2012 to 15.06.2024
	b Refinancing by NABARD	6,396.15	0.00% to 13.00%	Various Terms	Various Dates	Various, Half Yearly from 31.07.2010 to 31.07.2019
	c Others	2,529.22	-	-	31.03.2010	Adverse Clearing
	Total Domestic Borrowings (A)	**94,706.31**	**-**	**-**	**-**	**-**
	Overseas Borrowings					
1	Bond Issues (Excluding Hybrid Tier-I Bonds)	103,979.85	Fixed 3.50% to 4.90% Floating LIBOR+38 bps to +73.5 bps	5 Years	Various dates from 28.06.2005 to 18.12.2009	Bullet
2	Foreign Currency Loans	45,926.86	Floating Various rates	364 days to 5 years	Various dates from 2.6.2005 to 28.9.2007	Bullet principal repayment, interest at half yearly intervals
3	Money Market Borrowings	465,699.40	Various rates	Term Ranging from 1 day to 1 year	Various dates	Bullet
	Total (Overseas Borrowings) (B)	**615,606.11**	**-**	**-**	**-**	**-**
	Tier I Capital					
	Overseas SBI perpetual Non call 10.25 years bond	17,957.09	Coupon 6.439% after swap LIBOR + 120 bps on semi annual basis	Perpetual non call 10 years and 3 months	Feb15,2007	Perpetual with call option to the Issuer after 10 years and 3 months
	Overseas SBI perpetual Non call 10 years bond	10,102.50	Coupon 7.14% after swap LIBOR + 137 bps on semi annual basis	Perpetual non call 10 years 1 Day	Jun26, 2007	Perpetual with call option to the Issuer after 10 years 1 day
	Total Tier I Capital (C)	**28,059.59**	**-**	**-**	**-**	**-**

Subordinate Debts

1	Domestic	291,744.00	Fixed 7.45% to10.20%	111 months to 180 months	Various dates from 05.02.2005 to 27.01.2010	Bullet
	Overseas	-	-	-	-	-
	Total Subordinate Debts (D)	**291,744.00**				
	Grand Total (A+B+C +D)	**1,030,116.01**				

· Secured Borrowings.

ANNEXURE 10

Summary Statement of Accounting Ratios

Sr. No.	Particulars	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10
1	Basic Earning Per Share	83.73	86.29	126.62	143.77	144.37
	Diluted Earning Per Share	83.73	86.29	126.50	143.77	144.37
2	Return on Avg Net Worth (%) (average opening and closing networth)	17.04%	15.41%	16.75%	17.05%	14.80%
	Other Ratios					
3	Interest Income As a percentage to working Funds (%)	7.19%	7.34%	7.32%	7.29%	6.80%
4	Non Interest Income as a percentage to working Funds (%)	1.48%	1.07%	1.30%	1.45%	1.43%
5	Operating Profit as percentage to working Funds (%)	2.27%	1.86%	1.96%	2.05%	1.75%
6	Return on Assets (%)	0.89%	0.84%	1.01%	1.04%	0.88%
7	Net NPAs to Net Advances (%)	1.88%	1.56%	1.78%	1.79%	1.72%
8	Capital to Risk -weighted Assets Ratio-Overall (%) BASEL I	11.88%	12.34%	13.54%	12.97%	12.00%
9	Capital to Risk -weighted Assets Ratio-Tier I (%) BASEL I	9.36%	8.01%	9.14%	8.53%	8.46%
10	Capital to Risk -weighted Assets Ratio-Tier II (%) BASEL I	2.52%	4.33%	4.40%	4.44%	3.54%
11	Capital to Risk -weighted Assets Ratio-Overall (%) BASEL II	-	-	12.64%	14.25%	13.39%
12	Capital to Risk -weighted Assets Ratio-Tier I (%) BASEL II	-	-	8.48%	9.38%	9.45%
13	Capital to Risk -weighted Assets Ratio-Tier II (%) BASEL II	-	-	4.16%	4.87%	3.94%
14	Operating Expenses / Average Working Funds (%)	2.36%	2.20%	1.88%	1.79%	1.95%
15	Business (Deposits plus Advances) per employee (Rs. in thousands)	29,923.00	35,700.00	45,600.00	55,600.00	63,600.00
16	Profit per employee (Rs. in thousands)	216.76	236.81	372.57	473.77	446.03

ANNEXURE 11

Capitalisation Statement as of March 31, 2010

(Rs. in millions)

Particulars	Pre Issue as of March 31, 2010	Post Issue
Loan Funds		
Long Term	448,793	
Short Term	581,323	
Total Debt	**1,030,116**	
Shareholders' Fund		
Share Capital	6,349	
Share Premium	206,583	
Reserve and Surplus	446,560	
Total Equity	**659,492**	
Long Term Debt/Equity Ratio	**0.68**	

Loan Funds include Subordinate Debt and perpetual bonds

ANNEXURE 12

STATEMENT OF TAX SHELTERS (UNCONSOLIDATED)

(Rs. in millions)

Sr. No.	Particulars	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10
	Profit Before Tax	64,472.73	75,360.89	103,335.04	140,376.44	139,249.36
	Tax Rate	33.66%	33.66%	33.99%	33.99%	33.99%
	Tax at actual Rate (A)	21,701.52	25,366.48	35,123.77	47,713.95	47,330.86
	Permanent Difference					
1	Income Exempt from Tax	(1,886.40)	(1,827.73)	(1,177.80)	(1,823.50)	(2,992.61)
2	Interest on Income Tax	-	2,699.85	-	-	
3	Others	(5,921.04)	5,829.29	1,356.97	5,928.51	6,290.51
4	Taxes including wealth tax and fringe benefit tax	4,588.80	889.90	1,057.00	1,430.00	11.60
		(3,218.64)	**7,591.31**	**1,236.17**	**5,535.01**	**3,309.50**
	Timing Difference					
1	Voluntary Retirement Scheme	577.90	3,782.00	18.90	(1,381.20)	(1,381.20)
2	Provision for employees benefits	781.90	850.00	880.00	14,354.20	14,891.80
3	Provision for other assets and contingencies	(1,292.70)	(233.23)	1,502.77	-	-
4	Payment of Wage Arrears	(11,500.00)	-	5,750.00	14,140.00	25,590.00
5	Depreciation on Fixed assets	1,255.40	872.70	37.70	-	2,000.10
		(10,177.50)	**5,271.47**	**8,189.37**	**27,113.00**	**41,100.70**
		(13,396.14)	**12,862.78**	**9,425.54**	**32,648.01**	**44,410.20**
	Tax Saving Thereon (B)	(4,509.14)	4,329.61	3,203.74	11,097.06	15,095.03
	Tax liability on current year's profit	**17,192.38**	**29,696.09**	**38,327.51**	**58,811.01**	**62,425.89**
	Tax Adjustments relating to earlier years/DTAA allowable/ LTCG	(365.30)	450.05	(92.48)	904.19	(759.69)
	Tax liability	**16,827.08**	**30,146.14**	**38,235.03**	**59,715.20**	**61,666.20**

SUMMARISED STATEMENT OF ASSETS AND LIABILITIES (CONSOLIDATED)

(Rs. in millions)

Sr. No.	Particulars	31-Mar-06 Audited	31-Mar-07 Audited	31-Mar-08 Audited	31-Mar-09 Audited	31-Mar-10 Audited
A	**Assets**					
1	**CASH AND BALANCES WITH RESERVE BANK OF INDIA**					
I	Cash in hand (including foreign currency notes and gold)	25,194.41	31,472.50	37,910.61	54,624.93	86,572.21
II	Balances with Reserve Bank of India	286,093.45	419,188.51	710,261.94	686,985.74	7,35,383.60
	Total	**311,287.86**	**450,661.01**	**748,172.55**	**741,610.67**	**8,21,955.81**
2	**BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE**					
I	In India	120,803.27	98,900.98	77,881.09	257,312.23	1,57,613.05
II	Outside India	141,274.07	175,206.64	64,230.53	253,694.06	2,38,921.14
	Total	**262,077.34**	**274,107.62**	**142,111.62**	**511,006.29**	**3,96,534.19**
3	**INVESTMENTS**					
I	Investments in India	2,220,408.92	2,098,485.65	2,675,873.34	3,652,326.11	39,39,925.23
II	Investments outside India	58,901.56	66,724.84	62,543.90	69,988.37	87,616.09
	Total	**2,279,310.48**	**2,165,210.49**	**2,738,417.24**	**3,722,314.48**	**40,27,541.32**
4	**ADVANCES**					
I	Bills purchased and discounted	328,321.31	392,073.83	506,939.97	591,749.22	5,51,867.41
II	Cash Credits, overdrafts and loans repayable on demand	1,404,644.37	1,817,496.03	2,223,464.45	3,003,534.24	36,12,148.17
III	Term Loans	2,011,796.72	2,663,289.79	3,301,814.99	3,908,340.39	45,31,000.84
	Total	**3,744,762.40**	**4,872,859.65**	**6,032,219.41**	**7,503,623.85**	**86,95,016.42**
5	Fixed Assets	39,563.14	39,993.75	46,627.90	52,234.77	60,138.92
6	Other Assets	332,917.01	348,911.59	565,146.47	517,467.35	5,00,252.99
	Total (A)	**6,969,918.23**	**8,151,744.11**	**10,272,695.19**	**13,048,257.41**	**1,45,01,439.65**
B	**LIABILITIES**					
1	**DEPOSITS**					
I	Demand Deposits					
I	From Banks	80,657.61	124,082.45	144,514.30	125,865.75	1,06,163.35
Ii	From Others	764,777.24	866,085.47	1,051,653.49	1,194,878.77	13,44,489.57
II	Savings Bank Deposits	1,504,538.88	1,726,084.57	2,053,934.18	2,570,085.08	33,11,526.09
III	Term Deposits					
I	From Banks	54,528.76	53,870.74	70,988.92	126,004.53	1,85,928.18
Ii	From Others	3,035,740.16	3,592,605.54	4,443,074.30	6,103,049.14	62,16,538.46
	Total	**5,440,242.65**	**6,362,728.77**	**7,764,165.19**	**10,119,883.27**	**1,11,64,645.65**

Sr. No.	Particulars	31-Mar-06 Audited	31-Mar-07 Audited	31-Mar-08 Audited	31-Mar-09 Audited	31-Mar-10 Audited
2	**BORROWINGS**					
I	Borrowings in India	94,995.89	123,042.73	230,339.69	501,862.93	558,654.91
II	Borrowings outside India	274,753.10	363,575.58	429,892.02	550,711.52	662,090.81
	Total	**369,748.99**	**486,618.31**	**660,231.71**	**1,052,574.45**	**1,220,745.72**
3	**OTHER LIABILITIES & PROVISIONS**					

Sr. No.	Particulars	31-Mar-06 Audited	31-Mar-07 Audited	31-Mar-08 Audited	31-Mar-09 Audited	31-Mar-10 Audited
I	Other Liabilities & Provisions	682,848.07	657,904.74	898,954.57	1,129,613.03	1,258,379.75
II	Subordinate Debts	90,708.12	202,236.44	316,698.68	-	-
	Sub Total	**773,556.19**	**860,141.18**	**1,215,653.25**	**1,129,613.03**	**1,258,379.75**
	Total (B)	**6,583,547.83**	**7,709,488.26**	**9,640,050.15**	**12,302,070.75**	**1,36,43,771.12**
C	**NET ASSETS (C=A-B)**	**386,370.40**	**442,255.85**	**632,645.04**	**746,186.66**	**8,57,668.53**

Represented By

Sr. No.		Particulars	31-Mar-06 Audited	31-Mar-07 Audited	31-Mar-08 Audited	31-Mar-09 Audited	31-Mar-10 Audited
D	1	Share Capital	5,262.99	5,262.99	6,314.70	6,348.80	6,348.82
E	2	Reserve & Surplus					
	I	Statutory Reserves	207,026.02	247,088.86	302,823.24	362,815.10	434,432.53
	II	Capital Reserves #	7,777.24	7,949.50	8,062.07	18,305.75	20,282.22
	III	Share Premium	35,105.73	35,105.73	200,989.68	206,579.25	206,583.08
	IV	Investment Fluctuation Reserve	5.90	-	-	-	-
	V	Investment Reserve			621.79		
	V	Foreign Currency Translation Reserve	3,566.18	3,178.40	2,167.04	17,476.88	7,634.78
	VI	Revenue and Other Reserves	109,459.25	125,580.84	90,507.89	110,218.18	155,488.55
	VII	Balance in Profit and Loss Account	3,863.76	1,190.18	877.42	2,159.97	585.82
	Total		**366,804.08**	**420,093.51**	**606,049.13**	**717,555.13**	**831,355.80**

Sr. No.	Particulars	31-Mar-06 Audited	31-Mar-07 Audited	31-Mar-08 Audited	31-Mar-09 Audited	31-Mar-10 Audited
	# includes capital reserve on consolidation	1,732.90	1,732.90	1,732.90	1,640.82	1,640.82
G	**MINORITY INTEREST**	**14,303.33**	**16,899.35**	**20,281.21**	**22,282.73**	**26,312.73**
	Total	**386,370.40**	**442,255.85**	**632,645.04**	**746,186.66**	**857,668.53**

H CONTINGENT LIABILITIES

Sr. No.	Particulars Audited	31-Mar-06 Audited	31-Mar-07 Audited	31-Mar-08 Audited	31-Mar-09 Audited	31-Mar-10
I	Claims against the bank not acknowledged as debts	18,902.29	40,254.91	11,930.87	25,548.33	10,451.99
II	Liability for partly paid investments	373.18	34.49	30.00	31.19	31.19
III	Liability on account of outstanding forward exchange contracts	1,835,987.20	2,587,355.44	4,155,746.10	3,913,482.00	35,20,363.64
IV	Guaranteed given on behalf of constituents:	325,492.48	467,112.74	615,455.33	890,486.95	11,84,100.62
(a)	India	262,342.98	321,088.72	464,293.00	618,609.44	8,11,653.59
(b)	Outside India	63,149.50	146,024.02	151,162.33	271,877.51	3,72,447.03
V	Acceptances, endorsements and other obligations	449,547.53	586,129.09	901,134.20	1,257,392.61	14,06,167.04
VI	Other items for which the bank is contingently liable	300,465.48	2,436,448.29	3,773,405.58	2,519,919.74	8,51,836.72
	Total	**2,930,768.16**	**6.117,334.96**	**9,457,702.08**	**8,606,860.82**	**69,72,951.21**
	Bills for collection	247,807.52	283,375.37	252,259.08	499,383.53	5,64,914.29

ANNEXURE C-2

SUMMARISED STATEMENT OF PROFIT & LOSS ACCOUNT (CONSOLIDATED)

(Rs. in millions)

A	For the Financial Year/Half Year Ended	31-Mar-06 Audited	31-Mar-07 Audited	31-Mar-08 Audited	31-Mar-09 Audited	31-Mar-10 Audited
	INCOME					
1	**INTEREST EARNED**					
	1.1 Interest / discount on advances/ bills	258,992.72	368,328.11	519,200.68	672,851.18	7,22,987.39
	1.2 Income on Investments	193,136.21	151,637.04	174,063.23	220,793.07	2,46,140.74
	1.3 Interest on balances with Reserve Bank of India and other inter-bank funds	24,402.76	21,323.52	14,425.48	17,087.36	18,265.42
	1.4 Others	22,389.48	2,345.75	7,268.77	5,938.55	13,413.77
	TOTAL	**498,921.17**	**543,634.42**	**714,958.16**	**916,670.15**	**10,00,807.32**
2	**OTHER INCOME**					
	2.1 Commission, exchange and brokerage	53,380.75	66,622.92	78,238.70	97,222.78	1,18,587.19
	2.2 Profit/ (Loss) on sale of investments (Net)	11,477.72	9,711.10	27,806.02	175,80.39	49,304.38
	2.3 Profit/ (Loss) on revaluation of investments (Net)	227.90	(6407.43)	(8,567.54)	(6,292.51)	30,229.81
	2.4 Profit/(Loss) on sale of land, buildings and other assets and Leased Assets (Net)	4.74	78.77	107.08	(42.07)	(99.48)
	2.5 Profit on exchange transactions (Net)	12,181.07	5,436.55	9,514.27	14,607.34	18,666.07
	2.6 Dividends from Associates/Joint ventures in India/ abroad	250.42	78.91	156.25	131.04	150.87
	2.7 Income from Financial Leasing	1,393.82	1,104.15	425.56	313.88	104.17
	2.8 Credit Card membership/ service fees	1,746.03	3,579.08	4,245.68	2,668.64	1,910.91
	2.9 Life Insurance Premium	10,730.93	29,234.39	56,112.05	72,023.88	99,203.94
	2.10 Share of earnings from associates	(130.93)	1,888.55	1,953.77	(136.41)	2,144.35
	2.11 Miscellaneous income	20,477.12	16,280.01	17,238.10	16183.88	17,508.72
	TOTAL	**111,739.57**	**127,607.00**	**187,229.94**	**214,260.84**	**3,37,710.95**
	TOTAL INCOME	**610,660.74**	**671,241.42**	**902,188.10**	**1,130,930.99**	**13,38,518.27**
B	**EXPENDITURE**					
1	**INTEREST EXPENDED**					
	1.1 Interest on deposits	253,662.50	284,078.34	417,132.34	554,224.80	6,10,806.13
	1.2 Interest on Reserve Bank of India/ Inter-bank borrowings	14,957.77	15,379.63	32,044.21	31,161.04	14,059.89
	1.3 Other	12,408.71	27,842.66	30263.85	40,878.81	41,509.06
	TOTAL	**281,028.98**	**327,300.63**	**479,440.40**	**626,264.65**	**6,66,375.09**
2	**OPERATING EXPENSES**					
	2.1 Payments to and provisions for employees	107,637.97	105,974.74	104,575.10	129,971.94	1,63,310.64
	2.2 Rent, taxes and lighting	11,169.05	12,676.73	14,084.74	17,809.25	21,361.53
	2.3 Printing & Stationery	2,398.20	2,293.13	2,565.05	3,034.49	3130.06
	2.4 Depreciation	11,334.02	9,500.70	10,383.34	9,244.62	13,215.65

A	For the Financial Year/Half Year Ended	31-Mar-06 Audited	31-Mar-07 Audited	31-Mar-08 Audited	31-Mar-09 Audited	31-Mar-10 Audited
2.5	Directors' fees, allowances and expenses	38.38	40.80	50.32	55.95	81.04
2.6	Auditors' fees and expenses (including branch auditors' fees and expenses)	996.64	1,039.24	1,577.69	1,622.54	1,737.89
2.7	Law charges	672.50	759.76	815.21	1,014.21	1,298.02
2.6	Postages, Telegrams, Telephones, etc.	1,700.19	2,007.08	2,979.92	3,611.00	4,085.42
2.7	Repairs and maintenance	2,142.12	2,397.28	3,022.57	2,395.12	4,158.54
2.8	Insurance	4,651.19	5,137.32	6,171.54	7,706.82	9,406.62
2.9	Amortisation of deferred revenue expenditure	179.03	132.80	-	58.32	69.03
2.10	Operating Expenses relating to Credit Card Operations	1,386.52	2,054.56	3,170.43	1,761.76	2,319.04
2.11	Operating Expenses relating to Life Insurance	11,707.77	28,434.27	53,959.29	46,386.35	1,41,712.87
2.12	Other Expenditure	19,999.45	27,569.41	36,077.14	41,044.83	58,267.58
	TOTAL	**176,013.03**	**200,017.82**	**239,432.34**	**265,717.20**	**4,24,153.94**
	TOTAL EXPENDITURE	**457,042.01**	**527,318.45**	**718,872.74**	**891,981.85**	**10,90,529.02**
	Gross Profit Before Provisions (including for income tax & extraordinary Items)	153,618.73	143,922.97	183,315.36	238,949.14	2,47,989.24
	Less: Extraordinary Items					-
	Gross Profit Before Provisions (including for income tax)	153,618.73	143,922.97	183,315.36	238,949.14	2,47,989.24
3	**Provisions & Contingencies:**					
3.1	Provision for Income Tax (Current tax)	21,016.76	41,112.95	51,288.29	75.982.32	79,807.5
3.2	Provision for Income Tax (Deferred tax)	5,070.90	(775.60)	(4,830.26)	(10,759.69)	(13,157.1)
3.3	Provision for Fringe Benefit Tax	6,195.96	1247.60	1,354.70	1,746.33	-
3.4	Provision for other taxes	12.07	(14.53)	(35.44)	248.72	33.4
3.5	Provision for NPAs	4,140.64	17,758.92	28,040.47	36,163.02	62,287.7
3.6	Provision for Standard Assets	5,854.43	9,454.23	7,732.10	3,048.25	1,526.7
3.7	Provision for depreciation on investments	5,5395.51	8,294.86	1,531.56	13,527.67	(13,551.0)
3.8	Provision on other assets/ Contingencies	586.96	57.40	4132.70	513.89	9,298.87
3.9	Other Provisions	(1,269.30)	589.16	1972.90	6747.97	1,606.83
	Total	**97,003.93**	**77,724.99**	**91187.02**	**127,218.48**	**1,27,852.86**
	Net Profit for the year	**56,614.80**	**66,197.98**	**92,128.34**	**111,730.66**	**1,20,136.38**
	Less: Minority Interests	1,315.60	2,554.25	2,522.23	2,177.79	2,798.06
	Group Profit	55,299.20	63,643.73	89,606.11	109,552.87	1,17,338.32
	Add: Brought forward Profit attributable to the group	134.16	3,863.76	1,190.17	877.42	2,159.97
	Transfer from General Reserv	-	28.86	0.94	0.00	0.00
	TOTAL	**55,433.36**	**67,536.35**	**90,797.22**	**110,430.29**	**1,19,498.29**
	APPROPRIATIONS:					
	Transfer to Statutory Reserves	34,537.00	40,062.84	55,734.38	59,869.45	71,536.15
	Transfer to Other Reserves	8,631.03	17,662.94	18,291.53	26,892.77	25,114.71
	Dividend	7,368.18	7,368.18	13,576.61	18,411.53	19,046.48
	Corporate Tax on Dividend	1,033.39	1,252.22	2,317.28	3,096.57	3,215.14
	Balance carried to Balance Sheet	3,863.76	1,190.17	877.42	2,159.97	585.81
	Total	**55,433.36**	**67,536.35**	**90,797.22**	**1,10,430.29**	**1,19,498.29**

ANNEXURE 3

SUMMARY STATEMENT OF CASH FLOW (CONSOLIDATED)

(Rs in millions)

For the Year ended Ended	31-Mar-06-	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10
Cash flow from Operating Activities	55,432.14	51,341.37	(42,094.13)	311,699.62	16,227.43
Cash flow from Investing Activities	(18,256.88)	(9,653.67)	(16,424.42)	(16,308.93)	(13,446.15)
Cash flow from Financing Activities	26,372.23	110,103.52	226,337.16	45,007.27	(32,726.13)
Cash flows on account of exchange fluctuation	247.30	(387.79)	(2,303.08)	21,934.83	(4,182.11)
Net change in cash and cash equivalents	**63,794.79**	**151,403.43**	**165,515.53**	**362,332.79**	**(34,126.96)**
Cash and cash equivalents - Opening	509,570.41	573,365.20	724,768.64	890,284.17	1,252,616.96
Cash and cash equivalents - Closing	573,365.20	724,768.63	890,284.17	1,252,616.96	1,218,489.99
Cash flow from Operating Activities					
Net Profit before taxes	87,594.89	105,567.17	137,383.40	176,770.54	184,022.13
ADJUSTMENTS FOR:					
Depreciation charge	11,334.02	9,500.70	10,383.34	9,244.62	13,215.65
(Profit)/Loss on sale of fixed assets	4.75	(125.32)	(107.08)	42.07	99.48
Provision for NPAs	4,140.64	17,758.92	28,040.47	36,163.02	62,287.71
Provision for Standard Assets	5,854.43	9,454.23	7,732.10	3,048.25	1,526.71
Provision for Subs/JVs/RRBs	(922.49)	(84.94)	(350.26)	0.00	0.00
Depreciation/Revaluation of Investments / Loss on revaluation of Investments	44,612.38	5,076.12	(17,356.66)	2,239.79	(93085.22)
Provision on Other Assets	586.96	(295.60)	4,132.69	513.90	1,291.31
Other Provisions	(1,269.30)	589.16	1,972.92	6,747.97	9,614.35
DRE written off during the year	179.03	132.80	(295.27)	58.32	69.03
Interest paid on bonds (financing activity)	5,921.23	12,221.48	23,846.21	27,970.94	35,205.44
Dividend/Earnings from Associates	(57.34)	(1,955.93)	(2,110.02)	5.36	(2,295.23)
LESS: Direct Taxes	(17,298.37)	(54,339.55)	(57,598.14)	(77,648.14)	(84,444.34)
Other adjustments	-	-	-	-	-
Sub - Total	**140,680.83**	**103,499.24**	**135,673.70**	**185,156.64**	**127,507.01**
Increase/(Decrease) in Deposits	379,189.87	922,486.13	1,401,436.42	2,355,718.08	1,044,762.38
Increase/(Decrease) in Borrowings	140,454.24	116,869.32	173,613.40	(14,315.27)	140,325.53
(Increase)/Decrease in Investments	299,610.61	110,912.42	(553,875.80)	(984,727.02)	(217,619.52)
(Increase)/Decrease in Advances	(877,443.47)	(1,145,856.18)	(1,187,400.22)	(1,507,567.46)	(1,253,680.29)
Increase/(Decrease) in Other Liabilities & Provisions	70,636.37	(53,153.90)	198,709.83	219,897.28	141,317.76
(Increase)/Decrease in Other Assets	(97,696.31)	(3,415.66)	(210,251.46)	57,537.37	33,614.55
Net Cash provided by Operating activities	55,432.14	51,341.37	(42,094.13)	311,699.62	16,227.43
Cash flow from Investing Activities					
(Increase)/Decrease in Investments in Joint Ventures/Associates	(2,990.93)	(1,803.60)	(1,624.04)	(1,410.01)	5,477.90
Income earned on such investments	(99.77)	1,955.93	2,110.02	(5.36)	2,295.23
(Increase)/Decrease in Fixed Assets	(15,166.18)	(9,806.00)	(16,910.40)	(14,893.56)	(21,219.28)
Net Cash provided by Investing Activities	(18,256.88)	(9,653.67)	(16,424.42)	(16,308.93)	(13,446.15)

For the Year ended Ended	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10
Cash flow from Financing Activities					
Share Capital	-	-	1,051.72	34.10	0.02
Share Premium	-	-	165,883.94	5,589.58	3.83
Net proceeds/ (repayment) of bonds (including subordinated debts)	39,809.70	131,252.32	92,125.40	83,334.32	31484.63
Interest paid on Bonds	(5,921.23)	(12,221.49)	(23.846.21)	(27,970.94)	(35,205.44)
Dividend paid	(7,516.24)	(8,927.31)	(8,877.69)	(15,979.79)	(29,009.17)
Net Cash provided by Financing Activities	**26,372.23**	**110,103.52**	**226,337.16**	**45,007.27**	**(32,726.13)**
Cash flows on account of Exchange Fluctuation:					
Reserves of foreign subsidiaries/foreign offices	247.30	(387.79)	(1,011.36)	15309.83	(543.23)
Others – Revaluation of Foreign Currency Bonds	-	-	(1,291.72)	6625.00	(3,638.88)
Net cash flows on account of Exchange Fluctuation	**247.30**	**(387.79)**	**(2,303.08)**	**21934.83**	**(4,182.11)**
Cash and Cash equivalents-Opening:					
Cash in hand (including FC notes & gold)	17,956.54	25,194.41	31,472.50	37,910.61	54,624.93
Balances with Reserve Bank of India	238,201.72	286,093.45	419,188.51	710,261.94	686,985.74
Balances with Banks & MACSN	253,412.15	262,077.34	274,107.63	142,111.62	511,006.29
Total	**509,570.41**	**573,365.20**	**724,768.64**	**890,284.17**	**1,252,616.96**
Cash and Cash equivalents - Closing:					
Cash in hand (including FC notes & gold)	25,194.41	31,472.50	37,910.61	54,624.93	86,572.21
Balances with Reserve Bank of India	286,093.45	419,188.51	710,261.94	686,985.74	735,383.60
Balances with Banks & MACSN	262,077.34	274,107.62	142,111.62	511,006.29	396,534.19
Total	**573,365.20**	**724,768.63**	**890,284.17**	**1,252,616.96**	**1,218,489.99**

SCHEDULE - SUMMARISED STATEMENT OF ASSETS AND LIABILITIES (CONSOLIDATED)

Amount in Millions

CAPITAL AND LIABILITIES		**As on 31.03.2006**	**As on 31.03.2007**	**As on 31.03.2008**	**As on 31.03.2009**	**As on 31.03.2010**
Schedule 1	**Capital**	5,262.99	5,262.99	6,314.70	6,348.80	6,348.83
Schedule 2	**Reserves & Surplus**	366,804.07	420,093.51	606,049.12	717,555.13	825,006.99
Schedule 2A	**Minority Interest**	14,303.33	16,899.35	20,281.21	22,282.73	26,312.73
Schedule 3	**Deposits**	5,440,242.65	6,362,728.77	7,764,165.19	10,119,883.26	11,164,645.65
Schedule 4	**Borrowings**	369,748.99	486,618.31	660,231.71	1,052,574.44	1,220,745.72
Schedule 5	**Other Liabilities and Provisions**	773,556.18	860,141.18	1,215,653.25	1,129,613.04	1,258,379.75
Total		**6,969,918.21**	**8,151,744.11**	**10,272,695.18**	**13,048,257.41**	**14,501,439.66**
ASSETS						
Schedule 6	**Cash and balances with Reserve Bank of India**	311,287.86	450,661.01	748,172.55	741,610.67	821,955.81
Schedule 7	**Balances with banks and money at call & short notice**	262,077.34	274,107.62	142,111.62	511,006.29	396,534.19
Schedule 8	**Investments**	2,279,310.47	2,165,210.49	2,738,417.24	3,722,314.49	4,027,541.33
Schedule 9	**Advances**	3,744,762.39	4,872,859.65	6,032,219.40	7,503,623.85	8,695,016.42
Schedule 10	**Fixed Assets**	39,563.14	39,993.75	46,627.90	52,234.78	60,138.92
Schedule 11	**Other Assets**	332,917.01	348,911.59	565,146.47	517,467.35	500,252.99
Total		**6,969,918.21**	**8,151,744.11**	**10,272,695.18**	**13,048,257.41**	**14,501,439.66**
Schedule 12	**Contingent Liabilities**	2,930,768.16	6,117,334.96	9,457,702.08	8,606,860.82	6,972,951.20
Bill for Collection		247,807.52	283,375.37	252,259.08	499,383.53	564,914.29

Schedule 1 Capital	As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
Authorised Capital - 100,00,00,000 equity shares of Rs.10/- each	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Issued Capital	5,262.99	5,262.99	6,315.59	6,349.69	6,349.69
Subscribed and Paid up Capital	5,262.99	5,262.99	6,314.70	6,348.80	6,348.83
Total	**5,262.99**	**5,262.99**	**6,314.70**	**6,348.80**	**6,348.83**

Schedule 2 Reserves & Surplus		As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
I.	**Statutory Reserves**					
	Opening Balance	172,555.65	207,026.02	247,088.86	302,823.24	362,815.11
	Additions during the year	34,537.00	40,062.84	55,734.38	59,991.87	72,033.93
	Deductions during the year	66.63	-	-	-	416.50
		207,026.02	**247,088.86**	**302,823.24**	**362,815.11**	**434,432.54**
II.	**Capital Reserves**					
	Opening Balance	6,345.19	7,777.24	7,949.50	8,062.07	18,305.75
	Additions during the year	1,473.40	172.26	112.57	10,243.68	1,976.48
	Deductions during the year	41.35	-	-	-	-
		7,777.24	**7,949.50**	**8,062.07**	**18,305.75**	**20,282.22**
III.	**Share Premium**					
	Opening Balance	35,105.73	35,105.73	35,105.73	200,989.68	206,579.25
	Additions during the year	-	-	166,170.97	5,601.70	3.83
	Deductions during the year	-	-	287.03	12.12	-
		35,105.73	**35,105.73**	**200,989.68**	**206,579.25**	**206,583.08**
IV.	**Investment Fluctuation Reserve**					
	Opening Balance	71,277.02	5.90	-	-	-
	Additions during the year	-	-	-	-	-
	Deductions during the year	71,271.12	5.90	-	-	-
		5.90	**-**	**-**	**-**	**-**
V.	**Investment Reserve**					
	Opening Balance	-	-	-	-	-
	Additions during the year	-	-	621.79	-	-
	Deductions during the year	-	-	-	-	-
		-	**-**	**621.79**		
VI.	**Foreign currency Translation Reserve**					
	Opening Balance	3,320.62	3,566.18	3,178.40	2,167.04	17,476.87
	Additions during the year :	245.56	-	-	15,309.84	-
	Deductions during the year	-	387.79	1,011.36	-	9,842.10
		3,566.18	**3,178.40**	**2,167.04**	**17,476.87**	**7,634.78**
VII.	**Revenue and Other Reserves***					
	Opening Balance	31,516.62	109,459.25	125,580.84	90,507.90	110,218.18
	Additions during the year :	78,300.81	16,212.85	17,723.66	19,953.20	45,516.22
	Deductions during the year	358.19	91.26	52,796.60	242.91	245.85
		109,459.25	**125,580.84**	**90,507.90**	**110,218.18**	**155,488.56**
VIII	**Balance of Profit and Loss Account**	**3,863.76**	**1,190.18**	**877.42**	**2,159.97**	**585.82**
	Total	**366,804.07**	**420,093.50**	**606,049.12**	**717,555.13**	**825,006.99**

Schedule 2A- Minority Interest	As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
Share Capital	3,641.73	4,477.39	6,871.05	7,328.85	8,819.05
Reserves & Surplus	10,661.60	12,421.96	13,410.16	14,953.88	17,493.68
Total	**14,303.33**	**16,899.35**	**20,281.21**	**22,282.73**	**26,312.73**

Schedule 3 Deposits		As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
I.	**Demand Deposits**					
(i)	From Banks	80,657.61	124,082.45	144,514.30	125,865.75	106,163.35
(ii)	From Others	764,777.24	866,085.47	1,051,653.49	1,194,878.77	1,344,489.57
II.	**Savings Bank Deposits**	1,504,538.88	1,726,084.57	2,053,934.18	2,570,085.08	3,311,526.09
III.	**Term Deposits**					
(i)	From Banks	54,528.76	53,870.74	70,988.92	126,004.53	185,928.18
(ii)	From Others	3,035,740.16	3,592,605.54	4,443,074.30	6,103,049.14	6,216,538.46
	Total	**5,440,242.65**	**6,362,728.77**	**7,764,165.19**	**10,119,883.26**	**11,164,645.65**
I.	**Deposits of Branches in India**	5,277,275.35	6,172,820.17	7,482,468.47	9,720,582.34	10,656,046.36
II.	**Deposits of Branches outside India**	162,967.30	189,908.60	281,696.71	399,300.92	508,599.29
	Total	**5,440,242.65**	**6,362,728.77**	**7,764,165.19**	**10,119,883.26**	**11,164,645.65**

Schedule 4 Borrowings		As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
I.	**Borrowings in India**					
(i)	Reserve Bank of India	1,650.00	24,549.00	21,270.00	7,000.00	-
(ii)	Other Banks	17,721.09	17,802.75	108,296.12	29,795.92	100,112.19
(iii)	Other Institutions and Agencies	75,624.79	80,690.99	100,773.57	90,007.48	48,359.68
(iv)	Innovative perpetual Debt Instruments (IPDI)	-	-	-	11,751.53	36,950.00
(v)	Subordinated Debts and Bonds	-	-	-	363,208.00	373,133.04
(vi)	Redeemable Cumulative Preferance Shares	-	-	-	100.00	100.00
	TOTAL BORROWINGS IN INDIA	**94,995.89**	**123,042.73**	**230,339.69**	**501,862.93**	**558,654.91**
II.	**Borrowings outside India**					
i.	Borrowings and Refinance outside India	274,753.10	363,575.58	429,892.02	519,013.05	634,031.22
ii.	Innovative perpetual Debt Instruments (IPDI)	-	-	-	31,698.47	28,059.59
	TOTAL BORROWINGS OUTSIDE INDIA	**274,753.10**	**363,575.58**	**429,892.02**	**550,711.52**	**662,090.81**
	TOTAL BORROWINGS	**369,748.99**	**486,618.31**	**660,231.71**	**1,052,574.44**	**1,220,745.72**
	Secured borrowings included in I & II above	**49,269.61**	**64,702.02**	**48,244.17**	**44,678.11**	**70,619.69**

<u>**Schedule 5 Other Liabilities and Provisions**</u>		**As on 31.03.2006**	**As on 31.03.2007**	**As on 31.03.2008**	**As on 31.03.2009**	**As on 31.03.2010**
I.	**Bills payable**	215,941.22	248,840.27	248,534.21	241,050.20	263,543.58
II.	**Inter-Bank adjustments**	69.90	-	-	-	-
III.	**Inter-office adjustments (net)**	134,523.10	14,227.31	9,211.79	58,478.00	118,315.23
IV.	**Interest accrued**	49,471.56	60,198.54	74,583.76	101,359.15	94,714.23
V.	**Perprtual Bonds - Tier I**	-	19,724.00	36,945.00	-	-
	Perprtual Bonds - Upper Tier II	-	81,563.47	175,923.68	-	-
	Subordinated Bonds - Tier II	90,708.12	120,672.97	103,830.00	-	-
VI.	**Deferred Tax Liabilty**	264.28	5,260.46	1.20	0.88	1.48
VII.	**Others (including provisions)**	282,578.00	309,654.17	566,623.62	728,724.80	781,805.23
	Total	**773,556.18**	**860,141.18**	**1,215,653.25**	**1,129,613.04**	**1,258,379.75**

Schedule 6 Cash and Balances with Reserve Bank of India		As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
I	Cash in hand (including foreign currency notes and gold)	25,194.41	31,472.50	37,910.61	54,624.93	86,572.21
II	Balance with Reserve Bank of India	-	-	-	-	-
(i)	In Current Account	286,093.45	419,188.51	436,124.93	686,960.61	735,358.40
(ii)	In Other Accounts	-	-	274,137.01	25.13	25.20
	Total	**311,287.86**	**450,661.01**	**748,172.55**	**741,610.67**	**821,955.81**

Schedule 7 Balances with Banks and Money at Call & Short Notice		As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
I.	In India					
(i)	Balances with banks					
(a)	In Current Accounts	4,057.29	9,418.94	9,747.43	10,489.43	14,716.86
(b)	In Other Deposit Accounts	6,727.57	10,267.81	27,382.16	115,361.19	122,155.10
(ii)	Money at call and short notice	-	-	-	-	-
(a)	With banks	102,981.90	73,542.73	40,751.50	131,461.62	754.00
(b)	With other institutions	7,036.52	5,671.50	-	-	19,987.10
	Total	**120,803.27**	**98,900.98**	**77,881.09**	**257,312.23**	**157,613.05**
II.	Outside India					
(i)	In Current Accounts	22,673.37	25,408.44	21,410.24	146,153.06	175,620.80
(ii)	In Other Deposit Accounts	37,487.84	38,153.88	9,309.63	17,602.47	9,496.09
(iii)	Money at call and short notice	81,112.86	111,644.33	33,510.66	89,938.53	53,804.24
	Total	**141,274.07**	**175,206.64**	**64,230.53**	**253,694.06**	**238,921.14**
	GRAND Total	**262,077.34**	**274,107.62**	**142,111.62**	**511,006.29**	**396,534.19**

Schedule 8 Investments

		As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
I.	**Investments in India in :**					
(i)	Government Securities	1,948,977.19	1,787,556.52	2,113,579.13	3,043,719.38	3,150,921.29
(ii)	Other approved securities	45,608.22	43,865.49	39,622.40	33,161.96	28,602.59
(iii)	Shares	20,327.51	44,202.17	97,872.97	103,574.09	200,694.27
(iv)	Debentures and Bonds	122,535.28	105,525.01	210,386.70	194,853.32	244,236.29
(v)	Subsidiaries and Joint Ventures	-	-	-	-	-
(vi)	Associates	6,138.85	7,961.67	9,845.33	11,042.98	8,040.24
(vii)	Others (Units of Mutual Funds, Commercial Papers etc)	76,821.86	109,374.80	204,566.82	265,974.39	307,430.54
	Total	**2,220,408.92**	**2,098,485.65**	**2,675,873.35**	**3,652,326.11**	**3,939,925.23**
II.	**Investments outside India in**					
(i)	Government Securities (including local authorities)	12,443.14	14,890.75	17,089.69	21,318.27	32,834.37
(ii)	Subsidiaries and/or Joint Ventures abroad	-	-	-	-	-
(iii)	Associates	507.18	572.91	663.55	739.51	408.68
(iv)	Other Investments (Shares, Debentures etc.)	45,951.25	51,261.17	44,790.66	47,930.60	54,373.04
	Total	**58,901.56**	**66,724.84**	**62,543.90**	**69,988.37**	**87,616.10**
	GRAND TOTAL (I+II)	**2,279,310.47**	**2,165,210.49**	**2,738,417.24**	**3,722,314.49**	**4,027,541.33**
III.	**Investments in India in**					
(i)	Gross Value of Investments	2,307,532.21	2,127,191.54	2,689,502.64	3,674,377.43	3,970,320.73
(ii)	Less: Aggregate of Provisions /Depreciation	87,123.30	28,705.89	13,629.29	22,051.32	30,395.50
(iii)	Net Investments (vide I above) TOTAL	**2,220,408.92**	**2,098,485.65**	**2,675,873.35**	**3,652,326.11**	**3,939,925.23**
IV.	**Investments outside India in**					
(i)	Gross Value of Investments	59,068.54	66,877.26	62,974.95	73,331.89	89,620.36
(ii)	Less: Aggregate of Provisions /Depreciation	166.98	152.42	431.06	3,343.51	2,004.26
(iii)	Net Investments (vide II above) TOTAL	58,901.56	66,724.84	62,543.90	69,988.37	87,616.10
	GRAND TOTAL	**2,279,310.47**	**2,165,210.49**	**2,738,417.24**	**3,722,314.49**	**4,027,541.33**

Schedule 9 Advances		As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
A I.	Bills purchased and discounted	328,321.31	392,073.83	506,939.97	591,749.22	551,867.41
II.	Cash credits, overdrafts and loans repayable on demand	1,404,646.37	1,817,496.03	2,223,464.45	3,003,534.24	3,612,148.17
III.	Term loans	2,011,796.72	2,663,289.79	3,301,814.99	3,908,340.38	4,531,000.84
	Total	**3,744,764.39**	**4,872,859.65**	**6,032,219.40**	**7,503,623.85**	**8,695,016.42**
B I.	Secured by tangible assets	2,676,746.12	3,527,039.22	4,318,867.80	5,174,838.26	6,058,778.69
II.	Covered by Bank/Government Guarantees	258,963.85	271,701.63	270,088.29	849,087.10	910,979.30
III.	Unsecured	809,052.42	1,074,118.80	1,443,263.31	1,479,698.49	1,725,258.43
	Total	**3,744,762.39**	**4,872,859.65**	**6,032,219.40**	**7,503,623.85**	**8,695,016.42**
C I.	Advances in India					
(i)	Priority Sectors	1,250,432.67	1,550,651.92	1,801,007.66	2,131,871.53	2,509,051.97
(ii)	Public Sector	328,911.43	379,936.41	364,792.93	451,574.92	635,611.98
(iii)	Banks	11,464.13	34,057.96	12,170.32	13,579.26	12,459.52
(iv)	Others	1,867,234.45	2,503,573.91	3,258,732.48	3,990,718.91	4,501,454.48
	Total	**3,458,042.68**	**4,468,220.21**	**5,436,703.39**	**6,587,744.63**	**7,658,577.94**
II.	Advances outside India					
(i)	Due from banks	22,670.02	29,465.10	22,200.84	43,578.87	156,613.99
(ii)	Due from others	-	-	-	-	-
(a)	Bills purchased and discounted	82,441.00	105,924.41	156,542.89	294,548.50	254,322.84
(b)	Syndicated loans	64,810.22	127,085.56	205,643.41	285,372.00	281,096.82
(c)	Others	116,798.48	142,164.36	211,128.88	292,379.85	344,404.83
	Total	**286,719.71**	**404,639.44**	**595,516.02**	**915,879.22**	**1,036,438.48**
	Grand Total	**3,744,762.39**	**4,872,859.65**	**6,032,219.40**	**7,503,623.85**	**8,695,016.42**

Schedule 10 Fixed Assets		As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
I. A.	**Premises**					
	At cost as on 31st March of the preceding year	15,404.74	17,970.89	19,199.37	20,201.62	21,341.30
	Additions (including adjustments*) during the year	2,582.49	1,260.85	1,008.33	1,154.48	1,375.02
	Deductions during the year	23.71	32.36	6.08	14.80	74.04
	Depreciation to date	5,809.86	6,576.52	7,388.86	7,999.79	8,962.66
		12,153.66	**12,622.85**	**12,812.76**	**13,341.51**	**13,679.62**
II.	**Other Fixed Assets (including furniture and fixtures)**					
	At cost as on 31st March of the preceeding year	59,387.58	72,486.84	80,546.54	95,268.40	108,380.97
	Additions (including adjustments*) during the year	15,510.46	9,694.47	16,150.22	14,215.22	19,226.81
	Deductions during the year	2,377.52	1,634.78	1,428.35	1,102.65	1,143.30
	Depreciation to date	48,214.11	55,650.74	64,352.82	72,405.84	84,867.37
		24,306.40	**24,895.80**	**30,915.59**	**35,975.14**	**41,597.12**
III.	**Leased Assets**					
A.	At cost as on 31st March of the preceeding year	15,492.58	14,082.92	13,003.07	11,044.18	10,917.31
	Additions during the year	-	-	-	-	-
	Deductions during the year	1,409.66	1,079.85	1,958.90	126.87	1,154.53
	Depreciation to date including provision	11,822.71	11,278.10	10,506.91	10,837.96	9,713.08
	Less lease adjustment and provision	-	750.05	103.43	29.32	47.79
	Sub Total	**2,260.21**	**974.92**	**433.84**	**50.03**	**1.92**
B.	**Capital Work in progress (leased assets) net of provision**	43.12	49.65	122.35	-	-
		2,303.32	**925.27**	**311.49**	**50.03**	**1.92**
IV.	**Assets under Construction (including premises)**	799.75	1,450.52	2,343.36	2,868.11	4,860.27
	Total	**39,563.14**	**39,993.75**	**46,627.90**	**52,234.78**	**60,138.92**

Schedule 11 Other Assets

		As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
(i)	Inter-Bank adjustments (net)	-	47.26	200.73	1.52	59.31
(ii)	Inter-office adjustments (net)	11,671.93	18,289.64	131,923.20	34,756.11	17,841.39
(iii)	Interest accrued	66,675.57	73,200.80	89,373.06	95,633.88	106,475.11
(iv)	Tax paid in advance/tax deducted at source	24,236.72	39,062.27	45,393.77	55,042.55	59,072.90
(v)	Stationery and stamps	1,099.89	1,065.72	1,235.63	1,229.94	1,580.10
(vi)	Non-Banking assets acquired in satisfaction of claims	27.80	79.68	63.02	101.35	204.37
(vii)	Deferred Tax Assets (net)	3,245.55	2,879.56	7,785.13	20,080.90	34,337.20
(viii)	Deferred Revenue Expenditure	-	-	-	-	-
(ix)	Others	225,959.56	214,286.66	289,171.92	310,621.11	280,682.63
	Total	**332,917.01**	**348,911.59**	**565,146.47**	**517,467.35**	**500,252.99**

<u>Schedule 12 Contingent Liabilities</u>		As on 31.03.2006	As on 31.03.2007	As on 31.03.2008	As on 31.03.2009	As on 31.03.2010
i)	Claims against the bank not acknowledged as debts	18,902.29	40,254.91	11,930.87	25,548.33	10,451.99
ii)	Liability for partly paid investments	373.18	34.50	30.00	31.19	31.19
iii)	Liability on account of outstanding forward exchange contracts	1,835,987.20	2,587,355.44	4,155,746.11	3,913,482.00	3,520,363.65
iv)	Guarantees given on behalf of constituents	-	-	-	-	-
(a)	In India	262,342.98	321,088.72	464,292.99	618,609.45	811,653.59
(b)	Outside India	63,149.50	146,024.02	151,162.34	271,877.51	372,447.03
v)	Acceptances, endorsements and other obligations	449,547.53	586,129.09	901,134.20	1,257,392.61	1,406,167.04
vi)	Other items for which the bank is contingently liable	300,465.48	2,436,448.28	3,773,405.57	2,519,919.74	851,836.72
	Total	**2,930,768.16**	**6,117,334.96**	**9,457,702.08**	**8,606,860.82**	**6,972,951.20**

SCHEDULE - SUMMARISED PROFIT AND LOSS ACCOUNT OF STATE BANK OF INDIA (CONSOLIDATED)

		31.03.2006	31.03.2007	31.03.2008	31.03.2009	31.03.2010
I.	**INCOME**					
	Interest earned (Schedule 13)	498,921.17	543,634.42	714,958.16	916,670.15	1,000,807.32
	Other Income (Schedule 14)	111,739.56	127,607.00	187,229.93	214,260.84	337,710.95
	Total	**610,660.74**	**671,241.42**	**902,188.09**	**1,130,931.00**	**1,338,518.27**
II.	**EXPENDITURE**					
	Interest expended (Schedule 15)	281,028.98	327,300.63	479,440.40	626,264.66	666,375.09
	Operating expenses (Schedule 16)	176,013.03	200,017.82	239,432.33	265,717.20	424,153.94
	Provisions and contingencies	97,003.93	77,724.97	91,187.02	127,218.48	127,852.85
	Total	**554,045.94**	**605,043.43**	**810,059.75**	**1,019,200.34**	**1,218,381.89**
III.	**PROFIT**					
	Net Profit for the year	56,614.80	66,198.00	92,128.34	111,730.66	120,136.38
	Less Minority Interest	1,315.60	2,554.24	2,522.23	2,177.80	2,798.06
	Group Profit	55,299.20	63,643.75	89,606.11	109,552.87	117,338.32
	Add Profit brought forward attributable to the group	134.16	3,863.76	1,190.18	877.42	2,159.97
	Transfer from General Reserve	-	28.86	0.94	-	-
	Total	**55,433.36**	**67,536.36**	**90,797.22**	**110,430.29**	**119,498.29**
APPROPRIATIONS						
Transfer to statutory reserves		34,537.00	40,062.84	55,734.38	59,869.45	71,536.15
Transfer to other reverse		8,631.03	17,662.94	18,291.53	26,892.77	25,114.71
Transfer to proposed Dividend		7,368.18	7,368.18	13,576.61	18,411.53	19,046.48
Corporate Tax on Dividend		1,033.39	1,252.22	2,317.28	3,096.58	3,215.14
Balance carried over to Balance Sheet		3,863.76	1,190.18	877.42	2,159.97	585.82
Total		**55,433.36**	**67,536.36**	**90,797.22**	**110,430.29**	**119,498.29**
Basic Earnings per Share		105.07	120.93	168.61	172.68	184.82
Diluted Earnings per share		105.07	120.93	168.45	172.68	184.82

Interest earned (Schedule 13)		31.03.2006	31.03.2007	31.03.2008	31.03.2009	31.03.2010
I.	Interest/discount on advances/bills	258,992.72	368,328.12	519,200.68	672,851.19	722,987.39
II.	Income on investments	193,136.21	151,637.04	174,063.23	220,793.07	246,140.74
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	24,402.76	21,323.52	14,425.48	17,087.36	18,265.42
IV.	Others	22,389.48	2,345.75	7,268.77	5,938.55	13,413.77
	Total	**498,921.17**	**543,634.43**	**714,958.16**	**916,670.15**	**1,000,807.32**

Other Income (Schedule 14)		31.03.2006	31.03.2007	31.03.2008	31.03.2009	31.03.2010
I.	Commission, exchange and brokerage	53,380.75	66,622.92	78,238.70	97,222.78	118,587.19
II.	Profit on sale of investments (Net)	11,477.72	9,711.11	27,806.02	17,580.39	49,304.38
III.	Profit/(Loss) on revaluation of investments (Net)	227.90	(6,407.43)	(8,567.54)	(6,292.51)	30,229.81
IV.	Profit / loss on sale of land, buildings and other assets, (Net)	(31.17)	75.06	105.69	(42.07)	(99.48)
V.	Profit / loss on sale of leased Assets (Net)	35.91	3.72	1.40	-	-
VI.	Profit on exchange transactions	12,181.07	5,436.55	9,514.27	14,607.33	18,666.07
VII.	Dividends from Associates/ joint ventures abroad/in India	250.42	78.91	156.25	131.04	150.88
VIII.	Lease income a. Lease management fee	-	-	-	-	-
b.	Lease rentals	1,390.48	1,104.15	425.57	313.87	104.17
c.	Lease finance charges	-	-	-	-	-
d.	Overdue Charges	3.34	-	-	-	-
IX.	Credit Card membership/service fees	1,746.03	3,579.08	4,245.68	2,668.64	1,910.91
X.	Life Insurance Premium	10,730.92	29,234.39	56,112.05	72,023.89	99,203.94
XI.	Share of earning fron Associates	(130.93)	1,888.55	1,953.77	(136.41)	2,144.35
XII.	Miscellaneous Income	20,477.12	16,280.05	17,238.10	16,183.88	17,508.72
	Total	**111,739.56**	**127,607.05**	**187,229.93**	**214,260.84**	**337,710.95**

Interest expended (Schedule 15)		31.03.2006	31.03.2007	31.03.2008	31.03.2009	31.03.2010
I.	Interest on deposits	253,662.50	284,078.34	417,132.34	554,224.80	610,806.13
II.	Interest on Reserve Bank of India/ Inter-bank borrowings	14,957.77	15,379.63	32,044.21	31,161.04	14,059.89
III.	Others	12,408.71	27,842.66	30,263.85	40,878.82	41,509.07
	Total	**281,028.98**	**327,300.63**	**479,440.40**	**626,264.66**	**666,375.09**

Operating expenses (Schedule 16)		31.03.2006	31.03.2007	31.03.2008	31.03.2009	31.03.2010
I)	**Payments to and provisions for employees**	107,637.97	105,974.61	104,575.10	129,971.94	163,310.64
ii)	**Rent, taxes and lighting**	11,169.05	12,676.72	14,084.75	17,809.25	21,361.54
iii)	**Printing and stationery**	2,398.20	2,293.13	2,565.05	3,034.49	3,130.06
iv)	**Advertisement and publicity**	1,911.47	2,441.49	3,589.81	3,367.61	3,377.27
v) (a)	**Depreciation (Leased Assets)**	1,275.28	954.74	407.20	258.67	42.37
(b)	**Depreciation on other fixed assets**	10,058.74	8,545.96	9,976.14	8,985.94	13,173.28
vi)	**Directors' fees, allowances and expenses**	38.38	40.80	50.32	55.95	81.04
vii)	**Auditors' fees and expenses (including to branch auditors)**	996.64	1,039.25	1,577.68	1,622.54	1,737.89
viii)	**Law charges**	672.50	759.76	815.21	1,014.21	1,298.02
ix)	**Postages, telegrams, telephones, etc.**	1,700.19	2,007.08	2,979.91	3,611.00	4,085.42
x)	**Repairs and maintenance**	2,142.12	2,397.28	3,022.57	2,395.12	4,158.55
xi)	**Insurance**	4,651.19	5,137.32	6,171.54	7,706.82	9,406.63
xii)	**Amortization of deferred revenue expenditure**	179.03	132.80	-	58.32	69.03
xiii)	**Operating Expenses relating to Credit Card operations**	1,386.52	2,054.56	3,170.43	1,761.75	2,319.04
xiv)	**Operating Expenses relating to Life Insurance**	11,707.77	28,434.27	53,959.29	46,386.35	141,712.88
xv)	**Other expenditure**	18,087.98	25,128.05	32,487.34	37,677.23	54,890.31
	Total	**176,013.03**	**200,017.82**	**239,432.33**	**265,717.20**	**424,153.94**

PRINCIPAL ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (CONSOLIDATED) FOR THE YEAR ENDED 31ST MARCH 2010

SCHEDULE 17 — PRINCIPAL ACCOUNTING POLICIES

A. BASIS OF PREPARATION:

The accompanying financial statements have been prepared under the historical cost convention as modified for derivatives and foreign currency transactions, as enumerated in Part C below. They conform to Generally Accepted Accounting Principles (GAAP) in India, which comprise of statutory provisions, guidelines of regulatory authorities, Reserve Bank of India (RBI), Insurance Regulatory and Development Authority, Companies Act 1956, Accounting Standards (AS)/Guidance Notes issued by the Institute of Chartered Accountants of India (ICAI) and the prevalent accounting practices in India.

USE OF ESTIMATES

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

B. BASIS OF CONSOLIDATION:

1. Consolidated financial statements of the Group **(comprising of 29 subsidiaries, 6 Joint Ventures and 26 Associates)** have been prepared on the basis of:
   a. Audited accounts of State Bank of India (Parent).
   b. Line by line aggregation of each item of asset/liability/income/expense of the subsidiaries with the respective item of the Parent, and after eliminating all material intra-group balances/transactions, unrealised profit/loss, and making necessary adjustments wherever required for non-uniform accounting policies as per AS 21 "Consolidated Financial Statements" issued by the ICAI.
   c. Consolidation of Joint Ventures — 'Proportionate Consolidation' as per AS 27 "Financial Reporting of Interests in Joint Ventures" of the ICAI.
   d. Accounting for investment in 'Associates' under the 'Equity Method' as per AS 23 "Accounting for Investments in Associates in Consolidated Financial Statements" of the ICAI.
2. The difference between cost to the group of its investment in the subsidiary entities and the group's portion of the equity of the subsidiaries is recognised in the financial statements as goodwill/capital reserve.
3. Minority interest in the net assets of the consolidated subsidiaries consists of:
   a. The amount of equity attributable to the minority at the date on which investment in a subsidiary is made, and
   b. The minority share of movements in revenue reserves/loss (equity) since the date the parent-subsidiary relationship came into existence.

C. PRINCIPAL ACCOUNTING POLICIES

1. Revenue recognition

1.1 Income and expenditure are accounted on accrual basis, except otherwise stated below. In respect of foreign entities, income is recognised as per the local laws of the country in which the respective foreign entities are located.

1.2 Interest income is recognised in the Profit and Loss Account as it accrues except (i) income from non-performing assets (NPAs), comprising of advances, leases and investments, which is recognised upon realisation, as per the prudential norms prescribed by the RBI/ respective country regulators (hereafter collectively referred to as Regulatory Authorities), (ii) interest on application money on investments (iii) overdue interest on investments and bills discounted, (iv) Income on Rupee Derivatives designated as "Trading".

1.3 Profit/Loss on sale of investments is credited/debited to Profit and Loss Account (Sale of Investments). Profit on sale of investments in the 'Held to Maturity' category shall be appropriated net of applicable taxes to 'Capital Reserve Account'. Loss on sale will be recognised in the Profit and Loss Account.

1.4 Income from finance leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease, over the primary lease period. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of finance leases. The principal amount is utilized for reduction in balance of net investment in lease and finance income is reported as interest income.

1.5 Income (other than interest) on investments in "Held to Maturity" (HTM) category acquired at a discount to the face value, is recognised as follows:

i. On Interest bearing securities, it is recognised only at the time of sale/redemption.

ii. On zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

1.6 Dividend is accounted on an accrual basis where the right to receive the dividend is established.

1.7 All other commission and fee incomes are recognised on their realisation except for (i) Guarantee commission on deferred payment guarantees, which is spread over the period of the guarantee and (ii) Commission on Government Business, which is recognised as it accrues.

1.8 Non-banking entities

Merchant Banking:

a. Issue management and advisory fees are recognised as per the terms of agreement with the client.

b. Fees for private placement are recognised on completion of assignment.

c. Underwriting commission relating to public issues is accounted for on finalisation of allotment of the public issue.

d. Brokerage income relating to public issues/mutual fund/other securities is accounted for based on mobilisation and intimation received from clients/intermediaries.

e. Brokerage income in relation to stock broking activity is recognized on the trade date of transactions and includes stamp duty and transaction charges.

Asset Management:

a. Management fee is recognised at specific rates agreed with the relevant schemes, applied on the average daily net assets of each scheme (excluding inter-scheme investments, where applicable, and investments made by the company in the respective scheme) and are in conformity with the limits specified under SEBI (Mutual Funds) Regulations, 1996.

b. Portfolio Advisory Service income is recognised on accrual basis as per the terms of the contract.

c. Recovery from guaranteed schemes of deficit earlier recognised as expense is recognised as income in the year of receipt.

d. Scheme Expenses: Expenses of schemes in excess of the stipulated rates are charged to the Profit and Loss Account.

e. Recovery, if any, on realisation of devolved investments of schemes acquired by the company in terms of right of subrogation is accounted on the basis of receipts.

Credit Card Operations:

a. Joining membership fee and first annual fee have been recognised over a period of one year as they more closely reflects the period to which the fee relate to.

b. Interchange income is recognised on accrual basis.

c. All other service fees are recorded at the time of occurrence of the respective transaction.

Factoring:

Factoring service charges are accounted on accrual basis except in the case of non-performing assets, where income is accounted on realisation. Processing charges are accrued upon acceptance of sanction of the factoring/financing limits by the Company.

Life Insurance:

a. Premium (net of service tax) is recognized as income when due from policyholders.

   Uncollected premium from lapsed policies is not recognised as income until such policies are revived. In respect of linked business, premium income is recognised when the associated units are allotted.

b. Premium ceded on reinsurance is accounted in accordance with the terms of the treaty or in-principle arrangement with the Re-Insurer.

c. Claims by death are accounted when intimated. Intimations up to the end of the year are considered for accounting of such claims. Claims by maturity are accounted on the policy maturity date. Annuity benefits are accounted when due. Surrenders are accounted as and when notified. Claims cost consist of the policy benefit amounts and claims settlement costs, where applicable. Amounts recoverable from re-insurers are accounted for in the same period as the related claims and are reduced from claims.

d. Acquisition costs such as commission; medical fees etc. are costs that are primarily related to the acquisition of new and renewal insurance contracts and are expensed as and when incurred.

e. Liability for life policies: The actuarial liability of all the life insurance policies has been calculated by the appointed actuary as per the guidelines prescribed by the Institute of Actuaries of India.

Pension Fund Operation:

a. Management fees is recognized at specified rates agreed with the relevant schemes calculated as per the Investment Management Agreement (IMA) entered into between the Company and NPS Trustees, on accrual basis. Revenue excludes Service Tax, wherever recovered.

b. Profit/loss on sale of investments is recognized on trade date basis.

Mutual Fund Trustee Operation:

Trusteeship fees/management fees are recognised on an accrual basis in accordance with the respective terms of contract between the Companies.

2. Investments

Investments are accounted for in accordance with the extant regulatory guidelines. The bank follows trade date method for accounting of its investments.

2.1 Classification:

Investments are classified into 3 categories, viz. Held to Maturity, Available for Sale and Held for Trading categories (hereafter called categories). Under each of these categories, investments are further classified into the following six groups:

i. Government Securities,

ii. Other Approved Securities,

iii. Shares,

iv. Debentures and Bonds,

v. Subsidiaries/Joint ventures and

vi. Others.

2.2 Basis of classification:

i. Investments that the Bank intends to hold till maturity are classified as Held to Maturity.

ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as Held for Trading.

iii. Investments, which are not classified in the above two categories, are classified as Available for Sale.

iv. An investment is classified as Held to Maturity, Available for Sale or Held for Trading at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

2.3 Valuation:

i. In determining the acquisition cost of an investment:

a. Brokerage/commission received on subscriptions is reduced from the cost.

b. Brokerage, commission, securities transaction tax, etc. paid in connection with acquisition of investments are expensed upfront and excluded from cost.

c. Broken period interest paid/received on debt instruments is treated as interest expense/income and is excluded from the cost/sale consideration.

d. Cost is determined on the weighted average cost method.

e. The transfer of a security amongst the above three categories is accounted for at the least of acquisition cost/book value/market value on the date of transfer, and the depreciation, if any, on such transfer is fully provided for.

ii. Treasury Bills and Commercial Papers are valued at **carrying cost**.

iii. **Held to Maturity category:** Each scrip under Held to Maturity category is carried at its acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium on acquisition is amortised over the remaining maturity period of the security on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments". A provision is made for diminution, other than temporary. Investments in Regional Rural Banks (RRBs) are valued at equity cost determined in accordance with AS 23 of the ICAI.

iv. **Available for Sale and Held for Trading categories:** Each scrip in the above two categories is revalued at the market price or fair value determined as per Regulatory guidelines, and only the net depreciation of each group for each category is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual securities remains unchanged after marking to market.

v. Security receipts issued by an asset reconstruction company (ARC) are valued in accordance with the guidelines applicable to non-SLR instruments. Accordingly, in cases where the security receipts issued by the ARC are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Net Asset Value, obtained from the ARC, is reckoned for valuation of such investments.

vi. Investments are classified as performing and non-performing, based on the guidelines issued by the RBI in case of domestic offices and respective regulators in case of foreign entities. Investments of domestic offices become non performing where:

a. Interest/instalment (including maturity proceeds) is due and remains unpaid for more than 90 days.

b. In the case of equity shares, in the event the investment in the shares of any company is valued at Re. 1 per company on account of the non availability of the latest balance sheet, those equity shares would be reckoned as NPI.

c. If any credit facility availed by the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer would also be treated as NPI and vice versa.

d. The above would apply mutatis-mutandis to preference shares where the fixed dividend is not paid.

e. The investments in debentures/bonds, which are deemed to be in the nature of advance, are also subjected to NPI norms as applicable to investments.

f. In respect of foreign entities, provisions for non performing investments are made as per the local regulations or as per the norms of RBI, whichever is higher.

vii. The Bank has adopted the Uniform Accounting Procedure prescribed by the RBI for accounting of Repo and Reverse Repo transactions [other than transactions under the Liquidity Adjustment Facility (LAF) with the RBI]. Accordingly, the securities sold/purchased under Repo/Reverse repo are treated as outright sales/purchases and accounted for in the Repo/Reverse Repo Accounts, and the entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo/Reverse Repo Account is adjusted against the balance in the Investment Account.

viii. Securities purchased/sold under LAF with RBI are debited/credited to Investment Account and reversed on maturity of the transaction. Interest expended/earned thereon is accounted for as expenditure/revenue.

3. Loans/Advances and Provisions thereon

3.1 Loans and Advances are classified as performing and non-performing, based on the guidelines issued by the RBI. Loan assets become non-performing where:

i. In respect of term loan, interest and/or instalment of principal remains overdue for a period of more than 90 days;

ii. In respect of an Overdraft or Cash Credit advance, the account remains "out of order", i.e. if the outstanding balance exceeds the sanctioned limit/drawing power continuously for a period of 90 days, or if there are no credits continuously for 90 days as on the date of balance-sheet, or if the credits are not adequate to cover the interest due during the same period;

iii. In respect of bills purchased/discounted, the bill remains overdue for a period of more than 90 days;

iv. In respect of agricultural advances for short duration crops, where the instalment of principal or interest remains overdue for 2 crop seasons;

v. In respect of agricultural advances for long duration crops, where the principal or interest remains overdue for one crop season.

3.2 Non-Performing advances are classified into sub-standard, doubtful and loss assets, based on the following criteria stipulated by RBI:

i. Sub-standard: A loan asset that has remained non-performing for a period less than or equal to 12 months.

ii. Doubtful: A loan asset that has remained in the sub-standard category for a period of 12 months.

iii. Loss: A loan asset where loss has been identified but the amount has not been fully written off.

3.3 Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below by the RBI:

Substandard Assets:	i. A general provision of 10%
	ii. Additional provision of 10% for exposures which are unsecured ab-initio (where realisable value of security is not more than 10 percent ab-initio)
Doubtful Assets:	
— Secured portion:	i. Up to one year — 20%
	ii. One to three years — 30%
	iii. More than three years — 100%
— Unsecured portion	100%
Loss Assets:	100%

3.4 In respect of foreign entities, provisions for non performing advances are made as per the local regulations or as per the norms of RBI, whichever is higher.

3.5 The sale of NPAs is accounted as per guidelines prescribed by the RBI, which requires provisions to be made for any deficit (where sale price is lower than the net book value), while surplus (where sale price is higher than the net book value) is ignored. Net book value is outstanding as reduced by specific provisions held and ECGC claims received.

3.6 Advances are net of specific loan loss provisions, unrealised interest, ECGC claims received and bills rediscounted.

3.7 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by RBI, which requires that the present value of future interest due as per the original loan agreement, compared with the present value of the interest expected to be earned under the restructuring package, be provided in addition to provision for NPAs. The provision for interest sacrifice arising out of the above, is reduced from advances.

3.8 In the case of loan accounts classified as NPAs, an account may be reclassified as a performing account if it conforms to the guidelines prescribed by the regulators.

3.9 Amounts recovered against debts written off in earlier years are recognised as revenue.

3.10 Unrealised Interest recognised in the previous year on advances which have become non-performing during the current year, is provided for.

3.11 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per the extant guidelines prescribed by the RBI. The provisions on standard assets are not reckoned for arriving at net NPAs. These provisions are reflected in Schedule 5 of the balance sheet under the head "Other Liabilities & Provisions — Others."

4. Floating Provision

In accordance with the Reserve Bank of India guidelines, the bank has an approved policy for creation and utilisation of floating provisions separately for advances, investments and general purpose. The quantum of floating provisions to be created would be assessed at the end of each financial year. The floating provisions would be utilised only for contingencies under extra ordinary circumstances specified in the policy with prior permission of Reserve Bank of India.

5. Provision for Country Exposure for Banking Entities

In addition to the specific provisions held according to the asset classification status, provisions are held for individual country exposures (other than the home country). Countries are categorised into seven risk categories, namely, insignificant, low, moderate, high, very high, restricted and off-credit, and provisioning made as per extant RBI guidelines. If the country exposure (net) of the bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in schedule 5 of the balance sheet under the "Other liabilities & Provisions — Others".

6. Derivatives:

6.1 The Bank enters into derivative contracts, such as foreign currency options, interest rate swaps, currency swaps, and cross currency interest rate swaps and forward rate agreements in order to hedge on-balance sheet/off-balance sheet assets and liabilities or for trading purposes. The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of the underlying assets and accounted in accordance with the principles of hedge accounting.

6.2 Derivative contracts classified as hedge are recorded on accrual basis. Hedge contracts are not marked to market unless the underlying Assets/Liabilities are also marked to market.

6.3 Except as mentioned above, all other derivative contracts are marked to market as per the generally accepted practices prevalent in the industry. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the profit and loss account in the period of change. Any receivable under derivatives contracts, which remain overdue for more than 90 days, are reversed through profit and loss account.

6.4 Option premium paid or received is recorded in profit and loss account at the expiry of the option. The Balance in the premium received on options sold and premium paid on options bought have been considered to arrive at Mark to Market value for forex Over the Counter options.

6.5 Exchange Traded Foreign Exchange and Interest Rate Futures entered into for trading purposes are valued at prevailing market rates based on quoted and observable market prices and the resultant gains and losses are recognized in the Profit and Loss Account.

7. Fixed Assets and Depreciation

7.1 Fixed assets are carried at cost less accumulated depreciation.

7.2 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset before it is put to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefits from such assets or their functioning capability.

7.3 The rates of depreciation and method of charging depreciation in respect of domestic operations are as under:

Sr. No.	Description of fixed assets	Method of charging depreciation rate	Depreciation/am ortisation
1	Computers & ATM	Straight Line Method	33.33% every year
2	Computer software forming an integral part of hardware	Written Down Value Method	60%
3	Computer Software which does not form an integral part of hardware	Straight Line Method	100%, in the year of acquisition
4	Assets given on financial lease up to 31st March 2001	Straight Line Method	At the rate prescribed under Companies Act 1956
5	Other fixed assets	Written Down Value Method	At the rate prescribed under Income-tax Rules 1962

7.4 In respect of assets acquired for domestic operations during the year, depreciation is charged for half an year in respect of assets used for up to 182 days and for the full year in respect of assets used for more than 182 days, except depreciation on computers and software, which is charged for the full year irrespective of the period for which the asset was put to use.

7.5 Items costing less than Rs. 1,000 each are charged off in the year of purchase.

7.6 In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year.

7.7 In respect of assets given on lease by the Bank on or before 31st March 2001, the value of the assets given on lease is disclosed as Leased Assets under fixed assets, and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalisation Account.

7.8 In respect of fixed assets held at foreign branches/subsidiaries/associates, depreciation is provided as per the regulations/norms of the respective countries.

8. Leases

The asset classification and provisioning norms applicable to advances, as laid down in Para 3 above, are applied to financial leases also.

9. Impairment of Assets

Fixed Assets are reviewed for impairment whenever events or changes in circumstances warrant that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

10. Effect of changes in the foreign exchange rate

10.1 Foreign Currency Transactions

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Foreign currency monetary items are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing spot/forward rates.

iii. Foreign currency non-monetary items, which are carried in terms at historical cost, are reported using the exchange rate at the date of the transaction.

iv. Contingent liabilities denominated in foreign currency are reported using the FEDAI closing spot rates.

v. Outstanding foreign exchange spot and forward contracts held for trading are revalued at the exchange rates notified by FEDAI for specified maturities, and the resulting profit or loss is included in the Profit or Loss account.

vi. Foreign exchange forward contracts which are not intended for trading and are outstanding at the balance sheet date, are valued at the closing spot rate. The premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

vii. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

viii. Gains/Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognised in the profit and loss account.

10.2 Foreign Operations

Foreign entities of the Bank and Offshore Banking Units have been classified as Non-integral Operations and Representative Offices have been classified as Integral Operations.

a. Non-integral Operations:

i. Both monetary and non-monetary foreign currency assets and liabilities including contingent liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date.

ii. Income and expenditure of non-integral foreign operations are translated at quarterly average closing rates.

iii. Exchange differences arising on net investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the net investment.

iv. The Assets and Liabilities of foreign offices/subsidiaries/joint ventures in foreign currency (other than local currency of the foreign offices/ subsidiaries/joint ventures) are translated into local currency using spot rates applicable to that country.

b. Integral Operations:

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Monetary foreign currency assets and liabilities of integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss is included in the profit and loss account.

iii. Foreign currency non-monetary items which are carried in terms of historical cost are reported using the exchange rate at the date of the transaction.

11. Employee Benefits:

11.1 Short Term Employee Benefits:

The undiscounted amount of short-term employee benefits, such as medical benefits, casual leave etc. which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

11.2 Post Employment Benefits:

i. Defined Benefit Plan

a. The group entities operate separate Provident Fund schemes. All eligible employees are entitled to receive benefits under the Provident Fund scheme. The group entities contribute monthly at a determined rate. These contributions are remitted to a trust established for this purpose and are charged to Profit and Loss Account. The group entities are liable for annual contributions and interests, which is payable at minimum specified rate of interest. The entities recognise such annual contributions and interest as an expense in the year to which they relate.

b. The group entities operate separate gratuity and pension schemes, which are defined benefit plans.

c. The group entities provide for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement, on death while in employment, or on termination of employment, for an amount equivalent to 15 days basic salary payable for each completed year of service, subject to a ceiling in terms of service rules. Vesting occurs upon completion of five years of service. The Bank makes annual contributions to a fund administered by trustees based on an independent external actuarial valuation carried out annually.

d. Some group entities provide for pension to all eligible employees. The benefit is in the form of monthly payments as per rules and regular payments to vested employees on retirement, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The entities make annual contributions to funds administered by trustees based on an independent external actuarial valuation carried out annually.

e. The cost of providing defined benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains/losses are immediately recognised in the statement of profit and loss and are not deferred.

ii. Other Long Term Employee benefits:

a. All eligible employees of the group are eligible for compensated absences, silver jubilee award, leave travel concession, retirement award and resettlement allowance. The costs of such long term employee benefits are internally funded by the Bank.

b. The cost of providing other long term benefits is determined using the projected unit credit method with actuarial valuations being carried out at each balance sheet date. Past service cost is immediately recognised in the statement of profit and loss and is not deferred.

12. Provision for Taxation

12.1 Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax charge. Current year taxes are determined in accordance with the provisions of AS 22 “Accounting for taxes on income” and tax laws prevailing in India after taking into account taxes of foreign subsidiaries, which are based on the tax laws of respective jurisdiction. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

12.2 Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis, and carry forward losses. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

12.3 Deferred tax assets are recognised and reassessed at each reporting date, based upon management’s judgement as to whether realisation is considered certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future profits.

12.4 Income tax expenses are the aggregate of the amounts of tax expense appearing in the separate financial statements of the parent and its subsidiaries/joint ventures, as per their applicable laws.

13. Earning per Share

13.1 The Bank reports basic and diluted earnings per share in accordance with AS 20 -‘Earnings per Share’ issued by the ICAI. Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

13.2 Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

14. Accounting for Provisions, Contingent Liabilities and Contingent Assets

14.1 In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the ICAI, the provision is recognised only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

14.2 No provision is recognised for

i. any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

ii. any present obligation that arises from past events but is not recognised because

a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

b. a reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

14.3 Contingent Assets are not recognised in the financial statements as this may result in the recognition of income that may never be realised.

15. Cash and cash equivalents

Cash and cash equivalents include cash on hand and in ATM's, and gold in hand, balances with RBI, balances with other banks, and money at call and short notice.

16. Employee Share Purchase Scheme

In accordance with the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI"), the excess of market price one day prior to the date of issue of the shares over the price at which they are issued is recognised as employee compensation cost.

17. Share Issue Expenses

Share issue expenses are charged to the Share Premium Account.

(Amount in Rupees in crore)

1. List of Subsidiaries/Joint Ventures/Associates considered for preparation of consolidated financial statements:

1.1 The 29 Subsidiaries, 6 Joint Ventures and 26 Associates (which along with State Bank of India, the parent, constitute the Group), considered in the preparation of the consolidated financial statements, are

A) Subsidiaries

Sr. No	Name of the Subsidiary	Country of Incorporation	Group's Stake (%)
1)	State Bank of Bikaner & Jaipur	India	75.07
2)	State Bank of Hyderabad	India	100.00
3)	State Bank of Indore	India	98.05
4)	State Bank of Mysore	India	92.33
5)	State Bank of Patiala	India	100.00
6)	State Bank of Travancore	India	75.01
7)	SBI Commercial & International Bank Ltd.	India	100.00
8)	SBI Capital Markets Ltd.	India	100.00
9)	SBICAP Securities Ltd.	India	100.00
10)	SBICAP Trustee Company Ltd.	India	100.00
11)	SBICAPS Ventures Ltd.	India	100.00
12)	SBI DFHI Ltd.	India	66.39
13)	SBI Mutual Fund Trustee Company Pvt. Ltd.	India	100.00
14)	SBI Global Factors Ltd.	India	85.35
15)	SBI Pension Funds Pvt. Ltd.	India	96.85
16)	SBI Custodial Services Pvt. Ltd.@	India	65.00
17)	SBI General Insurance Company Ltd.@	India	74.00
18)	SBI Payment Services Pvt. Ltd.	India	100.00
19)	State Bank of India (Canada)	Canada	100.00
20)	State Bank of India (California)	USA	100.00
21)	SBI (Mauritius) Ltd.	Mauritius	93.40
22)	PT Bank SBI Indonesia	Indonesia	76.00
23)	SBICAP (UK) Ltd.	U.K.	100.00
24)	SBI Cards and Payment Services Pvt. Ltd.@	India	60.00
25)	SBI Funds Management Pvt Ltd@	India	63.00
26)	SBI Life Insurance Company Ltd@	India	74.00
27)	Commercial Bank of India Llc@	Russia	60.00
28)	Nepal SBI Bank Ltd.	Nepal	55.02
29)	SBI Funds Management (International) Private Ltd@	Mauritius	63.00

@ *These entities are jointly controlled.*

B) Joint Ventures

Sr. No	Name of the Joint Venture	Country of Incorporation	Group's Stake (%)
1)	C Edge Technologies Ltd	India	49.00
2)	GE Capital Business Process Management Services Pvt Ltd	India	40.00
3)	SBI Macquarie Infrastructure Management Pvt. Ltd.	India	45.00
4)	SBI Macquarie Infrastructure Trustee Pvt. Ltd*	India	100.00
5)	Macquarie SBI Infrastructure Management Pte. Ltd.	Singapore	45.00
6)	Macquarie SBI Infrastructure Trustee Ltd	Bermuda	45.00

* *JV Partner is expected to be inducted in the next quarter.*

C) Associates:

Sr. No	Name of the Associate	Country of Incorporation	Group's Stake (%)
1)	Andhra Pradesh Grameena Vikas Bank	India	35.00
2)	Arunachal Pradesh Rural Bank	India	35.00
3)	Chhatisgarh Gramin Bank	India	35.00
4)	Ellaquai Dehati Bank	India	35.00
5)	Meghalaya Rural Bank	India	35.00
6)	Krishna Grameena Bank	India	35.00
7)	Langpi Dehangi Rural Bank	India	35.00
8)	Madhya Bharat Gramin Bank	India	35.00
9)	Mizoram Rural Bank	India	35.00
10)	Nagaland Rural Bank	India	35.00
11)	Parvatiya Gramin Bank	India	35.00
12)	Purvanchal Kshetriya Gramin Bank	India	35.00
13)	Samastipur Kshetriya Gramin Bank	India	35.00
14)	Utkal Gramya Bank	India	35.00
15)	Uttaranchal Gramin Bank	India	35.00
16)	Vananchal Gramin Bank	India	35.00
17)	Marwar Ganganagar Bikaner Gramin Bank	India	26.27
18)	Vidisha Bhopal Kshetriya Gramin Bank	India	34.32
19)	Deccan Grameena Bank	India	35.00
20)	Cauvery Kalpatharu Grameena Bank	India	32.32
21)	Malwa Gramin Bank	India	35.00
22)	Saurashtra Grameena Bank	India	35.00
23)	The Clearing Corporation of India Ltd	India	28.99
24)	Bank of Bhutan Ltd.	Bhutan	20.00
25)	S.S. Ventures Services Ltd	India	50.00
26)	SBI Home Finance Ltd	India	25.05

1.2 The following changes have taken place in the consolidation process as compared to the previous year 2008-09.

a. SBI's subsidiary, SBI Factors & Commercial Services Pvt. Ltd. is amalgamated with Global Trade Finance Ltd., another subsidiary of SBI and the amalgamated entity's name has been changed to SBI Global Factors Ltd. The Scheme of Merger has been approved by High Court of Bombay w.e.f 1st April 2009, being the appointed date. Consequently, the SBI's stake in SBI Global Factors Ltd. has reduced from a 92.85% holding (pre-merger) to 83.43% holding (post-merger).

b. Nepal SBI Bank Ltd, an associate of SBI has become its subsidiary w.e.f 14.06.2009 as SBI has acquired 5% additional stake from Agricultural Development Bank Limited, Nepal (ADBL). Consequent upon this change SBI's stake is increased to 55.02%.

c. UTI Asset Management Company Pvt Ltd is considered as an associate of SBI for the period 01.04.2009 to 19.01.2010 as SBI has divested its 6.50% stake (out of 25%) on 20.01.2010.

d. SBI has acquired 13.84% stake in SBI Capital Markets Limited from Asian Development Bank (ADB). Thus SBI Capital Markets Limited and all its subsidiaries (SBICAP Securities Ltd, SBICAP Trustee Company Ltd, SBICAPS Ventures Ltd, SBICAP (UK) Ltd) have become wholly owned subsidiaries of SBI.

e. The name of PT Bank IndoMonex, a subsidiary of SBI has been changed to PT Bank SBI Indonesia w.e.f. 6th May 2009.

f. The Board of SBI has approved a proposal to acquire 4.69% stake in SBI DFHI Ltd from Asian Development Bank (ADB). However the deal was completed on 5th April 2010.

g. A wholly owned subsidiary, SBI Payment Services Pvt. Ltd was incorporated for carrying on merchant acquiring business. However the company has not commenced business till 31.03.2010.

h. The winding up petition of SBI Home Finance Ltd., an associate of the bank, was filed with the Kolkata High Court on 23rd September 2008. The Hon'ble Court has passed an order on 31st March 2009 giving direction for winding up of the company.

i. Pursuant to a scheme of Amalgamation approved by the Central Board at its meeting on 19th June 2009, State Bank of Indore, where SBI holds 98.05% stake, is to be merged with the Bank. The Government of India has accorded sanction to the Bank for entering into negotiations for acquiring the business, including assets and liabilities of State Bank of Indore.

1.3 Bank of Bhutan Ltd, an associate of SBI follows accounting year (Gregorian Calendar Year) different from that of the parent. Accordingly, the financial statements of the associate are made as of 31st December 2009.

2. Share Capital:

2.1 During the year, SBI has allotted 2,422 equity shares of Rs. 10 each for cash at a premium of Rs. 1,580 per equity share aggregating to Rs. 3,850,980 out of 88,278 shares kept in abeyance under Right Issue — 2008. Out of the total subscription of Rs. 3,850,980 received, Rs. 24,220 was transferred to Share Capital Account and Rs. 3,826,760 was transferred to Share Premium Account.

2.2 SBI has kept in abeyance the allotment of 85,856 (Previous Year 88,278) Equity Shares of Rs. 10/- each issued as a part of Rights issue, since they are subject to title disputes or are subjudice.

3. Disclosures as per Accounting Standards:

3.1 Change in Accounting Policy:

SBI has implemented a special home loan scheme for the period December 2008 to June 2009, arising out of which one time insurance premium has been paid covering the lives of the borrowers over the tenure of the home loan availed. The total insurance premium paid amounting to Rs. 151.37 crores on account of such scheme is charged off over average loan period of 15 years and accordingly, 1/15th of the premium amount has been charged off during the year.

Consequent to this change, the profit after tax of SBI has gone up by Rs. 93.26 crores.

3.2 Employees Benefits:

3.2.1 Defined Benefit Plans

The following table sets out the status of the defined benefit Pension Plan and Gratuity Plan as required under AS 15 (Revised 2005):

Particulars	Pension Plans		Gratuity	
	CY	PY	CY	PY
Change in the present value of the defined benefit obligation				
Opening defined benefit obligation at 1st April 2009	24,008.71	21,387.50	5,068.06	4,887.04
Current Service Cost	1,087.38	1,135.57	225.74	223.69
Interest Cost	1,922.46	1,684.31	399.12	380.67
Actuarial losses (gains)	1,537.30	1,073.85	(134.19)	(138.88)
Benefits paid	(1,540.20)	(1,272.52)	(305.19)	(284.46)
Closing defined benefit obligation at 31st March 2010	**27,015.65**	**24,008.71**	**5,253.54**	**5,068.06**
Change in Plan Assets				
Opening fair value of plan assets at 1st April 2009	17,366.99	16,666.34	4,880.36	4,739.10
Expected Return on Plan assets	1,415.60	1,232.78	383.87	367.64
Contributions by employer	1,650.48	508.58	130.28	41.39
Benefit Paid	(1,540.20)	(1,272.52)	(305.19)	(284.46)
Actuarial Gains	454.26	231.81	37.45	16.69
Closing fair value of plan assets at 31st March 2010	**19,347.13**	**17,366.99**	**5,126.77**	**4,880.36**
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of Funded obligation at 31st March 2010	27,015.65	24,008.71	5,253.54	5,068.06
Fair Value of Plan assets at 31st March 2010	19,347.13	17,366.99	5,126.77	4,880.36
Deficit/(Surplus)	7,668.52	6,641.72	126.77	187.70
Unrecognised Past Service Cost	Nil	Nil	Nil	Nil
Net Liability/(Asset)	7,668.52	6,641.72	126.77	187.70
Amount Recognised in the Balance Sheet				
Liabilities	27,015.65	24,008.71	5,253.54	5,068.06
Assets	19,347.13	17,366.99	5,126.77	4,880.36
Net Liability/(Asset) recognised in Balance Sheet	7,668.52	6,641.72	126.77	187.70

Particulars	Pension Plans		Gratuity	
	CY	PY	CY	PY
Net Cost recognised in the profit and loss account				
Current Service Cost	1,087.38	1,135.57	225.74	223.69
Interest Cost	1,922.46	1,684.31	399.12	380.67
Expected return on plan assets	(1,415.60)	(1,232.78)	(383.87)	(367.64)
Net actuarial losses (Gain) recognised during the year	1,083.04	842.04	(171.64)	(155.57)
Total costs of defined benefit plans included in Schedule 16 “Payments to and provisions for employees”	2,677.28	2,429.14	69.35	81.15
Reconciliation of expected return and actual return on Plan Assets				
Expected Return on Plan Assets	1,415.60	1,232.78	383.87	367.64
Actuarial Gain/(loss) on Plan Assets	454.26	231.81	37.45	16.69
Actual Return on Plan Assets	**1,869.86**	**1,464.59**	**421.32**	**384.33**
Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet				
Opening Net Liability as at 1st April 2009	6,641.72	4,721.16	187.70	147.94
Expenses as recognised in profit and loss account	2,677.28	2,429.14	69.35	81.15
Employers Contribution	1,650.48	508.58	130.28	41.39
Net liability/(Asset) recognised in Balance Sheet	**7,668.52**	**6,641.72**	**126.77**	**187.70**

Investments under Plan Assets of Gratuity Fund & Pension Fund as on 31st March 2010 are as follows:

	Pension Fund	Gratuity Fund
Category of Assets	% of Plan Assets	% of Plan Assets
Central Govt. Securities	21.50%	44.33%
State Govt. Securities	4.47%	3.69%
Public Sector Bonds	4.55%	3.66%
FDR/TDR with Bank	4.88%	2.91%
Bank Deposits	2.29%	4.32%
Others	62.31%	41.09%
Total	**100.00%**	**100.00%**

Principal actuarial assumptions;

	Pension and Gratuity Plans	
Particulars	Current year	Previous year
Discount Rate	7% to 8.50%	7.25% to 7.75%
Expected Rate of return on Plan Asset	7.50% to 8%	7.50% to 8%
Salary Escalation	4% to 15%	5% to 13%

The estimates of future salary growth, factored in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Such estimates are very long term and are not based on limited past experience/immediate future. Empirical evidence also suggests that in the very long term, consistent high salary growth rates are not possible. The auditors have relied upon the representation made by the Bank in this behalf.

3.2.2 Employees Provident Fund

In terms of the guidance on implementing the AS-15 (Revised 2005) "Employees Benefits" issued by the ICAI, the Employees Provident Fund set up by the Bank is treated as a defined benefit plan since the Bank has to meet the specified minimum rate of return. As at the year end, no shortfall remains unprovided for. Accordingly, other related disclosures in respect of Provident Fund have not been made and an amount of Rs. 420.19 Crore (Previous Year Rs. 394.59 Crore) is recognised as an expense towards the Provident Fund scheme of the group included under the head "Payments to and provisions for employees" in Profit and Loss Account.

3.2.3 Other Long Term Employee Benefits

Amount of Rs. 233.54 Crore (Previous Year Rs. 68.04 Crore) is recognised as an expense towards Long term Employee Benefits included under the head "Payments to and provisions for employees" in Profit and Loss account.

Details of Provisions made for various long Term Employees' Benefits during the year;

Sl. No.	Long Term Employees' Benefits	Current Year	Previous Year
1	Privilege Leave (Encashment) incl. leave encashment at the time of retirement.	162.78	35.21
2	Leave Travel and Home Travel Concession (Encashment/Availment)	39.48	15.52
3	Sick Leave	23.22	(3.80)
4	Silver Jubilee Award	3.38	(4.23)
5	Resettlement Expenses on Superannuation.	(6.95)	4.18
6	Casual Leave	5.65	5.74
7	Retirement Award	5.98	15.42
	Total.	**233.54**	**68.04**

3.3 Segment Reporting (As complied by management and relied upon by the auditors)

3.3.1 Segment Identification

A) Primary (Business Segment)

The following are the Primary Segments of the Group:

— Treasury

— Corporate/Wholesale Banking

— Retail Banking

— Other Banking Business

The present accounting and information system of the Bank does not support capturing and extraction of the data in respect of the above segments separately. However, based on the present internal organisational and management reporting structure and the nature of their risk and returns, the data on the Primary Segments have been computed as under:

a) **Treasury:** The Treasury Segment includes the entire investment portfolio and trading in foreign exchange contracts and derivative contracts. The revenue of the treasury segment primarily consists of fees and gains or losses from trading operations and interest income on the investment portfolio.

b) **Corporate/Wholesale Banking:** The Corporate/Wholesale Banking segment comprises the lending activities of Corporate Accounts Group, Mid Corporate Accounts Group and Stressed Assets Management Group. These include providing loans and transaction services to corporate and institutional clients and further include non treasury operations of foreign offices.

c) **Retail Banking:** The Retail Banking Segment comprises of branches in National Banking Group, which primarily includes personal Banking activities including lending activities to corporate customers having Banking relations with branches in the National Banking Group. This segment also includes agency business and ATM's

d) **Other Banking business** — Segments not classified under (a) to (c) above are classified under this primary segment. This segment also includes the operations of all the Non-Banking Subsidiaries/Joint Ventures of the group.

In the case of Banking Subsidiaries who do not have the management reporting structure corresponding to the parent, all the exposures in excess of Rs. 5 Crore have been segregated and included in Corporate/Wholesale Banking.

B) Secondary (Geographical Segment):

i) Domestic operations comprise branches and subsidiaries having operations in India.

ii) Foreign operations comprise branches and subsidiaries having operations outside India and offshore banking units having operations in India.

C) Allocation of Expenses, Assets and Liabilities

Expenses of parent incurred at Corporate Centre establishments directly attributable either to Corporate/Wholesale and Retail Banking Operations or to Treasury Operations segment, are allocated accordingly. Expenses not directly attributable are allocated on the basis of the ratio of number of employees in each segment/ratio of directly attributable expenses.

3.3.2 The accounting policies adopted for segment reporting are in line with the accounting policies adopted in the parent's financial statements with the following additional features:

1) Pricing of inter-segment transactions between the Non Banking Operations segment and other segments are market led. In respect of transactions between treasury and other banking business, compensation for the use of funds is reckoned based on interest and other costs incurred by the lending segment.

2) Revenue and expenses have been identified to segments based on their relationship to the operating activities of the segment.

3) Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Expenses".

3.3.3 Disclosure under segment reporting

Part A: Primary Segments:

	Treasury Operations	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Elimination	TOTAL
Revenue	28,434.51 (22,556.93)	39,843.20 (35,007.51)	50,310.11 (52,224.58)	18,522.63 (7,758.79)	(3,361.01) (-4,462.57)	133,749.44 (1,13,085.24)
Result	4,408.86 (3,287.16)	7,762.42 (7,780.35)	9,021.20 (10,087.52)	196.03 (343.96)	— (—)	21,388.51 (21,498.99)
Unallocated (Income)	— (—)	— (—)	— (—)	— (—)	— (—)	102.39 (7.85)
Unallocated (Expenses)	— (—)	— (—)	— (—)	— (—)	— (—)	2,808.87 (-3,612.00)
Operating Profit (PBT)	— (—)	— (—)	— (—)	— (—)	— (—)	18,682.03 (17,894.84)
Taxes	— (—)	— (—)	— (—)	— (—)	— (—)	6,668.38 (6,721.77)
Extraordinary Profit/Loss	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
Net Profit	— (—)	— (—)	— (—)	— (—)	— (—)	12,013.65 (11,173.07)
Other Information:						
Segment Assets	4,20,007.04 (4,18,116.72)	4,49,429.89 (3,88,376.65)	5,35,117.22 (4,73,650.13)	36,405.72 (25,393.18)	— (-8,907.13)	14,40,959.87 (12,96,629.55)
Unallocated Assets	— (—)	— (—)	— (—)	— (—)	— (—)	9,184.10 (8,196.19)
Total Assets	— (—)	— (—)	— (—)	— (—)	— (—)	14,50,143.97 (13,04,825.74)
Segment Liabilities	1,81,831.11 (2,11,439.13)	4,40,814.86 (3,72,216.04)	6,64,634.16 (5,90,989.82)	31,538.72 (21,864.52)	— (-8,907.13)	13,18,818.85 (11,87,602.38)
Unallocated Liabilities	— (—)	— (—)	— (—)	— (—)	— (—)	48,189.54 (44,832.97)
Total Liabilities	— (—)	— (—)	— (—)	— (—)	— (—)	13,67,008.39 (12,32,435.35)

Part B: Secondary Segments

	Particulars Total	Domestic Operations	Foreign Operations
Revenue........................	128,347.46 (107,536.61)	5,504.37 (5,556.48)	133,851.83 (113,093.09)
Assets	1,311,718.84 (1,185,292.32)	138,425.13 (119,533.42)	1,450,143.97 (1,304,825.74)

i) Income/Expenses are for the whole year. Assets/Liabilities are as at 31st March 2010.

ii) Figures within brackets are for previous year.

3.4 Related Party Disclosures: As identified and compiled by the management and relied upon by the auditors

3.4.1 Related Parties to the Group:

A) Joint Ventures:

1. GE Capital Business Process Management Services Private Limited.
2. C Edge Technologies Ltd.
3. SBI Macquarie Infrastructure Management Pvt. Ltd.
4. SBI Macquarie Infrastructure Trustee Pvt. Ltd.
5. Macquarie SBI Infrastructure Management Pte. Ltd.
6. Macquarie SBI Infrastructure Trustee Ltd.

B) Associates:

i) Regional Rural Banks

1. Andhra Pradesh Grameena Vikas Bank
2. Arunachal Pradesh Rural Bank
3. Cauvery Kalpatharu Grameena Bank
4. Chhatisgarh Gramin Bank
5. Deccan Grameena Bank
6. Ellaquai Dehati Bank
7. Meghalaya Rural Bank
8. Krishna Grameena Bank
9. Langpi Dehangi Rural Bank
10. Madhya Bharat Gramin Bank
11. Malwa Gramin Bank
12. Marwar Ganganagar Bikaner Bank
13. Mizoram Rural Bank
14. Nagaland Rural Bank
15. Parvatiya Gramin Bank
16. Purvanchal Kshetriya Gramin Bank
17. Samastipur Kshetriya Gramin Bank
18. Saurashtra Grameena Bank
19. Utkal Gramya Bank
20. Uttaranchal Gramin Bank
21. Vananchal Gramin Bank
22. Vidisha Bhopal Kshetriya Gramin Bank

ii) Others

23. The Clearing Corporation of India Ltd
24. Nepal SBI Bank Ltd. (up to 13.06.2009)
25. Bank of Bhutan Ltd
26. UTI Asset Management Company Pvt. Ltd (up to 19.01.2010).
27. S. S. Ventures Services Pvt Ltd
28. SBI Home Finance Ltd

C) Key Management Personnel of the Bank:

1. Shri O. P. Bhatt, Chairman
2. Shri S. K. Bhattacharyya, Managing Director
3. Shri R. Sridharan, Managing Director

3.4.2 Related Parties with whom transactions were entered into during the year:

No disclosure is required in respect of transactions with related parties which are "state controlled enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of banker-customer relationship are not required to be disclosed in respect of Key Management Personnel. Other particulars are:

1. C Edge Technologies Ltd.
2. GE Capital Business Process Management Services Pvt. Ltd.
3. SBI Macquarie Infrastructure Management Pvt. Ltd.
4. SBI Macquarie Infrastructure Trustee Pvt. Ltd.
5. Macquarie SBI Infrastructure Management Pte. Ltd.
6. Macquarie SBI Infrastructure Trustee Ltd.
7. Bank of Bhutan Ltd
8. Nepal SBI Bank Ltd. (up to 13.06.2009)
9. S. S. Ventures Services Ltd
10. SBI Home Finance Ltd
11. Shri O. P. Bhatt, Chairman
12. Shri S. K. Bhattacharyya, Managing Director
13. Shri R.Sridharan, Managing Director

3.4.3 Transactions/Balances:

Items	Associates/ Joint Ventures	Key Management Personnel @	Total
Deposit#	112.99	—	112.99
	(92.58)	(—)	(92.58)
Other Liability#	21.94	—	21.94
	(50.39)	(—)	(50.39)
Investments#	26.94	—	26.94
	(21.80)	(—)	(21.80)
Other Assets#	—	—	—
	(—)	(—)	(—)
Interest paid$	4.00	—	4.00
	(2.71)	(—)	(2.71)
Interest received$	—	—	—
	(—)	(—)	(—)
Income earned by way of Dividend$	5.96	—	5.96
	(1.89)	(—)	(1.89)
Rendering of services$	0.05	—	0.05
	(2.61)	(—)	(2.61)
Receiving of services$	144.48	—	144.48
	(150.43)	(—)	(150.43)
Management Contract$	146.83	0.63	147.46
	(—)	(0.38)	(0.38)

(Figures in brackets pertain to previous year)

\# Balances as at 31st March

$ Transactions for the year

@ Transactions which are not in the nature of banker-customer relationship.

3.5 Leases:

Finance Leases

Assets given on Financial Leases on or after 1st April 2001: The details of financial leases are given below.

	Current Year	Previous Year
Total gross investment in the leases	—	37.09
Present value of minimum lease payments receivable		
Less than 1 year	—	6.48
1 to 5 years	—	—
5 years and above	—	—
Total	—	6.48
Present value of unearned finance income	—	0.28

Operating Lease*

A. Office Premises/Staff Quarters taken on Operating Lease as on 31st March 2010

	(Rs. in Crore)
i. Minimum Lease Rent Payable	
a. Payable not later than 1 year i.e. 2010-11	73.67
b. Payable later than 1 year and not later than 5 years i.e. 2011-12 to 2014-15	170.38
c. Payable later than 5 years i.e. after 2014-15	51.12
ii. Amount of lease charges debited to charges account during the year	78.25

iii. The lease agreements provide for an option to the group to renew the lease period at the end of non-cancellable period. There are no exceptional/restrictive covenants in the lease agreements.

B. Premises given on Operating Leases as on 31st March 2010

	(Rs. in Crore)
i. Minimum Lease Rental Receivable	
a. Receivable not later than 1 year i.e. 2010-11	Nil
b. Receivable later than 1 year and not later than 5 years i.e. 2011-12 to 2014-15	0.20
c. Receivable later than 5 years i.e. after 2014-15	Nil

	Original Cost	Accumulated Depreciation as on 31.03.2010	Depreciation for the year
ii. Particulars			
Premises given on lease	0.54	0.20	0.04

iii. No contingent rents have been recognised in the Profit & Loss Account.

* In respect of Non-Cancellable lease only.

3.6 Earnings per Share:

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 - "Earnings per Share". "Basic earnings" per share is computed by dividing consolidated net profit after tax by the weighted average number of equity shares outstanding during the year.

Particulars	Current Year	Previous Year
Basic and diluted Weighted average no of equity shares used in computing basic earning per share	634,880,626	634,413,120
Weighted average number of shares used in computing diluted earning per share.	634,880,626	634,413,120
Net profit (Other than minority) (in Crore)	11,733.83	10,955.29
Basic earnings per share (Rs.)	184.82	172.68
Diluted earnings per share (Rs.).	184.82	172.68
Nominal value per share (Rs.)	10.00	10.00

3.7 Accounting for taxes on Income

i) During the year, Rs. 1,315.71 Crore [Previous Year Rs. 1,075.97 Crore] has been credited to Profit and Loss Account by way of adjustment of deferred tax.

ii) The break up of deferred tax assets and liabilities into major items is given below:

Particulars	As at 31st March 2010	As at 31st March 2009
Deferred Tax Assets		
Provision for non performing assets	310.73	454.78
Ex-gratia paid under Exit option	52.57	100.21
Wage Revision	1,837.31	769.19
Provision for Gratuity, Leave, Pension etc.	1,462.44	1,214.24
Others	846.56	461.39
Total	**4,509.61**	**2,999.81**
Deferred Tax Liabilities		
Depreciation on Fixed Assets	32.46	119.62
Interest on securities	611.65	595.42
OTHERS	431.92	276.76
Total	**1,076.03**	**991.80**
Net Deferred Tax Assets/(Liabilities)	**3,433.58**	**2,008.01**

3.8 Investments in jointly controlled entities:

As required by AS 27, the aggregate amount of the assets, liabilities, income and expenses related to the group's interests in jointly controlled entities are disclosed as under:

Particulars	As at 31st March 2010	As at 31st March 2009
Liabilities		
Capital & Reserves	81.49	70.34
Deposits	—	—
Borrowings	0.40	0.26
Other Liabilities & Provisions	62.92	28.65
TOTAL	**144.81**	**99.25**
Assets		
Cash and balances with Reserve Bank of India	0.05	0.01
Balances with Banks and Money at call and short notice	28.77	21.44
Investments	1.62	3.52
Advances	—	—
Fixed Assets	11.50	11.20
Other Assets	102.87	63.08
TOTAL	**144.81**	**99.25**
Capital Commitments	Nil	Nil
Other Contingent Liabilities	0.04	Nil
Income		
Interest earned	3.60	—
Other income	78.49	51.47
Total	**82.09**	**51.47**
Expenditure		
Interest expended	—	—
Operating expenses	68.77	41.31
Provisions & contingencies	6.28	4.23
Total	**75.05**	**45.54**
Profit	**7.04**	**5.93**

3.9 Impairment of assets:

In the opinion of the Bank's Management, there is no impairment to the assets to which Accounting Standard 28 — "Impairment of Assets" applies.

3.10 Provisions, Contingent Liabilities & Contingent Assets

a) Break up of provisions:

		Current Year	Previous Year
a)	Provision for Income Tax (current tax)	7,980.75	7,598.23
b)	Provision for Income Tax (deferred tax asset)	(1,315.71)	(1,075.97)
c)	Fringe Benefit Tax	—	174.64
d)	Provision for other taxes	3.34	24.87
e)	Amount of provision made against NPAs (including write back of provision)	6,228.77	3,616.30
f)	General provision on Standard Assets in the global loan portfolio	152.67	304.83
g)	Depreciation in the value of Investments in India and Outside India	(1,355.10)	1,352.77
h)	Others (Net of write-backs)	1,090.57	726.17
	Total	**12,785.29**	**12,721.84**

(Figures in brackets indicate credit)

b) Floating provisions:

		Current Year	Previous Year
a)	Opening Balance	514.64	685.04
b)	Addition during the year	163.42	155.60
c)	Draw down during the year	32.89	326.00
d)	Closing balance	645.17	514.64

c) Description of contingent liabilities and contingent assets:

Sr. No	Items	Brief Description
1	Claims against the Group not acknowledged as debts	The parent and its constituents are parties to various proceedings in the normal course of business. It does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, results of operations or cash flows.
2	Liability on account of outstanding forward exchange contracts	The Group enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities, are typically amounts used as a benchmark for the calculation of the interest component of the contracts.
3	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities, the Group issues documentary credits and guarantees on behalf of its customers. Documentary credits enhance the credit standing of the customers of the Group. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfil its financial or performance obligations.
4	Other items for which the Group is contingently liable	The Group is a party to various taxation matters in respect of which appeals are pending. These are being contested by the Group and not provided for. Further the Group has made commitments to subscribe to shares in the normal course of business.

d) The contingent liabilities mentioned above are dependent upon the outcome of court/arbitration/out of court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

e) Movement of provisions against contingent liabilities:

	Current Year	Previous Year
a) Opening Balance	**303.95**	**238.34**
b) Addition during the year	215.30	108.14
c) Draw down during the year	25.99	42.53
d) Closing balance	**493.26**	**303.95**

4. **Pending Wage Agreement:** The Eighth Bipartite Settlement entered into by the Indian Banks' Association on behalf of the member Banks with the All India Unions of Workmen expired on 31st October 2007. The New Agreement has been executed on 27th April, 2010 to be effective from 1st November, 2007 for workers as well as for officers. Pending receipt of detailed Circular from IBA regarding revisions after due approval from the Central Government and detailed computations to be carried out by the Bank, a provision of Rs.3076.29 Crore has been made during the year (Rs. 2,372.54 Crore up to 31.03.2009). The total provision held on account of wage revision as on 31st March, 2010 is Rs. 5,448.83 Crore.

5. **Agricultural Debt Waiver and Debt Relief Scheme 2008**

   As per the Agricultural Debt Waiver and Debt Relief Scheme 2008, the amount receivable from the Central Government on account of debt waiver being Rs. 5,963.44 Crore (net of receipt) and on account of debt relief being Rs. 1,537.04 Crore (net of receipt) are treated as part of advances in accordance with the scheme read with Circular issued by RBI.

6. In accordance with RBI circular DBOD NO.BP.BC.42/21.01.02/2007-08 redeemable preference shares are treated as liabilities and the coupon payable thereon is treated as interest.

7. Additional statutory information disclosed in separate financial statements of the parent and the subsidiaries having no bearing on the true and fair view of the consolidated financial statements and also the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements in view of the general clarifications issued by ICAI.

8. Previous year's figures have been regrouped and reclassified, wherever necessary and determinable, to make them comparable with current year's figures. In cases where disclosures have been made for first time in terms of RBI guidelines/Accounting Standards, previous year figures have not been mentioned.

PRINCIPAL ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (CONSOLIDATED) FOR THE YEAR ENDED 31ST MARCH 2009

SCHEDULE 17

PRINCIPAL ACCOUNTING POLICIES:

A. BASIS OF PREPARATION:

The accompanying financial statements have been prepared under the historical cost convention as modified for derivatives and foreign currency transactions, as enumerated in Part C below. They conform to Generally Accepted Accounting Principles (GAAP) in India, which comprise of statutory provisions, guidelines of regulatory authorities, Reserve Bank of India (RBI), Insurance Regulatory and Development Authority, Companies Act, 1956, Accounting Standards (AS)/guidance notes issued by the Institute of Chartered Accountants of India (ICAI), and the prevalent accounting practices in India.

USE OF ESTIMATES

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

B. BASIS OF CONSOLIDATION:

Consolidated financial statements of the Group ***(comprising of 29 subsidiaries, 2 Joint Ventures and 28 Associates)*** have been prepared on the basis of:

a. Audited accounts of State Bank of India (Parent).

b. Line by line aggregation of each item of asset/liability/income/expense of the subsidiaries with the respective item of the Parent, and after eliminating all material intra-group balances/transactions, unrealised profit/loss, and making necessary adjustments wherever required for non-uniform accounting policies as per Accounting Standard 21 issued by the Institute of Chartered Accountants of India (ICAI).

c. Consolidation of Joint Ventures — 'Proportionate Consolidation' as per AS 27 of ICAI.

d. Accounting for investment in 'Associates' under the 'Equity Method' as per the AS 23 of ICAI.

The difference between cost to the group of its investment in the subsidiary entities and the group's portion of the equity of the subsidiaries is recognised in the financial statements as goodwill / capital reserve.

Minority interest in the net assets of the consolidated subsidiaries consists of:

a. The amount of equity attributable to the minority at the date on which investment in a subsidiary is made, and

b. The minority share of movements in revenue reserves/loss (equity) since the date the parent-subsidiary relationship came into existence.

C. PRINCIPAL ACCOUNTING POLICIES

1. Revenue recognition

1.1 Income and expenditure are accounted on accrual basis, except otherwise stated below. In respect of foreign entities, income is recognised as per the local laws of the country in which the respective foreign entities are located.

1.2 Interest income is recognised in the Profit and Loss Account as it accrues except (i) income from non-performing assets (NPAs), comprising of advances, leases and investments, which is recognised upon realisation, as per the prudential norms prescribed by the RBI/ respective country regulators (hereafter collectively referred to as Regulatory Authorities), (ii) interest on application money on investments (iii) overdue interest on investments and bills discounted, (iv) Income on Rupee Derivatives designated as "Trading".

1.3 Profit / Loss on sale of investments is credited / debited to "Profit / Loss on Sale of Investments" and thereafter in respect of profit on sale of investments in the Held to Maturity category is appropriated (net of applicable taxes) to Capital Reserve.

1.4 Income from finance leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease, over the primary lease period. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of finance leases. The principal amount is utilized for reduction in balance of net investment in lease and finance income is reported as interest income.

1.5 Income (other than interest) on investments in "Held to Maturity" (HTM) category acquired at a discount to the face value, is recognised as follows:

i. On Interest bearing securities, it is recognised only at the time of sale/ redemption.

ii. On zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

1.6 Dividend is accounted on an accrual basis where the right to receive the dividend is established.

1.7 All other commission and fee incomes are recognised on their realisation except for (i) Guarantee commission on deferred payment guarantees, which is spread over the period of the guarantee and (ii) Commission on Government Business, which is recognised as it accrues.

1.8 Non-banking entities

Merchant Banking:

a. Issue management and advisory fees are recognised as per the terms of agreement with the client.

b. Fees for private placement are recognised on completion of assignment.

c. Underwriting commission relating to public issues is accounted for on finalisation of allotment of the public issue.

d. Brokerage income relating to public issues/mutual fund/other securities is accounted for based on mobilisation and intimation received from clients/intermediaries.

e. Brokerage income in relation to stock broking activity is recognized on the trade date of transactions and includes stamp duty and transaction charges.

Asset Management:

a. Management fee is recognised at specific rates agreed with the relevant schemes, applied on the average daily net assets of each scheme (excluding inter-scheme investments, where applicable, and investments made by the company in the respective scheme) and are in conformity with the limits specified under SEBI (Mutual Funds) Regulations, 1996.

b. Portfolio Advisory Service income is recognised on accrual basis as per the terms of the contract.

c. Recovery from guaranteed schemes of deficit earlier recognised as expense is recognised as income in the year of receipt.

d. Scheme Expenses: Expenses of schemes in excess of the stipulated rates are charged to the Profit and Loss Account.

e. Recovery, if any, on realisation of devolved investments of schemes acquired by the company in terms of right of subrogation is accounted on the basis of receipts.

Credit Card Operations:

a. Joining membership fee and first annual fee have been recognised over a period of one year as they more closely reflects the period to which the fee relate to.

b. Interchange income is recognised on accrual basis.

c. All other service fees are recorded at the time of occurrence of the respective transaction.

Factoring:

Factoring service charges are accounted on accrual basis except in the case of non-performing assets, where income is accounted on realisation. Processing charges are accrued upon acceptance of sanction of the factoring /financing limits by the Company.

Life Insurance:

a. Premium (net of service tax) is recognized as income when due from policyholders. Uncollected premium from lapsed policies is not recognised as income until such policies are revived. In respect of linked business, premium income is recognised when the associated units are allotted.

b. Premium ceded on reinsurance is accounted in accordance with the terms of the treaty or in-principle arrangement with the Re-Insurer.

c. Claims by death are accounted when intimated. Intimations upto the end of the year are considered for accounting of such claims. Claims by maturity are accounted on the policy maturity date. Annuity benefits are accounted when due. Surrenders are accounted as and when notified. Claims cost consist of the policy benefit amounts and claims settlement costs, where applicable. Amounts recoverable from re-insurers are accounted for in the same period as the related claims and are reduced from claims.

d. Acquisition costs such as commission; medical fees etc. are costs that are primarily related to the acquisition of new and renewal insurance contracts and are expensed as and when incurred.

e. Liability for life policies: The actuarial liability of all the life insurance policies has been calculated by the appointed actuary as per the guidelines prescribed by the Institute of Actuaries of India.

Pension Fund Operation:

a. Management fees is recognized at specified rates agreed with the relevant schemes calculated as per the Investment Management Agreement (IMA) entered into between the Company and NPS Trustees, on accrual basis. Revenue excludes Service Tax, wherever recovered.

b. Profit/loss on sale of investments is recognized on trade date basis.

Mutual Fund Trustee Operation:

Trusteeship fees / management fees are recognised on an accrual basis in accordance with the respective terms of contract between the Companies.

2. Investments

Investments are accounted for in accordance with the extant regulatory guidelines. The bank follows trade date method for accounting of its investments.

2.1 Classification

Investments are classified into 3 categories, viz. Held to Maturity, Available for Sale and Held for Trading categories (hereafter called categories). Under each of these categories, investments are further classified into the following six groups:

i. Government Securities,

ii. Other Approved Securities,

iii. Shares,

iv. Debentures and Bonds,

v. Subsidiaries/Joint ventures and

vi. Others.

2.2 Basis of classification:

i. Investments that the Bank intends to hold till maturity are classified as Held to Maturity.

ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as Held for Trading.

iii. Investments, which are not classified in the above two categories, are classified as Available for Sale.

iv. An investment is classified as Held to Maturity, Available for Sale or Held for Trading at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

2.3 Valuation:

i. In determining the acquisition cost of an investment:

a. Brokerage/commission/securities transaction tax received on subscriptions is reduced from the cost.

b. Brokerage, commission etc. paid in connection with acquisition of investments are expensed upfront and excluded from cost.

c. Broken period interest paid / received on debt instruments is treated as revenue item.

d. Cost is determined on the weighted average cost method.

e. The transfer of a security amongst the above three categories is accounted for at the least of acquisition cost/book value/market value on the date of transfer, and the depreciation, if any, on such transfer is fully provided for.

ii. Treasury Bills and Commercial Papers are valued at carrying cost.

iii. **Held to Maturity category:** Each scrip under Held to Maturity category is carried at its acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium on acquisition is amortised over the remaining maturity period of the security on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments". A provision is made for diminution, other than temporary. Investments in Regional Rural Banks (RRBs) are valued at equity cost determined in accordance with Accounting Standard 23.

iv. **Available for Sale and Held for Trading categories:** Each scrip in the above two categories is revalued at the market price or fair value determined as per Regulatory guidelines, and only the net depreciation of each group for each category is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual securities remains unchanged after marking to market.

v. Security receipts issued by an asset reconstruction company (ARC) are valued in accordance with the guidelines applicable to Non-SLR instruments. Accordingly, in cases where the security receipts issued by the ARC are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Net Asset Value, obtained from the ARC, is reckoned for valuation of such investments.

vi. Investments are classified as performing and non-performing, based on the guidelines issued by the RBI in case of domestic offices and respective regulators in case of foreign entities. Investments of domestic offices become non performing where:

a. Interest/instalment (including maturity proceeds) is due and remains unpaid for more than 90 days.

b. In the case of equity shares, in the event the investment in the shares of any company is valued at Re. 1 per company on account of the non availability of the latest balance sheet, those equity shares would be reckoned as NPI.

c. If any credit facility availed by the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer would also be treated as NPI and vice versa.

d. The above would apply mutatis-mutandis to preference shares where the fixed dividend is not paid.

e. The investments in debentures/bonds, which are deemed to be in the nature of advance, are also subjected to NPI norms as applicable to investments.

f. In respect of foreign entities, provisions for non performing investments are made as per the local regulations or as per the norms of RBI, whichever is higher.

vii. The Bank has adopted the Uniform Accounting Procedure prescribed by the RBI for accounting of Repo and Reverse Repo transactions [other than transactions under the Liquidity Adjustment Facility (LAF) with the RBI]. Accordingly, the securities sold/purchased under Repo/Reverse repo are treated as outright sales/purchases and accounted for in the Repo/Reverse Repo Accounts, and the entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo/Reverse Repo Account is adjusted against the balance in the Investment Account.

viii. Securities purchased / sold under LAF with RBI are debited / credited to Investment Account and reversed on maturity of the transaction. Interest expended / earned thereon is accounted for as expenditure / revenue.

3. Loans /Advances and Provisions thereon

3.1 Loans and Advances are classified as performing and non-performing, based on the guidelines issued by the RBI. Loan assets become non-performing where:

i. In respect of term loan, interest and/or instalment of principal remains overdue for a period of more than 90 days;

ii. In respect of an Overdraft or Cash Credit advance, the account remains “out of order”, i.e. if the outstanding balance exceeds the sanctioned limit/drawing power continuously for a period of 90 days, or if there are no credits continuously for 90 days as on the date of balance-sheet, or if the credits are not adequate to cover the interest due during the same period;

iii. In respect of bills purchased/discounted, the bill remains overdue for a period of more than 90 days;

iv. In respect of agricultural advances for short duration crops, where the instalment of principal or interest remains overdue for 2 crop seasons;

v. In respect of agricultural advances for long duration crops, where the principal or interest remains overdue for one crop season.

3.2 Non-Performing advances are classified into sub-standard, doubtful and loss assets, based on the following criteria stipulated by RBI:

i. Sub-standard: A loan asset that has remained non-performing for a period less than or equal to 12 months.

ii. Doubtful: A loan asset that has remained in the sub-standard category for a period of 12 months.

iii. Loss: A loan asset where loss has been identified but the amount has not been fully written off.

3.3 Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below by the RBI:

Substandard Assets:	i.	A general provision of 10%
	ii.	Additional provision of 10% for exposures which are unsecured ab-initio (where realisable value of security is not more than 10 percent ab-initio)
Doubtful Assets:		
— Secured portion:	i.	Upto one year — 20%
	ii.	One to three years — 30%
	iii.	More than three years — 100%
— Unsecured portion:	100%	
Loss Assets:	100%	

3.4 In respect of foreign entities, provisions for non performing advances are made as per the local regulations or as per the norms of RBI, whichever is higher.

3.5 The sale of NPAs is accounted as per guidelines prescribed by the RBI, which requires provisions to be made for any deficit (where sale price is lower than the net book value), while surplus (where sale price is higher than the net book value) is ignored. Net book value is outstanding as reduced by specific provisions held and ECGC claims received.

3.6 Advances are net of specific loan loss provisions, unrealised interest, ECGC claims received and bills rediscounted.

3.7 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by RBI, which requires that the present value of future interest due as per the original loan agreement, compared with the present value of the interest expected to be earned under the restructuring package, be provided in addition to provision for NPAs. The provision for interest sacrifice arising out of the above, is reduced from advances.

3.8 In the case of loan accounts classified as NPAs, an account may be reclassified as a performing account if it conforms to the guidelines prescribed by the regulators.

3.9 Amounts recovered against debts written off in earlier years are recognised as revenue.

3.10 Unrealised Interest recognised in the previous year on advances which have become non-performing during the current year, is provided for.

3.11 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per the extant guidelines prescribed by the RBI. The provisions on standard assets are not reckoned for arriving at net NPAs. These provisions are reflected in Schedule 5 of the balance sheet under the head “Other Liabilities & Provisions — Others.”

4. **Floating Provision**

In accordance with the Reserve Bank of India guidelines, the bank has an approved policy for creation and utilisation of floating provisions separately for advances, investments and general purpose. The quantum of floating provisions to be created would be assessed at the end of each financial year. The floating provisions would be utilised only for contingencies under extra ordinary circumstances specified in the policy with prior permission of Reserve Bank of India.

5. **Provision for Country Exposure for Banking Entities**

In addition to the specific provisions held according to the asset classification status, provisions are held for individual country exposures (other than the home country). Countries are categorised into seven risk categories, namely, insignificant, low, moderate, high, very high, restricted and off-credit, and provisioning made as per extant RBI guidelines. If the country exposure (net) of the bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in schedule 5 of the balance sheet under the "Other liabilities & Provisions — Others".

6. **Derivatives:**

6.1 The Bank enters into derivative contracts, such as foreign currency options, interest rate swaps, currency swaps, and cross currency interest rate swaps and forward rate agreements in order to hedge on-balance sheet/off-balance sheet assets and liabilities or for trading purposes. The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of the underlying assets and accounted in accordance with the principles of hedge accounting.

6.2 All derivative instruments are recognised as assets or liabilities in the balance sheet and measured at marked to market.

6.3 Derivative contracts classified as hedge are recorded on accrual basis. Hedge contracts are not marked to market unless the underlying Assets / Liabilities are also marked to market.

6.4 Except as mentioned above, all other derivative contracts are marked to market as per the generally accepted practices prevalent in the industry. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the profit and loss account in the period of change.

6.5 Option premium paid or received is recorded in profit and loss account at the expiry of the option. The Balance in the premium received on options sold and premium paid on options bought have been considered to arrive at Mark to Market value for forex Over the Counter options.

7. **Fixed Assets and Depreciation**

7.1 Fixed assets are carried at cost less accumulated depreciation.

7.2 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset before it is put to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefits from such assets or their functioning capability.

7.3 The rates of depreciation and method of charging depreciation in respect of domestic operations are as under:

Sr. No.	Description of fixed assets	Method of charging depreciation	Depreciation/ amortisation rate
1	Computers	Straight Line Method	33.33% every year
2	Computer software forming an integral part of hardware	Written Down Value Method	60%
3	Computer Software which does not form an integral part of hardware	Straight Line Method	100%, in the year of acquisition
4	Assets given on financial lease upto 31st March 2001	Straight Line Method	At the rate prescribed under Companies Act 1956
5	Other fixed assets	Written down value method	At the rate prescribed under Income-tax Rules 1962

7.4 In respect of assets acquired for domestic operations during the year, depreciation is charged for half an year in respect of assets used for upto 182 days and for the full year in respect of assets used for more than 182 days, except depreciation on computers and software, which is charged for the full year irrespective of the period for which the asset was put to use.

7.5 Items costing less than Rs. 1,000 each are charged off in the year of purchase.

7.6 In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year.

7.7 In respect of assets given on lease by the Bank on or before 31st March 2001, the value of the assets given on lease is disclosed as Leased Assets under fixed assets, and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalisation Account.

7.8 In respect of fixed assets held at foreign branches/ subsidiaries/associates, depreciation is provided as per the regulations /norms of the respective countries.

8. Leases

The asset classification and provisioning norms applicable to advances, as laid down in Para 3 above, are applied to financial leases also.

9. Impairment of Assets

Fixed Assets are reviewed for impairment whenever events or changes in circumstances warrant that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

10. Effect of changes in the foreign exchange rate

10.1 Foreign Currency Transactions

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Foreign currency monetary items are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing spot/forward rates.

iii. Foreign currency non-monetary items, which are carried in terms at historical cost, are reported using the exchange rate at the date of the transaction.

iv. Contingent liabilities denominated in foreign currency are reported using the FEDAI closing spot rates.

v. Outstanding foreign exchange spot and forward contracts held for trading are revalued at the exchange rates notified by FEDAI for specified maturities, and the resulting profit or loss is included in the Profit and Loss account.

vi. Foreign exchange forward contracts which are not intended for trading and are outstanding at the balance sheet date, are valued at the closing spot rate. The premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

vii. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

viii. Gains / Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains / losses are recognised in the profit and loss account.

10.2 Foreign Operations

Foreign entities of the Bank and Offshore Banking Units have been classified as Non-integral Operations and Representative Offices have been classified as Integral Operations.

a. Non-integral Operations:

i. Both monetary and non-monetary foreign currency assets and liabilities including contingent liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date.

ii. Income and expenditure of non-integral foreign operations are translated at quarterly average closing rates.

iii. Exchange differences arising on net investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the net investment.

iv. The Assets and Liabilities of foreign offices/subsidiaries /joint ventures in foreign currency (other than local currency of the foreign offices/subsidiaries/joint ventures) are translated into local currency using spot rates applicable to that country.

b. Integral Operations:

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Monetary foreign currency assets and liabilities of integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss is included in the profit and loss account.

iii. Foreign currency non-monetary items which are carried in terms of historical cost are reported using the exchange rate at the date of the transaction.

11. Employee Benefits

11.1 Short Term Employee Benefits:

The undiscounted amount of short-term employee benefits, such as medical benefits, casual leave etc. which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

11.2 Post Employment Benefits:

i. Defined Benefit Plan

a. The group entities operate separate Provident Fund schemes. All eligible employees are entitled to receive benefits under the Provident Fund scheme. The group entities contribute monthly at a determined rate. These contributions are remitted to a trust established for this purpose and are charged to Profit and Loss Account. The group entities are liable for annual contributions and interests, which is payable at minimum specified rate of interest. The entities recognise such annual contributions and interest as an expense in the year to which they relate.

b. The group entities operate separate gratuity and pension schemes, which are defined benefit plans.

c. The group entities provide for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement, on death while in employment, or on termination of employment, for an amount equivalent to 15 days basic salary payable for each completed year of service, subject to a ceiling in terms of service rules. Vesting occurs upon completion of five years of service. The Bank makes annual contributions to a fund administered by trustees based on an independent external actuarial valuation carried out annually.

d. Some group entities provide for pension to all eligible employees. The benefit is in the form of monthly payments as per rules and regular payments to vested employees on retirement, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The entities make annual contributions to funds administered by trustees based on an independent external actuarial valuation carried out annually.

e. The cost of providing defined benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains/losses are immediately recognised in the statement of profit and loss and are not deferred.

ii. **Other Long Term Employee benefits:**

a. All eligible employees of the group are eligible for compensated absences, silver jubilee award, leave travel concession, retirement award and resettlement allowance. The costs of such long term employee benefits are internally funded by the Bank.

b. The cost of providing other long term benefits is determined using the projected unit credit method with actuarial valuations being carried out at each balance sheet date. Past service cost is immediately recognised in the statement of profit and loss and is not deferred.

12. Provision for Taxation

12.1 Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax charge. Current year taxes are determined in accordance with the provisions of Accounting Standard 22 and tax laws prevailing in India after taking into account taxes of foreign subsidiaries, which are based on the tax laws of respective jurisdiction. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

12.2 Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis, and carry forward losses. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

12.3 Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future profits.

12.4 Income tax expenses are the aggregate of the amounts of tax expense appearing in the separate financial statements of the parent and its subsidiaries/joint ventures, as per their applicable laws.

13. Earning per Share

13.1 The Bank reports basic and diluted earnings per share in accordance with AS 20 -'Earnings per Share' issued by the ICAI. Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

13.2 Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

14. Accounting for Provisions, Contingent Liabilities and Contingent Assets

14.1 In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the provision is recognised only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

14.2 No provision is recognised for

i. any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

ii. any present obligation that arises from past events but is not recognised because

a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

b. a reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

14.3 Contingent Assets are not recognised in the financial statements as this may result in the recognition of income that may never be realised.

15. Cash and cash equivalents

Cash and cash equivalents include cash on hand and in ATM's, and gold in hand, balances with RBI, balances with other banks, and money at call and short notice.

16. Employee Share Purchase Scheme

In accordance with the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI"), the excess of market price one day prior to the date of issue of the shares over the price at which they are issued is recognised as employee compensation cost.

17. Share Issue Expenses

Share issue expenses are charged to the Share Premium Account.

SCHEDULE 18

NOTES ON ACCOUNTS

(Amount in Rupees in crores)

1. List of Subsidiaries/Joint Ventures/Associates considered for preparation of consolidated financial statements:

1.1 The 29 Subsidiaries, 2 Joint Ventures and 28 Associates (which along with State Bank of India, the parent, constitute the Group), considered in the preparation of the consolidated financial statements are -

A) Subsidiaries

Sr. No	Name of the Subsidiary	Country of Incorporation	Group's Stake (%)
1)	State Bank of Bikaner & Jaipur	India	75.07
2)	State Bank of Hyderabad	India	100.00
3)	State Bank of Indore	India	98.05
4)	State Bank of Mysore	India	92.33
5)	State Bank of Patiala	India	100.00
6)	State Bank of Saurashtra (upto 13.08.08)	India	100.00
7)	State Bank of Travancore	India	75.01
8)	SBI Commercial & International Bank Ltd	India	100.00
9)	SBI Capital Markets Ltd	India	86.16
10)	SBICAP Securities Ltd	India	86.16
11)	SBICAP Trustee Company Ltd	India	86.16
12)	SBICAPS Ventures Ltd	India	86.16
13)	SBI DFHI Ltd	India	65.95
14)	SBI Factors & Commercial Services Pvt Ltd	India	69.88
15)	SBI Mutual Fund Trustee Company Pvt Ltd	India	100.00
16)	Global Trade Finance Ltd	India	92.85
17)	SBI Pension Funds Pvt Ltd	India	96.85
18)	SBI Custodial Services Pvt Ltd	India	100.00
19)	SBI General Insurance Co. Ltd	India	100.00
20)	State Bank of India (Canada)	Canada	100.00
21)	State Bank of India (California)	USA	100.00
22)	SBI (Mauritius) Ltd	Mauritius	93.40
23)	PT Bank Indomonex	Indonesia	76.00
24)	SBICAP (UK) Ltd	U.K.	86.16
25)	SBI Cards and Payment Services Pvt Ltd @	India	60.00
26)	SBI Funds Management Pvt Ltd@	India	63.00
27)	SBI Life Insurance Company Ltd@	India	74.00
28)	Commercial Bank of India Llc @	Russia	60.00
29)	SBI Funds Management (International) Private Ltd @	Mauritius	63.00

@ These entities are jointly controlled.

B) Joint Ventures

Sr. No	Name of the Joint Venture	Country of Incorporation	Group's Stake (%)
1)	C Edge Technologies Ltd	India	49.00
2)	GE Capital Business Process Management Services Pvt Ltd	India	40.00

C) Associates:

Sr. No	Name of the Associate	Country of Incorporation	Group's Stake (%)
1)	Andhra Pradesh Grameena Vikas Bank	India	35.00
2)	Arunachal Pradesh Rural Bank	India	35.00
3)	Chhatisgarh Gramin Bank	India	35.00
4)	Ellaquai Dehati Bank	India	35.00
5)	Meghalaya Rural Bank	India	35.00
6)	Krishna Grameena Bank	India	35.00
7)	Langpi Dehangi Rural Bank	India	35.00
8)	Madhya Bharat Gramin Bank	India	35.00
9)	Mizoram Rural Bank	India	35.00
10)	Nagaland Rural Bank	India	35.00
11)	Parvatiya Gramin Bank	India	35.00
12)	Purvanchal Kshetriya Gramin Bank	India	35.00
13)	Samastipur Kshetriya Gramin Bank	India	35.00
14)	Utkal Gramya Bank	India	35.00
15)	Uttaranchal Gramin Bank	India	35.00
16)	Vananchal Gramin Bank	India	35.00
17)	Marwar Ganganagar Bikaner Gramin Bank	India	26.27
18)	Vidisha Bhopal Kshetriya Gramin Bank	India	34.32
19)	Deccan Grameena Bank	India	35.00
20)	Cauvery Kalpatharu Grameena Bank	India	32.32
21)	Malwa Gramin Bank	India	35.00
22)	Saurashtra Grameena Bank	India	35.00
23)	The Clearing Corporation of India Ltd	India	28.97
24)	SBI Home Finance Ltd	India	25.05
25)	UTI Asset Management Company Pvt Ltd	India	25.00
26)	Bank of Bhutan	Bhutan	20.00
27)	Nepal SBI Bank Ltd	Nepal	50.00
28)	S.S. Ventures Services Ltd	India	43.08

1.2 The following changes have taken place in the consolidation process as compared to 2007-08.

a. The Government of India has notified the acquisition of State Bank of Saurashtra (SBS), a wholly owned banking subsidiary of SBI, with effect from 14th August 2008. Pursuant to the said notification, the entire undertaking of the erstwhile SBS stands acquired by SBI. The acquisition of SBS has been accounted using "Pooling of Interest method" as per Accounting Standard 14. The goodwill arising on acquisition amounting to Rs. 0.65 crores has been charged off to the revenue during the period.

b. SBI's subsidiary, Indian Ocean International Bank (IOIB) amalgamated with SBI International (Mauritius) Ltd, another subsidiary of SBI and the amalgamated entity's name has been changed to SBI (Mauritius)

Ltd. and converted as a Public Limited Company from its erstwhile status as a Private Limited Company. The Scheme of Merger has been sanctioned by Bank of Mauritius from 1st April 2008, being the appointed date. Consequently, the SBI's stake in SBI (Mauritius) Limited has reduced from a 98% holding (pre-merger) to 93.40% holding (post-merger).

c. SBI has established a wholly owned subsidiary, SBI Custodial Services Pvt. Ltd. on 16th May 2008 and the capital of the company as on 31.03.09 is Rs. 13.76 crores. A joint venture agreement has been entered with Societe Generale, France, with the bank having 65% stake. RBI has approved the said joint venture and SBI is awaiting approval from SEBI. The authorised capital of this joint venture is envisaged at Rs. 100 crores.

d. SBI Pension Funds Pvt. Ltd. has commenced operations on 2nd April 2008. During the year, SBI has divested 10% equity stake in SBI Pension Fund Pvt. Ltd at cost in favour of its subsidiaries viz. SBI Life Insurance Company Limited and SBI Funds Management (Pvt.) Ltd. As a result of this divestment, the bank's total equity stake (including indirect stake) has come down to 96.85%.

e. SBI has incorporated SBI General Insurance Company Ltd. on 24th February 2009 with an authorised share capital of Rs. 20 crores for providing general insurance subject to regulatory approvals. SBI has signed a Joint Venture agreement with Insurance Australia Group (IAG) for conducting the General Insurance Business. SBI will hold 74% equity in the JV, while IAG will hold 26% equity.

f. Pursuant to a Scheme of Amalgamation approved by the Central Board at its meeting held on 25th June 2008, SBI Commercial and International Bank Ltd., a wholly owned subsidiary of SBI is proposed to be merged with SBI. The relevant scheme is yet to be approved by the Government of India, RBI and other authorities. Pending such approvals no effect has been given to the said scheme in the accounts.

g. The winding up petition of SBI Home Finance Ltd., an associate of the bank, was filed with the Kolkata High Court on 23rd September 2008. The Hon'ble Court has passed an order on 31st March 2009 giving direction for winding up of the company.

h. SBI has signed a joint venture with Macquarie Capital Group, Australia and IFC, Washington for setting up an Infrastructure fund of USD 3 billion for investing in various infrastructure projects in India for which RBI and Government approval have been received.

i. SBI has signed an MOU during the year with State General Reserve Fund (SGRF) of Oman, a Sovereign Fund of that country with an objective to set up a general fund to invest in various sectors in India. While the RBI approval has been received, the Government of India approval is awaited.

j. The Boards of SBI and SBI Capital Markets Ltd. (SBICAP) have approved takeover of SBICAP Securities Limited (SSL) by SBI as its subsidiary from SSL's holding company - SBICAP, subject to necessary regulatory approval.

1.3 Two of the associates - Bank of Bhutan (Gregorian Calendar Year) and Nepal SBI Bank Ltd (Hindu Calendar Year) follow accounting years different from that of the parent. Accordingly, the financial statements of these associates are made as of 31st December 2008 and 15th July 2008 respectively.

2. Share Capital:

2.1 The parent has kept in abeyance the allotment of 88,278 Equity Shares of Rs.10/- each issued as part of Rights Issue last year, since they are subject matter of title disputes or are subjudice.

2.2 During the year, the parent has issued 34,09,846 equity shares of Rs. 10/- each for cash at a premium of Rs. 1580/- per equity share i.e. at Rs. 1590/- per equity share aggregating to Rs. 542.17 crores to its employees under SBI Employees Share Purchase Scheme - 2008 (SBI ESPS - 2008). The issue of equity shares under SBI ESPS-2008 has been accounted in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) guidelines 1999. Accordingly, an amount of Rs 21.41 crores has been charged as employee expenses and transferred to Share Premium Account.

2.3 The Government of India had, during the year ended 31.03.08, subscribed to 6,28,68,000 Equity Shares of Rs.10/- each at a premium of Rs.1580/- per share as part of Rights Offer of the bank. The Government of India has discharged the total consideration of Rs.9996.01 crores by issue of "8.35% SBI Rights Issue GOI Special Bonds 2024". Certain restrictions have been placed by the Government on the sale of these bonds.

2.4 Expenses in relation to the issue of Equity Shares under the Employees Share Purchase Scheme 2008 amounting to Rs.1.21 crores is debited to Share Premium Account.

3. Disclosures as per Accounting Standards:

3.1 Change in Accounting Policy:

SBI has been making annual contribution to the pension fund administered by trustees based on an independent actuarial valuation carried out at the year end. SBI has decided to make its contribution to the Pension Fund at 10% of the basic salary in term of SBI Pension Fund Rules. The balance amount as per actuarial liability is fully provided for and kept in a special provision account for settlement to pensioners.

Consequent to this change the profit after tax has gone up by Rs.296 crores after considering the deferred tax assets of Rs. 508 crores.

3.2. Employee Benefits:

3.2.1 Defined Benefit Plans

The following table sets out the status of the defined benefit Pension Plan and Gratuity Plan as required under AS 15 (Revised 2005):

Particulars	**Pension Plans**		**Gratuity**	
	CY	**PY**	**CY**	**PY**
Change in the present value of the defined benefit obligation				
Opening defined benefit obligation at 1st April 2008	21,387.50	20,189.82	4,887.04	4,800.07
Current Service Cost	1,135.57	654.17	223.69	195.36
Interest Cost	1,684.31	1,637.57	380.67	387.15
Actuarial losses (gains)	1,073.85	149.72	(138.88)	(99.27)
Benefits paid	(1,272.52)	(1,243.78)	(284.46)	(396.27)
Closing defined benefit obligation at 31st March 2009	24,008.71	21,387.50	5,068.06	4,887.04
Change in Plan Assets				
Opening fair value of plan assets at 1st April 2008	16,666.34	15,263.37	4,739.10	4,599.59
Expected Return on Plan assets	1,232.78	1,223.28	367.64	354.87
Contributions by employer	508.58	1,354.95	41.39	129.82
Benefit Paid	(1,272.52)	(1,243.78)	(284.46)	(396.27)
Actuarial Gains	231.81	68.52	16.69	51.09
Closing fair value of plan assets at 31st March 2009	17,366.99	16,666.34	4,880.36	4,739.10
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of Funded obligation at 31st March 2009	24,008.71	21,387.50	5,068.06	4,887.04
Fair Value of Plan assets at 31st March 2009	17,366.99	16,666.34	4,880.36	4,739.10
Deficit/(Surplus)	6,641.72	4,721.16	187.70	147.94
Unrecognised Past Service Cost	Nil	Nil	Nil	Nil
Net Liability/(Asset)	6,641.72	4,721.16	187.70	147.94

Amount Recognised in the Balance Sheet				
Liabilities	24,008.71	21,387.50	5,068.06	4,887.04
Assets	17,366.99	16,666.34	4,880.36	4,739.10
Net Liability / (Asset) recognised in Balance Sheet	6,641.72	4,721.16	187.70	147.94
Net Cost recognised in the profit and loss account				
Current Service Cost	1,135.57	654.17	223.69	195.36
Interest Cost	1,684.31	1,637.57	380.67	387.15
Expected return on plan assets	(1,232.78)	(1,223.28)	(367.64)	(354.87) Net
actuarial losses (Gain) recognised during the year	842.04	81.20	(155.57)	(150.36)
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	2,429.14	1,149.66	81.15	77.28

Particulars	Pension Plans		Gratuity	
	CY	PY	CY	PY
Reconciliation of expected return and actual return on Plan Assets				
Expected Return on Plan Assets	1,232.78	1,223.28	367.64	354.87
Actuarial Gain/ (loss) on Plan Assets	231.81	68.52	16.69	51.09
Actual Return on Plan Assets	1,464.59	1,291.80	384.33	405.96
Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet				
Opening Net Liability as at 1st April 2008	4,721.16	4,926.45	147.94	200.48
Expenses as recognised in profit and loss account	2,429.14	1,149.66	81.15	77.28
Employers Contribution	508.58	1,354.95	41.39	129.82
Net liability/(Asset) recognised in Balance Sheet	6,641.72	4,721.16	187.70	147.94

The Group expects to contribute Rs. 1085 crores (Previous Year Rs. 822 crores) and Rs. 130 crores (Previous Year Rs. 113 crores) to its defined benefit Pension Plan and Gratuity Plan respectively during the next financial year.

Investments under Plan Assets of Gratuity Fund & Pension Fund as on 31st March 2009 are as follows:

Category of Assets	Pension Fund % of Plan Assets	Gratuity Fund % of Plan Assets
Central Govt. Securities	5.79	31.33
State Govt. Securities	3.15	20.67
Public Sector Bonds	5.18	33.37
FDR / TDR with Bank	3.79	3.64
Bank Deposits	80.72	6.34
Others	1.37	4.65
Total	**100.00**	**100.00**

Out of the above investments following are held with the group;

Category of Assets	Pension Fund % of Plan Assets	Gratuity Fund % of Plan Assets
FDR / TDR with Bank & Bank Deposits	81.45%	6.45%

Principal actuarial assumptions;

	Pension and Gratuity Plans	
Particulars	**Current year**	**Previous year**
Discount Rate	7.25% to 7.75%	7.75% to 8%
Expected Rate of return on Plan Asset	7.50% to 8%	7.50% to 8%
Salary Escalation	5% to 13%	4% to 13%

The estimates of future salary growth, factored in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Such estimates are very long term and are not based on limited past experience / immediate future. Empirical evidence also suggests that in very long term, consistent high salary growth rates are not possible. The auditors have relied upon the representation made by the Bank in this behalf.

3.2.2 Employees Provident Fund

In terms of the guidance on implementing the AS-15 (Revised 2005) issued by the Institute of the Chartered Accountants of India, the Employees Provident Fund set up by the Bank is treated as a defined benefit plan since the Bank has to meet the specified minimum rate of return. As at the year end, no shortfall remains unprovided for. Accordingly, other related disclosures in respect of Provident Fund have not been made and an amount of Rs.394.59 crores (Previous Year Rs.546.01 crores) is recognised as an expense towards the Provident Fund scheme of the group included under the head “Payments to and provisions for employees” in Profit and Loss Account.

3.2.3 Other Long term Employee Benefits

Amount of Rs. 68.04 crores (Previous Year Rs.205.99 crores) is recognised as an expense towards Long term Employee Benefits included under the head “Payments to and provisions for employees” in Profit and Loss account.

Details of Provisions made for various long Term Employees' Benefits during the year;

Sl. No.	Long Term Employees' Benefits	Current Year	Previous Year
1	Privilege Leave (Encashment) incl. leave encashment at the time of retirement	35.21	133.25
2	Leave Travel and Home Travel Concession (Encashment/Availment)	15.52	40.64
3	Sick Leave	(3.80)	23.74
4	Silver Jubilee Award	(4.23)	5.01
5	Resettlement Expenses on Superannuation	4.18	5.28
6	Casual Leave	5.74	(2.02)
7	Retirement Award	15.42	0.09
	Total	**68.04**	**205.99**

3.3 Segment Reporting (As complied by management and relied upon by the auditors)

3.3.1 Segment identification

A) Primary (Business Segment)

The following are the Primary Segments of the Group:

— Treasury

— Corporate / Wholesale Banking

— Retail Banking

— Other Banking Business

The present accounting and information system of the Bank does not support capturing and extraction of the data in respect of the above segments separately. However, based on the present internal organisational and management reporting structure and the nature of their risk and returns, the data on the Primary Segments have been computed as under:

a) **Treasury:** The Treasury Segment includes the entire investment portfolio and trading in foreign exchange contracts and derivative contracts. The revenue of the treasury segment primarily consists of fees and gains or losses from trading operations and interest income on the investment portfolio.

b) **Corporate / Wholesale Banking:** The Corporate / Wholesale Banking segment comprises the lending activities of Corporate Accounts Group, Mid Corporate Accounts Group and Stressed Assets Management Group. These include providing loans and transaction services to corporate and institutional clients and further include non treasury operations of foreign offices.

c) **Retail Banking:** The Retail Banking Segment comprises of branches in National Banking Group, which primarily includes personal Banking activities including lending activities to corporate customers having Banking relations with branches in the National Banking Group. This segment also includes agency business and ATM's.

d) **Other Banking business -** Segments not classified under (a) to (c) above are classified under this primary segment. This segment also includes the operations of all the Non-Banking Subsidiaries/ Joint Ventures of the group.

In the case of Banking Subsidiaries who do not have the management reporting structure corresponding to the parent, all the exposures in excess of Rs. 5 crores have been segregated and included in Corporate/Wholesale Banking.

B) Secondary (Geographical Segment):

i) Domestic operations comprise branches and subsidiaries having operations in India.

ii) Foreign operations comprise branches and subsidiaries having operations outside India and offshore banking units having operations in India.

C) Allocation of Expenses, Assets and liabilities

Expenses of parent incurred at Corporate Centre establishments directly attributable either to Corporate / Wholesale and Retail Banking Operations or to Treasury Operations segment, are allocated accordingly. Expenses not directly attributable are allocated on the basis of the ratio of number of employees in each segment/ratio of directly attributable expenses.

3.3.2 The accounting policies adopted for segment reporting are in line with the accounting policies adopted in the parent's financial statements with the following additional features:

1) Pricing of inter-segment transactions between the Non Banking Operations segment and other segments are market led. In respect of transactions between treasury and other banking business, compensation for the use of funds is reckoned based on interest and other costs incurred by the lending segment.

2) Revenue and expenses have been identified to segments based on their relationship to the operating activities of the segment.

3) Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Expenses".

3.3.3 DISCLOSURE UNDER SEGMENT REPORTING PART A: PRIMARY SEGMENTS

	Treasury Operations	**Corporate/ Wholesale Banking**	**Retail Banking**	**Other Banking Operations**	**Elimination**	**TOTAL**
Revenue	22,556.93	35,007.51	52,224.58	7,758.79	-4,462.57	1,13,085.24
Result	3,287.16	7,780.35	10,087.52	343.96	—	21,498.99
Unallocated Income	—	—	—	—	—	7.85
Unallocated Expenses	—	—	—	—	—	3,612.00
Operating Profit (PBT)	—	—	—	—	—	17,894.84
Taxes	—	—	—	—	—	6,721.77
Extraordinary Profit/Loss	—	—	—	—	—	—
Net Profit	—	—	—	—	—	11,173.07
Other Information:	—	—	—	—	—	—
Segment Assets	418,116.72	391,946.01	750,918.91	25,393.18	-289,745.27	12,96,629.55
Unallocated Assets	—	—	—	—	—	8,196.19
Total Assets	—	—	—	—	—	13,04,825.74
Segment Liabilities	211,439.13	375,786.40	868,257.60	21,864.52	-289,745.27	1,187,602.38
Unallocated Liabilities	—	—	—	—	—	44,832.97
Total Liabilities	—	—	—	—	—	12,32,435.35

PART B: SECONDARY SEGMENTS

Particulars	Domestic Operations	Foreign Operations	Total
Revenue	1,07,536.61	5,556.48	1,13,093.09
	(83,566.13)	(6,652.68)	(90,218.81)
Assets	11,85,292.32	1,19,533.42	13,04,825.74
	(9,30,748.23)	(96,521.29)	(10,27,269.52)

i) Income/Expenses are for the whole year. Assets/Liabilities are as at 31st March 2009.

ii) Figures within brackets are for previous year

3.4 Related Party Disclosures: As identified and compiled by the management and relied upon by the auditors

3.4.1 Related Parties to the Group:

A) JOINT VENTURES:

1. GE Capital Business Process Management Services Private Limited.
2. C Edge Technologies Ltd.

B) ASSOCIATES:

i Regional Rural Banks

1. Andhra Pradesh Grameena Vikas Bank
2. Arunachal Pradesh Rural Bank
3. Cauvery Kalpatharu Grameena Bank
4. Chhatisgarh Gramin Bank
5. Deccan Grameena Bank
6. Ellaquai Dehati Bank
7. Meghalaya Rural Bank
8. Krishna Grameena Bank
9. Langpi Dehangi Rural Bank
10. Madhya Bharat Gramin Bank
11. Malwa Gramin Bank
12. Marwar Ganganagar Bikaner Bank
13. Mizoram Rural Bank
14. Nagaland Rural Bank
15. Parvatiya Gramin Bank
16. Purvanchal Kshetriya Gramin Bank
17. Samastipur Kshetriya Gramin Bank
18. Saurashtra Grameena Bank
19. Utkal Gramya Bank
20. Uttaranchal Gramin Bank
21. Vananchal Gramin Bank
22. Vidisha Bhopal Kshetriya Gramin Bank

ii Others

23. SBI Home Finance Limited.
24. The Clearing Corporation of India Ltd
25. Nepal SBI Bank Ltd.

26. Bank of Bhutan
27. UTI Asset Management Company Pvt. Ltd.
28. S. S. Ventures Services Pvt Ltd

C) Key Management Personnel of the Bank:

1. Shri O. P. Bhatt, Chairman
2. Shri S. K. Bhattacharyya, Managing Director
3. Shri R. Sridharan, Managing Director (from 5th December 2008)

3.4.2 Related Parties with whom transactions were entered into during the year:

No disclosure is required in respect of transactions with related parties which are "state controlled enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of banker-customer relationship are not required to be disclosed in respect of Key Management Personnel. Other particulars are:

1. C Edge Technologies Ltd.
2. GE Capital Business Process Management Services Pvt. Ltd.
3. SBI Home Finance Ltd.
4. Bank of Bhutan
5. Nepal SBI Bank Ltd.
6. S. S. Ventures Services Ltd
7. Shri O. P. Bhatt, Chairman
8. Shri S. K. Bhattacharyya, Managing Director
9. Shri R. Sridharan, Managing Director (from 5th December 2008)

3.4.3 Transactions / Balances:

Items	Associates/ Joint Ventures	Key Management Personnel@	Total
Deposit#	92.58 (62.56)	0.69 (—)	93.27 (62.56)
Other Liability#	50.39 (97.75)	0.26 (—)	50.65 (97.75)
Investments#	21.80 (21.75)	— (—)	21.80 (21.75)
Other Assets #	— (0.08)	— (—)	— (0.08)
Interest paid $	2.71 (3.16)	— (—)	2.71 (3.16)
Interest received$	— (—)	— (—)	— (—)
Income earned by way of Dividend $	1.89 (2.94)	— (—)	1.89 (2.94)
Rendering of services $	2.61 (0.07)	— (—)	2.61 (0.07)
Receiving of services $	150.43 (—)	— (—)	150.43 (—)
Management contracts $	— (—)	0.38 (0.54)	0.38 (0.54)

(Figures ipn brackets pertain to previous year)

Balances as at 31st March

$ Transactions for the year

@ Transactions which are not in the nature of banker-customer relationship.

3.5 Leases:

Financial Lease

Assets given on Financial Lease on or after 1st April 2001: The details of financial lease are given below.

	Current Year	Previous Year
Total gross investment in the leases	37.09	43.29
Present value of minimum lease payments receivable		
Less than 1 year	6.48	8.91
1 to 5 years	—	9.67
5 years and above	—	—
Total	6.48	18.58
Present value of unearned finance income	0.28	3.76

Operating Lease

A. Office Premises/Staff Quarters taken on Operating Lease as on 31st March 2009

i.	Minimum Lease Rent Payable*	
a.	Payable not later than 1 year i.e. 2009-10	58.92
b.	Payable later than 1 year and not later than 5 years i.e. 2010-11 to 2013-14	144.78
c.	Payable later than 5 years i.e. after 2013-14 * in respect of Non Cancellable Lease only	35.35
ii.	Amount of lease charges debited to charges account during the year	690.46

iii. The lease agreements provide for an option to the group to renew the lease period at the end of non-cancellable period. There are no exceptional/restrictive covenants in the lease agreements.

B. Premises given on Operating Leases as on 31st March 2009

a.	Payable not later than 1 year i.e. 2009-10	58.92
i.	Minimum Lease Rental Receivable	
a.	Payable not later than 1 year i.e. 2009-10	0.04
b.	Payable later than 1 year and not later than 5 years i.e. 2010-11 to 2013-14	0.04
c.	Payable later than 5 years i.e. after 2013-14	Nil

Particulars	Original Cost	Accumulated Depreciation as on 31.03.2009	Depreciation for the year
Premises given on lease	0.21	0.21	Nil

iii No contingent rents have been recognised in the Profit & Loss Account.

3.6 Earnings Per Share:

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 - "Earnings per Share". "Basic earnings" per share is computed by dividing consolidated net profit after tax by the weighted average number of equity shares outstanding during the year.

Particulars	Current Year	Previous Year
Basic and diluted		
Weighted average No. of equity shares used in computing basic earning per share	63,44,13,120	53,14,45,447
Add: Potential number of equity shares that could arise on account of ESPS scheme	—	5,09,911
Weighted average number of shares used in computing diluted earning per share	63,44,13,120	53,19,55,358
Net profit (Other than minority)	10955.29	8960.61
Basic earnings per share (Rs.)	172.68	168.61
Diluted earnings per share (Rs.)	172.68	168.45
Nominal value per share (Rs.)	10.00	10.00

3.7 Accounting for taxes on Income

i) During the year, Rs. 1075.97 crores [Previous Year Rs. 483.03 crores] has been credited to Profit and Loss Account by way of adjustment of deferred tax.

ii) The break up of deferred tax assets and liabilities into major items is given below:

Particulars	As at 31-Mar 2009	As at 31-Mar 2008
Deferred Tax Assets		
Provision for non performing assets	454.78	282.81
Ex-gratia paid under Exit option	100.21	147.83
Wage Revision	769.19	214.92
Provision for Gratuity, Leave, Pension etc	1,214.24	556.73
Others	461.39	751.68
Total	**2,999.81**	**1,953.97**
Deferred Tax Liabilities		
Depreciation on Fixed Assets	119.62	110.43
Interest on securities	595.42	580.96
Others	276.76	484.19
Total	**991.80**	**1,175.58**
Net Deferred Tax Assets/(Liabilities)	**2,008.01**	**778.39**

3.8 Investments in jointly controlled entities:

As required by AS 27, the aggregate amount of the assets, liabilities, income and expenses related to the group's interests in jointly controlled entities are disclosed as under:

Particulars	As at 31-Mar 2009	As at 31-Mar 2008
Liabilities		
Capital & Reserves	70.34	64.41
Deposits	—	—
Borrowings	0.26	0.35
Other Liabilities & Provisions	28.65	27.05
TOTAL	**99.25**	**91.81**

Particulars	As at 31-Mar 2009	As at 31-Mar 2008
Assets		
Cash and balances with Reserve Bank of India	0.01	0.01
Balances with Banks and Money at call and short notice	21.44	2.04
Investments	3.52	2.62
Advances	—	—
Fixed Assets	11.20	16.23
Other Assets	63.08	70.91
TOTAL	**99.25**	**91.81**
Capital Commitments	Nil	Nil
Other Contingent Liabilities	NiL	Nil
Income		
Interest earned	—	5.69
Other income	51.47	61.63
Total	**51.47**	**67.32**
Expenditure		
Interest expended	—	—
Operating expenses	41.31	47.41
Provisions & contingencies	4.23	6.44
Total	**45.54**	**53.85**
Profit	**5.93**	**13.47**

3.9 Impairment of assets:

In the opinion of the Bank's Management, there is no impairment to the assets to which Accounting Standard 28 - "Impairment of Assets" applies.

3.10 Provisions, Contingent Liabilities & Contingent Assets

a) Break up of provisions:

		Current Year	Previous Year
a)	Provision for Income Tax (current tax)	7,598.23	5,128.83
b)	Provision for Income Tax (deferred tax asset)	(1,075.97)	(483.03)
c)	Fringe Benefit Tax	174.64	135.47
d)	Provision for other taxes	24.87	(3.54)
e)	Amount of provision made against NPAs (including write back of provision)	3,616.30	2,804.05
f)	General provision on Standard Assets in the global loan portfolio	304.83	773.21
g)	Depreciation in the value of Investments in India and Outside India	1352.77	153.15
h)	Others (Net of write-backs)	726.17	610.56
	Total	**12,721.84**	**9,118.70**

(Figures in brackets indicate credit)

b) Floating provisions:

		Current Year	Previous Year
a)	**Opening Balance**	**685.04**	**515.95**
b)	Addition during the year	155.60	169.09
c)	Draw down during the year	326.00	0.00
d)	**Closing balance**	**514.64**	**685.04**

c) Description of contingent liabilities and contingent assets:

Sr. No	Items	Brief Description
1,	Claims against the Group not acknowledged as debts	The parent and its constituents are parties to various proceedings in the normal course of business. It does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, results of operations or cash flows.
2.	Liability on account of contracts outstanding forward exchange contracts	The Group enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities, are typically amounts used as a benchmark for the calculation of the interest component of the contracts.
3.	Guarantees given on behalf of constituents, acceptances endorsements and other obligations	As a part of its commercial banking activities, the Group issues documentary credits and guarantees on behalf of its customers. Documentary credits enhance the credit standing of the customers of the Group. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfil its financial or performance obligations.
4.	Other items for which the Group is contingently liable	The Group is a party to various taxation matters in respect of which appeals are pending. These are being contested by the Group and not provided for. Further the Group has made commitments to subscribe to shares in the normal course of business.

d) The contingent liabilities mentioned above are dependent upon the outcome of court/arbitration/out of court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

e) Movement of provisions against contingent liabilities:

		Current Year	Previous Year
a)	**Opening Balance**	**238.34**	**142.19**
b)	Addition during the year	108.14	118.33
c)	Draw down during the year	42.53	22.18
d)	Closing balance	**303.95**	**238.34**

4. **Pending Wage Agreement:** The Eighth Bipartite Settlement entered into by the Indian Banks' Association on behalf of the member Banks with the All India Unions of Workmen expired on 31st October 2007. Pending the execution of a new agreement, a provision of Rs. 1684.10 crores (Previous Year Rs.666.89 crores) has been made during the year in the accounts for the Bank's estimated liability in respect of wage revision to be effective from 1st November 2007. The total provision held on account of wage revision as on 31st March 2009 is Rs. 2372.54 crores (including Rs. 21.55 crores transferred from eSBS).

5. **Agricultural Debt Waiver and Debt Relief Scheme 2008**

   As per the Agricultural Debt Waiver and Debt Relief Scheme 2008, the amount receivable from the Central Government on account of debt waiver is Rs. 7424.37 crores and on account of debt relief is Rs. 947.94 crores, which is treated as part of advances and other assets respectively in accordance with the scheme. For the Debt Waiver, the Government of India has agreed to provide interest on the amount receivable from it from the date of payment of the first instalment and accordingly no provision for loss of interest on present value terms has been made. Further, the instalment of Rs. 2912.61 crores has been received from Government of India. In respect of Debt Relief, the group has made provision of Rs. 248.28 crores towards present value of loss of interest on amount receivable from eligible farmers, which is reversible to General Reserve upon complete settling of the account after receipt of claim from the Government. The figures of debt relief are subject to payment of dues by the farmers.

6. In accordance with RBI circular DBOD NO.BP.BC.42/21.01.02/2007-08 redeemable preference shares are treated as liabilities and the coupon payable thereon is treated as interest.

7. Additional statutory information disclosed in separate financial statements of the parent and the subsidiaries having no bearing on the true and fair view of the consolidated financial statements and also the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements in view of the general clarifications issued by ICAI.

8. Previous year's figures have been regrouped and reclassified, wherever necessary and determinable, to make them comparable with current year's figures. In cases where disclosures have been made for first time in terms of RBI guidelines/Accounting Standards, previous year figures have not been mentioned

In terms of our Review Report of even date

For **R.G.N. Price & Co.,**
Chartered Accountants

(P.M. Veeramani)
Partner
M.No. 023933

Kolkata, 9th May 2009

PRINCIPAL ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (CONSOLIDATED) FOR THE YEAR ENDED 31ST MARCH 2008

SCHEDULE 17 — PRINCIPAL ACCOUNTING POLICIES: 2007-2008

A. BASIS OF PREPARATION:

The accompanying financial statements have been prepared under the historical cost convention as modified for derivatives and foreign currency transactions, as enumerated in Part C below. They conform to Generally Accepted Accounting Principles (GAAP) in India, which comprise the statutory provisions, guidelines of regulatory authorities, Reserve Bank of India (RBI), Insurance Regulatory and Development Authority, Companies Act, 1956, Accounting Standards (AS)/guidance notes issued by the Institute of Chartered Accountants of India (ICAI), and the prevalent practices in India.

USE OF ESTIMATES

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

B. BASIS OF CONSOLIDATION:

Consolidated financial statements of the Group (**comprising of 27 subsidiaries, 2 Joint Ventures and 28 Associates**) have been prepared on the basis of:

a) Audited accounts of State Bank of India (Parent).

b) Line by line aggregation of each item of asset/liability/income/expense of the subsidiaries with the respective item of the Parent, and after eliminating all material intra-group balances/transactions, unrealised profit/loss, and making necessary adjustments wherever required for non-uniform accounting policies as per Accounting Standard 21 issued by The Institute of Chartered Accountants of India (ICAI).

c) Consolidation of Joint Ventures — 'Proportionate Consolidation' as per AS 27 of ICAI.

d) Accounting for investment in 'Associates' under the 'Equity Method' as per the AS 23 of ICAI.

The difference between cost to the group of its investment in the subsidiary entities and the group's portion of the equity of the subsidiaries is recognised in the financial statements as goodwill/capital reserve.

Minority interest in the net assets of the consolidated subsidiaries consists of:

a) The amount of equity attributable to the minority at the date on which investment in a subsidiary is made, and

b) The minority share of movements in revenue reserves/loss (equity) since the date the parent-subsidiary relationship came into existence.

C. PRINCIPAL ACCOUNTING POLICIES

1. Revenue recognition

1.1 Income and expenditure are accounted on accrual basis, except otherwise stated below. In respect of banks' foreign branches/subsidiaries, income is recognised as per the local laws of the country in which the respective foreign branch/subsidiary is located.

1.2 Interest income is recognised in the Profit and Loss Account as it accrues except (i) income from non-performing assets (NPAs), comprising of advances, leases and investments, which is recognised upon realisation, as per the prudential norms prescribed by the RBI/ respective country regulators (hereafter collectively referred to as Regulatory Authorities), (ii) interest on application money on investments (iii) overdue interest on investments and bills discounted, (iv) Income on Rupee Derivatives designated as "Trading".

1.3 Profit / Loss on sale of investments is credited / debited to "Profit / Loss on Sale of Investments" and thereafter in respect of profit on sale of investments in the Held to Maturity category is appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve.

1.4 Income from finance leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease, over the primary lease period. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of finance leases. The principal amount is utilized for reduction in balance of net investment in lease and finance income is reported as interest income.

1.5 Income (other than interest) on investments in "Held to Maturity" (HTM) category acquired at a discount to the face value, is recognised as follows:

i. On Interest bearing securities, it is recognised only at the time of sale/redemption.

ii. On zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

1.6 Dividend is accounted on an accrual basis where the right to receive the dividend is established.

1.7 All other commission and fee incomes are recognised on their realisation except for (i) Guarantee commission on deferred payment guarantees, which is spread over the period of the guarantee and (ii) Commission on Government Business, which is recognised as it accrues.

1.8 Non-banking entities

Merchant Banking:

a) Issue management and advisory fees are recognised as per the terms of agreement with the client.

b) Fees for private placement are recognised on completion of assignment.

c) Underwriting commission relating to public issues is accounted for on finalisation of allotment of the public issue.

d) Brokerage income relating to public issues/mutual fund/other securities is accounted for based on mobilisation and intimation received from clients/ intermediaries.

Asset Management:

a. Management fee is recognised at specific rates agreed with the relevant schemes, applied on the average daily net assets of each scheme (excluding inter-scheme investments, where applicable, and investments made by the company in the respective scheme) and are in conformity with the limits specified under SEBI (Mutual Funds) Regulations, 1996.

b. Portfolio Advisory Service income is recognised on accrual basis as per the terms of the contract.

c. Recovery from guaranteed schemes of deficit earlier recognised as expense is recognised as income in the year of receipt.

d. Scheme Expenses: Expenses of schemes in excess of the stipulated rates are charged to the Profit and Loss Account.

e. Recovery, if any, on realisation of devolved investments of schemes acquired by the company in terms of right of subrogation is accounted on the basis of receipts.

Credit Card Operations:

a. Joining membership fee and first annual fee has been recognised over a period of one year as this more closely reflects the period to which the fee relates to.

b. Interchange income is recognised on accrual basis.

c. All other service fees are recorded at the time of recording the respective transaction.

d. Interest income on dues from credit card holders is recognised on accrual basis except for customers defaulting in payment of minimum amount due for a period exceeding 180 days in respect of which income is recognised in accordance with the prudential norms.

Factoring:

Factoring service charges are accounted on accrual basis except in the case of non-performing assets, where income is accounted on realisation. Processing charges are accrued upon acceptance of sanction of the factoring /financing limits by the Company.

Life Insurance:

a) Life insurance premium (net of service tax) is recognized as income when due from policyholders. Uncollected premium from lapsed policies is not recognised as income until such policies are revived. In respect of linked business, premium income is recognised when the associated units are allotted.

b) Premium ceded on reinsurance is accounted in accordance with the terms of the treaty or in-principle arrangement with the Re-Insurer.

c) Life insurance claims by death are accounted when intimated. Intimations upto the end of the year are considered for accounting of such claims. Claims by maturity are accounted on the policy maturity date. Annuity benefits are accounted when due. Surrenders are accounted as and when notified. Claims cost consist of the policy benefit amounts and claims settlement costs, where applicable. Amounts recoverable from re-insurers are accounted for in the same period as the related claims and are reduced from claims.

d) Acquisition costs such as commission; medical fees etc. are costs that are primarily related to the acquisition of new and renewal insurance contracts and are expensed as and when incurred.

e) Liability for life policies: The actuarial liability of all the life insurance policies has been calculated by the appointed actuary as per the guidelines prescribed by the Institute of Actuaries of India.

2. Investments

Investments are accounted for in accordance with the extant regulatory guidelines. The bank follows trade date method for accounting of its investments.

2.1 Classification

Investments are classified into 3 categories, viz. Held to Maturity, Available for Sale and Held for Trading categories (hereafter called categories). Under each of these categories, investments are further classified into the following six groups:

i. Government Securities,

ii. Other Approved Securities,

iii. Shares,

iv. Debentures and Bonds,

v. Subsidiaries/Joint ventures and

vi. Others.

2.2 Basis of classification:

i. Investments that the Bank intends to hold till maturity are classified as Held to Maturity.

ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as Held for Trading.

iii. Investments, which are not classified in the above two categories, are classified as Available for Sale.

iv. An investment is classified as Held to Maturity, Available for Sale or Held for Trading at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

2.3 Valuation:

i. In determining the acquisition cost of an investment:

(a) Brokerage/commission received on subscriptions is reduced from the cost.

(b) Brokerage, commission etc. paid in connection with acquisition of investments are expensed upfront and excluded from cost.

(c) Broken period interest paid / received on debt instruments is treated as interest expense/income and is excluded from cost/sale consideration.

(d) Cost is determined on the weighted average cost method.

(e) The transfer of a security amongst the above three categories is accounted for at the least of acquisition cost/book value/market value on the date of transfer, and the depreciation, if any, on such transfer is fully provided for.

ii. Treasury Bills and Commercial Papers are valued at **carrying cost**.

iii. **Held to Maturity category**: Each scrip under Held to Maturity category is carried at its acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium on acquisition is amortised over the remaining maturity period of the security on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments". A provision is made for diminution, other than temporary. Investments in Regional Rural Banks (RRBs) are valued at equity cost determined in accordance with Accounting Standard 23.

iv. **Available for Sale and Held for Trading categories:** Each scrip in the above two categories is revalued at the market price or fair value determined as per Regulatory guidelines, and only the net depreciation of each group for each category is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual securities remains unchanged after marking to market.

v. Security receipts issued by an asset reconstruction company (ARC) are valued in accordance with the guidelines applicable to non-SLR instruments. Accordingly, in cases where the security receipts issued by the ARC are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Net Asset Value, obtained from the ARC, is reckoned for valuation of such investments.

vi. Investments are classified as performing and non-performing, based on the guidelines issued by the RBI in case of domestic offices and respective regulators in case of foreign branches/subsidiaries. Investments of domestic offices become non performing where:

a) Interest/instalment (including maturity proceeds) is due and remains unpaid for more than 90 days.

b) In the case of equity shares, in the event the investment in the shares of any company is valued at Re. 1 per company on account of the non availability of the latest balance sheet, those equity shares would be reckoned as NPI.

c) If any credit facility availed by the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer would also be treated as NPI and vice versa.

d) The above would apply mutatis-mutandis to preference shares where the fixed dividend is not paid.

e) The investments in debentures/ bonds, which are deemed to be in the nature of advance, are also subjected to NPI norms as applicable to investments.

f) In respect of foreign branches/subsidiaries, provisions for non performing investments are made as per the local regulations or as per the norms of RBI, whichever is higher.

vii. The Bank has adopted the Uniform Accounting Procedure prescribed by the RBI for accounting of Repo and Reverse Repo transactions [other than transactions under the Liquidity Adjustment Facility (LAF) with the RBI]. Accordingly, the securities sold/purchased under Repo/Reverse repo are treated as outright sales/purchases and accounted for in the Repo/Reverse Repo Accounts, and the entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/ income, as the case may be. Balance in Repo/Reverse Repo Account is adjusted against the balance in the Investment Account.

viii. Securities purchased / sold under LAF with RBI are debited / credited to Investment Account and reversed on maturity of the transaction. Interest expended / earned thereon is accounted for as expenditure / revenue.

3. Loans /Advances and Provisions thereon:

3.1 Loans and Advances are classified as performing and non-performing, based on the guidelines issued by the RBI. Loan assets become non-performing where:

i. In respect of term loan, interest and/or instalment of principal remains overdue for a period of more than 90 days;

ii. In respect of an Overdraft or Cash Credit advance, the account remains "out of order", i.e. if the outstanding balance exceeds the sanctioned limit/drawing power continuously for a period of 90 days, or if there are no credits continuously for 90 days as on the date of balance-sheet, or if the credits are not adequate to cover the interest due during the same period;

iii. In respect of bills purchased/ discounted, the bill remains overdue for a period of more than 90 days;

iv. In respect of agricultural advances for short duration crops, where the instalment of principal or interest remains overdue for 2 crop seasons;

v. In respect of agricultural advances for long duration crops, where the principal or interest remains overdue for one crop season.

3.2 Non-Performing advances are classified into sub-standard, doubtful and loss assets, based on the following criteria stipulated by RBI:

i. Sub-standard: A loan asset that has remained non-performing for a period less than or equal to 12 months.

ii. Doubtful: A loan asset that has remained in the sub-standard category for a period of 12 months.

iii. Loss: A loan asset where loss has been identified but the amount has not been fully written off.

3.3 Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below by the RBI:

Substandard Assets:

i. A general provision of 10%

ii. Additional provision of 10% for exposures which are unsecured ab-initio (where realisable value of security is not more than 10 percent ab-initio)

Doubtful Assets:

Secured portion:

i.	Upto one year	20%
ii.	One to three years	30%
iii.	More than three years	100%
Unsecured portion		100%
Loss Assets:		100%

3.4 In respect of foreign branches/subsidiaries, provisions for non performing advances are made as per the local regulations or as per the norms of RBI, whichever is higher.

3.5 The sale of NPAs is accounted as per guidelines prescribed by the RBI, which requires provisions to be made for any deficit (where sale price is lower than the net book value), while surplus (where sale price is higher than the net book value) is ignored. Net book value is outstanding as reduced by specific provisions held and ECGC claims received.

3.6 Advances are net of specific loan loss provisions, unrealised interest, ECGC claims received and bills rediscounted.

3.7 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by RBI, which requires that the present value of future interest due as per the original loan agreement, compared with the present value of the interest expected to be earned under the restructuring package, be provided in addition to provision for NPAs. The provision for interest sacrifice is not reduced from advances and is included in the balance sheet under the head "Other Liabilities — Others".

3.8 In the case of loan accounts classified as NPAs, an account may be reclassified as a performing account if it conforms to the guidelines prescribed by the regulators.

3.9 Amounts recovered against debts written off in earlier years are recognised as revenue.

3.10 Unrealised Interest recognised in the previous year on advances which have become non-performing during the current year, is provided for.

3.11 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per the extant guidelines prescribed by the RBI. The provisions on standard assets are not reckoned for arriving at net NPAs. These provisions are reflected in Schedule 5 of the balance sheet under the head "Other Liabilities & Provisions — Others."

4. Provision for Country Exposure:

In addition to the specific provisions held according to the asset classification status, provisions are held for individual country exposures (other than the home country). Countries are categorised into seven risk categories, namely, insignificant, low, moderate, high, very high, restricted and off-credit, and provisioning made as per extant RBI guidelines. If the country exposure (net) of the bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures.

5. Derivatives:

5.1 The Bank presently deals in Interest Rate Derivatives viz., Rupee Interest Rate Swaps, Cross Currency Interest Rate Swaps, Forward Rate Agreements and Currency Derivatives viz., Options and Currency Forwards and a mix of these generic instruments for trading and /or to cover deals done on behalf of customers and also to hedge on-balance sheet / off-balance sheet assets and liabilities that meet the criteria of 'hedge-effectiveness' as laid down by regulators.

5.2 Based on RBI guidelines, Derivatives are valued as under:

a. Derivatives used for trading are marked to market and net appreciation / depreciation is recognised in the Profit and Loss Account.

b. Derivatives used for hedging are:

i. Marked to Market in cases where the underlying Asset / Liabilities are marked to market. The resultant gain / loss are recognised in Profit and Loss Account.

ii. Accounted on accrual basis in cases where the underlying Assets / Liabilities are not marked to market.

The net outstanding marked to market position of each type of derivative shown either under Asset or Liability, as the case may be.

5.3 In case of forex OTC options the premium received on options sold and premium paid on options bought are recognised as income/ expenditure.

6. Fixed Assets and Depreciation:

6.1 Fixed assets are carried at cost less accumulated depreciation.

6.2 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset before it is put to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefits from such assets or their functioning capability.

6.3 Depreciation is provided on the written down value method at the rates prescribed under the Income Tax Rules 1962, which are considered appropriate by the management. The rates of depreciation and method of charging depreciation in respect of domestic operations are as under:

Sr. No.	Description of fixed assets	Method of charging depreciation	Depreciation/am ortization rate
1	Computers	Straight Line Method	33.33% every year
2	Computer software forming an integral part of hardware	Written Down Value Method	60%
3	Computer Software which does not form an integral part of hardware	Straight Line Method	100%, in the year of acquisition
4	Assets given on financial lease upto 31st March 2001	Straight Line Method	At the rate prescribed under Companies Act 1956
5	Other fixed assets	Written down value method	At the rate prescribed under Income-tax Rules 1962

6.4 In respect of assets acquired for domestic operations during the year, depreciation is charged for half an year in respect of assets used for upto 182 days and for the full year in respect of assets used for more than 182 days, except depreciation on computers and software, which is charged for the full year irrespective of the period for which the asset was put to use.

6.5 Items costing less than Rs.1,000 each are charged off in the year of purchase.

6.6 In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year.

6.7 In respect of assets given on lease by the Bank on or before 31st March 2001, the value of the assets given on lease is disclosed as Leased Assets under fixed assets, and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalisation Account.

6.8 In respect of fixed assets held at foreign branches/subsidiaries, depreciation is provided as per the regulations /norms of the respective countries.

7. Leases:

7.1 Assets given on financial lease by the Bank on or after 1st April 2001 are accounted as per Accounting Standard 19. Such assets are included under Other Assets.

7.2 The asset classification and provisioning norms applicable to advances, as laid down in Para 3 above, are applied to such financial leases.

8. Impairment of Assets:

Fixed Assets are reviewed for impairment whenever events or changes in circumstances warrant that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

9. Effect of changes in the foreign exchange rate:

9.1 Foreign Currency Transactions:

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Foreign currency monetary items are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing spot rates.

iii. Foreign currency non-monetary items, which are carried in terms at historical cost, are reported using the exchange rate at the date of the transaction.

iv. Contingent liabilities denominated in foreign currency are reported using the FEDAI closing spot rates.

v. Outstanding foreign exchange spot and forward contracts held for trading are revalued at the exchange rates notified by FEDAI for specified maturities, and the resulting profit or loss is included in the Profit or Loss account.

vi. Foreign exchange forward contracts which are not intended for trading and are outstanding at the balance sheet date, are valued at the closing spot rate. The premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

vii. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

9.2 Foreign Operations:

Foreign Branches of the Bank and Offshore Banking Units have been classified as Non-integral Operations and Representative Offices have been classified as Integral Operations.

a. Non-integral Operations:

i. Both monetary and non-monetary foreign currency assets and liabilities including contingent liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date.

ii. Income and expenditure of non-integral foreign operations are translated at quarterly average closing rates.

iii. Exchange differences arising on net investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the net investment.

b. Integral Operations:

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Monetary foreign currency assets and liabilities of integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss is included in the profit and loss account.

iii. Foreign currency non-monetary items which are carried in terms of historical cost are reported using the exchange rate at the date of the transaction.

10. Employee Benefits:

10.1 Short Term Employee Benefits:

The undiscounted amount of short-term employee benefits, such as medical benefits, casual leave etc. which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

10.2 Post Employment Benefits:

i. Defined Benefit Plan:

a. The group entities operate separate Provident Fund schemes. All eligible employees are entitled to receive benefits under the Provident Fund scheme. The group entities contribute monthly at a determined rate. These contributions are remitted to a trust established for this purpose and are charged to Profit and Loss Account. The group entities are liable for annual contributions and interests, which is payable at minimum specified rate of interest. The entities recognise such annual contributions and interest as an expense in the year to which they relate.

b. The group entities operate gratuity and pension schemes, which are defined benefit plans.

c. The group entities provide for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement, on death while in employment, or on termination of employment, for an amount equivalent to 15 days basic salary payable for each completed year of service, subject to a ceiling in terms of service rules. Vesting occurs upon completion of five years of service. The Bank makes annual contributions to a fund administered by trustees based on an independent external actuarial valuation carried out annually.

d. Some group entities provide for pension to all eligible employees. The benefit is in the form of monthly payments as per rules and regular payments to vested employees on retirement, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The entities make annual contributions to funds administered by trustees based on an independent external actuarial valuation carried out annually.

e. The cost of providing defined benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains/losses are immediately recognised in the statement of profit and loss and are not deferred.

ii. Other Long Term Employee benefits:

a. All eligible employees of the group are eligible for compensated absences, silver jubilee award, leave travel concession, retirement award and resettlement allowance. The costs of such long term employee benefits are internally funded by the Bank.

b. The cost of providing other long term benefits is determined using the projected unit credit method with actuarial valuations being carried out at each balance sheet date. Past service cost is immediately recognised in the statement of profit and loss and is not deferred.

11. Provision for Taxation:

11.1 Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax charge. Current year taxes are determined in accordance with the provisions of Accounting Standard 22 and tax laws prevailing in India after taking into account taxes of foreign branches/subsidiaries, which are based on the tax laws of respective jurisdiction. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

11.2 Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis, and carry forward losses. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

11.3 Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future profits.

12. Earning per Share:

12.1 The Bank reports basic and diluted earnings per share in accordance with AS 20 — 'Earnings per Share' issued by the ICAI. Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

12.2 Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

13. Accounting for Provisions, Contingent Liabilities and Contingent Assets:

13.1 In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

13.2 No provision is recognised for

i. any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

ii. any present obligation that arises from past events but is not recognised because

a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

b. a reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

13.3 Contingent Assets are not recognised in the financial statements as this may result in the recognition of income that may never be realised.

14. Cash and cash equivalents:

Cash and cash equivalents include cash on hand and in ATM's, and gold in hand, balances with RBI, balances with other banks, and money at call and short notice.

15. **Employee Share Purchase Scheme:**

In accordance with the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI"), the excess of market price one day prior to the date of issue of the shares over the price at which they are issued is recognised as employee compensation cost.

16. **Share Issue Expenses:**

Share issue expenses are charged to the Share Premium Account.

SCHEDULE 18

NOTES ON ACCOUNTS (2007-2008)

(Amount in Rupees in crore)

1. **List of Subsidiaries/Joint Ventures/Associates considered for preparation of consolidated financial statements:**

1.1 The 27 Subsidiaries, 2 Joint Ventures and 28 Associates (which along with State Bank of India, the parent, constitute the Group), considered in the preparation of the consolidated financial statements, are

A) Subsidiaries

Sr. No	Name of the Subsidiary	Country of Incorporation	Group's Stake (%)
1)	State Bank of Bikaner & Jaipur	India	75.07
2)	State Bank of Hyderabad	India	100.00
3)	State Bank of Indore	India	98.05
4)	State Bank of Mysore	India	92.33
5)	State Bank of Patiala	India	100.00
6)	State Bank of Saurashtra	India	100.00
7)	State Bank of Travancore	India	75.01
8)	SBI Commercial & International Bank Ltd	India	100.00
9)	SBI Capital Markets Ltd	India	86.16
10)	SBICAP Securities Ltd	India	86.16
11)	SBICAP Trustee Company Ltd	India	86.16
12)	SBICAPS Ventures Ltd	India	86.16
13)	SBI DFHI Ltd	India	65.95
14)	SBI Factors & Commercial Services Pvt Ltd	India	69.88
15)	SBI Mutual Fund Trustee Company Pvt Ltd	India	100.00
16)	Global Trade Finance Ltd	India	92.03
17)	State Bank of India (Canada)	Canada	100.00
18)	State Bank of India (California)	USA	100.00
19)	SBI International (Mauritius) Ltd	Mauritius	98.00
20)	Indian Ocean International Bank Ltd	Mauritius	62.58
21)	PT Bank Indomonex	Indonesia	76.00
22)	SBICAP (UK) Ltd	U.K.	86.16
23)	SBI Cards and Payment Services Pvt Ltd[@]	India	60.00
24)	SBI Funds Management Pvt Ltd[@]	India	63.00
25)	SBI Life Insurance Company Ltd[@]	India	74.00
26)	Commercial Bank of India Llc[@]	Russia	60.00
27)	SBI Funds Management (International) Private Ltd[@]	Mauritius	63.00

@ *These entities are jointly controlled*

B) Joint Ventures

Sr. No	Name of the Joint Venture	Country of Incorporation	Group's Stake (%)
1)	C Edge Technologies Ltd	India	49.00
2)	GE Capital Business Process Management Services Pvt Ltd	India	40.00

C) Associates:

Sr. No	Name of the Associate	Country of Incorporation	Group's Stake (%)
1)	Andhra Pradesh Grameena Vikas Bank	India	35.00
2)	Arunachal Pradesh Rural Bank	India	35.00
3)	Chhatisgarh Gramin Bank	India	35.00
4)	Ellaquai Dehati Bank	India	35.00
5)	Meghalaya Rural Bank (erstwhile Ka Bank Nongkyndong Ri Khasi Jaintia)	India	35.00
6)	Krishna Grameena Bank	India	35.00
7)	Langpi Dehangi Rural Bank	India	35.00
8)	Madhya Bharat Gramin Bank	India	35.00
9)	Mizoram Rural Bank	India	35.00
10)	Nagaland Rural Bank	India	35.00
11)	Parvatiya Gramin Bank	India	35.00
12)	Purvanchal Kshetriya Gramin Bank	India	35.00
13)	Samastipur Kshetriya Gramin Bank	India	35.00
14)	Utkal Gramya Bank	India	35.00
15)	Uttaranchal Gramin Bank	India	35.00
16)	Vananchal Gramin Bank	India	35.00
17)	Marwar Ganganagar Bikaner Gramin Bank	India	26.27
18)	Vidisha Bhopal Kshetriya Gramin Bank	India	34.32
19)	Deccan Grameena Bank	India	35.00
20)	Cauvery Kalpatharu Grameena Bank	India	32.32
21)	Malwa Gramin Bank	India	35.00
22)	Saurashtra Grameena Bank	India	35.00
23)	Clearing Corporation of India Ltd	India	28.97
24)	SBI Home Finance Ltd	India	25.05
25)	UTI Asset Management Company Pvt Ltd	India	25.00
26)	Bank of Bhutan	Bhutan	20.00
27)	Nepal SBI Bank Ltd	Nepal	50.00
28)	S.S. Ventures Services Ltd	India	43.08

1.2 The following changes have taken place in the consolidation process as compared to 2006-07.

a. SBI has acquired 91.00% equity capital of Global Trade Finance Limited (GTFL), a factoring company incorporated in India, at a cost of Rs.520.56 Crore on 28th March 2008 and has infused fresh equity capital of Rs.75.00 Crore thereby increasing its equity stake by further 1.03% on the same date. Accordingly, the financial statements of GTFL have been consolidated with effect from 28th March 2008. The difference of Rs.357.33 Crore between acquisition cost and the net equity has been recognised as goodwill in accordance with Accounting Standard 21 — Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

b. SBICAPS Ventures Limited, a 100% subsidiary of SBI Capital Markets Limited, a subsidiary of SBI, has floated a 50-50 joint venture, SS Ventures Services Limited on 15th December 2007 for setting up a knowledge sector fund. Since SBI's indirect holding in the new entity is 43.08%, it has been considered as an associate and has been consolidated as per Accounting Standard 23 — Accounting for investment in Associates in Consolidated Financial Statements.

c. During the year the group's stake in Indian Ocean International Bank Ltd. (IOIB) has increased to 62.58% as against 56.84% as on 31st March 2007.

1.3 Two of the associates — Bank of Bhutan (Gregorian Calendar Year) and Nepal SBI Bank Ltd (Hindu Calendar Year) follow accounting years different from that of the parent. Accordingly, the financial statements of these associates are made as of 31st December 2007 and 16th July 2007 respectively.

2. Share Capital:

a) During the year, the RBI has transferred their entire shareholding of 31,43,39,200 shares in the parent representing 59.73% of the issued capital of the parent to the Government of India.

b) During the year, the parent has issued 10,52,59,776 equity shares of Rs.10 each for cash at a premium of Rs.1580 per equity share i.e. at Rs.1590 per equity share aggregating to Rs.16736.30 Crore on right basis. Of the above, the parent has allotted 10,51,71,498 fully paid equity shares to the eligible applicants, keeping in abeyance the allotment of 88,278 equity shares of Rs.10 each which are subject matter of title disputes or are sub-judice.

c) The Government of India has subscribed to 6,28,68,000 equity shares of Rs.10 each at a premium of Rs.1580 per share as part of rights offer of the parent. The Government has discharged the total consideration of Rs.9996.01 Crore by issue of “8.35% SBI Rights Issue GOI Special Bonds 2024”. Certain restrictions have been placed by the Government on the sale of these bonds.

d) Expenses in relation to the issue of shares amounting to Rs.28.70 Crore have been debited to the Share Premium Account.

3. Employee Stock Purchase Scheme:

3.1 The Central Board of the parent has adopted the Employees Share Purchase Scheme (the Scheme), duly approved by the Central Government, and accordingly has approved the offer of 86,17,500 equity shares of Rs.10 each at a premium of Rs.1580 as part of its rights issue to the employees of the Parent including the Chairman and Managing Directors. The Scheme is in accordance with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The said scheme has since been closed on 30th April 2008.

3.2 As on date, no equity shares have been allotted, under the Scheme, since the parent is in the process of compiling the data on the number of shares to be issued pursuant to the exercise of the rights by the employees. The parent has made provision of Rs.11.00 Crore towards employee compensation expenses on estimated basis.

4. Disclosures as per Accounting Standards:-

4.1 Significant changes in accounting policies:

i. Dividend Accounting

During the year the group has changed its accounting policy in respect of recognition of dividend on shares of corporate bodies from realisation basis to accrual basis where the right to receive the dividend is established. Consequently, the dividend income and the profit for the year are higher by Rs.4.68 Crore.

ii. Amortisation of Premium on HTM Securities

As required by RBI general clarification dated July 11, 2007, the group has deducted the amortisation of premium on government securities, from “Income on investments” included in “Interest earned” which was earlier included in “Other income” amounting to Rs.1669.69 Crore for the year ended March 31, 2008 (Rs.1662.41 Crore for the year ended March 31, 2007) Prior year figures have been reclassified to conform to the current classification. This change in accounting procedure does not have any impact on the net profit for the year.

iii. Mark-to-Market gains / losses of Forex OTC options

The group has changed the accounting policy in respect of accounting of Mark-to-Market (MTM) gains / losses in case of forex OTC options, where-by the balance in premium received on options sold and premium paid on options bought have been considered from this year to arrive at MTM value for forex OTC options. Consequent to this change in the accounting policy, the profit for the year is higher by Rs.133.80 Crore.

iv. Segment Reporting

During the year, the group has reclassified its primary segments as Treasury, Corporate/Wholesale banking, retail banking business and other banking business, in line with the directions issued by RBI. The group had hitherto been classifying banking operations, treasury operations and non-banking operations as primary segments.

v. Employee Benefits

a) The group had hitherto been measuring the liability for employee retirement benefits as per the erstwhile AS 15 (1995) “Accounting for Retirement Benefits”. The Bank has adopted AS 15 (Revised 2005) “Employee Benefits”, effective from 1st April 2007. Consequently an additional obligation of Rs.5848.46 Crore has accrued as on that date. Out of this, Rs.4527.02 Crore (Net of deferred tax assets of Rs.281.67 Crore) and Rs.160.20 Crore (Net of deferred tax assets of Rs.39.18 Crore) pertains to pension benefits and gratuity respectively. Rs.578.26 Crore (Net of deferred tax assets of Rs.262.13 Crore) pertains to long term employee benefits.

b) The group has exercised the option of charging the additional obligation to Revenue & Other Reserves. Accordingly, the transitional liability of Rs.5265.48 Crore (net of deferred tax assets of Rs.582.98 Crore) has been accounted with transfer from Revenue & Other Reserves.

c) Consequent to the adoption of AS-15 (Revised 2005) profit before tax is higher by Rs.191.16 Crore.

vi. Prior Period Items

Particulars	Current year	Previous year
Depreciation	36.70	(17.47)
Operating expenses	32.49	16.38
Interest expended	—	264.76
Other income	3.80	2.42

4.2 Employee's Benefits

4.2.1 Defined Benefit Plans

The following table sets out the status of the defined benefit Pension Plan and Gratuity Plan as required under AS 15 (Revised 2005)

Particulars	Pension Plans	Gratuity
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April 2007	20189.82	4800.07
Current Service Cost	654.17	195.36
Interest Cost	1637.57	387.15
Actuarial losses (gains)	149.72	(99.27)
Benefits paid	(1243.78)	(396.27)
Closing defined benefit obligation at 31st March 2008	**21387.50**	**4887.04**
Change in Plan Assets		
Opening fair value of plan assets at 1st April 2007	15263.37	4599.59
Expected Return on Plan assets	1223.28	354.87
Contributions by employer	1354.95	129.82
Benefit Paid	(1243.78)	(396.27)
Actuarial Gains	68.52	51.09
Closing fair value of plan assets at 31st March 2008	**16666.34**	**4739.10**
Reconciliation of present value of the obligation and fair value of the plan assets		
Present Value of Funded obligation at 31st March 2008	21387.50	4887.04
Fair Value of Plan assets at 31st March 2008	16666.34	4739.10
Deficit/(Surplus)	4721.16	147.94
Unrecognised Past Service Cost	Nil	Nil
Net Liability/(Asset)	4721.16	147.94
Amount Recognised in the Balance Sheet		
Liabilities	21387.50	4887.04
Assets	16666.34	4739.10
Net Liability/(Asset) recognised in Balance Sheet	4721.16	147.94
Net Cost recognised in the profit and loss account		
Current Service Cost	654.17	195.36
Interest Cost	1637.57	387.15
Expected return on plan assets	(1223.28)	(354.87)
Net actuarial losses (Gain) recognised during the year	81.20	(150.36)
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	1149.66	77.28
Reconciliation of expected return and actual return on Plan Assets		
Expected Return on Plan Assets	1223.28	354.87
Actuarial Gain/(loss) on Plan Assets	68.52	51.09
Actual Return on Plan Assets	**1291.80**	**405.96**
Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet		
Opening Net Liability as at 1st April 2007	4926.45	200.48
Expenses as recognised in profit and loss account	1149.66	77.28
Employers Contribution	1354.95	129.82
Net liability/(Asset) recognised in Balance Sheet	**4721.16**	**147.94**

The Group expects to contribute Rs.821.64 Crore and Rs.112.52 Crore to its defined benefit Pension Plan and Gratuity Plan respectively during the next financial year.

Investments under Plan Assets of Gratuity Fund & Pension Fund as on 31st March 2008 are as follows:

	Pension Fund	Gratuity Fund
Category of Assets	**% of Plan Assets**	**% of Plan Assets**
Central Govt. Securities	5.01%	34.80%
State Govt. Securities	2.86%	21.12%
Public Sector Bonds	4.64%	15.92%
FDR / TDR with Bank	2.36%	13.92%
Bank Deposits	79.09%	6.61%
Others	6.04%	7.63%
Total	**100.00%**	**100.00%**

Out of the above investments following are held with the group

	Pension Fund	Gratuity Fund
Category of Assets	**% of Plan Assets**	**% of Plan Assets**
FDR / TDR with Bank & Bank Deposits	79.86%	4.15%

Principal actuarial assumptions;

	Pension Fund	Gratuity Fund
Particulars	**Current year**	**Previous year**
Discount Rate	7.75% to 8%	8% to 8.15%
Expected Rate of return on Plan Asset	7.50% to 8%	7.50% to 8%
Salary Escalation	4% to 13%	4% to 13%

The estimates of future salary growth, factored in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Such estimates are very long term and are not based on limited past experience / immediate future. Empirical evidence also suggests that in very long term, consistent high salary growth rates are not possible. The auditors have relied upon the representation made by the Bank in this behalf.

4.2.2 Employees Provident Fund

In terms of the guidance on implementing the AS-15 (Revised 2005) issued by the Institute of the Chartered Accountants of India, the Employees Provident Fund set up by the Bank is treated as a defined benefit plan since the Bank has to meet the specified minimum rate of return. As at the year end, no shortfall remains unprovided for. Accordingly, other related disclosures in respect of Provident Fund have not been made and an amount of Rs.546.01 Crore is recognised as an expense towards the Provident Fund scheme of the Bank included under the head “Payments to and provisions for employees” in Profit and Loss Account.

4.2.3 Other Long term Employee Benefits

Amount of Rs.205.99 Crore is recognised as an expense towards Long term Employee Benefits included under the head "Payments to and provisions for employees" in Profit and Loss account.

Details of Provisions made for various long Term Employees' Benefits during the year;

Sr. No.	Long Term Employees' Benefits	Amount
1	Privilege Leave (Encashment) incl. leave encashment at the time of retirement	133.25
2	Leave Travel and Home Travel Concession (Encashment/ Availment)	40.64
3	Sick Leave	23.74
4	Silver Jubilee Award	5.01
5	Resettlement Expenses on Superannuation	5.28
6	Casual Leave	(2.02)
7	Retirement Award	0.09
	Total	**205.99**

4.3 Segment Reporting (As complied by management and relied upon by the auditors)

4.3.1 Segment identification

A) Primary (Business Segment)

In compliance with the then prevailing RBI directions, the Bank had hitherto being classifying (i) Banking Operations, (ii) Treasury Operations and (iii) Non-Banking Operations as the primary segments. The RBI vide their circular no. BP.BC.81/ 21.04.018/2006-07 dated 18th April 2007, has modified its directions, requiring the Banks to identify / reclassify the following segments as primary segments:

— Treasury

— Corporate / Wholesale Banking

— Retail Banking

— Other Banking Business

The present accounting and information system of the Bank does not support the capturing and extraction of the data in respect of the above segments separately. However, based on the present internal organisational and management reporting structure and the nature of their risk and returns, the existing primary segments have been regrouped as under:

a) **Treasury:** The Treasury Segment includes the entire investment portfolio and trading in foreign exchange contracts and derivative contracts. The revenue of the treasury segment primarily consists of fees and gains or losses from trading operations and interest income on the investment portfolio.

b) **Corporate / Wholesale Banking:** The Corporate / Wholesale Banking segment comprises the lending activities of Corporate Accounts Group, Mid Corporate Accounts Group and Stressed Assets Management Group. These include providing loans and transaction services to corporate and institutional clients and further include non treasury operations of foreign offices.

c) **Retail Banking:** The Retail Banking Segment comprises of branches in National Banking Group, which primarily includes personal Banking activities including lending activities to corporate customers having Banking relations with branches in the National Banking Group. This segment also includes agency business and ATM's.

d) **Other Banking business** — Segments not classified under (a) to (c) above are classified under this primary segment. This segment also includes the operations of all the Non-Banking Subsidiaries/Joint Ventures of the group.

In the case of Banking Subsidiaries who do not have the management reporting structure corresponding to the parent, all the exposures in excess of Rs 5 Crore have been segregated and included in Corporate/Wholesale Banking.

The Management is of the opinion that the above reclassification meets the requirements of the revised RBI guidelines and also is in compliance with the requirements of the Accounting Standard-17 — "Segment Reporting" issued by the Institute of Chartered Accountants of India.

B) Secondary (Geographical Segment):

i) Domestic operations comprise branches and subsidiaries having operations in India.

ii) Foreign operations comprise branches and subsidiaries having operations outside India and offshore banking units having operations in India.

C) Allocation of Expenses, Assets and liabilities

Expenses of parent incurred at Corporate Centre establishments directly attributable either to Corporate / Wholesale and Retail Banking Operations or to Treasury Operations segment, are allocated accordingly. Expenses not directly attributable are allocated on the basis of the ratio of number of employees in each segment/ratio of directly attributable expenses.

4.3.2 The accounting policies adopted for segment reporting are in line with the

accounting policies adopted in the parent's financial statements with the following additional features:

1) Pricing of inter-segment transactions between the Other Banking Business segment and other segments are market led. In respect of transactions between treasury and other banking business, compensation for the use of funds is reckoned based on interest and other costs incurred by the lending segment.

2) Revenue and expenses have been identified to segments based on their relationship to the operating activities of the segment.

3) Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Expenses".

4.3.3 Disclosure under segment reporting

Part A: Primary Segments

	Treasury Operations	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Elimination	TOTAL
Revenue	19496.64	25042.17	42008.81	8130.39	(4838.35)	(89839.66)
Result	1,402.17	6,752.29	7,530.82	299.40	—	15,984.68
Unallocated Income	—	—	—	—	—	379.15
Unallocated Expenses	—	—	—	—	—	(2,373.27)
Operating Profit (PBT)	—	—	—	—	—	13,990.56
Taxes	—	—	—	—	—	4,777.73
Extraordinary Profit/Loss	—	—	—	—	—	—
Net Profit	—	—	—	—	—	9212.83
Other Information:	—	—	—	—	—	—
Segment Assets	285635.91	534946.80	189086.86	21359.32	(10385.86)	1020643.03
Unallocated Assets	—	—	—	—	—	6626.49
Total Assets	—	—	—	—	—	1027269.52
Segment Liabilities	210066.45	312691.37	459751.93	21403.81	(10385.86)	993527.70
Unallocated Liabilities	—	—	—	—	—	33741.82
Total Liabilities	—	—	—	—	—	1027269.52

In view of the revision in the format, previous year's figures have not been disclosed in view of RBI Circular No. BP.BC.81/21.04.018/ 2006-07 dated 18th April 2007.

Part B: Secondary Segments

Particulars	Domestic Operations	Foreign Operations	Total
Revenue	83,566.13	6,652.68	90218.81
	(62,969.73)	(4,154.41)	(67124.14)
Assets	9,30,748.23	96,521.29	10,27,269.52
	(7,56,908.79)	(58,265.62)	(8,15,174.41)

i) Income/Expenses are for the whole year. Assets/Liabilities are as at 31st March.

ii) Figures within brackets are for previous year.

4.4 Related Party Disclosures: As identified and compiled by the management and relied upon by the auditors

4.4.1 Related Parties:

A) JOINT VENTURES:

1. C Edge Technologies Ltd.

2. GE Capital Business Process Management Services Private Limited.

B) ASSOCIATES:

1. Andhra Pradesh Grameena Vikas Bank
2. Arunachal Pradesh Rural Bank
3. Chhatisgarh Gramin Bank
4. Cauvery Kalpatharu Grameena Bank
5. Deccan Grameena Bank
6. Ellaquai Dehati Bank
7. Meghalaya Rural Bank (erstwhile Ka Bank Nongkyndong Ri Khasi Jaintia)
8. Krishna Grameena Bank
9. Langpi Dehangi Rural Bank
10. Madhya Bharat Gramin Bank
11. Malwa Gramin Bank
12. Marwar Ganganagar Bikaner Bank
13. Mizoram Rural Bank
14. Nagaland Rural Bank
15. Parvatiya Gramin Bank
16. Purvanchal Kshetriya Gramin Bank
17. Samastipur Kshetriya Gramin Bank
18. Saurashtra Grameena Bank
19. Utkal Gramya Bank
20. Uttaranchal Gramin Bank
21. Vananchal Gramin Bank
22. Vidisha Bhopal Kshetriya Gramin Bank
23. SBI Home Finance Limited.
24. Clearing Corporation of India Ltd
25. Nepal SBI Bank Ltd.
26. S. S. Ventures Services Ltd
27. Bank of Bhutan
28. UTI Asset Management Company Pvt. Ltd.

C) **Key Management Personnel of the Bank:**

1. Shri O. P. Bhatt, Chairman
2. Shri T. S. Bhattacharya, Managing Director upto 31st January 2008
3. Shri Yogesh Agarwal, Managing Director upto 30th June 2007
4. Shri S. K. Bhattacharyya, Managing Director from 08th October 2007

4.4.2 Related Parties with whom transactions were entered into during the year:

No disclosure is required in respect of related parties which are “state controlled enterprises” as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of banker-customer relationship are not required to be disclosed in respect of Key Management Personnel. Other particulars are:

1. C Edge Technologies Ltd.
2. GE Capital Business Process Management Services Pvt. Ltd.
3. SBI Home Finance Ltd.
4. Bank of Bhutan
5. Nepal SBI Bank Ltd.
6. S. S. Ventures Services Ltd.
7. Shri O. P. Bhatt,
8. Shri T. S. Bhattacharya (upto 31st January 2008)
9. Shri Yogesh Agarwal, (upto 30th June 2007)
10. Shri S. K. Bhattacharyya, Managing Director from 8th October 2007

4.4.3 Transactions / Balances:

Items/Related Party	Associates/ Joint Ventures	Key Management Personnel@	Total
Deposit#	62.56	—	62.56
	(295.37)	(—)	(295.37)
Other Liability#	97.75	—	97.75
	(1.76)	(—)	(1.76)
Investments#	21.75	—	21.75
	(19.75)	(—)	(19.75)
Other Assets#	0.08	—	0.08
	(—)	(—)	(—)
Interest paid$	3.16	—	3.16
	(6.59)	(—)	(6.59)
Interest received$	—	—	—
	(0.22)	(—)	(0.22)
Income earned by way of Dividend$	2.94	—	2.94
	(0.50)	(—)	(0.50)
Rendering of services$	0.07	—	0.07
	(—)	(—)	(—)
Receiving of services$	—	—	—
	(1.66)	(—)	(1.66)
Management contracts$	—	0.54	0.54
	(0.65)	(0.15)	(0.80)

(Figures in brackets pertain to previous year)

Balances as at 31st March

$ Transactions for the year

@ Transactions which are not in the nature of banker-customer relationship.

4.5 Leases:

Assets given on Financial Leases on or after 1st April 2001: The details of financial leases are given below.

Particulars	2007-08 Current Year	2006-07 Previous Year
Total gross investment in the leases	43.29	164.73
Present value of minimum lease payments receivable		
Less than 1 year	8.91	8.91
1 to 5 years	9.67	15.04
5 years and above	—	—
Total	18.58	23.95
Present value of unearned finance	3.76	5.00

The group has not compiled the data on operating leases taken and operating leases granted. Accordingly no disclosure for the same is made.

4.6 Earnings Per Share:

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 — "Earnings per Share". "Basic earnings" per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

Particulars	2007-08 Current Year	2006-07 Previous Year
Basic and diluted		
Weighted average no of equity shares used in computing basic earning per share	531,445,447	527,463,672
Add: Potential number of equity shares that could arise on account of ESPS scheme	509,911	—
Weighted average number of shares used in computing diluted earning per share	531,955,358	527,463,672
Net profit (Other than minority)	8,960.61	6,364.38
Basic earnings per share (Rs.)	168.61	120.66
Diluted earnings per share (Rs.)	168.45	120.66
Nominal value per share (Rs.)	10.00	10.00

4.7 Accounting for taxes on Income

i) During the year, Rs.483.03 Crore (credit) [Previous Year Rs.77.56 Crore (credit)] has been credited to Profit and Loss Account by way of adjustment of deferred tax.

ii) During the year Rs.582.98 Crore (previous year Nil) has been netted off by debit to Revenue and Other Reserve by way of adjustment of deferred tax on Transitional Liability of Rs.5848.46 Crore towards employee benefits.

iii) The break up of deferred tax assets and liabilities into major items is given below:

Particulars	2007-08 Current Year	2006-07 Previous Year
Deferred Tax Assets		
Provision for non performing assets	282.81	415.18
Ex-gratia paid under Exit option	147.83	147.75
Wage Revision	214.92	
Provision for Gratuity, Leave, Pension etc.	556.73	
Others	751.68	542.72
Total	**1953.97**	**1105.65**
Deferred Tax Liabilities		
Depreciation on Fixed Assets	110.43	116.67
Interest on securities	580.96	621.41
Others	484.19	605.66
Total	**1175.58**	**1343.74**
Net Deferred Tax Assets/(Liabilities)	**778.39**	**(238.09)**

4.8 Investments in jointly controlled entities:

As required by AS 27, the aggregate amount of the assets, liabilities, income and expenses related to the Bank's interests in jointly controlled entities are disclosed as under:

Assets and Liabilities:	2007-08 Current Year	2006-07 Previous Year
Liabilities		
Capital & Reserves	64.41	50.93
Deposits		
Borrowings	0.35	0.21
Other Liabilities & Provisions	27.05	20.60
TOTAL	**91.81**	**71.74**
Assets		
Cash and balances with Reserve Bank of India	0.01	0.01
Balances with Banks and Money at call and short notice	2.04	3.66
Investments	2.62	2.47
Advances	—	—
Fixed Assets	16.23	18.59
Other Assets	70.91	47.01
TOTAL	**91.81**	**71.74**

Capital Commitments Rs.Nil (Previous Year Rs.Nil)

Other Contingent Liabilities Rs.Nil (Previous Year Rs.Nil)

B. Income and Expenditure

		2007-08 Current Year	2006-07 Previous Year
I.	**Income**		
	Interest earned	5.69	0.04
	Other income	61.63	65.85
	Total	**67.32**	**65.89**
II.	**Expenditure**		
	Interest expended	0	0
	Operating expenses	47.41	41.54
	Provisions & contingencies	6.44	10.07
	Total	53.85	51.61
III.	**Profit**	**13.47**	**14.28**

4.9 Impairment of assets:

In the opinion of the Bank's Management, there is no impairment to the assets to which Accounting Standard 28 — "Impairment of Assets" applies.

4.10 Provisions, Contingent Liabilities & Contingent Assets

a) Break up of provisions:

		2007-08 Current Year	2006-07 Previous Year
a)	Provision for Income Tax (current tax).	5128.83	4146.60
b)	Provision for Income Tax (deferred tax). . . .	(483.03)	(77.56)
c)	Fringe Benefit Tax	135.47	124.76
c)	Provision for other taxes	(3.54)	(1.45)
d)	Amount of provision made against NPAs (including write back of provision)	2804.05	1775.89
e)	General provision on Standard Assets in the global loan portfolio	773.21	945.42
f)	Depreciation in the value of Investments . . .	153.15	829.49
g)	Provision for contingent liabilities	197.29	51.27
h)	Others (Net of write-backs)	413.27	(21.92)
Total		**9118.70**	**7772.50**

(Figures in brackets indicate credit)

b) Floating provisions:

		2007-08 Current Year	2006-07 Previous Year
a)	**Opening Balance**	**515.95**	**752.90**
b)	Addition during the year	169.09	63.05
c)	Draw down during the year	0.00	300.00
d)	**Closing balance**	**685.04**	**515.95**

c) **Description of contingent liabilities and contingent assets:**

Sr. No	Items	Brief Description
1	Claims against the Group not acknowledged as debts	The parent and its constituents are parties to various proceedings in the normal course of business. It does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, results of operations or cash flows.
2	Liability on account of outstanding forward exchange contracts	The Group enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities, are typically amounts used as a benchmark for the calculation of the interest component of the contracts.
3	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities, the Group issues documentary credits and guarantees on behalf of its customers. Documentary credits enhance the credit standing of the customers of the Group. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfil its financial or performance obligations.
4	Other items for which the Group is contingently liable	The Group is a party to various taxation matters in respect of which appeals are pending. These are being contested by the Group and not provided for. Further the Group has made commitments to subscribe to shares in the normal course of business.

d) The contingent liabilities mentioned above are dependent upon the outcome of court/arbitration/out of court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

e) **Movement of provisions against contingent liabilities:**

	2007-08 Current Year	2006-07 Previous Year
a) Opening Balance.	**142.19**	**120.54**
b) Addition during the year	118.33	37.33
c) Draw down during the year	22.18	15.68
d) Closing balance	**238.34**	**142.19**

5. **Pending Wage Agreement:** The Eighth Bipartite Settlement entered into by the Indian Banks' Association on behalf of the member Banks with the All India Unions of Workmen expired on 31st October 2007. Pending the execution of a new agreement a provision of Rs.666.89 Crore has been made in the accounts for the Bank's estimated liability in respect of wage revision to be effective from 1st November 2007.

6. **Exit Option:** The Bank had implemented an Exit Option Scheme for its eligible employees. The ex-gratia payments under exit option aggregating to Rs.145.08 Crore (previous year Rs.483.32 Crore) have been charged to the Profit & Loss account during the year.

7. **Inter Office Accounts / Government Accounts/ Suspense Accounts:** Inter Office transactions between branches, controlling offices and local head offices and corporate centre establishment have been reconciled upto 31st December 2007. Further, pipeline transitions in respect of foreign exchange, gold, currency transactions and Government transactions are under reconciliations. Steps for adjustment / elimination of outstanding entries are in progress. These balances are subject to reconciliation, the ultimate effect of which is not expected to be material.

8. **Additional contribution to Pension Fund:**

   The parent's Pension Fund rules state that the parent shall contribute 10% of salary to the Pension Fund. The Government of India, have advised the parent to contribute to the Pension Fund in accordance to the Fund rules. However, in order to comply with the Accounting Standard 15 (revised 2005) and to make adequate prudential provisions in accordance with the acturial valuations, the parent has made an additional contribution of Rs.546 crore (previous year Rs.864 crore) to the Pension Fund during the financial year.

9. Intra-group balances and transactions of interest income, interest expenses, other incomes and other operating expenses are eliminated in full.

   In case of following differences between the figures reported by the entities in respect of interest income, interest expenses, other incomes and other operating expenses, the higher of the amounts reported by different contracting entities are considered for elimination both from income and expenditure on the presumption of reporting errors by the reporting entities, without impacting the reported profit/loss and in respect of intra group balances, the figures reported by the contracting entities are considered as such and the differences are reflected as 'Inter Bank Adjustments':

Particulars	Item reported by entities (A)	Corresponding items reported by other entities (B)	Eliminated from income and expenditure (C)	Difference between reported figures D=(C-A)
Interest income	327	449	522	195
Interest expenses	449	327	522	73
Other income	93	135	183	90
Other expenditure	135	93	183	48

Particulars	Amount Eliminated as reported by respective contracting entities		Inter Bank Adjustment
Assets	10405	10385	20
Liabilities	10385	10405	(20)

10. In respect of intra group sale/purchase of investment, unrealised gains are fully eliminated. However, in case where such investments are classified by the transferee under 'Held to Maturity' category, the amortisation is calculated as the difference between the face value and cost of the transferee without considering the subsequent transfer of those securities into a different category. The impact of the same on the unrealised gains to be eliminated could not be ascertained.

11. No adjustments for divergent accounting policies followed by some of the subsidiaries have been made in respect of the following accounting policies as per their respective regulatory requirements:

11.1 Recognition of interest income on accrual basis in respect of advances, when the advances become overdue for more than 180 days as against the bank's policy of 90 days

11.2 Fees on issuance/ other transactions in respect of card business has been recognised as and when it become due as against the bank's policy of recognising such income on realisation basis.

The total proportion for which different accounting policies have been applied aggregates to Rs.239.90 Crore. The impact thereof on the assets, liabilities and revenues could not be unascertained.

12. In accordance with RBI circular DBOD NO.BP.BC.42/21.01.02/2007-08 redeemable preference shares are treated as liabilities and the coupon payable thereon is treated as interest.

13. Additional statutory information disclosed in separate financial statements of the parent and the subsidiaries having no bearing on the true and fair view of the consolidated financial statements and also the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements in view of the general clarifications issued by ICAI.

14. Previous year's figures have been regrouped and reclassified, wherever necessary and determinable, to make them comparable with current year's figures. In cases where disclosures have been made for first time in terms of RBI guidelines, previous year figures have not been mentioned.

Schedule 17

1. Basis of Consolidation

1.1 Consolidated financial statements of the Group **(comprising of 21 subsidiaries, 7 Joint Ventures and 27 Associates)** have been prepared on the basis of :

a) Audited accounts of State Bank of India (Parent).

b) Line by line aggregation of each item of asset/liability/income/expense of the subsidiaries with the respective item of the Parent, and after eliminating all material intra-group balances / transactions, unrealized profit/loss , and making necessary adjustments wherever required for non-uniform accounting policies as per AS 21 of The Institute of Chartered Accountants of India (ICAI).

c) Consolidation of Joint Ventures – full consolidation in respect of joint ventures which are also subsidiaries and 'Proportionate Consolidation' in respect of other Joint Ventures – as per AS 27 of ICAI.

d) Accounting for investment in 'Associates' under the 'Equity Method' as per AS 23 of ICAI.

e) Financial Statements of the Subsidiaries / Joint Ventures drawn up to the same reporting date as that of the Parent i.e. 31st March 2007.

1.2 The difference between cost to the group of its investment in the subsidiary entities and the group's portion of the equity of the subsidiaries is recognized in the financial statements as goodwill / capital reserve.

1.3 Minority interest in the net assets of the consolidated subsidiaries consists of :

a) The amount of equity attributable to the minority at the date on which investment in a subsidiary is made, and

b) The minority share of movements in revenue reserves/loss (equity) since the date the parent-subsidiary relationship came into existence.

2. PRINCIPAL ACCOUNTING POLICIES

2.1. **Basis of Preparation**

The accompanying financial statements have been prepared under the historical cost convention. They conform to Generally Accepted Accounting Principles (GAAP) in India, which comprise the statutory provisions, Regulatory/Reserve Bank of India (RBI) guidelines and Accounting Standards/guidance notes issued by the ICAI. In respect of foreign offices, statutory provisions and practices prevailing in respective countries are complied with.

3. Advances and Provisions thereon

3.1 Advances are shown net of provisions and unrealized interest on Non-Performing Assets (NPAs).

3.2 A general provision is required to be made on Standard Assets on the global portfolio. The provision rates for the different categories of Standard Assets are summarized below :-

a.	Direct advances to agricultural and SME Sectors	0.25%
b.	Residential housing loans beyond Rs.20 lakhs	1.00%
c.	Personal Loans, Loans and advances qualifying as capital market exposures, Commercial real estate loans, and Loans and advances to Systemically important NBFCs	
	– Non Deposit Taking	2.00%
d.	All other loans and advances not included in (a), (b) & (c)	0.40%

3.3 **Indian Offices**

3.3.1 All advances are classified under four categories, viz. (a) Standard Assets, (b) Sub-standard Assets, (c) Doubtful Assets and (d) Loss Assets.

3.3.2 Provisions are made on outstanding non-performing advances (net of interest not realized) as under :-

- Sub-Standard Assets : 10%

  In case of unsecured exposures (where realizable value of security is not more than 10 per cent, *ab initio*)

- Doubtful Assets 20%

a) Unsecured portion at 100 per cent after netting retainable/realizable amount of guarantee cover provided by Export Credit Guarantee Corporation / Credit Guarantee Trust for Small Industries, wherever applicable.

b) Secured portion

Period for which the advance has been considered as doubtful

Up to one year	20%
One to three years	30%
More than three years	100%

- Loss Assets 100%

Financial Assets sold are recognized as under:-

i) In case the sale is at a price lower than the Net Book Value (NBV), the difference is charged to the Profit & Loss Account.

ii) In case the sale is at a price higher than the NBV, the surplus provision is not reversed and is utilised to meet the shortfall on sale of other such non-performing financial assets.

3.3.3 Unrealised Interest recognized in the previous year on advances which have become non-perfoming during the current year, is provided for.

3.3.4 In case of restructuring / rescheduling of advances, the difference between the present value of the future interest as per the original agreement and the present value of the future interest as per the revised agreement is provided for at the time of restructuring / rescheduling.

3.4 **Foreign Offices**

3.4.1 Advances are classified under four categories in line with those of India Offices.

3.4.2 Provisions in respect of non-performing advances are made as per the local law or as per the norms of RBI, whichever is higher.

4 **Investments**

4.1 Investments are classified into 3 categories, viz. ‘Held for Trading’, ‘Available for Sale’ and ‘Held to Maturity’. Under each of these categories, investments are further classified under the following six groups.

i) Government Securities;

ii) Other Approved Securities;

iii) Shares;

iv) Debentures and Bonds;

v) Investments in Subsidiaries/Joint Ventures/Associates; and

vi) Other Investments

4.1.1 Investments that are acquired by the Group with the intention to trade by taking advantage of short term price / interest rate movement are classified under ‘Held for Trading’. These investments are held under this category up to 90 days from the date of acquisition.

4.1.2 Investments which are intended to be held up to maturity are classified as ‘Held to Maturity’.

4.1.3 Investments which are not classified in either of the above categories are classified as ‘Available for Sale’.

4.2 Valuation

4.2.1 In determining the acquisition cost of an investment :

(a) Brokerage/commission received on subscriptions is deducted from the cost of securities.

(b) Brokerage, commission and stamp duty paid in connection with acquisition of securities are treated as revenue expenses.

(c) Interest accrued up to the date of acquisition of securities i.e. broken-period interest, is excluded from the acquisition cost and recognized as interest expense. Broken-period interest received on sale of securities is recognized as interest income.

(d) Cost is determined on the weighted average cost method.

(e) The transfer of the security (from one category to another) is accounted for at the least of acquisition cost / book value / market value on the date of transfer and the depreciation, if any, on such transfer is charged to Profit and Loss Account – "Profit on Revaluation of Investments" as a deduction.

4.2.2 Individual scrips classified under 'Held for Trading' category are valued at lower of book value or market value. Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net depreciation in each classification, if any, is provided for while net appreciation is ignored. The book value of the scrips continue to remain unchanged.

4.2.3 Investments under 'Held to Maturity' category are carried at acquisition cost. Wherever the book value is higher than the face value/redemption value, the premium on acquisition or on transfer from another category is amortised over the remaining period to maturity of the security using Constant Yield Method (CYM). Amortisation loss is charged to Profit & Loss Account – "Profit on Revaluation of Investments" as a deduction. The book value of the security is reduced to the extent of the amount amortised.

4.2.4 Investment under 'Available for Sale' category are valued at cost or market value, whichever is lower. Where market quotations are not available, market value for this purpose is arrived at on the basis of realizable market price computed as per the guidelines of the Fixed Income Money Market and Derivatives Association of India (FIMMDA) / Primary Dealers Association of India (PDAI) / RBI. Securities are valued scrip-wise and depreciation/appreciation is aggregated for each classification. Net depreciation in each classification, if any, is provided for while net appreciation is ignored. The book value of the scrips continues to remain unchanged.

4.2.5 Treasury Bills and Commercial Papers are valued at cost.

4.2.6 Non-Performing Investments are recognised as per RBI guidelines and provision is made as per RBI norms applicable to Non-Performing Advances.

4.2.7 Investments in Regional Rural Banks (RRBs) are valued at carrying cost (i.e. book value)

4.2.8 The Group has adopted the Uniform Accounting Procedures prescribed by the RBI for accounting of Repo and Reverse Repo transactions [other than transactions under the Liquidity Adjustment facility (LAF) with the RBI]. Accordingly, the securities sold/purchased under Repo/Reverse Repo are treated as outright sales/purchases and accounted for in the Repo/Reverse Repo Accounts and the entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo/Reverse Repo Account is adjusted against the balance in the Investment Account.

Securities purchased/sold under LAF with RBI are debited/credited to Investment Account and reversed on maturity of the transactions. Interest expended/earned thereon is accounted for as expenditure/ revenue.

5. **Derivatives :**

The Group presently deals in Interest Rate Derivatives viz. Rupee Interest Rate Swaps, Cross Currency Interest Rate Swaps and Forward Rate Agreements, and Currency Derivatives viz. Options and Currency Forwards. The Group also deals in a mix of these generic instruments, under the portfolio of Structured Products.

5.1 Based on RBI guidelines, Derivatives are valued as under :

a) Derivatives used for trading are marked to market and net appreciation/depreciation is recognized in the Profit and Loss Account.

b) Derivatives used for hedging are :

i) Marked to market in cases where the underlying Assets/Liabilities are marked to market. The resultant gain/loss is recognized in the Profit & Loss Account.

ii) Accounted on accrual basis in cases where the underlying Assets/Liabilities are not marked to market.

The net outstanding marked to market position of each type of derivative is shown either under Asset or Liability, as the case may be.

6. Fixed Assets and Depreciation

6.1 Premises and other fixed assets are accounted on historical cost basis.

6.2 Depreciation is provided on the written down value method at the rates prescribed under the Income Tax Rules, 1962, which are considered appropriate by the management. In respect of computers, depreciation is provided on straight line method @ 33.33% per annum, as per RBI guidelines. Computer software not forming an integral part of hardware is depreciated fully in the year of purchase.

6.3 Assets costing upto Rs.1000/- are charged off to the Profit and Loss Account.

6.4 In respect of fixed assets held at Foreign Offices, depreciation is provided as per the laws/norms of the respective countries.

6.5 In respect of leasehold premises, the lease amount is amortised over the period of lease.

7. Assets given on Lease

7.1 In respect of assets given on lease by the Group on or before 31st March 2001, the value of the assets given on lease and the amounts paid as advance for assets to be given on lease are disclosed as “Leased Assets” and “Capital Work-in-progress (Leased Assets)” respectively under fixed assets. Depreciation is provided on straight line method as per the Companies Act, 1956 and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalisation Account as per the guidelines issued by the ICAI.

7.2 Assets given on lease by the Group on or after 1st April 2001 are accounted as per Accounting Standard 19 (Leases) issued by the ICAI. Such assets are included under “Other Assets”.

7.3 Provisions on non-performing leased assets are made on the basis of RBI guidelines applicable to advances.

8. Impairment of Assets

Impairment losses (if any), are recognized in accordance with Accounting Standard 28 issued by the ICAI and charged off to Profit and Loss Account.

9. Foreign Currency Transactions

9.1 In conformity with Accounting Standard 11 (The effects of changes in foreign exchange rates) of the ICAI, Foreign Branches of the Group and Offshore Banking Units (OBUs) have been classified as Non-integral Operations and Representative Offices classified as Integral Operations.

9.2 a) Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

b) Foreign currency monetary items are reported using the FEDAI closing spot rates.

c) Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognized as income or as expense in the period in which they arise.

9.3 Non-integral Operations

a) All monetary/non-monetary assets and liabilities as well as contingent liabilities are translated at the closing rate notified by FEDAI.

b) Income and expenditure are translated using the quarterly average rate notified by FEDAI at the end of the respective quarter.

c) All resulting exchange differences are accumulated in a separate "Foreign Currency Translation Reserve" account till the disposal of the net investment.

9.4 Integral Operations

a) All income and expenditure of integral operations are recorded at the rates prevalent on the date of transaction.

b) All foreign currency monetary items are reported using the FEDAI closing rates.

9.5 Forward Exchange Contracts

In accordance with the guidelines of the FEDAI and the provisions of AS – 11, net outstanding forward exchange contracts in each currency are revalued at the Balance Sheet date at the corresponding forward rates for the residual maturity of the contracts. The difference between the revalued amount and the contracted amount is recognized as profit or loss, as the case may be.

10. Revenue Recognition

10.1 Income and Expenditure are accounted on accrual basis. In case of Foreign Offices, income is recognized as per the local laws of the country in which the respective foreign office is located

10.2 The following items of income are recognized on realization basis :

a) Commission (other than commission on deferred payment guarantees and government transaction), exchange and brokerage.

b) Dividend on investments.

c) Income on Rupee Derivatives designated as "Trading".

d) Interest on application money on investments and overdue interest on investments.

10.3 The following items of income are recognizes on realization basis, owing to significant uncertainty in collection thereof.

a) Income on non-performing advances, Overdue bills and leased assets

b) Interest on non-performing investments.

10.4 Income (other than interest) on investments in "Held to Maturity" (HTM) category acquired at a discount to the face value, is recognized as follows :

10.4.1 a) On Interest bearing securities, it is recognized only at the time of sale.

c) On zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

10.4.2 Profit on sale of investments in this category is first credited to the Profit & Loss Account and thereafter appropriated to the "Capital Reserve Account". Loss on sale is recognized in the Profit & Loss Account.

10.5 Non-banking entities

10.5.1Merchant Banking :

a) Issue management and advisory fees are recognized as per the terms of agreement with the client.

b) Fees for private placement are recognized on completion of assignment.

c) Underwriting commission relating to public issue is accounted for on finalisation of allotment of the public issue. Brokerage income relating to public issues/mutual fund/other securities is accounted for based on mobilization and intimation received from clients/intermediaries.

d) Brokerage income in relation to stock broking activity is recognized on settlement date of the transaction.

10.5.2 *Asset Management* :

Management fee is recognized at specific rates agreed with the relevant scheme applied on the average daily net assets of each scheme (including inter-scheme investments, where applicable, and investments made by the company in the respective scheme).

10.5.3 *Credit Card Operations* :

a) Joining membership fee and first annual fee has been recognized over a period of one year as this more closely reflects the period to which the fee relates to.

b) Visa interchange income is recognized on accrual basis.

c) All other service fees are recorded at the time of recording the respective transaction.

10.5.4 *Factoring :*

Factoring service charges are accounted on accrual basis except in the case of non-performing assets, where income is accounted on realization.

10.5.5 *Life Insurance* :

a) Life insurance premium (net of service tax) is recognized as income when due from policyholders. Uncollected premium from lapsed policies is not recognized as income until such policies are revived. In respect of linked business, premium income is recognized when the associated units are allotted.

b) Premium ceded on reinsurance is accounted in accordance with the terms of the treaty or in-principle arrangement with the reinsurer.

c) Life insurance claims by death are accounted when intimated. Intimations upto the end of the year are considered for accounting of such claims. Claims by maturity are accounted on the policy maturity date. Annuity benefits are accounted when due. Surrenders are accounted as and when notified. Claims cost consist of the policy benefit amounts and claims settlement costs, where applicable. Amounts recoverable from re-insurers are accounted for in the same period as the related claims are reduced from claims.

d) The estimation of liability against life policies is determined by the Appointed Actuary pursuant to an annual review of the life insurance business of the company.

10.6 *Foreign Offices/Foreign Subsidiaries*

Income is recognized as per the local laws of the countries.

11. **Retirement Benefits**

11.1 Contributions payable to Bank's Provident Fund Trust in terms of its Provident Fund Scheme are charged to Profit and Loss account on accrual basis.

11.2 Liability for gratuity, pension and leave encashment (which are defined benefits) is determined on the basis of actuarial valuations carried out at the year end and incremental liability is provided for by charging to the Profit and Loss Account.

12. **Provision for Taxation**

Provision for tax comprises of current tax for the period determined in accordance with the relevant laws, fringe benefit tax and deferred tax charge or credit reflecting the tax effect of timing differences between accounting income and taxable income for the period, in conformity with Accounting Standard 22 (Accounting for Taxes on Income) of the Institute of Chartered Accountants of India. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are not recognized unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets will be realized.

Schedule 18

Notes on Accounts

1. List of Subsidiaries/Joint Ventures/Associates considered for preparation of consolidated financial statements:

1.1 The 21 Subsidiaries, 7 Joint Ventures and 27 Associates (which along with State Bank of India, the parent, constitute the Group), considered in the preparation of the consolidated financial statements, are:

A) Subsidiaries

Sr. No	Name of the Subsidiary	Country of Incorporation	Group's Stake (%)
1)	State Bank of Bikaner & Jaipur	India	75.07
2)	State Bank of Hyderabad	India	100.00
3)	State Bank of Indore	India	98.05
4)	State Bank of Mysore	India	92.33
5)	State Bank of Patiala	India	100.00
6)	State Bank of Saurashtra	India	100.00
7)	State Bank of Travancore	India	75.01
8)	SBI Commercial & International Bank Ltd	India	100.00
9)	SBI Capital Markets Ltd	India	86.16
10)	SBICAP Securities Ltd	India	86.16
11)	SBICAP Trustee Company Ltd	India	86.16
12)	SBICAPS Ventures Ltd	India	86.16
13)	SBI DFHI Ltd	India	65.95
14)	SBI Factors & Commercial Services Pvt Ltd	India	69.88
15)	SBI Mutual Fund Trustee Company Pvt Ltd	India	100.00
16)	State Bank of India (Canada)	Canada	100.00
17)	State Bank of India (California)	USA	100.00
18)	SBI International (Mauritius) Ltd	Mauritius	98.00
19)	Indian Ocean International Bank Ltd	Mauritius	56.84
20)	PT Bank Indomonex	Indonesia	76.00
21)	SBICAP (UK) Ltd	U.K.	86.16

B) Joint Ventures

1)	C Edge Technologies Ltd	India	49.00
2)	GE Capital Business Process Management Services Pvt Ltd	India	40.00
3)	SBI Cards and Payment Services Pvt Ltd	India	60.00
4)	SBI Funds Management Pvt Ltd	India	63.00
5)	SBI Life Insurance Company Ltd	India	74.00
6)	Commercial Bank of India Llc	Russia	60.00
7)	SBI Funds Management (International) Private Ltd	Mauritius	63.00

C) Associates:

1)	Andhra Pradesh Grameena Vikas Bank	India	35.00
2)	Arunachal Pradesh Rural Bank	India	35.00
3)	Chhatisgarh Gramin Bank	India	35.00

C) Associates: (Contd.)

Sr. No	Name of the Subsidiary	Country of Incorporation	Group's Stake (%)
4)	Ellaquai Dehati Bank	India	35.00
5)	Ka Bank Nongkyndong Ri Khasi Jaintia	India	35.00
6)	Krishna Grameena Bank	India	35.00
7)	Langpi Dehangi Rural Bank	India	35.00
8)	Madhya Bharat Gramin Bank	India	35.00
9)	Mizoram Rural Bank	India	35.00
10)	Nagaland Rural Bank	India	35.00
11)	Parvatiya Gramin Bank	India	35.00
12)	Purvanchal Kshetriya Gramin Bank	India	35.00
13)	Samastipur Kshetriya Gramin Bank	India	35.00
14)	Utkal Gramya Bank	India	35.00
15)	Uttaranchal Gramin Bank	India	35.00
16)	Vananchal Gramin Bank	India	35.00
17)	Marwar Ganganagar Bikaner Gramin Bank	India	26.27
18)	Vidisha Bhopal Kshetriya Gramin Bank	India	34.32
19)	Deccan Grameena Bank	India	35.00
20)	Cauvery Kalpatharu Grameena Bank	India	32.32
21)	Malwa Gramin Bank	India	35.00
22)	Saurashtra Grameena Bank	India	35.00
23)	Clearing Corporation of India Ltd	India	28.97
24)	SBI Home Finance Ltd	India	25.05
25)	UTI Asset Management Company Pvt Ltd	India	25.00
26)	Bank of Bhutan	Bhutan	20.00
27)	Nepal SBI Bank Ltd	Nepal	50.00

1.2 The following changes have taken place in the consolidation process as compared to 2005-06.

a) State Bank of India has acquired 76% stake in PT Bank Indomonex, a commercial bank incorporated and operating in Indonesia, at a cost of USD 5.00 million (Rs.22.31 crore) w.e.f. 14.12.2006. As such the assets, liabilities, income and expenses of this bank have been consolidated from 14.12.2006. A sum of Rs.13.05 crore has been recognized as goodwill in the consolidated financial statements.

b) SBI Funds Management (Pvt) Ltd, a company in which SBI holds 63% stake, has promoted a new wholly owned subsidiary – SBI Funds Management (International) Private Limited. The new subsidiary, incorporated on 17th January 2006, has commenced operations on 01st April 2006.

c) As at 31.03.2006, the group had 34 Regional Rural Banks (RRBs) as associates, which as at 31.03.2007 has come down to 22 due to amalgamation of 19 RRBs into 7 new RRBs, details of which are as follows.

Name of the	Name of amalgamated RRB	Name of the the new RRB	Date of Sponsor bank	merger
1.	Bastar Kshetriya Gramin Bank	Chhatisgarh	State Bank of India Gramin Bank	30.06.2006
2.	Bilaspur Raipur Kshetriya Gramin Bank			
3.	Raigarh Gramin Bank	Kshetriya		
4.	Bundelkhand Kshetriya Gramin Bank Bank	Madhya Bharat Gramin	State Bank of India	30.06.2006
5.	Damoh Sagar	Panna Kshetriya	Gramin Bank	
6.	Shivpuri Guna Kshetriya Gramin Bank			
7.	Bolangir Anchalika Gramya Bank	Utkal Gramya Bank	State Bank of India	31.07.2006
8.	Kalahandi Anchalika Gramya Bank			
9.	Koraput Panchbati Gramya Bank			
10.	Palamau Kshetriya Gramin Bank	Vananchal Gramin Bank	State Bank of India	30.06.2006
11.	Santhal Parganas Gramin Bank			
12.	Alaknanda Gramin Bank	Uttaranchal Gramin	State Bank of India	30.06.2006
13.	Ganga Yamuna Gramin Bank	Bank		
14.	Pithoragarh Kshetriya Gramin Bank			
15.	Bikaner Kshetriya Gramin Bank Bikaner Gramin Bank	Marwar Ganganagar Jaipur	State Bank of Bikaner &	12.06.2006
16.	Marwar Gramin Bank			

17.	Sriganganagar Kshetriya Gramin Bank			
18.	Cauvery Grameena Bank	Cauvery Kalpatharu Grameena Bank	State Bank of Mysore	24.05.2006
19.	Kalpatharu Grameena Bank			

Since the assets/liabilities of the merged RRBs have been taken over by the new entities at their respective book values, there is no goodwill/capital reserve on account of these mergers.

1.3 Two of the associates – Bank of Bhutan (31st December) and Nepal SBI Bank Ltd (Hindu Calendar Year) follow accounting years different from that of the parent.

2. DISCLOSURES AS PER ACCOUNTING STANDARDS:

2.1 Significant changes in accounting policies:

2.1.1 During the year, the parent and its constituent banks have changed the segmental pricing methodology, which was necessitated for presenting more meaningful segment results. The financial effect of the change on segmental results can not be reasonably determined. However, this change does not have any impact on the financials of the bank.

2.1.2 The parent and its constituent banks had hitherto been following a policy of amortization of premium in respect of securities held in the ‘Held to Maturity’ (HTM) category by an adjustment to the account head ‘Provisions and Contingencies’. From the current financial year and in accordance with RBI directive dated 20th April 2007, the Group has charged the amortization amount as well as marked to market losses on transfer of securities from ‘Available for Sale’ (AFS) to HTM category by an adjustment to the account head Other Income “ Profit on revaluation of Investments” as a deduction. As a result of this change in accounting policy, the Operating Profit for the year stands reduced by Rs.2303.13 crores for the current year. However, there is no impact on the Net Profit for the year.

2.1.3 During the year, the group has recognized diminution in the value of investments in RRBs to the extent of its capital contribution which hitherto was being recognized by the group without restricting to its capital contribution. This has resulted in the increase in the profit of the group for the year by Rs.158.23 crore.

2.2 Segmental Reporting:

2.2.1 Segment Identification

PRIMARY	Treasury Operations
(Business Segment)	Banking Operations
	Non-Banking Operations
SECONDARY	Domestic Operations
(Geographical Segment)	Foreign Operations

The accounting policies adopted for segment reporting are in line with the accounting policies adopted in the parent’s financial statements with the following additional features.

Pricing of inter-segment transactions between the Non Banking Operations segment and other segments are market led. In respect of transactions between treasury and banking segments, compensation for the use of funds is reckoned based on interest and other costs incurred by the lending segment.

Revenue and expenses have been identified to segments based on their relationship to the operating activities of the segment.

Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under “Unallocated Expenses” net of unallocated corporate revenue.

The group reports its operations under the following geographical segments.

a) Domestic operations comprises branches and subsidiaries having operations in India.

b) Foreign operations comprises branches and subsidiaries having operations outside India and Offshore banking units having operations in India.

2.2.2 Disclosure under segment reporting

Part A: Primary Segments

(Rs. in crore)

Particulars	Banking Operations	Treasury Operations	Non-Banking Operations	Elimination	Total
Revenue	61551.35	15329.33	4611.55	-13209.00	68283.23
	(48193.16)	(23363.06)	(2187.15)	(-14874.67)	(58868.70)
Result	11941.10	126.38	560.65		12628.13
	(7764.79)	(-1842.94)	(152.80)		(6074.65)
Unallocated (Income)/ Expenses-Net					1851.26
					(-1879.92)
Operating Profit (PBT)					10776.87
					(7954.57)
Income Taxes					4157.07
					(3229.57)
Extra-ordinary Profit/Loss					—
					(936.48)
Net Profit					6619.80
					(5661.48)
Other Information:					
Segment Assets	585649.22	285343.21	11149.23	-71259.28	810882.38
	(505817.59)	(289558.57)	(7765.10)	(-110480.29)	(692660.97)
Unallocated Assets					4292.03
					(4330.85)
Total Assets					815174.41
					(696991.82)
Segment Liabilities	599792.00	224180.42	8784.02	-86971.01	745785.43
	(506592.87)	(259485.80)	(5696.47)	(-115986.98)	(655788.16)
Unallocated Liabilities					26853.32
					(3996.95)
Total Liabilities					772638.75
					(659785.11)

Part B : secondary SegmentS

Particulars	Domestic Operations	Foreign Operations	Total
Revenue	64222.42	4154.41	68376.83
	(58132.11)	(2933.96)	(61066.07)
Assets	756908.79	58265.62	815174.41
	(649427.23)	(47564.59)	(696991.82)

i) Income/Expenses are for the whole year, Assets/Liabilities are as at 31st March.

ii) Figures within brackets relate to 2005-06.

2.3 Related Party Disclosures

As identified by the management and relied upon by the auditors.

2.3.1 Related Parties:

2.3.1.1 JOINT VENTURES :-

C Edge Technologies Ltd

GE Capital Business Process Management Services Private Limited.

2.3.1.2 ASSOCIATES :-

Andhra Pradesh Grameena Vikas Bank

Arunachal Pradesh Rural Bank

Chhatisgarh Gramin Bank

Cauvery Kalpatharu Grameena Bank

Deccan Grameena Bank

Ellaquai Dehati Bank

Ka Bank Nongkyndong Ri Khasi Jaintia

Krishna Grameena Bank

Langpi Dehangi Rural Bank

Madhya Bharat Gramin Bank

Malwa Gramin Bank

Marwar Ganganagar Bikaner Gramin Bank

Mizoram Rural Bank

Nagaland Rural Bank

Parvatiya Gramin Bank

Purvanchal Kshetriya Gramin Bank

Samastipur Kshetriya Gramin Bank

Saurashtra Grameena Bank

Utkal Gramya Bank

Uttaranchal Gramin Bank

Vananchal Gramin Bank

Vidisha Bhopal Kshetriya Gramin Bank

SBI Home Finance Limited.

Clearing Corporation of India Ltd.

Nepal SBI Bank Ltd.

Bank of Bhutan

UTI Asset Management Company Pvt. Ltd.

2.3.1.3 Key Management Personnel of the Bank :-

Shri O.P. Bhatt, Chairman (from 26.04.2006 to 30.06.06 as Managing Director and from 01.07.2006 onwards as Chairman)

Shri A.K. Purwar, Chairman (upto 31.05.2006)

Shri T. S. Bhattacharya, Managing Director

Shri Yogesh Agrawal, Managing Director (from 10.10.2006)

2.3.2 Related Parties with whom transactions were entered into during the year :

No disclosure is required in respect of related parties which are "state controlled enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of banker-customer relationship are not required to be disclosed in respect of Key Management Personnel. Other particulars are:

C Edge Technologies Ltd.

GE Capital Business Process Management Services Pvt. Ltd.

SBI Home Finance Ltd.

Bank of Bhutan

Nepal SBI Bank Ltd.

Shri O.P.Bhatt, (from 26.04.2006)

Shri A.K. Purwar, (upto 31.05.2006)

Shri T. S. Bhattacharya,

Shri Yogesh Agrawal, (from 10.10.2006)

2.3.3 Transactions / Balances :

(Rupees in crore)

Items/Related Party	Associates/ Joint Ventures	Key Management Personnel @	Total
Borrowings#	—	—	—
	(—)	(—)	(—)
Deposit#	295.37	—	295.37
	(525.25)	(—)	(525.25)
Other Liability#	1.76	—	1.76
	(—)	(—)	(—)
Placement of Deposits#	—	—	—
	(—)	(—)	(—)
Advances#	(—)	(—)	(—)
Investments#	19.75	—	19.75
	(34.45)	(—)	(34.45)
Non-funded commitments#	—	—	—
	(560.08)	(—)	(560.08)
Leasing/HP arrangements availed $	—	—	—
	(—)	(—)	(—)
Leasing/HP arrangements provided $	—	—	—
	(—)	(—)	(—)
Purchase of fixed assets $	—	—	—
	(—)	(—)	(—)
Sale of fixed assets $	—	—	—
	(—)	(—)	(—)
Interest paid $	6.59	—	6.59
	(7.18)	(—)	(7.18)

Interest received $	0.22 (—)	— (—)	0.22 (—)
Income earned by way of Dividend	0.50 (—)	— (—)	0.50 (—)
Rendering of services $	— (—)	— (—)	— (—)
Receiving of services $	1.66 (85.62)	— (—)	1.66 (85.62)
Management contracts $	0.65 (—)	0.15 (0.20)	0.80 (0.20)

(Figures in brackets pertain to previous year)

Balances as at 31.03.2007/31.03.2006.

$ Total for FY 2006-07/2005-06.

@ Transactions which are not in the nature of banker-customer relationship.

The above disclosures are as identified by the management and relied upon by the Auditors.

2.4 Leases:

Assets given on Financial Leases on or after 1st April 2001: The details of financial leases are given below.

(Rs. in crore)

	2006-07	**2005-06**
Total gross investment in the leases	164.73	164.73
Present value of minimum lease payments receivable as on 31.3.2007		
Less than 1 year	8.91	17.60
1 to 5 years	15.04	20.49
5 years and above	—	—
Total	23.95	38.09
Present value of unearned finance income	5.00	6.76

2.5 Earnings Per Share:

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 – “Earnings per Share”. “Basic earnings” per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. There are no diluted potential equity shares outstanding during the year.

		2006-07	**2005-06**
a.	Net Profit (Group)	6,364.38	5,529.92
b.	Weighted average number of shares	526298878	526298878
c.	Earnings Per Share (Basic and diluted)	Rs.120.93	Rs.105.07

2.6 Accounting for taxes on Income

(Rs. in Crore)

A.	Deferred Tax Assets	2006-07	2005-06
i)	Provision for Non Performing Assets	415.18	428.63
ii)	Exgratia paid under exit option	147.75	19.45
iii)	Others	542.72	280.44
	Total	**1105.65**	**728.52**

		2006-07	2005-06
B.	Deferred Tax Liabilities		
i)	Depreciation on Fixed Assets	116.67	145.88
ii)	Interest on securities	621.41	—
iii)	Depreciation on Investments	526.27	209.31
iv)	Others	79.39	75.20
	Total	**1343.74**	**430.39**
C.	Net DTA/(DTL) [A – B]	(238.09)	298.13

2.7 Investments in jointly controlled entities:

As required by AS 27 the aggregate amount of the assets, liabilities, income and expenses related to the Bank's interests in jointly controlled entities are disclosed as under:

A: Assets and Liabilities:

(Rs. In crore)

Capital & Liabilities	2006-07	2005-06	Assets /	2006-07	2005-06
Capital & Reserves	50.93	33.80	Cash and balances with Reserve Bank of India	0.01	0.03
	—	—	Balances with banks and money at call and short notice	3.66	7.21
Borrowings	0.21	0.10	Investments	2.47	—
Other Liabilities & Provisions	20.60	13.55	Advances	—	—
			Fixed Assets	18.59	9.55
			Other Assets	47.01	30.66
T OTAL	**71.74**	**47.45**	**TOTAL**	**71.74**	**47.45**

Capital Commitments Rs.Nil (Previous Year Rs. Nil)

Other Contingent Liabilities Rs.Nil (Previous Year Rs. Nil)

B. Income and Expenditure

(Rs. In crore)

		2006-07	2005-06
I.	**Income**		
	Interest earned	0.04	0.25
	Other income	65.85	48.14
	Total	**65.89**	**48.39**
II.	Expenditure		
	Interest expended	0	0
	Operating expenses	41.54	33.86
	Provisions & contingencies	10.07	5.26
	Total	**51.61**	**39.12**
III.	Profit	14.28	9.27

2.8 Impairment of assets:

In the opinion of the Bank's Management, there is no impairment to the assets to which Accounting Standard 28 – "Impairment of Assets" applies.

2.9 Provisions, Contingent Liabilities & Contingent Assets

a) Break up of provisions:

(Rs. in Crore)

		2006-07	2005-06
a)	Provision for Income Tax (current tax)	4146.60	2101.68
b)	Provision for Income Tax (deferred tax)	(77.56)	507.09
c)	Fringe Benefit Tax	124.76	619.60
c)	Provision for other taxes	(1.45)	1.20
d)	Amount of provision made against NPAs (including write back of provision)	1775.89	414.06
e)	General provision on Standard Assets in the global loan portfolio	945.42	585.44
f)	Depreciation in the value of Investments	829.49	5539.55
g)	Provision for contingent liabilities	51.27	-
h)	Others (Net of write-backs)	(21.92)	(68.23)
Total		7772.50	9700.39

(Figures in brackets indicate credit)

b) Floating provisions: **(Rs. in Crore)**

		2006-07	2005-06
a)	Opening Balance	752.90	1165.16
b)	Addition during the year	63.05	507.58
c)	Draw down during the year	300.00	919.84
d)	Closing balance	**515.95**	**752.90**

c) Description of contingent liabilities and contingent assets:

Sr. No	**Items**	**Brief Description**
1	Claims against the Group not	The parent and its constituents are parties to various proceedings in the normal acknowledged as debts course of business. It does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, results of operations or cash flows.
2	Liability on account of outstanding forward exchange	The Group enters into foreign exchange contracts, currency options, contracts forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities, are typically amounts used as a benchmark for the calculation of the interest component of the contracts.

3	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities, the Group issues documentary credits and guarantees on behalf of its customers. Documentary credits enhance the credit standing of the customers of the Group. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfil its financial or performance obligations.
4	Other items for which the Group is contingently liable	The Group is a party to various taxation matters in respect of which appeals are pending. These are being contested by the Group and not provided for. Further, the Group has made commitments to subscribe to shares in the normal course of business.

d) The contingent liabilities mentioned above are dependent upon the outcome of court/arbitration/out of court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

e) **Movement of provisions against contingent liabilities:**

(Rs. in Crore)

	2006-07	2005-06
a) Opening Balance	120.54	200.32
b) Addition during the year	37.33	83.14
c) Draw down during the year	15.68	162.92
d) Closing balance	**142.19**	**120.54**

3. Additional statutory information disclosed in separate financial statements of the parent and the subsidiaries having no bearing on the true and fair view of the consolidated financial statements and also the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements in view of the general clarifications issued by ICAI.

4. Previous year's figures have been regrouped and reclassified, wherever necessary and determinable, to make them comparable with current year's figures. In cases where disclosures have been made for first time in terms of RBI guidelines, previous year figures have not been mentioned.

Schedule 18 (2006-2007)

NOTES ON ACCOUNTS

1. List of Subsidiaries/Joint Ventures/Associates considered for preparation of consolidated financial statements:

1.1 The 21 Subsidiaries, 7 Joint Ventures and 27 Associates (which along with State Bank of India, the parent, constitute the Group), considered in the preparation of the consolidated financial statements, are:

A) Subsidiaries

Sr. No	Name of the Subsidiary	Country of Incorporation	Group's Stake (%)
1)	State Bank of Bikaner & Jaipur	India	75.07
2)	State Bank of Hyderabad	India	100.00
3)	State Bank of Indore	India	98.05
4)	State Bank of Mysore	India	92.33
5)	State Bank of Patiala	India	100.00
6)	State Bank of Saurashtra	India	100.00
7)	State Bank of Travancore	India	75.01
8)	SBI Commercial & International Bank Ltd	India	100.00
9)	SBI Capital Markets Ltd	India	86.16
10)	SBICAP Securities Ltd	India	86.16
11)	SBICAP Trustee Company Ltd	India	86.16
12)	SBICAPS Ventures Ltd	India	86.16
13)	SBI DFHI Ltd	India	65.95
14)	SBI Factors & Commercial Services Pvt Ltd	India	69.88
15)	SBI Mutual Fund Trustee Company Pvt Ltd	India	100.00
16)	State Bank of India (Canada)	Canada	100.00
17)	State Bank of India (California)	USA	100.00
18)	SBI International (Mauritius) Ltd	Mauritius	98.00
19)	Indian Ocean International Bank Ltd	Mauritius	56.84
20)	PT Bank Indomonex	Indonesia	76.00
21)	SBICAP (UK) Ltd	U.K.	86.16

B) Joint Ventures

Sr. No	Name of the Joint Venture	Country of Incorporation	Group's Stake (%)

1)	C Edge Technologies Ltd	India	49.00
2)	GE Capital Business Process Management Services Pvt Ltd	India	40.00
3)	SBI Cards and Payment Services Pvt Ltd	India	60.00
4)	SBI Funds Management Pvt Ltd	India	63.00
5)	SBI Life Insurance Company Ltd	India	74.00
6)	Commercial Bank of India Llc	Russia	60.00
7)	SBI Funds Management (International) Private Ltd	Mauritius	63.00

C) Associates:

Sr. No	Name of the Associate	Country of Incorporation	Group's Stake (%)
1)	Andhra Pradesh Grameena Vikas Bank	India	35.00
2)	Arunachal Pradesh Rural Bank	India	35.00
3)	Chhatisgarh Gramin Bank	India	35.00
4)	Ellaquai Dehati Bank	India	35.00
5)	Ka Bank Nongkyndong Ri Khasi Jaintia	India	35.00
6)	Krishna Grameena Bank	India	35.00
7)	Langpi Dehangi Rural Bank	India	35.00
8)	Madhya Bharat Gramin Bank	India	35.00
9)	Mizoram Rural Bank	India	35.00
10)	Nagaland Rural Bank	India	35.00
11)	Parvatiya Gramin Bank	India	35.00
12)	Purvanchal Kshetriya Gramin Bank	India	35.00
13)	Samastipur Kshetriya Gramin Bank	India	35.00
14)	Utkal Gramya Bank	India	35.00
15)	Uttaranchal Gramin Bank	India	35.00
16)	Vananchal Gramin Bank	India	35.00

17) Marwar Ganganagar Bikaner Gramin Bank	India	26.27
18) Vidisha Bhopal Kshetriya Gramin Bank	India	34.32
19) Deccan Grameena Bank	India	35.00
20) Cauvery Kalpatharu Grameena Bank	India	32.32
21) Malwa Gramin Bank	India	35.00
22) Saurashtra Grameena Bank	India	35.00
23) Clearing Corporation of India Ltd	India	28.97
24) SBI Home Finance Ltd	India	25.05
25) UTI Asset Management Company Pvt Ltd	India	25.00
26) Bank of Bhutan	Bhutan	20.00
27) Nepal SBI Bank Ltd	Nepal	50.00

1.2 The following changes have taken place in the consolidation process as compared to 2005-06.

a) State Bank of India has acquired 76% stake in PT Bank Indomonex, a commercial bank incorporated and operating in Indonesia, at a cost of USD 5.00 million (Rs.22.31 crore) w.e.f. 14.12.2006. As such the assets, liabilities, income and expenses of this bank have been consolidated from 14.12.2006. A sum of Rs.13.05 crore has been recognized as goodwill in the consolidated financial statements.

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c) As at 31.03.2006, the group had 34 Regional Rural Banks (RRBs) as associates, which as at 31.03.2007 has come down to 22 due to amalgamation of 19 RRBs into 7 new RRBs, details of which are as follows.

Name of the	**Name of amalgamated RRB**	**Name of the the new RRB**	**Date of Sponsor bank**	**merger**
1.	Bastar Kshetriya	Chhatisgarh	State Bank of	30.06.2006
	Gramin Bank	Gramin	India	
2.	Bilaspur Raipur	Bank		
	Kshetriya			
	Gramin Bank			
3.	Raigarh			Kshetriya
		Gramin Bank		
4.	Bundelkhand	Madhya	State Bank	30.06.2006

	Kshetriya Gramin Bank	Bharat Gramin Bank	of India	
5.	Damoh Sagar		Panna Kshetriya	
Gramin Bank				
6.	Shivpuri Guna Kshetriya Gramin Bank			
7.	Bolangir Anchalika Gramya Bank	Utkal Gramya Bank	State Bank of India	31.07.2006
8.	Kalahandi Anchalika Gramya Bank			
9.	Koraput Panchbati Gramya Bank			
10.	Palamau Kshetriya Gramin Bank	Vananchal Gramin Bank	State Bank of India	30.06.2006
11.	Santhal Parganas Gramin Bank			
12.	Alaknanda Gramin Bank	Uttaranchal Gramin	State Bank of India	30.06.2006
13.	Ganga Yamuna Gramin Bank	Bank		
14.	Pithoragarh Kshetriya Gramin Bank			
15.	Bikaner Kshetriya Gramin Bank	Marwar Ganganagar	State Bank of Bikaner & Bikaner	12.06.2006 Jaipur

		Gramin Bank		
16.	Marwar Gramin Bank			
17.	Sriganganagar Kshetriya Gramin Bank			
18.	Cauvery Grameena Bank	Cauvery Kalpatharu Grameena Bank	State Bank of Mysore	24.05.2006
19.	Kalpatharu Grameena Bank			

Since the assets/liabilities of the merged RRBs have been taken over by the new entities at their respective book values, there is no goodwill/capital reserve on account of these mergers.

1.3 Two of the associates – Bank of Bhutan (31^{st} December) and Nepal SBI Bank Ltd (Hindu Calendar Year) follow accounting years different from that of the parent.

2. DISCLOSURES AS PER ACCOUNTING STANDARDS:

2.1 Significant changes in accounting policies:

2.1.1 During the year, the parent and its constituent banks have changed the segmental pricing methodology, which was necessitated for presenting more meaningful segment results. The financial effect of the change on segmental results can not be reasonably determined. However, this change does not have any impact on the financials of the bank.

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Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under "Unallocated Expenses" net of unallocated corporate revenue.

The group reports its operations under the following geographical segments.

a) Domestic operations comprises branches and subsidiaries having operations in India.

b) Foreign operations comprises branches and subsidiaries having operations outside India and Offshore banking units having operations in India.

2.2.2 DISCLOSURE UNDER SEGMENT REPORTING

PART A: PRIMARY SEGMENTS

(Rs. in crore)

Particulars	**Banking Operations**	**Treasury Operations**	**Non-Banking Operations**	**Elimination**	**Total**
Revenue	61551.35 (48193.16)	15329.33 (23363.06)	4611.55 (2187.15)	-13209.00 (-14874.67)	68283.23 (58868.70)
Result	11941.10 (7764.79)	126.38 (-1842.94)	560.65 (152.80)		12628.13 (6074.65)
Unallocated (Income)/Expenses-Net					1851.26 (-1879.92)
Operating Profit (PBT)					10776.87 (7954.57)
Income Taxes					4157.07 (3229.57)
Extra-ordinary Profit/Loss					— (936.48)
Net Profit					6619.80 (5661.48)

Other Information:

Segment Assets	585649.22 (505817.59)	285343.21 (289558.57)	11149.23 (7765.10)	-71259.28 (-110480.29)	810882.38 (692660.97)
Unallocated Assets					4292.03 (4330.85)
Total Assets					815174.41 (696991.82)
Segment Liabilities	599792.00 (506592.87)	224180.42 (259485.80)	8784.02 (5696.47)	-86971.01 (-115986.98)	745785.43 (655788.16)
Unallocated Liabilities					26853.32 (3996.95)

Total Liabilities 772638.75 (659785.11)

PART B : SECONDARY SEGMENTS

Particulars	Domestic Operations	Foreign Operations	Total
Revenue	64222.42 (58132.11)	4154.41 (2933.96)	68376.83 (61066.07)
Assets	756908.79 (649427.23)	58265.62 (47564.59)	815174.41 (696991.82)

i) Income/Expenses are for the whole year, Assets/Liabilities are as at 31st March.
ii) Figures within brackets relate to 2005-06.

2.3 Related Party Disclosures

As identified by the management and relied upon by the auditors.

2.3.1 Related Parties:

2.3.1.1 JOINT VENTURES :-

C Edge Technologies Ltd

GE Capital Business Process Management Services Private Limited.

2.3.1.2 ASSOCIATES :-

Andhra Pradesh Grameena Vikas Bank

Arunachal Pradesh Rural Bank

Chhatisgarh Gramin Bank

Cauvery Kalpatharu Grameena Bank

Deccan Grameena Bank

Ellaquai Dehati Bank

Ka Bank Nongkyndong Ri Khasi Jaintia

Krishna Grameena Bank

Langpi Dehangi Rural Bank

Madhya Bharat Gramin Bank

Malwa Gramin Bank

Marwar Ganganagar Bikaner Gramin Bank

Mizoram Rural Bank

Nagaland Rural Bank

Parvatiya Gramin Bank

Purvanchal Kshetriya Gramin Bank

Samastipur Kshetriya Gramin Bank

Saurashtra Grameena Bank

Utkal Gramya Bank

Uttaranchal Gramin Bank

Vananchal Gramin Bank

Vidisha Bhopal Kshetriya Gramin Bank

SBI Home Finance Limited.

Clearing Corporation of India Ltd.

Nepal SBI Bank Ltd.

Bank of Bhutan

UTI Asset Management Company Pvt. Ltd.

2.3.1.3 Key Management Personnel of the Bank :-

Shri O.P. Bhatt, Chairman (from 26.04.2006 to 30.06.06 as Managing Director and from 01.07.2006 onwards as Chairman)

Shri A.K. Purwar, Chairman (upto 31.05.2006)

Shri T. S. Bhattacharya, Managing Director

Shri Yogesh Agrawal, Managing Director (from 10.10.2006)

2.3.2 Related Parties with whom transactions were entered into during the year :

No disclosure is required in respect of related parties which are "state controlled enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of banker-customer relationship are not required to be disclosed in respect of Key Management Personnel. Other particulars are:

C Edge Technologies Ltd.

GE Capital Business Process Management Services Pvt. Ltd.

SBI Home Finance Ltd.

Bank of Bhutan

Nepal SBI Bank Ltd.

Shri O.P.Bhatt, (from 26.04.2006)

Shri A.K. Purwar, (upto 31.05.2006)

Shri T. S. Bhattacharya,

Shri Yogesh Agrawal,
(from 10.10.2006)

2.3.3 Transactions / Balances :

(Rupees in crore)

Items/Related Party	Associates/ Joint Ventures	Key Management Personnel @	Total

Borrowings#	— (—)	— (—)	— (—)
Deposit#	295.37 (525.25)	— (—)	295.37 (525.25)
Other Liability#	1.76 (—)	— (—)	1.76 (—)
Placement of Deposits#	— (—)	— (—)	— (—)
Advances#	(—)	(—)	(—)
Investments#	19.75 (34.45)	— (—)	19.75 (34.45)
Non-funded commitments#	— (560.08)	— (—)	— (560.08)
Leasing/HP arrangements availed $	— (—)	— (—)	— (—)
Leasing/HP arrangements provided $	— (—)	— (—)	— (—)
Purchase of fixed assets $	— (—)	— (—)	— (—)
Sale of fixed assets $	— (—)	— (—)	— (—)
Interest paid $	6.59 (7.18)	— (—)	6.59 (7.18)
Interest received $	0.22 (—)	— (—)	0.22 (—)
Income earned by way of Dividend	0.50 (—)	— (—)	0.50 (—)
Rendering of services $	— (—)	— (—)	— (—)
Receiving of services $	1.66 (85.62)	— (—)	1.66 (85.62)
Management contracts $	0.65 (—)	0.15 (0.20)	0.80 (0.20)

(Figures in brackets pertain to previous year)

Balances as at 31.03.2007/31.03.2006.

$ Total for FY 2006-07/2005-06.

@ Transactions which are not in the nature of banker-customer relationship.

The above disclosures are as identified by the management and relied upon by the Auditors.

2.4 Leases:

Assets given on Financial Leases on or after 1st April 2001: The details of financial leases are given below.

(Rs. in crore)

	2006-07	2005-06
Total gross investment in the leases	164.73	164.73
Present value of minimum lease payments receivable as on 31.3.2007 Less than 1 year	8.91	17.60
1 to 5 years	15.04	20.49
5 years and above	—	—
Total	23.95	38.09
Present value of unearned finance income	5.00	6.76

2.5 Earnings Per Share:

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 – "Earnings per Share". "Basic earnings" per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. There are no diluted potential equity shares outstanding during the year.

	2006-07	2005-06
a. Net Profit (Group)	6,364.38	5,529.92
b. Weighted average number of shares	526298878	526298878
c. Earnings Per Share (Basic and diluted)	Rs.120.93	Rs.105.07

2.6 Accounting for taxes on Income

(Rs. in Crore)

A. Deferred Tax Assets	**2006-07**	**2005-06**
i) Provision for Non Performing Assets	415.18	428.63
ii) Exgratia paid under exit option	147.75	19.45
iii) Others	542.72	280.44
Total	**1105.65**	**728.52**

B. Deferred Tax Liabilities	**2006-07**	**2005-06**
i) Depreciation on Fixed Assets	116.67	145.88
ii) Interest on securities	621.41	—
iii) Depreciation on Investments	526.27	209.31
iv) Others	79.39	75.20
Total	**1343.74**	**430.39**

C. Net DTA/(DTL) [A – B] (238.09) 298.13

2.7 Investments in jointly controlled entities:

As required by AS 27 the aggregate amount of the assets, liabilities, income and expenses related to the Bank's interests in jointly controlled entities are disclosed as under:

A: Assets and Liabilities: (Rs. In crore)

Capital & Liabilities	2006-07	2005-06	Assets /	2006-07	2005-06
Capital & Reserves	50.93	33.80	Cash and balances with Reserve Bank of India	0.01	0.03
	—	—	Balances with banks and money at call and short notice	3.66	7.21
Borrowings	0.21	0.10	Investments	2.47	—
Other Liabilities & Provisions	20.60	13.55	Advances	—	—
			Fixed Assets	18.59	9.55
			Other Assets	47.01	30.66
T OTAL	**71.74**	**47.45**	**TOTAL**	**71.74**	**47.45**

Capital Commitments Rs.Nil (Previous Year Rs. Nil)

Other Contingent Liabilities Rs.Nil (Previous Year Rs. Nil)

B. Income and Expenditure

(Rs. In crore)

	2006-07	2005-06
I. Income		
Interest earned	0.04	0.25
Other income	65.85	48.14
Total	**65.89**	**48.39**
II. Expenditure		
Interest expended	0	0
Operating expenses	41.54	33.86
Provisions & contingencies	10.07	5.26
Total	**51.61**	**39.12**
III. Profit	**14.28**	**9.27**

2.8 Impairment of assets:

In the opinion of the Bank's Management, there is no impairment to the assets to which Accounting Standard 28 – "Impairment of Assets" applies.

2.9 Provisions, Contingent Liabilities & Contingent Assets

a) Break up of provisions:

(Rs. in Crore)

	2006-07	2005-06
a) Provision for Income Tax (current tax)	4146.60	2101.68
b) Provision for Income Tax (deferred tax)	(77.56)	507.09
c) Fringe Benefit Tax	124.76	619.60
c) Provision for other taxes	(1.45)	1.20
d) Amount of provision made against NPAs (including write back of provision)	1775.89	414.06
e) General provision on Standard Assets in the global loan portfolio	945.42	585.44
f) Depreciation in the value of Investments	829.49	5539.55
g) Provision for contingent liabilities	51.27	-
h) Others (Net of write-backs)	(21.92)	(68.23)
Total	**7772.50**	**9700.39**

(Figures in brackets indicate credit)

b) Floating provisions:

(Rs. in Crore)

	2006-07	2005-06
a) Opening Balance	752.90	1165.16
b) Addition during the year	63.05	507.58
c) Draw down during the year	300.00	919.84
d) Closing balance	**515.95**	**752.90**

c) Description of contingent liabilities and contingent assets:

Sr. No	Items	Brief Description
1	Claims against the Group not	The parent and its constituents are parties to various proceedings in the normal acknowledged as debts course of business. It does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, results of operations or cash flows.
2	Liability on account of outstanding forward exchange contracts	The Group enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are

		recorded as contingent liabilities, are typically amounts used as a benchmark for the calculation of the interest component of the contracts.
3	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities, the Group issues documentary credits and guarantees on behalf of its customers. Documentary credits enhance the credit standing of the customers of the Group. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfil its financial or performance obligations.
4	Other items for which the Group is contingently liable	The Group is a party to various taxation matters in respect of which appeals are pending. These are being contested by the Group and not provided for. Further, the Group has made commitments to subscribe to shares in the normal course of business.

d) The contingent liabilities mentioned above are dependent upon the outcome of court/arbitration/out of court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

e) **Movement of provisions against contingent liabilities:**

(Rs. in Crore)

	2006-07	**2005-06**
a) Opening Balance	120.54	200.32
b) Addition during the year	37.33	83.14
c) Draw down during the year	15.68	162.92
d) Closing balance	**142.19**	**120.54**

3. Additional statutory information disclosed in separate financial statements of the parent and the subsidiaries having no bearing on the true and fair view of the consolidated financial statements and also the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements in view of the general clarifications issued by ICAI.

4. Previous year’s figures have been regrouped and reclassified, wherever necessary and determinable, to make them comparable with current year’s figures. In cases where disclosures have been made for first time in terms of RBI guidelines, previous year figures have not been mentioned.

Schedule 17

Principal Accounting Policies

1. <u>Basis of preparation of accounts</u>

   The accompanying financial statements have been prepared under historical cost convention and comply, in all material aspects, with applicable statutory/ regulatory provisions, Accounting Standards (AS) and generally accepted accounting principles and practices prevailing in India, except as otherwise stated.

2. <u>Consolidation Procedure</u>

   2.1 Consolidated financial statements of the Group ***(comprising of 21 subsidiaries, 6 Joint Ventures and 39 Associates)*** have been prepared on the basis of :

   (a) audited accounts of State Bank of India (Parent)

   (b) line by line aggregation of each item of asset/liability/income/expense of the subsidiaries with the respective item of the Parent, and after eliminating all material intra-group balances / transactions, unrealized profit/loss, and making necessary adjustments wherever required for non-uniform accounting policies as per AS 21 of The Institute of Chartered Accountants of India (ICAI)

   (c) Consolidation of Joint Ventures – full consolidation in respect of joint ventures which are also subsidiaries and 'Proportionate Consolidation' in respect of other Joint Ventures - as per AS 27 of ICAI.

   (d) accounting for investment in 'Associates' under the 'Equity Method' as per AS 23 of the ICAI.

   (e) Financial Statements of the Subsidiaries/Joint Ventures drawn up to the same reporting date as that of the Parent i.e. 31st March 2006.

   2.2 The difference between cost to the group of its investment in the subsidiary entities and the group's portion of the equity of the subsidiaries is recognized in the financial statements as goodwill/capital reserve.

   2.3 Minority interest in the net assets of the consolidated subsidiaries consists of:

   a) The amount of equity attributable to the minority at the date on which investment in a subsidiary is made, and

   b) The minority shares of movements in revenue reserves/loss (equity) since the date the parent-subsidiary relationship came into existence.

3. <u>Foreign Exchange Transactions/Translations</u>

   3.1 *Domestic offices (other than Offshore Banking Units in India) and foreign representative offices*:

   Foreign currency transactions are recorded at the rates prevalent on the date of initial recognition. Exchange differences arising on settlement of transactions are recognized as profit/loss during the period in which they arise. Foreign currency non monetary items are carried at historical cost and monetary items are reported at closing spot rate advised by FEDAI.

   3.2 *Foreign branches, Offshore Banking Units in India and foreign subsidiaries/foreign joint venture:*

   Items of income and expenditure are translated at quarterly intervals, at the quarterly average exchange rates advised by FEDAI. Assets/Liabilities are translated at the exchange rate prevailing at the close of the year. The resultant exchange difference in respect of each of the foreign branch/subsidiary/joint venture is accumulated in a separate account "Foreign Currency Translation Reserve" till disposal of the net investment.

   3.3 *Forward Exchange Contracts outstanding at the year end:*

   The net outstanding forward exchange contracts in each currency are revalued at the corresponding forward rates for the residual maturity of the contract and the exchange difference is recognized as profit/loss as the case may be.

4. <u>Derivatives</u>

   Derivative transactions such as Interest Rate Swaps, Options and Currency Swaps undertaken for hedging are accounted for on accrual basis where the underlying assets/liabilities are not marked to market. Other derivative transactions outstanding as on balance sheet date are marked to market and net appreciation / depreciation is recognised in the Profit and Loss account. The net outstanding marked to market position of each type of derivatives is shown as asset/liability, as the case may be.

5. Investments

5.1 Classification:

Investments are classified into “Held for Trading”, “Available for Sale” and “Held to Maturity” categories as below:

a) Investments that are acquired with the intention to trade by taking advantage of the short term price/ interest rate movement are classified under “Held for Trading”. These investments are held under this category upto 90 days from the date of acquisition.

b) Investments which are intended to be held up to maturity are classified as “Held to Maturity.”

c) Investments which are not classified in either of the above categories are classified as “Available for Sale”.

5.2 Valuation:

5.2.1 In determining acquisition cost of investment:

(a) Brokerage/commission received on subscriptions is deducted from the cost of securities.

(b) Brokerage, commission and stamp duty paid in connection with acquisition of securities are treated as revenue expenses.

(c) Interest accrued up to the date of acquisition of securities (i.e. broken period interest) is excluded from the acquisition cost and recognized as interest expense.

5.2.2 Individual scrips classified under “Held for Trading” category are valued at lower of book value or market value. Depreciation/Appreciation is aggregated for each type of security i.e. Government Securities, Other Approved Securities, Shares, Debentures/Bonds and Others. Net depreciation in each type of security, if any, is provided for, while appreciation is ignored. The book value of the individual scrip is not changed.

5.2.3 Investments under “Held to Maturity” category are carried at acquisition cost. Wherever the book value is higher than the face value/ redemption value, the excess amount is amortized over the remaining period of maturity using the Constant Yield Method. Similarly, in the case of zero coupon securities that are acquired at a discount to the face value, the difference between the acquisition cost and face value is amortized over the remaining period of maturity using the Constant Yield Method.

5.2.4 Investments under “Available for Sale” category are valued at cost or market price which ever is lower. Where market quotations are not available, market value for this purpose is arrived at on the basis of realizable price computed as per the guidelines of Fixed Income Money Market and Derivatives Association of India/Primary Dealers Association of India/RBI. Depreciation/Appreciation is aggregated for each type of security i.e. Government Securities, Other Approved Securities, Shares, Debentures/ Bonds and Others. Net depreciation in each type of security, if any, is provided for, while appreciation is ignored. The book value of the individual scrip is not changed.

5.2.5 Treasury bills and commercial paper are valued at cost.

5.2.6 Non-SLR Non-Performing Investments are recognized as per RBI guidelines and provision is made as per RBI norms applicable to Non-Performing Advances.

5.2.7 Investments in Associates (both in India and abroad) are initially recorded at cost. The carrying amount is increased or decreased on recognition of the group’s share of the profit/loss of the associate after the date of acquisition. In accounting for the share of profit/loss of the group in the associate’s profit/loss, all the applicable principles of consolidation of financial statements as prescribed by Accounting Standard 21 are followed.

5.2.8 Securities sold/purchased under Repo/Reverse Repo are treated as outright sales/purchases and accounted for accordingly. Cost and revenues are accounted as interest expenditure/income, as the case may be.

6 Advances

6.1 Advances are shown in the balance sheet net of provisions and unrealized interest on Non Performing Assets (NPAs).

6.2 Advances include debts due from credit card holders and also factored debts.

6.3 Indian Offices

6.3.1 All advances are classified under four categories viz a) Standard Assets, b) Sub-Standard Assets, c) Doubtful Assets and d) Loss Assets.

6.3.2 Provisions are made on all outstanding advances net of interest not realized on NPAs as under:

(a) *Sub-Standard Assets* at 10% (20% in the case of unsecured exposures where realizable value of security is not more than 10%, *ab initio*)

(b) *Doubtful Assets*:

i) Unsecured portion at 100% after netting retainable/realizable amount of guarantee cover provided by Export Credit Guarantee Corporation/Credit Guarantee Trust for small industries wherever applicable.

ii) Secured portion:

Period for which the advance has been considered as doubtful

Up to one year	20%
One to three years	30%
More than three years	-
- as on 31.03.2004	75%
- on or after 01.04.2004	100%

(c) Loss Assets at 100%

(d) Advances guaranteed by State Governments are classified as "sub-standard", "doubtful" or "loss", as the case may be, if the amount due to the bank remains overdue for more than 90 days and attracts appropriate provisioning as applicable to other advances.

(e) In case of sale of financial assets to asset reconstruction company(ies) is at a price lower than the Net Book Value (NBV), the difference is charged to Profit and Loss account; if the sale price is higher than the NBV, the excess provision is not reversed but is utilized to meet the shortfall/loss on sale of other financial assets to asset reconstruction company(ies).

6.3.3 Unrealized interest recognized in the previous year on advances, which become non-performing during the current year, is provided for.

6.3.4 In case of restructuring/rescheduling of advances, the difference between the present value of the future interest as per the original agreement and the present value of the future interest as per the revised agreement is provided for at the time of restructuring/rescheduling.

6.4 Foreign Offices

6.4.1 Advances are classified under four categories in line with those of Indian Offices.

6.4.2 Provisions in respect of advances are made as per IRAC norms prescribed by RBI or as per local requirements whichever are higher.

6.5 General Provision on Standard Assets

A general provision is made on the standard assets on the global loan portfolio

- @ 0.25% on the Advances to Small & Medium Enterprises and Direct Agriculture;
- @ 0.40% on the remaining standard assetsportfolio.

7. <u>Fixed Assets</u>

7.1 Depreciation on Fixed Assets of Domestic Offices is provided for on the written down value method at the rates prescribed under Income Tax Rules, 1962. In respect of computers, depreciation is provided for on the straight-line method @ 33.33% per annum as per RBI guidelines. Computer software not forming integral part of hardware is depreciated fully during the year of purchase.

7.2 In respect of leasehold premises, the lease amount is amortised over the period of lease.

7.3 Depreciation on the fixed assets of foreign offices of SBI and foreign subsidiaries is provided as per the local laws of the respective countries.

8. Assets Given on Lease

8.1 In respect of assets given on lease on or before 31st March 2001, the assets given on lease and the advance paid against assets given on lease are included in Fixed Assets as "Leased Assets" and "Capital Work-in-progress (Leased Assets)" respectively. Depreciation is provided for on straight line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956 and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalisation Account as per guidelines issued by the ICAI.

8.2 Assets given on lease on or after 1st April 2001 are accounted for as per Accounting Standard 19 issued by the ICAI. Such assets are included under "Other Assets".

8.3 Provisions on non-performing leased assets are made on the basis of RBI guidelines applicable to advances.

9. Revenue/Expense Recognition

9.1 Domestic Offices: Banking Entities

9.1.1 Income and expenditure are accounted on accrual basis. The following items of income, however, are recognized on realization basis:

(a) Interest and lease income on non-performing advances/assets, including overdue bills

(b) Interest on non-performing investments

(c) Commission (other than commission on deferred payment guarantees and government transactions), exchange and brokerage

(d) Dividend on investments

(e) Interest on application money on investments and overdue interest on investments.

9.2 Non-banking entities

9.2.1 Issue management and advisory fees are recognized as per the terms of agreement with the client.

9.2.2 Fees for private placement are recognized on completion of assignment.

9.2.3 Underwriting commission relating to public issues are accounted for on finalisation of allotment of the public issue. Brokerage income relating to public issues/mutual fund/other securities is accounted for based on mobilization and intimation received from clients/intermediaries.

9.2.4 Till 31st March 2005 annual fee and "add on" card fee were recognized as income at the time of setting up of cardholder account and at time of renewal of card. From 1st April 2005, the policy has been changed to recognize the joining membership and first annual fee over a period of one year as this more closely reflects the period to which the fee relates. As a result of this change in accounting policy, profit before tax for the current year is lower by Rs.1.71 crore. Renewal fee continues to be recognized at the time of renewal of the card. All other card-related service fees are booked at the time of recording the respective transaction.

9.2.5 Factoring service charges are accounted for on accrual basis except in the case of non-performing assets, where income is accounted for on realisation.

9.2.6 Funds management fees are accounted for on accrual basis in accordance with the Investment Management and Advisory Agreement with the Board of Trustees or as modified thereafter.

9.2.7 Life insurance premium (net of service tax) is recognized as income when due from policy holders. Uncollected premium from lapsed policies is not recognized as income until such policies are revived. In respect of linked business, premium income is recognized when the associated units are allotted.

9.3 Foreign Offices/Foreign Subsidiaries

Income is recognized as per the local laws of the countries.

10. Staff Benefits

Provisions are made for gratuity, pension and leave encashment benefits to staff on an actuarial valuation. For provident fund, contribution is made in terms of the Provident Fund Schemes of the Bank/Subsidiaries.

11. Provision for income tax

Provision for income tax is made in accordance with the statutory requirements with adjustments for deferred tax in terms of Accounting Standard 22 issued by the ICAI.

Schedule 18

Notes on Accounts

1. List of Subsidiaries/Joint Ventures/Associates considered for preparation of consolidated financial statements.

1.1 The 21 Subsidiaries, 6 Joint Ventures and 39 Associates (which along-with State Bank of India, the Parent, constitute the Group), considered in the preparation of the consolidated financial statements, are:

A) Subsidiaries

Sr. No	Name of the Subsidiary	Country of Incorporation	Group's Stake (%)
1	State Bank of Bikaner & Jaipur	India	75.07
2	State Bank of Hyderabad	India	100.00
3	State Bank of Indore	India	98.05
4	State Bank of Mysore	India	92.33
5	State Bank of Patiala	India	100.00
6	State Bank of Saurashtra	India	100.00
7	State Bank of Travancore	India	75.01
8	SBI Commercial & International Bank Ltd.	India	100.00
9	SBI Capital Markets Ltd.	India	86.16
10	SBICAP Securities Ltd	India	86.16
11	SBICAPS Ventures Ltd	India	86.16
12	SBICAP Trustee Company Ltd	India	86.16
13	SBICAP (UK) Limited	UK	86.16
14	SBI DFHI Ltd	India	65.95
15	SBI Factors and Commercial Services Pvt. Ltd.	India	69.88
16	SBI Mutual Fund Trustee Company Pvt. Ltd.	India	100.00
17	State Bank of India (Canada)	Canada	100.00
18	State Bank of India (California)	USA	100.00
19	SBI International (Mauritius) Ltd.	Mauritius	98.00
20	Indian Ocean International Bank Ltd.	Mauritius	51.00
21	INMB Bank Ltd	Nigeria	##

(## up to 31.12.2005)

B) Joint Ventures

Sr. No	Name of the Subsidiary	Country of Incorporation	Group's Stake (%)
1	C-Edge Technologies Ltd.	India	49.00
2	GE Capital Business Process Management Services Pvt Ltd.	India	40.00
3	SBI Cards and Payment Services Pvt. Ltd.	India	60.00
4	SBI Fund Management Pvt Ltd.	India	63.00
5	SBI Life Insurance Company Ltd.	India	74.00
6	Commercial Bank of India Llc.	Russia	60.00

C) Associates

Sr. No	Name of the Subsidiary	Country of Incorporation	Group's Stake (%)
1	Alaknanda Gramin Bank	India	35.00
2	Andhra Pradesh Grameena Vikas Bank	India	35.00
3	Arunachal Pradesh Rural Bank	India	35.00
4	Bastar Kshetriya Gramin Bank	India	35.00
5	Bilaspur Raipur Kshetriya Gramin Bank	India	35.00
6	Bolangir Anchalik Gramin Bank	India	35.00
7	Bundelkhand Kshetriya Gramin Bank	India	35.00
8	Damoh-Panna-Sagar Kshetriya Gramin Bank	India	35.00
9	Ellaquai Dehati Bank	India	35.00
10	Ganga Yamuna Gramin Bank	India	35.00
11	Ka Bank Nongkyndong Ri Khasi Jaintia	India	35.00
12	Kalahandi Anchalik Gramya Bank	India	35.00
13	Koraput Panchbati Gramya Bank	India	35.00
14	Krishna Grameena Bank	India	35.00
15	Langpi Dehangi Rural Bank	India	35.00
16	Mizoram Rural Bank	India	35.00
17	Nagaland Rural Bank	India	35.00
18	Palamau Kshetriya Gramin Bank	India	35.00
19	Parvatiya Gramin Bank	India	35.00
20	Pithoragarh Kshetriya Gramin Bank	India	35.00
21	Purvanchal Kshetriya Gramin Bank	India	35.00
22	Raigarh Kshetriya Gramin Bank	India	35.00
23	Samastipur Kshetriya Gramin Bank	India	35.00
24	Santhal Parganas Gramin Bank	India	35.00
25	Shivpuri-Guna Kshetriya Grameena Bank	India	35.00
26	Bikaner Kshetriya Gramin Bank	India	26.27
27	**Cauvery Grameena Bank**	**India**	**32.32**
28	Deccan Grameena Bank	India	35.00
29	**Kalpatharu Grameena Bank**	**India**	**32.32**
30	Malwa Gramin Bank	India	35.00
31	**Marwar Gramin Bank**	**India**	**26.27**
32	Sriganganagar Kshetriya Gramin Bank	India	26.27
33	**Saurashtra Gramin Bank**	**India**	**35.00**
34	Vidisha Bhopal Kshetriya Gramin Bank	India	34.32
35	Clearing Corporation **of India Ltd**	**India**	**28.97**

36	SBI Home Finance Ltd	India	25.05
37	UTI Asset Management **Company Pvt Ltd**	**India**	**25.00**
38	Bank of Bhutan	Bhutan	20.00
39	**Nepal SBI Bank Ltd**	**Nepal**	**50.00**

1.2. The following changes have taken place in the consolidation process as compared to 2004-05:

a) State Bank of India has acquired 51% stake in Indian Ocean International Bank Ltd (IOIB) at a cost of USD 7.35 million (Rs.32.20 crore) w.e.f. 20.04.2005. As such the assets, liabilities, income and expenses of IOIB have been consolidated from 20.04.2005. A sum of Rs. 0.85 crore has been recognized as goodwill in the consolidated financial statements.

b) SBI Capital Market Ltd, a subsidiary of State Bank of India, has promoted four wholly owned subsidiaries viz. SBICAP Securities Ltd, SBICAPS Ventures Ltd, SBICAP Trustee Company Ltd and SBICAP(UK) Ltd. The consolidated financials of SBI Capital Markets Ltd have been used in the preparation of consolidated financial statements of State Bank of India.

c) State Bank of India has promoted a new company as a joint venture - C-Edge Technologies Ltd - with Tata Consultancy Ltd. The company has commenced operations w.e.f. 28.03.2006.

d) INMB Bank Ltd has ceased to be a subsidiary w.e.f. 01.01.2006 pursuant to its merger with Sterling Bank Plc in compliance with Nigerian Regulatory requirements. As per the merger scheme, State Bank of India's stake in Sterling Bank Plc is 9.24%. As per Accounting Standard 21, a sum of Rs.6.27 crore has been charged off as loss on disposal of subsidiary. Income (Rupee equivalent 23.06 crore)/Expenses (Rupee equivalent 27.80 crore) of INMB Ltd upto 31.12.2005 have been consolidated.

e) State Bank of India has brought down its equity stake in Credit Information Bureau of India Ltd from 40% as at 31.03.2005 to 10% in stages starting from 17th May 2005. As Credit Information Bureau of India Ltd has ceased to be a joint venture it has not been consolidated for the year 2005-06. A sum of Rs.9.14 Crore has been recognized as profit on disposal of subsidiary/joint venture.

f) During the year the Bank has paid Rs.309.24 crore to the Government of India, being its share (25%) of the consideration for purchase of UTI Asset Management Company Pvt. Ltd. As per Accounting Standard 23, this amount has been identified as goodwill and included in the carrying amount of investment.

g) As at 31.03.2005, the group had 44 RRBs as associates, which as at 31.03.2006 has come down to 34 due to amalgamation of 14 RRBs details of which are as follows.

	Name of the amalgamated RRB	Name of the new RRB	Name of the Sponsor bank	Date of merger
1.	Basti Gramin Bank	Purvanchal Kshetriya Gramin Bank	State Bank of India	12.09.05
2.	Gorakhpur Kshetriya Gramin Bank			
3.	Kakathiya Grameena Bank	Andhra Pradesh Grameena Vikas Bank	State Bank of India	31.03.06
4.	Manjira Grameena Bank			
5.	Nagarjuna Grameena Bank			
6.	Sangameshwara Grameena Bank			

7.	Sri Vishaka Grameena Bank			
8.	Golconda Grameena Bank	Deccan Grameena Bank	State Bank of Hyderabad	24.03.06
9.	Sri Rama Grameena Bank			
10.	Sri Saraswathi Grameena Bank			
11.	Sri Sathavahana Grameena Bank			
12.	Jamnagar Rajkot Gramin Bank Bank	Saurashtra Gramin	State Bank of Saurashtra	02.01.06
13.	Junagarh Amreli Gramin Bank			
14.	Surendranagar Bhavnagar Gramin Bank			

Since the assets/liabilities of the merged RRBs have been taken over by the new entity at their respective book value, there is no goodwill/capital reserve on account of these mergers.

1.3 Two of the associates – Bank of Bhutan (31st December) and Nepal SBI Bank Ltd (Hindu Calendar Year) follow accounting years different from that of the parent.

2. Interest Earned-Others includes an amount of Rs.1701.81 crores, being interest on refund of Income Tax

3. Other income includes an amount of Rs.531.54 crores being Exchange Gain on India Millennium Deposits (IMDs) redemption.

4. An amount of Rs. 563.52 crores paid to Reserve Bank Of India for maintenance of value (MOV) by debit to Interest Expended Account in the years 2001 and 2002 was received back during the year on redemption of India Millennium Deposits (IMDs) and credited to Interest Expended account.

5. Payments to and provisions for employees, under Operating Expenses includes an amount of Rs.408.48 crores, being arrears of salary paid for the previous financial years.

6. In terms of RBI letter No.DBS.CO.SMC No. 8804/22.09.001/2005-06 dated 19.12.2005, the unreconciled net credit balance (net value of debit and credit entries) in Inter Branch Account upto 31.03.1999 aggregating Rs. 516.97 crores has been credited to Profit & Loss Account.

7. Break-up of the item “Provisions and Contingencies” included under the head “Expenditure” in the Profit and Loss Account:

(Rs. in crore)

		2005-06	2004-05
a)	Provision for Income Tax (current tax)	2101.68	2794.19
b)	Provision for Income Tax (deferred tax)	507.09	(158.54)
c)	Provision for other taxes including Fringe Benefit Tax of Rs. 620.30 crore for current year	620.80	(3.87)
d)	Amount of provision made against NPA’s (including write back of provision)	414.06	1403.37
e)	General provision on Standard Assets in the global loan portfolio	585.44	(74.13)
f)	Depreciation in the value of investments in India	5529.07	4486.01
g)	Depreciation in the value of investments in Foreign Office	10.48	8.10
h)	Others (Net of write-backs)#	(68.23)	1147.21
	Total	9700.39	9602.34

(figures in brackets indicate credit)

figures of 2004-05 include ad hoc provision of **Rs. 1160.62 crore towards wage revision.**

DISCLOSURES AS PER ACCOUNTING STANDARDS:

8. Accounting Standard 17 (Segmental Reporting):

8.1 Segment Identification

The following segments have been identified:

PRIMARY	Treasury Operations
(Business Segment)	Banking Operations
	Non-Banking Operations
SECONDARY	Domestic Operations
(Geographical Segment)	Foreign Operations

8.2 The accounting policies adopted for segment reporting are in line with the accounting policies adopted in consolidated financial statements with the following additional features.

Pricing of inter-segment transactions between the Non Banking Operations segment and other segments are market led. In respect of transactions between treasury and banking segments, compensation for the use of funds is reckoned based on interest and other costs incurred by the lending segment.

Revenue and expenses have been identified to segments based on their relationship to the operating activities of the segment.

Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under “Unallocated Expenses” net of unallocated corporate revenue.

8.3 Disclosure under segment reporting

A. Primary Segments

(Rs. in crore)

Business Segments	Banking Operations		Treasury		Non-Banking		Eliminations		Total	
Particulars	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue *	48193.16	43289.59	23363.06	26500.04	2187.15	1275.62	(14874.67)	(17709.31)	58868.70	53355.94
Result *	7764.79	7299.49	(1842.94)	866.00	152.80	99.20	–	–	6074.65	8264.69
Unallocated Expenses*									(1879.92)	34.95
Operating Profit *									7954.57	8229.74
Income Taxes *									3229.57	2631.77
Extra-ordinary Profit/Loss *									936.48	–
Net Profit *									5661.48	5597.97
Other Information #	–	–								
Segment Assets	505658.19	517165.01	289558.57	288958.17	7765.10	4936.21	(110480.29)	(188115.02)	692501.57	622944.37
Unallocated Assets									4330.85	5633.20
Total Assets									696832.42	628577.57
Segment Liabilities	506433.47	516586.32	259485.80	257861.01	5696.47	2983.35	(115986.98)	(184130.68)	655628.76	593300.00
Unallocated Liabilities									3996.95	2725.77
Total Liabilities									659625.71	596025.77

B. secondary SegmentS

Geographical Segments	Domestic Operations		Foreign Operations		Total	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Revenue	55934.74	51806.32	2933.96	1549.62	58868.70	53355.94
Assets	649267.83	594970.85	47564.59	33606.72	696832.42	628577.57

* Total for the year 2005-06 # Balances as on 31.03.2006

9. Accounting Standard 18 (Related Party Disclosures)

9.1 Bank's Related Parties:

9.1.1 Joint Ventures :

C-Edge Technologies Ltd

GE Capital Business Process Management Services Private Limited.

9.1.2 Associates

Alaknanda Gramin Bank
Andhra Pradesh Grameena Vikas Bank
Arunachal Pradesh Rural Bank
Bastar Kshetriya Gramin Bank
Bikaner Kshetriya Gramin Bank
Bilaspur Raipur Kshetriya Gramin Bank
Bolangir Anchalik Gramya Bank
Bundelkhand Kshetriya Gramin Bank
Cauvery Grameena Bank
Damoh-Panna-Sagar Kshetriya Gramin Bank
Deccan Grameena Bank
Ellaquai Dehati Bank
Ganga Yamuna Gramin Bank
Ka Bank Nongkyndong Ri Khasi Jaintia
Kalahandi Anchalik Gramya Bank
Kalpatharu Grameena Bank
Koraput Panchbati Gramya Bank
Krishna Grameena Bank
Langpi Dehangi Rural Bank
Malwa Gramin Bank
Marwar Gramin Bank
Mizoram Rural Bank
Nagaland Rural Bank
Palamau Kshetriya Gramin Bank
Parvatiya Gramin Bank
Pithoragarh Kshetriya Gramin Bank
Purvanchal Kshetriya Gramin Bank
Raigarh Kshetriya Gramin Bank
Samastipur Kshetriya Gramin Bank
Santhal Parganas Gramin Bank
Saurashtra Gramin Bank
Shivpuri-Guna Kshetriya Grameena Bank
Sri Ganganagar Kshetriya Gramin Bank
Vidisha Bhopal Kshetriya Gramin Bank
SBI Home Finance Limited.
Clearing Corporation of India Ltd.
Nepal SBI Bank Ltd.
Bank of Bhutan
UTI Asset Management Company Pvt. Ltd.

9.1.3 Key Management Personnel of the Bank:

Shri A.K. Purwar, Chairman
Shri Ashok K. Kini, Managing Director (upto 31.12.2005)
Shri T. S. Bhattacharya, Managing Director

9.2 Out of above, the following are the Related Party Relationship in respect of which disclosures are required to be made in terms of AS-18 :

GE Capital Business Process Management Services Pvt. Ltd.

SBI Home Finance Ltd.

Nepal SBI Bank Ltd.

Bank of Bhutan

C-Edge Technologies Ltd.

Shri A.K. Purwar, Chairman

Shri Ashok K. Kini, Managing Director (upto 31.12.2005)

Shri T. S. Bhattacharya, Managing Director

Other Related Parties are 'State-controlled Enterprises' and hence no disclosures are required as per paragraph 9 of AS 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of banker-customer relationship are not required to be disclosed in respect of Key Management Personnel and relatives of Key Management Personnel.

9.3 Transactions/Balances (Rupees in crore)

Items/Related Party	Associates/ Joint Ventures	Key Management Personnel @	Relatives of Key Management **Personnel** @	Total
Borrowings # Deposits #	525.25			525.25
	(1770.31)	—	—	(1770.31)
Placement of	—	—		
Deposits #	(11.65)	—	—	(11.65)
Advances #	—	—		
	(26.56)	—	—	(26.56)
Investments #	34.45	34.45		
	(39.97)	—	—	(39.97)
Non-funded	560.08	560.08		
commitments #	—	—	—	—
Leasing/HP arrangements availed $	—	—	—	—
Leasing/HP arrangements provided $	—	—	—	—
Purchase of fixed assets $	—	—	—	—
Sale of fixed assets $	—	—	—	—
Interest paid $	7.18	7.18		
	(28.23)	—	—	(28.23)
Interest	—	—		
received $	(11.15)	—	—	(11.15)
Rendering of	—	—		
services $	(4.46)	—	—	(4.46)
Receiving of	85.62	85.62		
services $	(—)	—	—	(—)
Management	—	0.20	0.20	
contracts $	(0.14)	(—)	(0.14)	

(Figures in brackets pertain to previous year)

Balances as at 31.03.2006 $ Total for FY 2005-06.

@ Transactions which are not in the nature of banker-customer relationship.

The above disclosures are as identified by the management and relied upon by the Auditors.

10. Accounting Standard - 19 : (Assets given on lease with effect from 1.4.2001)

	(Rs. in crore)
Total gross investment in the leases	164.73 (164.73)
Present value of minimum lease payments receivable as on 31.3.2006	
Less than 1 year	17.60 (31.28)
1 to 5 years	20.49 (28.91)
5 years and above	— (—)
Total	38.09 (60.19)
Present value of unearned finance income	6.76 (10.28)

(Figures in brackets relate to previous year)

11. Accounting Standard - 20 : (Earnings per Share) Earnings per Share has been computed as under:

(Rs. in crore)

		2005-06	2004-05
a.	Net Profit (Group)	5529.92	5463.93
b.	Weighted average number of shares	526298878	526298878
c.	Earnings per Share (Basic and Diluted)	Rs. 105.07	Rs. 103.82

12. Accounting Standard - 22 : (Accounting for Taxes on Income):

(Rs. in crore)

A.	**Deferred Tax Liability**	**2005-06**	**2004-05**
	Depreciation of leased assets	126.15	174.46
	Depreciation of Fixed Assets	19.73	30.84
	Depreciation & Amortization of Investment	209.31	177.65
	Provision relating to securities transactions	66.67	66.67
	Others	8.53	0.08
	Total	**430.39**	**449.70**
B.	**Deferred Tax Asset**	**2005-06**	**2004-05**
	Provision made against		
	NPAs	428.63	623.13
	Provision for wage revision	—	474.23
	Others	299.89	157.01
	Total	**728.52**	**1254.37**
C.	Net DTA/(DTL) (B – A)	298.13	804.67

13. As required by AS 27 the aggregate amount of the assets, liabilities, income and expenses related to the Bank's interests in jointly controlled entities are disclosed as under:

A: Assets and Liabilities: (Rs. In crore)

Capital & Liabilities	2005-06	2004-05	Assets	2005-06	2004-05
Capital & Reserves	716.84	442.19	Cash & Balances with RBI	36.67	16.23
Deposits	1.60	7.09	Balances with Banks and		
			Money at Call and Short Notice	137.46	60.43
Borrowings	1514.95	563.30	Investments	2114.88	847.86
Other Liabilities & Provisions	2061.77	682.24	Advances	1638.24	661.90
			Fixed Assets	41.55	15.86
			Other Assets	326.36	92.54
Total	**4295.16**	**1694.82**	**Total**	**4295.16**	**1694.82**

Capital Commitments Nil (Previous year Rs. 2.87 crore) Other Contingent Liabilities Rs. 3.76 crore (Previous year Rs. 0.32 crore)

B: Income and Expenditure

		FY 2006	**FY 2005**
I.	**Income**		
	Interest Earned	413.09	164.96
	Other Income	1496.11	591.84
	Total	**1909.20**	**756.80**
II.	Expenditure		
	Interest Expended	73.33	22.18
	Operating expenses	1721.73	654.61
	Provisions & Contingencies	114.59	61.89
	Total	**1909.65**	**738.68**

14. Accounting Standard 28 : (Impairment of Assets)

In the opinion of the Bank's Management, there is no impairment to the assets to which Accounting Standard 28 - "Impairment of Assets" applies requiring any recognition.

15. Accounting Standard 29 : (Provisions, Contingent Liability & Contingent Assets)

a) Movement of provisions for contingent liabilities

(Rs. in crore)

Particulars	Legal cases/ contingencies
Balance as at 1st April 2005	200.32
	(15.49)
Provided during the year	83.14
	(185.75)
Amounts used during the year	134.22
	(0.03)
Reversed during the year	28.70
	(0.89)
Balance as at 31st March 2006	120.54
	(200.32)

(Figures in bracket relate to previous year)

b) **Other Contingent Liabilities (Schedule 12) :**

Such liabilities at Sl.No. (i), (ii), (iii), (iv), (v) and (vi) are dependent upon the outcome of Court / arbitration / out of Court settlement, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, respectively.

16. Additional statutory information disclosed in separate financial statements of the parent and the subsidiaries having no bearing on the true and fair view of the consolidated financial statements and also the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements in view of the general clarifications issued by ICAI.

17. Previous year's figures have been regrouped and reclassified, wherever necessary and determinable, to make them comparable with current year's figures. In cases where disclosures have been made for first time in terms of RBI guidelines, previous year figures have not been mentioned.

ANNEXURE C-5

SUMMARY STATEMENT OF ACCOUNTING RATIOS (CONSOLIDATED)

Sr No.	For the year Ending	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10
1	Basic Earning Per Share	105.07	120.93	168.61	172.68	184.82
2	Return on Average Net Worth (%)	15.85%	15.96%	17.27%	16.40%	15.09%
3	Net Asset Value per Share	706.95	808.20	969.74	1140.22	1309.46

STOCK MARKET DATA FOR EQUITY SHARES AND DEBT SECURITIES OF THE BANK

I. EQUITY SHARES

The Bank's Equity Shares are listed on the BSE and NSE. As the Bank's shares are actively traded on the BSE and NSE, stock market data has been given separately for each of these Stock Exchanges.

1. *The high and low closing prices recorded on the BSE and NSE during the last three years and the number of Equity Shares traded on the days the high and low prices were recorded are stated below.*

BSE

Year ended March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2008	2,465.25	January 8 , 2008	482,401	926.75	April 3, 2007	621,137	1,778.55
2009	1,822.15	May 2, 2008	466,972	896.80	March 9, 2009	1,089,315	1,325.15
2010	2,465.25	October 20, 2009	557,500	1,073.95	April 1, 2009	1,273,076	1,909.00

Source: www.bseindia.com
The average price has been computed based on the daily closing price of Equity Shares.

NSE

Year ended March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2008	2,464.55	January 8, 2008	1,460,965	926.75	April 3, 2007	1,128,332	1,775.49
2009	1,822.40	May 2, 2008	1,572,810	895.3	March 9, 2009	3,024,171	1,325.21
2010	2,470.85	October 20, 2009	2,372,087	1,077.45	April 1, 2009	4,116,277	1,909.08

Source: www.nseindia.com
The average price has been computed based on the daily closing price of Equity Shares.

2. *The high and low prices and volume of Equity Shares traded on the respective dates during the last six months are as follows:*

BSE

Month, Year	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the month (Rs.)
April 2010	2,297.95	April 30	514,839	2,031.75	April 19	249,616	2,147.68
May 2010	2,323.95	May 12	452,947	2,154.60	May 25	540,966	2,258.31
June 2010	2,386.95	June 21	298,838	2,210.15	June 1	369,113	2,320.08
July 2010	2,503.80	July 30	563,975	2,261.80	July 1	381,878	2,405.46
August 2010	2,865.10	August 26	517,739	2581.10	August 2	397,635	2,742.42
September 2010	3233.20	September 30	465,579	2,758.10	September 2	230,390	3,039.86

Source: www.bseindia.com
The average price has been computed based on the daily closing price of Equity Shares.

NSE

Month, Year	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the month (Rs.)
April 2010	2,300.70	April 30	1,914,631	2032.45	April 19	925,060	2,148.08
May 2010	2,324.20	May 12	2,020,404	2155.10	May 25	1,735,582	2,258.30
June 2010	2,387.80	June 21	887,925	2209.65	June 1	1,442,336	2,320.33
July 2010	2,502.90	July 30	2,694,487	2262.25	July 1	1,421,990	2,406.01
August 2010	2,866.15	August 26	2,264,291	2586.35	August 2	2,058,577	2,742.21
September 2010	3,240.45	September 30	3,080,619	2759.10	September 2	1,075,750	3,090.80

Source: www.nseindia.com

The average price has been computed based on the daily closing price of Equity Shares.

The closing price of the Equity Shares on October 4, 2010 on the BSE was Rs. 3,256.35 and on the NSE was Rs. 3259.65.

II. DEBT SECURITIES

The stock market data of the Bank's privately placed debt instruments that have been traded on the WDM segment of NSE in the last 3 years preceding the date of this Prospectus is as follows:

ISIN	Name of debt security issued	Date of last trade	Traded value	Last trade price *(in %)*	Last trade yield (%)	Weighted average price
INE 062 A 09056	SBI21	July 7, 2010	0.10	101.96	8.50	101.96
INE 062 A 09072	SBI21B	June 14, 2010	15.00	102.60	8.58	102.60
INE 062 A 09080	SBI21C	July 26, 2010	0.10	102.82	8.55	102.82
INE 062 A 09106	SBI21E	July 7, 2010	0.10	102.31	8.51	102.31
INE 062 A 09130	SBI6	November 19, 2009	10.00	107.56	8.30	107.56
INE 062 A 09148	SBI22A	June 2, 2010	0.10	109.57	8.86	109.57
INE 062 A 09155	SBI22B	May 25, 2010	10.00	108.41	8.94	108.41
INE 062 A 09163	SBI23	June 23, 2010	15.00	102.41	8.58	102.41
INE 062 A 09171	SBI18	May 22, 2009	80.00	100.58	8.30	100.58
INE 062 A 09213	SBI	November 20, 2009	5.00	101.22	8.91	101.22
INE 062 A 09221	SBIA	July 22, 2010	11.30	100.26	8.99	100.26

Source: www.nseindia.com

DESCRIPTION OF CERTAIN INDEBTEDNESS

The statement of borrowings of the Bank as on March 31, 2010 is provided below:

(Rs. in million)

S. No.	Particulars	Outstanding amount	Rate of Interest	Duration	Date of Borrowings	Repayment Terms
Domestic Borrowings						
1.	Term Borrowings	-	-	-	-	-
2.	CBLO (secured borrowings)	79,254.62	3.65% to 4.90%	Five days	March 31, 2010	Bullet
3.	Borrowings from Other Institutions/Agencies					
(a)	Refinancing by SIDBI	6,526.32	Various rates from 5.10% to 6.00 6M LIBOR + 280bps	Three years to 14 years and six months	January 23, 2010 and March 31, 2010	Various, from June 30, 2012 to June 15, 2024
(b)	Refinancing by NABARD	6,396.15	0.00% to 13.00%	Various terms	Various dates	Various, half yearly from July 31, 2010 to July 31, 2019
(c)	Others	2,529.22	-	-	March 31, 2010	Adverse clearing
Total Domestic Borrowings (A)		**94,706.31**	-	-	-	-
Overseas Borrowings						
1.	Bond Issues (Excluding Hybrid Tier-I Bonds)	103,979.85	Fixed - 3.50% to 4.90% Floating - LIBOR +38 basis points to + 73.5 basis points	Five years	Various dates from June 28, 2005 to December 18, 2009	Bullet
2	Foreign Currency Loans	45, 926.86	Floating Various Rates	364 days to five years	Various dates from June 2, 2005 to September 28, 2007	Bullet principal repayment, interest at half yearly intervals
3	Money Market Borrowings And others	465,699.40	Various Rates	Term ranging from one day to one year	Various dates	Bullet
Total Overseas Borrowings (B)		**615,606.11**	-	-	-	-
Tier-I Capital						
1.	Overseas SBI Perpetual non call 10.25 years bonds	17,957.09	Coupon 6.439% after swap LIBOR + 120 basis points on semi annual basis	Perpetual non call 10 years and three months	February 15, 2007	Perpetual with call option to the issuer after 10 years and three months
2.	SBI perpetual non call 10 years bonds	10,102.50	Coupon 7.14% after swap LIBOR + 137 basis points on semi annual basis	Perpetual non call 10 years and one day	June 26, 2007	Perpetual with call option to the issuer after 10 years and one day
Total Tier-I Capital (C)		**28,059.59**	-	-	-	-
Subordinate Debts						
1.	Domestic	291,744.00	Fixed - 7.45% to 10.20%	111 months to 180 months	Various dates from February 5, 2005	Bullet

S. No.	Particulars	Outstanding amount	Rate of Interest	Duration	Date of Borrowings	Repayment Terms
					to January 27, 2010	
2.	Overseas	-	-	-	-	-
Total Subordinate Debts (D)		**291,744.00**	**-**	**-**	**-**	**-**
Grand Total (A + B + C+ D)		**1,030,116.01**	**-**	**-**	**-**	**-**

The Bank has availed certain secured borrowings in the past which are reflected in the table above.

Servicing behaviour on existing debt securities, payment of due interest on due dates on term loans and debt securities

As on the date of this Prospectus, there has been no default in payment of principle or interest on any term loan and debt security issued by the Bank in the past.

The Bank is regular in servicing the debt obligations and has never defaulted / delayed payment of interest / redemption proceeds on due dates on term loans and other debt securities issued since inception.

OUTSTANDING LITIGATION AND DEFAULTS

As on the date of this Prospectus, there are no defaults in meeting statutory dues, institutional dues, and towards holders of instrument like bonds, fixed deposits and arrears on cumulative preference shares, etc, by the Bank or by other banks promoted by the same promoter and listed on stock exchange.

There are no outstanding litigations pertaining to:

i matters likely to affect operation and finances of the Bank including disputed tax liabilities of any nature; and

ii criminal prosecution launched against the Bank and the Directors for alleged offences under the enactments specified in Paragraph 1 of Part I of Schedule XIII to the Companies Act.

The Bank is involved in certain legal proceedings in the ordinary course of its business. However, currently, the Bank is not a party to any proceedings, and is not aware of any current, pending or anticipated proceedings by governmental authorities or third parties, which, if adversely determined, would have a material adverse effect on the Bank's financial condition or results of operations. See "*Risk Factors — Risks Relating to the Bank's Business — The Bank is involved in various litigation matters. Any final judgment awarding material damages against the Bank could have a material adverse impact on its future financial performance, stockholders' equity and the price and interest payable on the Bonds*".

As on March 31, 2010, our contingent liabilities not provided for on a consolidated basis was Rs. 6,972,951.20 million and on an unconsolidated basis was Rs. 5,484,468.85 million. For further details, please see section "*Auditor Examination Report and Financial Statements*".

OTHER REGULATORY AND STATUTORY DISCLOSURES

Consents

Consents in writing of the Directors, the Auditor to the Issue, Lead Managers, Registrar to the Issue, Legal Advisors to the Issue, Credit Rating Agency and the Debenture Trustee to act in their respective capacities, have been obtained.

IDBI Trusteeship Services Limited has given their consent for their appointment as Debenture Trustees under regulation 4(4) of the SEBI Debt Regulations.

Expert Opinion

Except the report of CARE and CRISIL in respect of the credit rating of this Issue, furnishing the rationale for its rating, the Bank has not obtained any expert opinions.

Common form of Transfer

The Bank undertakes that there shall be a common form of transfer for the Bonds and all Applicable Laws shall be duly complied with in respect of all transfer of the Bonds and registration thereof.

Minimum Subscription

If the Bank does not receive the minimum subscription of 75% of the base issue amount of Rs. 5,000 million, i.e. Rs. 3,750 million, on or before the closure of the Issue, the entire subscription amount shall be refunded to the applicants within 15 days from the date of closure of the Issue. If there is a delay in the refund of the subscription amount by more than 8 (eight) days after the Bank becomes liable to pay the same, the Bank will pay interest for the period of delay, at rates prescribed under subsections (2) and (2A) of Section 73 of the Companies Act.

Previous Issues

The Bank has undertaken the rights issue in February 2008 whereby it issued 105,259,776 Equity Shares of Rs. 10 each and allotted 105,171,498, Equity Shares of Rs. 10 each at a premium of Rs. 1,580 per Equity Share aggregating to Rs. 167,360.94 million to the Equity Shareholders on rights basis in the ratio of one Equity Share for every five Equity Shares held on the record date (the "Rights Issue"). The issue opened on February 18, 2008 and closed on March 18, 2008. The date of allotment was March 29, 2008 and the date of refund was April 3, 2008.

Except for the Rights Issue, the Bank or any of its other listed companies under the same management within the meaning of section 370(1B) of the Companies Act has not undertaken a capital issue during the last three years

Commission or brokerage on previous issues

The Bank did not pay any commission or brokerage on its previous issues.

Change in auditors of the Bank during the last three years

The Government of India vide its letter F.No.1/14/2004-BOA dated November 21, 2008 all the public sector banks ("PSBs") to follow the 'Road Map for implementation of autonomy in the matter of appointment of statutory auditors' (the "Road Map"). As per the Road Map, one audit firm is to be appointed as statutory circle auditor for each of the circle offices of the Bank. Presently, the Bank has 14 circle offices. The appointment of statutory central auditors is made on an annual basis, subject to their fulfilling the eligibility norms prescribed by RBI from time to time and also subject to their suitability.

Further, in terms of the Road Map, in order to protect the independence of the auditors/audit firms, the Bank makes the appointments of statutory central auditors for a continuous period of three years. The Bank does not have any authority to remove the audit firms during this period without the prior approval of the RBI.

Fiscal Year 2008:

M. Choudhary & Co. and Chaturvedi & Co. were replaced by V.K. Jindal & Co., A.K. Sabat and Co., Datta Sarkar & Co.

Fiscal Year 2009:

Khandelwal Jain & Co., Vinay Kumar & Co., M M Nissim & Co. and Laxminiwas & Jain were replaced by Jain Kapila Associates, Gupta & Shah, Guha Nandi & Co., A.R. Viswanathan & Co. and Chokshi & Chokshi.

Fiscal Year 2010:

D.P. Sen & Co., G.M. Kapadia & Co., R.G.N. Price & Co., S.K. Mittal & Co., Vardhaman & Co., Jain Kapila Associates, Datta Singla & Co., Guha Nandi & Co. A.R. Viswanathan & Co. and Chokshi & Chokshi were replaced by B. M. Chatrath & Co.; Kalyaniwalla & Mistry, Essveeyar, K. K. Soni & Co., Venugopal & Chenoy, K. G. Somani & Co., M. Verma & Associates, K. C. Mehta & Co., Dagliya & Co. and Krishnamoorthy & Krishnamoorthy.

Revaluation of assets

The Bank has not revalued its assets in the last five years.

Prohibition by SEBI / Eligibility of LTF to come out with the Issue

The Bank has not been restrained, prohibited or debarred by SEBI from accessing the securities market or dealing in securities and no such order or direction is in force.

Utilisation of Proceeds

Statement by the Board of Directors:

(i) All monies received out of the Issue of the Bonds to the public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73 of Companies Act;

(ii) Details of all monies utilised out of the Issue referred to in sub-item (i) shall be disclosed under an appropriate separate head in our Balance Sheet indicating the purpose for which such monies were utilised; and

(iii) Details of all unutilised monies out of the Issue referred to in sub-item (i), if any, shall be disclosed under an appropriate separate head in our Balance Sheet indicating the form in which such unutilised monies have been invested.

The funds raised by us from previous bonds issues have been utilised for our business as stated in the respective offer documents.

Disclaimer clause of NSE

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Listing

The Bonds will be listed on the NSE. We have applied to the NSE for an in-principle approval for listing simultaneously with the filing of the Draft Prospectus. If permissions to deal in and for an official quotation of the respective Bonds are not granted by the NSE, the Bank will forthwith repay, without interest, all moneys received from the Applicants in terms of this Prospectus. The Bank expects to receive the in-principle approval for listing from the NSE prior to the filing of this Prospectus.

The Bank shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the NSE mentioned above are taken within seven working days from the date of Allotment.

Dividend

The Central Board has been empowered to determine the rate of dividend under the Act. Under the SBI Regulations, the Central Board may from time to time declare and pay or authorize the payment of such interim dividends as appear to it to be justified.

The Bank has paid the following dividend on its equity shares in the last five years:

Year	**Dividend Paid** *(in Rs. per equity share)*
Fiscal Year 2010	30.00
Fiscal Year 2009	29.00
Fiscal Year 2008	21.50
Fiscal Year 2007	14.00
Fiscal Year 2006	14.00

Mechanism for redressal of investor grievances

Datamatics Financial Services Limited has been appointed as the Registrar to the Issue to ensure that investor grievances are handled expeditiously and satisfactorily and to effectively deal with investor complaints. All grievances relating to the Issue should be addressed to the Registrar to the Issue giving full details of the applicant, number of Bonds applied for, amount paid on application and the bank branch or collection centre where the application was submitted etc.

TERMS OF THE ISSUE

The following are the terms and conditions of Bonds being offered which will be incorporated into the DT Agreement and are subject to the provisions of the Act, the SBI Regulations, the Application Form and other terms and conditions as may be incorporated in the DT Agreement, letter(s) of Allotment and/or Bond certificate(s). In addition, the Bonds shall be subject to Applicable Laws and other documents that may be executed in respect of the Bonds.

The Series 1 Lower Tier II Bonds and the Series 2 Lower Tier II Bonds, in each case are constituted by the DT Agreement made between the Bank and the Trustee, which expression shall include its successor(s)) as trustee for the Bondholders.

1. Authority for the Issue

The ECCB has by its resolutions dated April 29, 2010 and September 7, 2010, approved the raising of Tier II capital for an aggregate amount of Rs. 5,000 million with an option to retain oversubscription by way of issuance of additional Bonds upto Rs. 5,000 million aggregating to Rs. 10,000 million by way of public issue of Series I Lower Tier II Bonds and Series 2 Lower Tier II Bonds.

2. Status and Ranking of Bonds

The Bonds are fully paid up, direct, unsecured and subordinated obligations of the Bank. The Bonds are free of any restrictive clauses. In the event of the winding up of the Bank, the claims of the holders of Bonds pursuant to the DT Agreement shall be subordinated in right of payment to the claims of all other creditors (other than claims of holders of Subordinated Indebtedness ranking equal to or lower than the claims of the holders of Bonds) of the Bank in the manner and to the extent provided in the DT Agreement.

The Bonds rank *pari passu* among themselves.

For the avoidance of doubt, please note that the claims of holders of Bonds shall be senior to: (i) the claims of holders of Tier I capital (as defined in the Capital Adequacy Guidelines) of the Bank; and (ii) the claims of holders of upper tier II bonds (as defined in the Capital Adequacy Guidelines) of the Bank and any indebtedness classified as upper tier II capital by the Capital Adequacy Guidelines.

The Bonds are not redeemable at the option of the Bondholders or without the prior consent of RBI and subject to compliance with conditions as set out in the Capital Adequacy Guidelines.

The Bonds are capital instruments and not deposits of the Bank and they can not be used as collateral for any loan made by the Bank or any of its subsidiaries or affiliates. The Series 1 Lower Tier II Bonds and Series 2 Lower Tier II Bonds are different from fixed deposits and are not covered by deposit insurance.

Unlike the fixed deposits where deposits are repaid at the option of deposit holder, the Bonds are not redeemable at the option of the Bondholders or without the prior consent of RBI.

3. Form, Market Lot and Trading Lot of the Bonds

Bonds being issued hereunder can be applied for in the dematerialised form only through a valid Application Form filled in by the applicant along with attachment, as applicable. The Bonds will be allotted only in dematerialised form and the Bondholders represented by a statement issued through electronic mode shall not receive any physical Bond certificates. The Bondholders will hold the Bonds in dematerialised form and deal with them in accordance with the provisions of the Depositories Act and/or rules as notified by the Depositories from time to time.

The Bonds will be issued in Indian Rupees only. The market lot will be one Bond ("Market Lot"). Trading of the Bonds shall be compulsorily in dematerialised form in Market Lot. Allotment in the Issue will be in electronic form in multiples of 1(one) Bond. Investors may note that the Bonds in dematerialised form can be traded only on the Stock Exchange having electronic connectivity with NSDL or CDSL.

Subsequent to the issuance of the Bonds, a Bondholder may request the Depository/Bank to provide a physical Bond certificate. In case of Bonds rematerialised by the Bondholder in physical form, a single certificate will be issued to the Bondholder for the aggregate amount ("Consolidated Certificate") for each option of Bonds allotted to him. The Applicant can also request for the issue of Bond certificates in a Market Lot.

In respect of Consolidated Certificates, we will, only upon receipt of a request from the Bondholder, split such Consolidated Certificates into smaller denominations subject to the minimum of the Market Lot. No fees would be charged for splitting of Bond certificates into Market Lots, but stamp duty payable, if any, would be borne by the Bondholder. The charge for splitting into lots other than Market Lot will be borne by the Bondholder subject to the maximum amount agreed upon by us with the Stock Exchange where the Bonds are proposed to be listed. The request for splitting is required to be accompanied by the original Bond certificate(s) which would then be treated as cancelled by us.

4. Face Value and Issue Price

The Series 1 Lower Tier II Bonds will be denominated in an amount with a face value of Rs. 10,000 and issued at par.

The Series 2 Lower Tier II Bonds will be denominated in an amount with a face value of Rs 10,000 and issued at par.

No Bond will be issued in an amount less than the face value whether in dematerialised form or upon any subsequent rematerialisation.

5. Tenor and Redemption

(a) Tenor and Redemption at Maturity

The Series 1 Lower Tier II Bonds will be redeemed at their principal amount outstanding together with accrued interest on the payment date falling 10 years after the Deemed Date of Allotment, (the "LT S1 Redemption Date"). The Issuer has a call option which it may exercise once on the completion of the fifth anniversary of the Deemed Date of Allotment (i.e. five years and one day) as further set out in paragraph 5(b) titled "*Redemption at the option of the Bank*".

The Series 2 Lower Tier II Bonds will be redeemed at their principal amount outstanding together with accrued interest on the payment date falling 15 years after the Deemed Date of Allotment, (the "LT S2 Redemption Date"). The Issuer has a call option which it may exercise once on the completion the tenth anniversary of the Deemed Date of Allotment (i.e. ten years and one day) as further set out in paragraph 5(b) titled "*Redemption at the option of the Bank*".

The Series 1 Lower Tier II Bonds and the Series 2 Lower Tier II Bonds will not be redeemable at the option of the Bondholder and all redemptions shall be made by the Bank only with the prior approval of the RBI.

(b) *Redemption at the option of the Bank*

The Issuer can redeem at their option the Series 1 Lower Tier II Bonds by way of a "call option" the principal amount outstanding of the Series 1 Lower Tier II Bonds together with accrued interest after 5 (five) years following the Deemed Date of Allotment being the payment date falling 5 (five) years and one day after the Deemed Date of Allotment ("LT S1 Call Option Date") of the Series 1 Lower Tier II Bonds, Bank subject to the prior approval of RBI (the "LT S1 Call Option"). The LT S1 Call Option can only be and will only be exercisable once during the whole life of the instrument on the LT S1 Call Option Date.

The Issuer can redeem at their option the Series 2 Lower Tier II Bonds by way of a "call option" the principal amount outstanding of the Series 2 Lower Tier II Bonds together with accrued interest after 10 (ten) years following the Deemed Date of Allotment being the payment date falling 10 (ten) years and one day after the Deemed Date of Allotment ("LT S2 Call Option Date") of the Series 2 Lower Tier II Bonds, Bank subject to the prior approval of RBI (the "LT S2 Call Option"). The LT S2 Call Option can only be and will only be exercisable once during the whole life of the instrument on the LT S2 Call Option Date.

There shall be no 'put option' on the Bonds.

(c) *Procedure for Redemption*

The procedure for redemption is set out below:

Bonds held in physical form: No action is ordinarily required on the part of the Bondholder at the time of redemption. However, the Bank may require that the Bond certificate(s), duly discharged by the sole holder or all the joint-holders (signed on the reverse of the Bond certificate(s)) to be surrendered for redemption on maturity and should be sent by the Bondholder(s) by registered post with acknowledgment due or by hand delivery to the Registrar / Company or to such persons at such addresses as may be notified by us from time to time. Bondholder(s) may be requested to surrender the Bond certificate(s) in the manner as stated above, not more than three months and not less than one month prior to the Relevant Redemption Date so as to facilitate timely payment. Also see the paragraph titled "*Payment on Redemption*" below.

Payment instructions in respect of the Bonds to be redeemed as per the process set forth below will be made on the Relevant Redemption Date or within a period of 30 days from the date of receipt of the duly discharged Bond certificate, whichever is later.

Bonds held in electronic form: No action is required on the part of Bondholder(s) at the time of redemption of Bonds.

(d) *Payment on Redemption*

Bonds held in dematerialised form: For Bonds held in dematerialised form, on the Redemption Date, redemption proceeds will be paid to those Bondholders whose names appear on the register of beneficial owners given by the Depositories to the Bank. These names will be in accordance with the Depositories' records on the Record Date fixed for the purpose of redemption. These Bonds will be simultaneously extinguished through appropriate debit corporate action. No action is required on the part of Bondholder(s) at the time of redemption of Bonds held in dematerialised form.

Bonds held in physical form: The redemption proceeds will be paid to those Bondholders whose names stand first in the SBI Register on the Relevant Redemption Date. Dispatch in respect of payment on redemption of the Bonds will be made only on the surrender of Bond certificate(s), duly discharged by the sole holder or all the joint-holders (signed on the reverse of the Bond certificate(s)), sent by the Bondholder(s) by registered post with acknowledgment due or by hand delivery to our registered office or to the office of the Registrar to the Issue or to such persons at such addresses as may be notified by us from time to time, not more than three months and not less than one month prior to the Relevant Redemption Date so as to facilitate timely payment. In case the above requirement is not satisfied, no claim or action shall lie against us, or the Registrar to the Issue.

We may at our discretion redeem the Bonds without the requirement of surrendering of the Bond certificates by the Bondholder(s). In case we decide to do so, the Bondholders need not submit the Bond certificates to us and the redemption proceeds would be paid to those Bondholders whose names stand in the register of Bondholders maintained by us on the Record Date. Hence, the transferees, if any, should ensure lodgement of the transfer documents before the Record Date. In case the transfer documents are not lodged with us before the Record Date and we despatch the redemption proceeds to the transferor, claims in respect of the redemption proceeds should be settled amongst the parties inter se and no claim or action shall lie against us or the Registrar.

Bank's liability to Bondholders towards their rights including for payment or otherwise shall stand extinguished from the Relevant Redemption Date in all events and when the Bank dispatches the redemption amounts to the Bondholders. Further, we will not be liable to pay any interest, income or compensation of any kind from the Relevant Redemption Date.

If the Relevant Redemption Date falls on a Saturday, Sunday or public holiday in Mumbai or in any other payment centre notified in terms of the Negotiable Instruments Act, 1881, redemption proceeds would be paid on the next working day.

6. Interest

(a) Rate of Interest

The Series 1 Lower Tier II Bonds bear interest rate of 9.25% per annum. The Series 2 Lower Tier II Bonds bear interest rate of 9.50% per annum.

(b) Calculation of Interest

For the purpose of calculation of interest on a per annum basis, the day count convention which will be used would be "Actual/ Actual" basis.

For the Fiscal Year ended March 31, 2011, the interest shall be calculated from the Deemed Date of Allotment to March 31, 2011, both days inclusive.

For the subsequent Fiscal Years (except the Fiscal Year in which the Redemption Date falls), the interest shall be calculated from April 1 to March 31, both days inclusive.

For the Fiscal Year in which the Redemption Date falls, the interest shall be calculated from April 1 of the Fiscal Year to one day prior to the Redemption Date, both days inclusive.

(b) Step-up Coupon

If the Bank fails to exercise the LT S1 Call Option on the LT S1 Call Option Date, the Series 1 Lower Tier II Bonds will from the LT S1 Call Option Date accrue interest at a higher rate, being the rate set out above in paragraph 6(a) titled "*Interest – Rate of interest*", plus 0.50%.

If the Bank fails to exercise the LT S2 Call Option on the LT S2 Call Option Date, the Series 2 Lower Tier II Bonds will from the LT S2 Call Option Date accrue interest at a higher rate, being the rate set out above in paragraph 6(a) titled "*Interest – Rate of interest*", plus 0.50%.

(c) *Interest Payments*

Interest amounts due will be payable on the principal amount outstanding of each of the Bonds from time to time on each LT S1 Interest Payment Date and LT S2 Interest Payment Date.

The interest will be credited/dispatched on April 2 of every year for each LT S1 Interest Payment Date and each LT S2 Interest Payment Date. The last interest payment will be made along with repayment of the principal amount on LT S1 Redemption Date and LT S2 Redemption Date.

In case of Series 1 Lower Tier II Bonds and Series 2 Lower Tier II Bonds, the last interest payment will be due on the Relevant Redemption Date. If redemption of the Series 1 Lower Tier II Bonds and Series 2 Lower Tier II Bonds does not occur on the Relevant Redemption Date due to a lack of permission from the RBI, then the last interest payment for each of the Bonds shall be made on the date of maturity of the respective Bonds.

Payment of Interest will be made to the sole or first (in case of joint holders) Bondholders whose names appear in the register of Bondholders held with the Depository as on the Record Date.

In case of rematerialisation of Bond Certificates or transfer of Bond Certificates held in physical form, for payment of interest, Bondholders are advised to send the Bond Certificate(s) and the duly completed transfer deeds or other suitable instrument of transfer as may be prescribed by us for registration of transfer of the Bond(s) to us or such other persons as may be notified by us from time to time, at least two days prior to the Record Date, failing which interest will be paid to the seller and not to the buyer. In such cases, claims in respect of interest, if any, shall be settled *inter se* amongst the parties and no claim or action shall lie against us, or the Registrar to the Issue.

If the date of interest payment falls on a Saturday, Sunday or public holiday in Mumbai or in any other payment centre notified in terms of the Negotiable Instruments Act, 1881, interest would be paid on the next working day.

(d) *Payment Deferral in relation to Bonds*

There is no deferral of payments or lock-in provisions in relation to Series 1 Lower Tier II Bonds or Series 1 Lower Tier II Bonds.

7. Title

In the case of any Bonds held in (i) dematerialised form, the person for the time being appearing in the register of beneficial owners of the Depository and (ii) physical form, the person for the time being appearing in the SBI Register (as defined below) shall be treated for all purposes by the Bank, the Trustee, the Depositories and all other persons dealing with such person as the holder thereof and its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, theft or loss of the Bonds) and no person will be liable for so treating the holder. Title to the Bonds shall pass only by transfer and registration as described in para 22 below titled "*Transfer of the Bonds*".

8. Nomination

The sole Bondholder or first Bondholder, along with other joint Bondholders (being individual(s)) may nominate any one person (being individual) who, in the event of death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Bond. A person, being a nominee, becoming entitled to the Bond by reason of the death of the Bondholder(s), shall be entitled to the same rights to which he would be entitled if he were the registered holder of the Bond. Where the nominee is a minor, the Bondholder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to the Bond(s), in the event of his death, during the minority. A nomination shall stand rescinded upon sale of a Bond by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. When the Bond is held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at our Registered/Corporate Office/Registrar or such other person at such addresses as may be notified by us.

Bondholder(s) are advised to provide the specimen signature of the nominee to us/Registrar to expedite the transmission of the Bond(s) to the nominee in the event of demise of the Bondholder(s). The signature can be provided in the Application Form or subsequently at the time of making fresh nominations. This facility of providing the specimen signature of the nominee is purely optional.

Notwithstanding anything stated above, since the allotment of Bonds in this Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Bank. Nominations registered with the respective Depository Participant of the applicant would prevail. If the Bondholders require changing their nomination, they are requested to inform their respective Depository Participant.

9. Succession

Where a nomination has not been made or the nominee predeceases the Bondholder(s) the provisions of the following paragraphs will apply:

In the event of the demise of the sole holder of the Bond, or the last survivor in case of joint-holders, we will recognise the executor or administrator of the deceased Bondholder, or the holder of the succession certificate or other legal representative as having title to the Bond(s). We shall not be bound to recognise such executor, administrator or holder of the succession certificate or legal representative unless such executor or administrator or holder of the succession certificate or legal representative obtains Probate or letter of administration or is a holder of the succession certificate or other legal representation, as the case may be, from an appropriate court in India. We at our absolute discretion, may in any case, dispense with production of probate or letter of administration or succession certificate or other legal representation.

10. Jurisdiction

The Bonds, the DT Agreement, the Tripartite Agreement, the Registrar MoU and other relevant documents shall be governed by and construed in accordance with the laws of India. The Bank has in the DT Agreement agreed, for the exclusive benefit of the Trustee and the Bondholders, that the courts of Mumbai are to have jurisdiction to settle any disputes which may arise out of or in connection with the DT Agreement or the Bonds (including a dispute relating to any non-contractual obligations arising out of or in connection with the DT Agreement and the Bonds and that accordingly any suit, action or proceedings arising out of or in connection with the DT Agreement and the Bonds (including any suit, action or proceedings relating to any non-contractual obligations arising out of or in connection with these documents) may be brought in the courts of Mumbai.

11. Restriction on Transfer of the Bonds

There are no restrictions on transfers and transmission of Bonds and on their consolidation/ splitting except as per Applicable Laws.

12. Trustees for the Bondholders

The Bank has appointed the Trustee to act for the Bondholders. The Bank and the Trustees will enter into a DT Agreement specifying, *inter alia*, the powers, authorities and obligations of the Trustees and the Bank. The Bondholders shall, without further act or deed, be deemed to have irrevocably given their consent to the Trustees or any of their agents or authorized officials to do all such acts, deeds, matters and things in respect of or relating to the Bonds as the Trustees may in their absolute discretion deem necessary or require to be done in the interest of the Bondholders. Any payment made by us to the Trustees on behalf of the Bondholders shall discharge us *pro tanto* to the Bondholders.

The Trustees will protect the interest of the Bondholders in the event of default by us in regard to timely payment of interest and repayment of principal and they will take necessary action at the Bank's cost.

13. Security

The Bonds are unsecured, which means that the Bonds are not secured against any of the Bank's assets.

14. Default, Events of Default

The Trustee at its discretion may, and if so required in writing by the holders of not less than 50% in aggregate in principal amount of the relevant series of Bonds then outstanding of the relevant series of Bonds shall (subject to being indemnified and/or secured holders to its satisfaction), give notice to the Bank that such relevant series of Bonds are, and they shall accordingly become immediately due and repayable at their Early Redemption Amount if any of the events listed below has occurred:

A "Default" occurs if default is made in the payment of any principal or interest due on the Series 1 Lower Tier II Bonds and Series 2 Lower Tier II Bonds, as the case may be, on the due date and such Default continues in the case of principal for a period of seven days and in the case of interest for a period of 30 days. For the avoidance of doubt, any such non-payment of principal or interest shall not be considered as a Default if such non-payment has resulted from non-receipt by us of necessary approval from the RBI for redemption of the Bonds or for payment of interest or any other amounts. The Trustee may, at its discretion and without further notice, institute such proceedings against the Bank as it may think fit to enforce the obligations of the Bank under the Series 1 Lower Tier II Bonds and Series 2 Lower Tier II Bonds, as the case may be, or in each case the DT Agreement and may institute proceedings for the winding up of the Bank provided that the Bank shall not, by virtue of the institution of any such proceedings other than proceedings for the winding up of the Bank, be obliged to pay any sums sooner than the same would otherwise have been payable by it. For the avoidance doubt there may be an event of default under one series of Bonds and no others, in which event this provision only applies to the series of Bonds in respect of which the event of default has occurred and is continuing.

Pursuant to section 45 of the Act, Indian statutory provisions relating to winding up do not apply to the Bank, and it may only be placed in liquidation by order of the Government in such manner as it may direct.

If any order of the Government of India is made for the winding up or liquidation of the Bank, save for the purposes of reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the relevant series of Bonds, the Trustee may, and if so requested in writing by the holders of at least half in nominal amount of the Series 1 Lower Tier II Bonds and Series 2 Lower Tier II Bonds (as the case may be) then outstanding or if so directed by an Extraordinary Resolution of the Bondholders of the relevant series of Bonds above, shall (subject to being indemnified to its satisfaction) give notice to the Bank that the Series 1 Lower Tier II Bonds and Series 2 Lower Tier II Bonds (as the case may be) are, and they shall thereupon immediately become, due or repayable at the amount provided in, or calculated in accordance with, Early Redemption Amount, together with accrued interest as provided in the DT Agreement.

"Default" shall also include the occurrence of any of the events listed down below:

1. Default is committed by the Bank in the performance or observance of any covenant, condition or provision contained in the terms of the Bonds specified in the DT Agreement or this Prospectus (other than the obligation to pay principal and interest) and such default continues for 30 days after written notice has been given thereof by the Trustee to the Bank requiring the same to be remedied (except where the Trustee certifies that such default is in their opinion incapable of remedy, in which case no notice shall be required);

2. Any information contained in this Prospectus or any information provided to the Bondholders specifically for the purpose of this Issue of the Bonds or any of the warranties given/deemed to

have been given by the Bank to the Bondholders/Trustee is misleading or incorrect in any material respect;

3. The Bank is unable to or have admitted in writing its inability to pay its debts as they mature;

4. A court receiver or a liquidator has been appointed in respect of all or a substantial part of the Bank's assets and such receiver or liquidator is not dismissed within 60 days of appointment; or

5. The Bank ceases to carry on its business.

"Early Redemption Amount" shall mean the amount payable upon the occurrence of an Event of Default and shall be as detailed in the DT Agreement.

"Extraordinary Resolution" shall mean a resolution passed at a meeting of the Bondholders with the consent of the Bondholders holding in the aggregate more than 50% in nominal value of the Bonds held and outstanding under the respective schemes from those present and voting.

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Bank as it may think fit to enforce the provisions of the DT Agreement or the Bonds, but it shall not be bound to take any such proceedings or any other action in relation to the DT Agreement or the Bonds unless (i) it shall have been so directed by an Extraordinary Resolution of the Bonds or so requested in writing by the holders of at least 50% in nominal amount of the Bonds then outstanding and (ii) it shall have been indemnified to its satisfaction.

The holders of a majority in aggregate in principal amount of all the Bonds may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the limitations specified in the DT Agreement. However, the Trustee may refuse to follow any direction that conflicts with law or the DT Agreement, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Bondholders not joining in the giving of such direction, and may take any other action it deems proper that is not inconsistent with any such direction received from Bondholders.

The aforesaid provisions in relation to event of default are indicative. The detailed provisions pertaining to events of default and its consequences thereof shall be specified in the DT Agreement.

15. Printing of Applicant's bank details on physical Bond certificates

As a matter of precaution against possible fraudulent encashment of Bond certificates due to loss or misplacement, the particulars of the Applicant's bank account are mandatorily required to be provided for printing on the Bond certificate. Applications without these details are liable to be rejected. However, in relation to Applications for dematerialised Bonds, these particulars will be taken directly from the Depositories. In case of Bonds held in physical form either on account of rematerialisation or transfer, the Bondholders are advised to submit their bank account details with the Registrar before the Record Date failing which the amounts will be dispatched to the postal address of the Bondholders as held in the records of the Bank.

Bank account particulars will be printed on the Bond certificates which can then be deposited only in the account specified.

16. Joint-holders

Where two or more persons are holders of any Bond(s), they shall be deemed to hold the same as joint tenants with benefits of survivorship subject to other provisions contained in the Act, the SBI regulations or laws from time to time.

17. Loan against Bonds

In accordance with the RBI guidelines applicable to the Bank, it shall not grant loans against the security of the Bonds.

18. Lien

The Bank shall have the right of set-off and lien, present as well as future, irrespective of any other lien or charge on the moneys due and payable to the Bondholder or deposits held in the account of the Bondholder, whether in single or joint names, to the extent of all outstanding dues by the Bondholder to the Bank.

19. Lien on Pledge of Bonds

The Bank, at its discretion, may note a lien on pledge of Bonds if such pledge of Bond is accepted by any bank/institution for any loan provided to the Bondholder against pledge of such Bonds as part of the funding.

20. Record Date

The record date for payment of interest or repayment of principal shall be 15 (fifteen) days prior to the LT S1 Interest Payment Date or the LT S2 Interest Payment Date or the Relevant Redemption Date or early redemption date or any other date on which interest and/ or principal is due and payable.

21. Transfer of the Bonds

The Bank shall maintain at its registered office (or such other place as permitted by law) a register of Bondholders (the "SBI Register") containing the particulars of the legal owners of the Bonds issued by the Bank. In respect of Bonds held in dematerialised form, the register of Bondholders maintained by the Depository under the Depositories Act shall be deemed to be a register of Bondholder for the purposes of this condition.

The Bonds shall be transferred or transmitted in accordance with Applicable Laws. A suitable instrument of transfer as may be prescribed by us may also be used to effect this.

Transfer in relation to Bonds in physical form: The Bonds are negotiable instruments and Bonds held in physical form may be transferred by endorsement and delivery by the Bondholder(s). All endorsements must be clear and vernacular endorsements must be translated into English immediately below the endorsement. However, buyers of the Bonds are advised to send the Bond Certificate(s) to us or to such persons as may be notified by us from time to time, along with a duly executed transfer deed or other suitable instrument of transfer as may be prescribed by us for registration of transfer of the Bond(s). No transfer will be valid unless and until entered on the SBI Register.

Transfer in relation to Bonds in electronic form: The normal procedure followed for transfer of securities held in dematerialised form shall be followed for transfer of these Bonds held in electronic form. Transfers may be only effected through the Depository in accordance with the provisions of the Depositories Act and/or rules as notified by the Depositories from time to time. The seller is required to give delivery instructions containing details of the buyer's DP account to his depository participant. In case the transferee does not have a DP account, the seller can re-materialise the Bonds and thereby convert his dematerialised holding into physical holding. Thereafter the Bonds can be transferred in the manner as stated above. In case a holder of the Bonds in physical form wants to hold the Bonds in dematerialised form, he can choose to dematerialise the securities through his Depository Participant.

In case of sale by or to companies, bodies corporate, societies registered under the Applicable Laws in India, trusts, provident funds, superannuation funds, gratuity funds, scientific and/or industrial research organisations, commercial Banks, cooperative banks or regional rural banks, a certified true copy of the Power of Attorney or such other authority as may be acceptable to us, must be lodged separately at our

Registered/Corporate Office or at the office of Registrar or such other person as may be notified by us for this purpose, at the time of registration of Bonds.

22. Sharing of Information

The Bank may, at its option, use on its own, as well as exchange, share or part with any financial or other information about the Bondholders available with it, our subsidiaries and affiliates and other banks, financial institutions, credit bureaus, agencies, statutory bodies, as may be required and neither the bank nor its subsidiaries and affiliates nor their agents shall be liable for use of the such information.

23. Notices

All notices to the Bondholders required to be given by the Bank or the Trustees shall be published in one English language newspaper having wide circulation and one regional language daily newspaper each in Mumbai, Chennai, Delhi, Kolkata and Vadodara and/or, will be sent by post/courier to the registered Bondholders from time to time.

24. Issue of Duplicate Bond Certificate(s)

If any Bond certificate is mutilated or defaced or defaced it may be replaced by the Bank against the surrender of such Bond certificates, provided that where the Bond certificates are mutilated or defaced, they will be replaced only if the certificate numbers and the distinctive numbers are legible.

If any Bond certificate is destroyed, stolen or lost then upon production of proof thereof to the Bank's satisfaction and upon furnishing such indemnity/security and/or documents as we may deem adequate, duplicate Bond certificate(s) shall be issued.

25. Future Borrowings

We shall be entitled to make further issue of secured or unsecured debentures and/or raise term loans or raise further funds from time to time from any persons, banks, financial institutions or bodies corporate or any other agency without the consent of, or notification to or consultation with the Bondholders or the Trustees.

26. Bondholder not a shareholder

The Bondholders will not be entitled to any of the rights and privileges available to the equity and preference shareholders of the Bank.

27. Rights of Bondholders

The rights of Bondholders will be as per the DT Agreement to be executed between the Bank and the Debenture Trustee.

ISSUE STRUCTURE

Public issue of Series 1 Lower Tier II Bonds and Series 2 Lower Tier II Bonds aggregating to Rs. 5,000 million, with an option to retain over-subscription of upto Rs. 5,000 million for issuance of additional Bonds aggregating to a total of upto Rs. 10,000 million.

SERIES 1 LOWER TIER II BONDS AND SERIES 2 LOWER TIER II BONDS

Particulars	Retail Applicants	HNI	NII, Corporates, QIBs
Reservation for each category	50%	25%	25%
Minimum number of Bonds per application	One Bond	One Bond	One Bond
Terms of Payment	Full Application Amount	Full Application Amount	Full Application Amount
Mode of allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form
Trading Lot	One Bond	One Bond	One Bond

Principal Terms and Conditions of the Issue

1. Application Size

The minimum application size is Rs. 10,000 i.e. one Bond.

The minimum number of Bonds per application form will be calculated on the basis of the total number of Bonds applied for under each such application form and not any specific option.

Applicants can, subject to eligibility requirements as per Applicable Laws, apply for any or all of the two series of Bonds offered through this Prospectus using the same Application Form.

2. Subscription and Minimum Subscription

(a) Subscription

The Issue will open for subscription at the commencement of banking hours and close at the close of banking hours on the dates indicated below or earlier or on such extended date as may be decided at our discretion, subject to Applicable Laws:

Issue Opens on	October 18, 2010
Issue Closes on	October 25, 2010

The subscription list for the Issue shall remain open for subscription during the banking hours for the period indicated above, except that the Issue may close on such earlier date as may be decided by the ECCB of the Bank. In the event of an early closure of subscription list of the Issue, the Bank shall ensure that notice of the same is provided to the prospective investors through newspaper advertisements at least three days prior to such earlier date of Issue closure.

(b) Minimum Subscription

If the Bank does not receive the minimum subscription of 75% of the base issue amount of Rs. 5,000 million, i.e. Rs. 3,750 million, on or before the closure of the Issue, the entire subscription amount shall be refunded to the applicants within 15 days from the date of closure of the Issue. If there is a delay in the refund of the subscription amount by more than 8 (eight) days after the Bank becomes liable to pay the same, the Bank will pay interest for the period of delay, at rates prescribed under subsections (2) and (2A) of Section 73 of the Companies Act.

(c) *Interest on Refunds*

Interest on any refund of subscription amount paid by an Applicant @ 6 % p.a. on the amount refunded to Allottees and @ 4% p.a. on the amount refunded to Non-allottees ("Refund Interest") will be paid separately by the Bank . The Refund Interest shall be paid along with the refund of application money whether in case of total refund to Non-allotees or partial refund to Allotees, as the case maybe. The interest shall be payable for the period commencing three working days after the date of application upto one day prior to the Deemed Date of Allotment.

3. Issue Details

(a) *Payment*

The payment of Bonds i.e. the Application Amount will be required to be made in full with the Application.

Any payment made in excess of Application Amount on Application will be refunded to the applicant. No additional Bonds shall be issued for this excess of Application Amount, and the same shall be refunded along with issuance of other Refund Orders without any interest.

Further, in case of allotment of lesser number of Bonds than the number applied for, the excess amount paid on Application shall be non interest bearing and the same shall be refunded to the applicant in accordance with the terms of this Prospectus.

(b) *Interest on Application Money*

Interest on Application money will be paid @ 9.25 % p.a. for Series 1 Lower Tier II Bonds and @ 9.50% p.a. for Series 2 Lower Tier II Bonds separately by the Bank to allottees and the same should not be deducted from the Amount on Application. The interest shall payable for the period commencing three days from date of application upto one day prior to the Deemed Date of Allotment.

Interest on Application money shall be paid with respect to the value of Bonds Allotted, subject to deduction of income tax at source under the Income Tax Act, as applicable, if it exceeds the prescribed limit of Rs. 5,000, in any Fiscal Year to any Applicant from three working days after the date of application until the Deemed Date of Allotment at rate of interest on the Bonds. The interest warrant will be dispatched along with the letter(s) of Allotment at the sole risk of the Applicant, to the sole/first Applicant.

(c) *Deemed Date of Allotment*

All benefits relating to the Bonds, to the extent permitted by law, will be available to the investors from the Deemed Date of Allotment. The actual allotment may occur on a date other than the Deemed Date of Allotment.

4. Methods of Payment

Bonds held in dematerialised form: For payment of refunds, interest, or principal redemption, as the case may be, the bank details will be obtained from the Depositories for Bonds applied for/held in electronic form and from the Application Form for payment of refunds, interest or principal redemption as the case may be. Applicants who have applied for or are holding the Bonds in electronic form are advised to immediately update their bank account details held in the records of the Depository. Please note that a failure to do so could result in delays in credit of amounts to be paid to the Applicant, at the Applicant's sole risk and neither the bank, the Lead Managers, the Depositories nor the Registrar shall have any responsibility or liability in respect thereof.

Bonds held in physical bond form: The bank details will be obtained from the Registrar to the Bank for payments of interest, refunds or redemptions, as the case may be. The mode of payments of refunds, interest or principal shall be undertaken in any of the following ways:

1. *Direct Credit:* Payment of refunds, interest or principal redemption to Applicants having their bank accounts with the Escrow Collection Bank shall be directly credited to their bank accounts with the Escrow Collection Bank.

2. *ECS: Payment o*f refunds, interest or principal redemption to Applicants having an account at any of the following 15 centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram, or any other centres permitted by RBI and SEBI, shall be undertaken through ECS. This mode of payment would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories.

3. *NEFT:* Payment of refunds, interest or principal redemption shall be undertaken through NEFT wherever the Applicants' bank has been assigned the IFSC which can be linked to MICR, if any, available to that particular bank branch, and where the Applicants have registered their nine-digit MICR number and their bank account number while opening and operating the dematerialised account. The IFSC of that bank branch will be obtained from the RBI's website as on a date immediately prior to the date of payment of refund, and will be duly mapped with the MICR numbers.

4. *RTGS:* Applicants having a bank account at any of the abovementioned 15 centres and whose payment of refunds, interest or principal redemption amounts exceeds Rs. 1 million have the option to receive the due amounts through RTGS. Such eligible Applicants who indicate their preference to receive payment of refunds, interest or principal redemption through RTGS are required to provide the IFSC in the Application Form. In the event the same is not provided, payment of refunds, interest or principal redemption shall be made through ECS. Charges, if any, levied by the Escrow Collection Bank for the same would be borne by such Applicant opting for RTGS as a mode of payment of refunds, interest or principal redemption. Charges, if any, levied by the Applicant's bank receiving the credit would be borne by the Applicant.

5. For all other Applicants, including those who have not updated their bank particulars with the MICR code, the interest payment/refund/redemption orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through speed/registered post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Applications are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Applicant.

We will not be responsible for any delay in payment of refunds, interest or principal redemption, provided that the process of such request has been initiated within reasonable time, as per the process detailed above.

5. Withdrawal of the Issue

The Bank will not withdraw Issues that are open and where application money has already been collected if closed prematurely, allotments shall be made to all such investors who have invested prior to such date of closure. Investors are however, allowed to withdraw their Application any time prior to Allotment.

6. Basis of Allotment

Allocation for all categories of Bonds shall be made on a first come first serve basis based on the date of Application in accordance with reservation for each category as set out in the Issue Structure table above.

In case any category is under subscribed the subscriptions received will be allocated first to the Retail Applicants; second to HNIs and then to the NII, Corporates and QIB categories. In case of over subscription, for the applications received on the day of oversupscription, preference will be given to Series 2 Lower Tier II Bonds on a first come first serve basis, in consultation with Designated Stock Exchange / Lead Managers and the balance, if any, will be allotted on a pro rata basis to Series 1 Lower Tier II Bonds in consultation with Designated Stock Exchange / Lead Managers.

7. Underwriting

No underwriters have been appointed for this Issue. The Issue or any part thereof is not being underwritten by the Lead Manager to the Issue or by any of its associates and affiliates.

PROCEDURE FOR APPLICATION

This Prospectus and the Application Forms together with the Abridged Prospectus may be obtained from our Central Office and all our Designated Branches (a list of which is provided in the Application Form and which is also made available on www.sebi.gov.in), as well as from the Lead Managers. In addition, Application Forms would also be made available to the Stock Exchange where listing of the Bonds is sought, and to brokers, being members of the Stock Exchange, upon their request. We will provide the Abridged Prospectus along with the Application Form.

All Applicants shall have the option of applying for the Bonds either through cheque/bank draft as advised in the section "*Payment Instructions for Applicants*".

Application Form

Applicants are required to submit their Applications through the Bankers to Issue. Such Applicants shall only use the specified Application Form bearing the stamp of the Banker to the Issue or the Lead Managers for the purpose of making an Application in terms of this Prospectus. All Applicants shall have the option to apply for any of or all categories of Bonds in the Application Form.

WHO CAN APPLY

The following categories of persons are eligible to apply in the Issue:

- Public financial institutions , statutory corporations, commercial banks, cooperative banks and regional rural banks;
- Provident, superannuation and gratuity funds;
- Mutual funds;
- The National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India;
- Resident Indian individuals - in their own names or in the names of their minor children as natural/legal guardians in single or joint names (but not exceeding three);
- Hindu Undivided Families through the Karta;
- Companies, bodies corporate and societies registered under the Applicable Laws in India and authorised to invest in the Bonds;
- Public/private trusts (charitable/religious or otherwise) authorised to invest in the Bonds;
- Scientific and/or industrial research organisations authorised to invest in the Bonds;
- Partnership firms through a Partner; and
- Associations of persons.

Foreign institutional investors, non-resident Indians and overseas corporate bodies are not permitted to apply in this Issue.

The Lead Managers, their associates and affiliates are permitted to subscribe in the Issue. However, the Issue or any part thereof is not being underwritten by the Lead Managers to the Issue or by any of its associates and affiliates.

It may be noted that participation by any investors in the Issue, including the investment limits applicable to them, will be subject to necessary approvals and authorisations required under the laws applicable to them as well as any corporate authorisations applicable to them.

Applications by Mutual Funds

In terms of the SEBI (Mutual Funds) Regulations, 1996, as amended, no mutual fund scheme is allowed to invest more than 15% of its net asset value (the "NAV") in debt instruments issued by a single company, which are rated not below investment grade by a credit rating agency authorised to carry out such activity. Such investment limit may be extended to 20% of the NAV of the scheme with the prior approval of the board of trustees and the board of asset management company (the "AMC").

A separate application can be made in respect of each scheme of an Indian mutual fund registered with SEBI and such applications shall not be treated as multiple applications. Applications made by the AMCs or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made. In case of Applications made by Mutual Fund registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Application Form. The applications must be also accompanied by certified true copies of (i) Trust Deed (ii) resolution authorising investment and containing operating instructions and (iii) specimen signatures of authorized signatories. Failing this, the Bank reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefor.

Applications by Provident, Superannuation and Gratuity Funds

Pursuant to the Ministry of Finance and Company Affairs Notification No**.** 5(53)/2002-ECB&PR dated January 24, 2005 on Modified Investment Pattern for Investment of Incremental Accretions by Non-Government Provident Funds, non-government provident, superannuation and gratuity funds are permitted to invest up to 40% of their corpus in term deposit receipts up to three years issued by public sector banks provided that the instruments have an investment grade rating from at least two credit rating agencies.

Applications by Banks

It may be noted that a bank's investment in the Bonds will be reckoned along with the investment in other instruments eligible for capital status in the investee bank while computing compliance with the overall ceiling of 10% for cross holding of capital among banks/FIs prescribed vide circular DBOD.BP.BC.No.3/ 21.01.002/ 2004-05 dated July 6, 2004 and also subject to cross holding limits. Further, a bank's investments in the Bonds will attract a 100% risk weight for capital adequacy purposes.

Application by Scheduled Banks, Co-operative Banks and Regional Rural Banks

Scheduled banks, co-operative banks and regional rural banks can apply in the Issue based upon their own investment limits and approvals. The application must be accompanied by certified true copies of (i) a board resolution authorising the Application; (ii) a letter of authorisation. Failing this, the Bank reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefor.

Application by Insurance Companies

In case of Applications made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified true copy of certificate of registration issued by Insurance Regulatory and Development Authority must be attached to the Application Form. Each Application must be accompanied by certified copies of (i) the Applicant's memorandum of association and articles of association; (ii) a power of attorney; (iii) a resolution authorising the Application and containing operating instructions; and (iv) specimen signatures of authorized signatories. Failing this, the Bank reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefor.

Applications cannot be made by:

a) Minors without a guardian name;

b) Non residents;
c) Non resident Indians (NRIs);
d) Foreign Institutional Investors; and
e) Overseas Corporate Bodies.

Impersonation/Fictitious Applications

Attention of the Applicants is specifically drawn to the provisions of sub-section (1) of section 68A of the Companies Act, which is reproduced below:

Any person who –

(a) makes, in a fictitious name, an application to a body corporate for acquiring, or subscribing to, the Bonds, or

(b) otherwise induces a body corporate to allot, or register any transfer of, bonds therein to them, or any other person in a fictitious name, shall be liable for legal consequences of such action.

Application Size

The minimum application size is Rs. 10,000. Applications are required to be for a minimum of one Bond and multiples of Rs. 10,000 thereafter.

Escrow Mechanism

We shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the applicants shall make out the cheque or demand draft in respect of their application. Cheques or demand drafts received for the application Amount from investors would be deposited in the respective Escrow Account. The Escrow Collection Bank(s) will act in terms of this Prospectus and the Escrow Agreement. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein. Payments of refund to the applicants shall also be made from the Escrow Accounts / refund account(s) as per the terms of the Escrow Agreement and this Prospectus

HOW TO APPLY

General Instructions

1. Applications for the Bonds must be made in the prescribed form ("Application Form").

2. The Application Forms are required to be completed in block letters in English as per the instructions contained herein and in the Application Form, and are liable to be rejected if not so completed.

3. Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Applicant should specify that the Applicant is being made in the name of the HUF in the Application Form as follows: "Name of Sole or First Applicant: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Applications by HUFs would be considered at par with those from individuals. For HUFs, PAN of the HUF should be provided.

4. Thumb impressions and signatures other than in English/Hindi/Gujarati/Marathi or any of the other languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or Notary Public or a Special Executive Magistrate under his official seal.

5. Applications are required to be for a minimum of one Bond and in multiples of Rs. 10,000 thereafter.

6. Applications under Power of Attorney: Unless we specifically agree in writing, and subject to such terms and conditions as we may deem fit, in the case of Applications made under Power of Attorney or by limited companies, corporate bodies, trusts etc., a certified copy of the Power of Attorney and/or the relevant

authority, as the case may be, and a certified copy of Memorandum and Articles of Association and/or bye-laws, where applicable, is required to be lodged separately, along with a copy of the Application Form at the office of the Registrar to the Issue simultaneously with the submission of the Application Form, indicating the name of the Applicant along with the address, Application number, date of submission of the Application Form, name of the bank and branch where it was deposited, Cheque/Demand Draft Number and the bank and branch on which the Cheque/Demand Draft was drawn.

7. Permanent Account Number: Each of the Applicants is required to mention his PAN allotted under the Income Tax Act in the Application Form. The PAN would be the sole identification number for participants transacting in the securities markets, irrespective of the amount of the transaction. Any Application Form without the PAN is liable to be rejected. It is to be specifically noted that Applicants should not submit the GIR Number instead of the PAN as the Application is liable to be rejected on this ground.

8. The Applicant must mention the DP ID in the Application Form

9. Joint Applications: Applications may be made in single or joint names (not exceeding three). In the case of joint Applications, all payments will be made out in favour of the first Applicant. All communications will be addressed to the first named Applicant whose name appears in the Application Form at the address mentioned therein.

10. Multiple Applications:

    (a) In case of multiple applications, which is two or more Application Forms submitted by a single Applicant, the applications shall be aggregated based on the PAN of the Applicant.

    (b) In case of a Mutual Fund, a separate Application can be made in respect of each scheme of the mutual fund and such Applications will not be treated as multiple Applications provided that the Applications made clearly indicate the name of each scheme under which the Application has been made.

11. Applicants are requested to write their names and Application serial number on the reverse of the account payee cheque/ draft by which the payments are made.

12. Applicants should ensure to make payment of the Applicant Amount by way of single cheque and not multiple cheques for a single Application Form.

13. Tax Deduction at Source: Persons (other than companies and firms) resident in India claiming receipt of interest on Application money or refund in case of all resident Bondholders and interest on bonds without deduction of tax at source are required to submit Form 15G/Form 15H at the time of submitting the Application Form, in accordance with and subject to the provisions of the Income Tax Act. Other Applicants can submit a certificate under section 197 of the Income Tax Act. For availing the exemption from deduction of tax at source from interest on Bonds the Applicant is required to submit Form 15G/15H/certificate under section 197 of the Income Tax Act/valid proof of exemption, as the case may be along with the name of the sole/first Applicant, Bondholder number and the distinctive numbers of Bonds held to us/Datamatics Financial Services Limited) on confirmation of Allotment. Applicants are required to submit Form 15G/15H/certificate under section 197 of the Income Tax Act/valid proof of exemption each financial year. However, non-resident Bondholders cannot furnish Form 15G/15H. In case of non-resident Applicants, tax will be deducted at source on interest at the rates as per prevailing Income Tax Act, or Double Taxation Avoidance Agreement, whichever is lower, subject to submission of relevant documents and fulfilment of conditions as may be amended from time to time or at nil/lower rate in accordance with a certificate from the Assessing Officer under section 197 or section 195(3) of the Income Tax Act.

14. Category: All Applicants are requested to tick the relevant column "Category of Investor" in the Application Form.

For further instructions, please read the Application Form carefully.

The applicants may note that in case the DP ID and PAN mentioned in the Application Form and entered into the electronic system of the Stock Exchange by the Banker to the Issue do not match with the DP ID and PAN available in the settlement depository database, the application is liable to be rejected.

Submission of Completed Application Forms and Payment Instructions for Applicants

The entire issue price for the Bonds applied for is payable on Application. All Applications duly completed and accompanied by account payee cheques/drafts shall be submitted at the Designated Branches listed in the Application Form or as may be specified by us in the Application Form**.** Applications shall be deemed to have been received by us only when submitted to our Designated Branches or at our specified collection centres/agents as detailed herein and not otherwise.

All cheques/drafts must be made payable to "SBI Bonds Public Issue – 2010 – Escrow Account" and crossed "A/C PAYEE ONLY". Unless we specifically agree in writing with or without such terms or conditions as we may deem, a separate single cheque/draft must accompany each Application Form. All Application Forms received with outstation cheques, post-dated cheques, cheques/bank drafts drawn on banks not participating in the clearing process, money orders/postal orders/ stockinvest shall be rejected and we shall not be responsible for such rejections. Further, our Designated Branches/collection centres/agents will not accept payments made in cash. Payment though stockinvest would also not be allowed as the same has been discontinued by the RBI vide notification No. DBOD.NO.FSC.BC. 42/24.47.001/2003-04 dated November 5, 2003.

No receipt would be issued by the Issuer for the Application money. However, our Designated Branch on receiving the applications will acknowledge receipt by stamping and returning the acknowledgment slip to the Applicant.

Online Applications

The Bank may decide to offer an online Application facility for the Bonds, as and when permitted by Applicable Laws, subject to the terms and conditions prescribed.

Rejection of Applications

The Board of Directors/Committee of Directors reserves its full, unqualified and absolute right to accept or reject any Application in whole or in part and in either case without assigning any reason thereof.

Application would be liable to be rejected on one or more technical grounds, including but not restricted to:

- Number of Bonds applied for is less than the minimum Application size;
- Applications exceeding the maximum Application size;
- Applications not duly signed by the sole/joint Applicants;
- Application amount paid not tallying with the number of Bonds paid for;
- Applications for a number of Bonds which is not in a multiple of one;
- Investor category not ticked;
- Bank account details not given;
- Applications by persons not competent to contract under the Indian Contract Act, 1872, as amended, including a minor without a guardian name;
- In case of Applications under Power of Attorney by limited companies, corporate bodies, trusts, etc. where relevant documents not submitted;

- Application by stockinvest;

- Applications accompanied by cash;

- PAN not mentioned in the Application Form;

- GIR number furnished instead of PAN;

- Applicants by ineligible entities or individuals like FIIs and NRIs; and

- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Applicant (including the order of names of joint holders), the DP ID and the beneficiary's account number.

The collecting bank shall not be responsible for rejection of the Application on any of the technical grounds mentioned above.

Application form received after the closure of the Issue shall be rejected.

In the event, if any Bond(s) applied for is/are not allotted, the Application monies of such Bonds will be refunded. We shall pay interest at rates prescribed under subsections (2) and (2A) of Section 73 of the Companies Act if the refund orders have not been dispatched to the Applicants within 15 days from the date of the closure of the Issue

Depository Arrangement

We have made depository arrangements with NSDL and CDSL for the Issue and holding of the Bonds in dematerialised form.

As per the provisions of the Depositories Act, the Bonds can be held in a dematerialised form, i.e., they shall be fungible and be represented by a statement issued through electronic mode. In this context:

(i) Two tripartite agreements have been signed

  - Tripartite Agreement dated September 19, 2003 between us, Datamatics Financial Services Limited and NSDL for offering depository option to the Bondholders.

  - Tripartite Agreement dated March 24, 2010 between us, Datamatics Financial Services Limited and CDSL for offering depository option to the Bondholders.

  We will apply to NSDL and CDSL respectively, for approval to admit these Bonds within 75 days from the date of issuance of the Bonds into their depository system. Bonds would be offered in dematerialised form subject to the receipt of approval from NSDL and CDSL.

(ii) An Applicant shall seek the Allotment of Bonds only in electronic mode for the entire Bond; no partial Applications for physical mode for the Bonds shall be permitted and any such Applications are liable to be rejected.

(iii) An Applicant is required to apply for Bonds in the electronic form and is required to have at least one beneficiary account with any of the Depository Participants ("DPs") of NSDL or CDSL, prior to making the Application.

(iv) An Applicant seeking Allotment of Bonds is required to fill in the details (including the beneficiary account number and DP ID) appearing in the Application Form under the heading 'Request for Bonds in Electronic Form'.

(v) Bonds allotted to an Applicant will be credited directly to the Applicant's respective beneficiary account(s) with the DP.

(vi) The names of the Applicants stated in the Application Forms are required to be identical to those appearing in the account details with the Depository. In case of joint holders, the names are required to be in the same sequence as they appear in the account details with the Depository.

(vii) Non-transferable Allotment advice/refund orders will be directly sent to the Applicant by the Registrar to the Issue.

(viii) In case of Allotment of Bonds, the address, nomination details and other details of the Applicant as registered with his DP shall be used for all correspondence with the Applicant. The Applicant is therefore responsible for the correctness of his demographic details given in the Application Form vis-à-vis those with his DP. In case the information is incorrect or insufficient, the Bank would not be liable for losses, if any.

(ix) It may be noted that Bonds in electronic form can be traded only on the Stock Exchange having electronic connectivity with NSDL or CDSL. NSE, where our Bonds are proposed to be listed has connectivity with NSDL and CDSL.

(x) Interest or other benefits with respect to the Bonds held in dematerialised form would be paid to those Bondholders whose names appear on the list of beneficial owners given by the Depositories to us as on Record Date. In case of those Bonds for which the beneficial owner is not identified by the Depository as on the Record Date, we would keep in abeyance the payment of interest or other benefits, till such time that the beneficial owner is identified by the Depository and conveyed to us, whereupon the interest or benefits will be paid to the beneficiaries, as identified, within a period of 30 days.

The trading of the Bonds shall be in dematerialised form only.

Letters of Allotment/Bond Certificates/Refund Orders

The Central Board/Executive Committee of the Central Board reserves, in its absolute and unqualified discretion and without assigning any reason thereof, the right to reject any Application in whole or in part. The unutilised portion of the Application money will be refunded to the Applicant by an A/c Payee cheque/demand draft. In case the cheque payable at par facility is not available, we reserve the right to adopt any other suitable mode of payment.

We shall credit the allotted Bond to the respective beneficiary accounts/dispatch the letter(s) of Allotment or Bond Certificate(s)/letter(s) of regret/refund orders in excess of Rs. 1,500, as the case may be, by registered/speed post at the Applicant's sole risk, within 10 weeks from the date of closure of the Issue. Refund orders up to Rs. 1,500 will be sent under certificate of posting. Further,

a) as far as possible, Allotment of the Bonds shall be made within 30 days of the closure of the Issue;

b) credit to dematerialised accounts will be made within two Working Days from the date of Allotment;

c) we shall pay interest at rates prescribed under subsections (2) and (2A) of Section 73 of the Companies Act if the Allotment has not been made and/or the refund orders have not been dispatched to the Applicants within 15 days from the date of the closure of the Issue.

We will provide adequate funds to the Registrar to the Issue, for this purpose.

Allotment

Letter(s) of Allotment will be dispatched at the sole risk of the Applicant, through registered/speed post, within 10 weeks from the date of closure of the Issue, or such extended time as may be permitted under Applicable Laws.

Listing

Application has been made for listing of the Bonds on the NSE. We shall complete all formalities relating to the listing of the Bonds within 30 days from the date of closure of the Issue. If the permissions to deal in and for an official quotation of bonds are not granted by the NSE, we shall forthwith repay, without interest, all such moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight days after we becomes liable to repay it (i.e. from the date of refusal or within 15 days from the date of Issue closing, whichever is earlier), we will be liable to repay the application money, with interest, as prescribed under Applicable Laws.

Utilisation of Application Money

The sums received in respect of the Issue will be kept in the Escrow Account and we will have access to such funds as per Applicable Laws.

Undertaking by the Issuer

We undertake that:

a) the complaints received in respect of the Issue shall be attended to by us expeditiously and satisfactorily;

b) we shall take necessary steps for the purpose of getting the Bonds listed in the concerned NSE within the specified time;

c) the funds required for dispatch of refund orders/Allotment letters/certificates by registered post shall be made available to the Registrar to the Issue by us;

d) the certificates of the securities/refund orders to non-resident Indians shall be dispatched within specified time;

e) necessary cooperation to the credit rating agency(ies) shall be extended in providing true and adequate information till the debt obligations in respect of the Bonds are outstanding;

f) we shall forward the details of utilisation of the funds raised through the Bonds duly certified by our auditors, to the Debenture Trustee at the end of each half year;

g) we shall disclose the complete name and address of the Debenture Trustee in our annual report;

h) we shall provide a compliance certificate to the bond holders (on yearly basis) in respect of compliance of with the terms and conditions of issue of Bonds as contained in this Prospectus, duly certified by the Debenture Trustee.

Communications

All future communications in connection with Applications made in the Issue should be addressed to the Registrar to the Issue, quoting all relevant details regarding the Applicant/Application. Applicants may address our Compliance Officer as well as the contact persons of the Lead Managers and the Registrar to the Issue in case of any Issue related problems such as non-receipt of letters of Allotment/credit of Bonds in the Depository's beneficiary account/refund orders, etc.

MAIN PROVISIONS OF THE STATE BANK OF INDIA ACT AND STATE BANK OF INDIA REGULATIONS

The State Bank of India Act

While the main legislation governing commercial banks in India is the BR Act and some of these provisions are applicable to the Bank, the Bank is mainly governed by the provisions of the Act and the SBI Regulations, 1955. Certain provisions of the BR Act apply in addition to the Act. Since the Bank is a statutory corporation, the provisions of the Companies Act are inapplicable.

The Bank was constituted in order to extend the availability of banking facilities, particularly in rural and semi-urban areas, as well as for diverse public purposes. Under the Act, the Bank shall be guided by such directions in matters of policy involving public interest as the Central Government may, in consultation with the Governor of the RBI and the Chairman of the Bank, give it. The Bank is managed by a Board of Directors, which consists of the Chairman and Managing Directors appointed by the Central Government under the Act, elected Directors of the Shareholders and Directors appointed from the RBI and Government, as well as other nominees put forward by the Central Government from among persons having expert knowledge of cooperative institutions, rural economy and industry, banking, and finance.

Under the Act, the Bank acts as an agent of the RBI. The accounts of the Bank are audited by external statutory auditors appointed by the RBI. If the Government desires, it may appoint additional auditors to examine and report on the Bank's accounts. In accordance with Section 45 of the Act, the provisions of law relating to the winding up of companies do not apply to the Bank and the Bank shall not be placed in liquidation except by order of the Central Government.

The main provisions of the Act/SBI Regulations are set forth below.

Section 4 - Authorised Capital

Subject to the provisions of this Act, the authorised capital of the Bank shall be five thousand crores of rupees divided into five hundred crores of fully paid-up shares of ten rupees each:

Provided that the Central Board may reduce the nominal or face value of the shares, and divide the authorised capital into such denomination as it may decide with the approval of the RBI:

Provided further that the Central Government may, in consultation with the RBI, increase or reduce the authorised capital so however that the shares in all cases shall be fully paid-up shares.

Section 5 - Issued capital

(1) The issued capital of the Bank shall, on the appointed day, be five crores, sixty-two lakhs and fifty thousand rupees divided into five lakhs, sixty-two thousand and five hundred shares, all of which shall, on the appointed day, stand allotted to the Central Government in lieu of the shares of the Imperial Bank .

(2) The issued capital of the Bank shall consist of equity shares or equity and preference shares:

Provided that the issue of preference shares shall be in accordance with the guidelines framed by the RBI specifying the class of preference shares, the extent of issue of each class of such preference shares (whether perpetual or irredeemable or redeemable) and the terms and conditions subject to which, each class of preference shares may be issued:

Provided further that the Central Board may from time to time increase, with the previous approval of the RBI and the Central Government, whether by public issue or rights issue or preferential allotment or private placement, in accordance with the procedure as may be prescribed, the issued capital by the issue of equity or preference shares:

Provided also that the Central Government shall, at all times, hold not less than fifty-one per cent, of the issued capital consisting of equity shares of the Bank.

(3) No increase in the issued capital beyond twelve crores and fifty lakhs of rupees shall be made under sub-section (2) without the previous sanction of the Central Government.

(4) Subject to the provisions contained in sub-section (2), the Central Board may increase from time to time, by way of issuing bonus shares to existing equity shareholders, the issued capital in such manner as the Central Government may, after consultation with the RBI, direct.

(5) The Bank may, accept the money in respect of shares issued towards increase in the issued capital in instalments, make calls, forfeit unpaid shares and re-issue them, in such manner as may be prescribed.

Section 10 - Transferability of shares

(1) Save as otherwise provided in sub-section (2), the shares of the Bank shall be freely transferable.

(2) Nothing contained in sub-section (1) shall entitle the Central Government to transfer any shares held by it in the Bank if such transfer will result in reducing the shares held by it to less than fifty-one percent of the issued capital consisting of equity shares of the Bank.

Section 11 – Restrictions on voting rights

No shareholder, other than the Central Government, shall be entitled to exercise voting rights in respect of any shares held by him in excess of ten percent of the issued capital:

Provided that such shareholder shall be entitled to exercise voting rights at such higher percentage as the Central Government may, after consultation with the RBI, specify.

Provided further that the shareholder holding any preference share capital in the Bank shall, in respect of such capital, have a right to vote only on resolutions placed before the Bank which directly affect the rights attached to his preference shares:

Provided also that no preference shareholder, other than the Central Government, shall be entitled to exercise voting rights in respect of preference shares held by him in excess of ten per cent of total voting rights of all the shareholders holding preference share capital only.

Section 12 - Shares to be approved securities

Notwithstanding anything contained in the Acts hereinafter mentioned in this section, the shares of the Bank shall be deemed to be included among the securities enumerated in section 20 of the India Trusts Act, 1882 (2 of 1882), and also to be approved securities for the purposes of the Insurance Act, 1938 (4 of 1938), and the Banking Regulation Act, 1949 (10 of 1949).

Section 17 - Management

(1) The general superintendence and direction of the affairs and business of the Bank shall be entrusted to the Central Board which may exercise all powers and do all such acts and things as may be exercised or done by the Bank and are not by the Act expressly directed or required to be done by the Bank in general meeting.

(2) The Central Board in discharging its functions shall act on business principles, regard being had to public interest.

Section 18 - Central Board to be guided by directions of Central Government

(1) In the discharge of its functions including those relating to a subsidiary bank, the Bank shall be guided by such directions in matters of policy involving public interest as the Central Government may, in consultation with the Governor of the RBI and the chairman of the Bank, give to it.

(2) All directions shall be given by the Central Government and, if any question arises whether a direction relates to a matter of policy involving public interest, the decision of the Central Government thereon shall be final.

Section 19 - Composition of the Central Board

The Central Board shall consist of the following, namely:--

(a) a chairman to be appointed by the Central Government in consultation with the RBI;

(b) such number of managing directors not exceeding four, as may be appointed by the Central Government in consultation with the RBI;

(c) if the total amount of the holdings of the shareholders, other than the Central Government, whose names are on the register of shareholders three months before the date fixed for election of directors is--

  (i) not more than ten percent of the total issued capital, two directors;

  (ii) more than ten percent but not more than twenty-five percent of such capital, three directors, and

  (iii) more than twenty-five percent of such capital, four directors, to be elected in the prescribed manner by such shareholders;

(ca) one director, from among the employees of the Bank, who are workmen, to be appointed by the Central Government in the manner provided in the rules made under the Act;

(cb) one director, from among such of the employees of the Bank, as are not workmen, to be appointed by the Central Government in the manner provided in the rules made under the Act;

(d) not less than two and not more than six directors to be nominated by the Central Government, from among persons having special knowledge of the working of co-operative institutions and of rural economy or experience in commerce, industry, banking or finance;

(e) one director to be nominated by the Central Government; and

(f) one director, possessing necessary expertise and experience in matters relating to regulation or supervision of commercial banks to be nominated by the Central Government on the recommendation of the RBI.

Section 21 - Local Boards

(1) There shall be constituted at each place where the Bank has a local head office, a Local Board which shall consist of the following members, namely:--

  (a) the chairman, ex officio or the managing director nominated by the chairman;

  (b) all such directors elected or nominated to the Central Board under clause (c) or clause (d) of section 19 as are ordinarily resident in the area falling within the jurisdiction of the local head office;

  (c) six members to be nominated by the Central Government;

(e) the chief general manager of the local head office, appointed by the Bank, ex-officio.

(2) Where as a result of the establishment of any local head office (hereinafter referred to as the "new local head office") for any area which is already falling within the jurisdiction of another local head office (hereinafter referred to as the "existing local head office") a Local Board (hereinafter referred to as the "new Local Board") is constituted for the new local head office, any person who is, at the time of such constitution, holding office as a member of a Local Board (hereinafter referred to as the "existing Local Board") for an existing local head office under clause (c) of sub-section (1) and is ordinarily resident in the area falling within the jurisdiction of the new local head office, shall cease to hold office as member of the existing Local Board and shall become a member of the new Local Board and shall on becoming such member be deemed to have been nominated to the new Local Board and shall hold office as such member for the unexpired portion of his term of office as a member of the existing Local Board.

(3) Any vacancy caused in the existing Local Board as a result of any member thereof becoming a member of the new Local Board under sub-section (2) shall be deemed to be a casual vacancy and be filled in accordance with the provisions of section 25.

(4) The Central Government shall, in consultation with the chairman, appoint--

(a) a member of a Local Board nominated under clause (c) of sub-section (1) to be the president thereof; and

(b) a member of a Local Board holding office under clause (b) or nominated under clause (c) of that sub-section to be the vice-president thereof.

Section 24 - Removal from office of directors, etc.

(1) The Central Government may, after consulting the RBI, remove from office the chairman or a managing director.

(2) The Central Government may remove from office any director appointed under clause (ca) or clause (cb) or nominated under clause (d) of section 19 or any member of a Local Board nominated under clause (c) of sub-section (1) of section 21 and appoint or nominate, as the case may be, in his stead another person to fill the vacancy.

(3) The shareholders, other than the Central Government, may, by a resolution passed by majority of the votes of such shareholders holding in the aggregate not less than one-half of the share capital held by all such shareholders, remove any director elected under clause 8 of section 19 and elect in his stead another person to fill the vacancy.

(4) No person shall be removed from his office under sub-section (1) or sub-section (3) unless he has been given an opportunity of showing cause against his removal.

Section 24A – Supersession of Central Board in certain cases

1) Where the Central Government, on the recommendation of the RBI is satisfied that in the public interest or for preventing the affairs of the Bank being conducted in a manner detrimental to the interest of the depositors or the Bank or for securing the proper management of the Bank, it is necessary so to do, the Central Government may, for reasons to be recorded in writing, by order, supersede the Central Board for a period not exceeding six months as may be specified in the order:

Provided that the period of supersession of the Central Board may be extended from time to time, so, however, that the total period shall not exceed twelve months.

(2) On supersession of the Central Board under sub-section (1), the Central Government may, in consultation

with the RBI, appoint an Administrator (not being an officer of the Central Government or a State Government) who has experience in law, finance, banking, economics or accountancy, for such period as it may determine.

(3) The Central Government may issue such directions to the Administrator as it may consider necessary and the Administrator shall be bound to follow such directions.

(4) Notwithstanding anything contained in this Act, upon making the order of supersession of the Central Board—

(a) the chairman, managing director and other directors shall, as from the date of supersession, vacate their offices as such;

(b) all the powers, functions and duties which may, by or under the provisions of this Act or any other law for the time being in force, be exercised and discharged by or on behalf of the Central Board, or by a resolution passed in the general meeting of the Bank, shall, until the Central Board is reconstituted, be exercised and discharged by the Administrator appointed under sub-section (2):

Provided that the powers exercised by the Administrator shall be valid notwithstanding that such power is also exercisable by a resolution passed in the general meeting of the Bank.

(5) The Central Government may, in consultation with the RBI, constitute a committee of three or more persons who have experience in law, finance, banking, economics or accountancy to assist the Administrator in the discharge of his duties.

(6) The committee shall meet at such times and places and observe such rules of procedure as may be specified by the rules made under this Act.

(7) The salary and allowances of the Administrator and the members of the committee shall be such as may be specified by the rules made under this Act and be payable by the Bank.

(8) On and before the expiration of two months before the expiry of the period of supersession of the Central Board, the Administrator of the Bank shall call the general meeting of the State Bank to elect new directors and re-constitute the said Board.

(9) Notwithstanding anything contained in any other law for the time being in force or in any contract, no person shall be entitled to claim any compensation for the loss or termination of his office on supersession of the Central Board.

(10) The Administrator appointed under sub-section (2) shall vacate office immediately after the re-constitution of the Central Board.

Section 27 - Powers and remuneration of chairman

(1) The chairman shall preside at all meetings of the Central Board and, subject to such general or special directions as the Central Board may give, exercise all such powers and do all such acts and things as may be exercised or done by the Bank.

(2) The chairman shall receive such salary, fees, allowances and perquisites as may be determined by the Central Government.

Section 29 - Powers and remuneration of managing director

(1) A managing director--

(a) shall be a whole-time officer of the Bank;

(b) subject to the general control of the chairman shall exercise such powers and perform such duties as may be entrusted or delegated to him by the Central Board; and

(c) when authorised by the chairman, shall preside at the meetings of the Central Board in his absence.

(2) A managing director shall receive such salary and allowances as may be determined by the Central Government.

Section 31 - Meetings of the Central Board

(1) The Central Board shall meet at such time and place and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be prescribed; and the meeting of the Central Board may be held by participation of the directors of the Central Board through videoconferencing or such other electronic means, as may be prescribed, which are capable of recording and recognising the participation of the directors and the proceedings of such meetings are capable of being recorded and stored:

Provided that the Central Government may in consultation with the RBI, by notification in the Official Gazette, specify the matters which shall not be discussed in a meeting of the Central Board held through videoconferencing or such other electronic means.

(2) All questions at the meeting shall be decided by a majority of the votes of the directors present in the meeting or through videoconferencing or such other electronic means and in the case of equality of votes the chairman or, in his absence, the managing director authorised by the chairman shall have a second or casting vote;

(3) A director who is directly or indirectly concerned or interested in any contract, loan, arrangement or proposal entered into or proposed to be entered into by or on behalf of the Bank shall at the earliest possible opportunity disclose the nature of his interest to the Central Board and shall not be present at any meeting of the Central Board when any such contract, loan, arrangement or proposal is discussed unless his presence is required by the other directors for the purpose of eliciting information, and no director so required to be present shall vote on any such contract, loan, arrangement or proposal:

Provided that nothing contained in this sub-section shall apply to such director by reason only of his being--

(i) a shareholder (other than a director) holding not more than two percent of the paid-up capital in any public company as defined in the Companies Act, 1956 (1 of 1956), or any corporation established by or under any law for the time being in force in India or any co-operative society with which or to which the State Bank has entered into or made, or proposes to enter into or make, a contract, loan, arrangement or proposal; or

(ii) a director ex officio of the Bank or a director of a subsidiary bank; or

(iii) an officer or other employee of the Bank, if he is a director appointed under clause (ca) or clause (cb) of section 19.

(4) If for any reason neither the chairman nor the managing director authorised by the chairman is able to be present at a meeting of the Central Board, any director, authorised by the chairman in writing in this behalf, and in the absence of such authorisation, elected by the directors present from amongst themselves, shall preside at the meeting and, in the event of equality of votes, shall have a second or casting vote.

Section 32 - Bank to act as agent of the RBI.

(1) The Bank shall, if so required by the RBI, act as agent of the RBI at all places in India where it has a branch or where there is a branch of a subsidiary bank, and where there is no branch of the banking

department of the RBI, for--

(a) paying, receiving, collecting and remitting money, bullion and securities on behalf of any Government in India; and

(b) undertaking and transacting any other business which the RBI may from time to time entrust to it.

(2) The terms and conditions on which any such agency business shall be carried on by the Bank on behalf of the RBI shall be such as may be agreed upon.

(3) If no agreement can be reached on any matter referred to in sub-section (2) or if a dispute arises between the Bank and the RBI as to the interpretation of any agreement between them, the matter shall be referred to the Central Government and the decision of the Central Government thereon shall be final.

(4) The Bank may transact any business or perform any functions entrusted to it under sub-section (1) by itself or through a subsidiary bank or through an agent approved by the RBI.

Section 33 - Other business which the Bank may transact.

Subject to the other provisions contained in the Act, the Bank may carry on and transact the business of banking as defined in clause (b) of section 5 of the Banking Regulation Act,and may engage in one or more of the other forms of business specified in sub- section (1) of section 6 of the Banking Regulation Act.

Section 36 - Integration and development fund

(1) The Bank shall maintain a special fund to be known as the Integration and Development Fund into which shall be paid:

(a) the dividends payable to the Central Government on such shares of the Bank held by it as do not exceed fifty-five percent of the total issued capital; and

(b) such contributions as the Central Government may make from time to time.

Provided that if the balance in the Integration and Development Fund on the date of declaration of any dividends by the Bank is rupees five crores or more, no amount shall be paid into that Fund under clause (a) and the dividends payable to the Central Government shall be paid to that Government and if such balance on such date is less than rupees five crores, only so much of the dividends then payable as will bring such balance to rupees five crores shall be paid into that Fund and the balance of such dividends shall be paid to the Central Government.

(2) The amount in the said Fund shall be applied exclusively for meeting--

(a) losses in excess of such yearly sum as may be agreed upon between the Central Government and the Bank and attributable to the branches established in pursuance of provisions of the Act;

(aa) subsidies granted by the Bank to a subsidiary bank with the approval of the RBI; and

(b) such other losses or expenditure as may be approved by the Central Government in consultation with the RBI.

(3) Subject to the provisions of sub-section (2), the said Fund shall be the property of the Central Government and no shareholder or the Bank or any other person shall have any claim to the amount held in the said Fund.

(4) No amount applied for any of the purposes specified in sub-section (2) shall, for the purposes of the Income Tax Act, 1961 (43 of 1961) be treated as income, profits or gains of the Bank.

Section 37 – Reserve Fund

The Bank shall establish a Reserve Fund which shall consist of--

(a) the amount held in the Reserve Fund of the Imperial Bank transferred to the Bank on the appointed day; and

(b) such further sums as may be transferred to it by the Bank out of its annual net profits before declaring a dividend.

Section 38 - Disposal of profits.

(1) After making provision for bad and doubtful debts, depreciation in assets, equalisation of dividends, contribution to staff and superannuation funds and for all other matters for which provision is necessary by or under the Act or which are usually provided for by banking companies, the Bank may, out of its net profits, declare a dividend.

(2) Subject to the provisions of paragraph 6 of the First Schedule of the Act, the rate of dividend shall be determined by the Central Board.

Section 38A – Transfer of unpaid or unclaimed dividend

(1) Where, after the commencement of the State Bank of India (Amendment) Act, 2010, a dividend has been declared by the State Bank but which has not been paid to a shareholder or claimed by any shareholder entitled to it, within thirty days from the date of declaration, the Bank shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid, or unclaimed, to a special account to be named, the "unpaid dividend account" maintained by it.

Explanation.— In this sub-section, the expression "dividend which remains unpaid" means any dividend the warrant in respect thereof has not been encashed or which has otherwise not been paid or claimed.

(2) Where the whole or any part of any dividend, declared by the Bank before the commencement of the State Bank of India (Amendment) Act, 2010, remains unpaid at such commencement, the Bank shall, within a period of six months from such commencement, transfer such unpaid amount to the account referred to in sub-section (1).

(3) Any money transferred to the unpaid dividend account of the Bank, in pursuance of this section which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the State Bank to the Investor Education and Protection Fund established under sub-section (1) of section 205C of the Companies Act, 1956 (1 of 1956) for being utilised for the purpose and in the manner specified in that section.

Section 42 - Balance sheet, etc., of Bank may be discussed at general meeting

(1) An annual general meeting shall be held in each financial year at the Corporate Centre or at such other place in Mumbai other than the Corporate Centre or at such other place in India and at such time, as shall from time to time be specified by the Central Board and a general meeting other than an annual general meeting may be convened by the Bank at any other time and at such place in India as shall from time to time be specified by the Central Board:

Provided that such annual general meeting shall be held before the expiry of six weeks from the date on which the balance sheet together with the profit and loss account and auditors' report is forwarded to the Central Government or to the RBI, whichever date is earlier.

(2) The shareholders present at an annual general meeting shall be entitled to discuss and adopt the balance

sheet and the profit and loss account of the Bank made up to the previous 31st day of March (or any other date, the Central Government may by notification in the Official Gazette specify), the report of the Central Board on the working and activities of the State Bank for the period covered by the accounts and the auditors' report on the balance sheet and accounts.

Section 45 – Bar to liquidation of the Bank

No provision of law relating to the winding up of companies shall apply to the Bank and the Bank shall not be placed in liquidation save by the order of the Central Government and in such manner as it may direct.

STATE BANK OF INDIA REGULATIONS ("SBI Regulations")

Shares and Share Register

Regulation 3 – Shares, movable property

The shares of the Bank shall be moveable property.

Regulation 4 – Control over shares and branch registers

(1) Subject to the provisions of the Act and the SBI Regulations and such directions as the Central Board may give from time to time, the register of shareholders (hereinafter referred to as "the register") kept at the Central Office shall be maintained by, and be under control of the Central Board or its Executive Committee and the decision of the Central Board or its Executive Committee as to whether or not a person is entitled to be registered as a shareholder in respect to any share shall be final.

(2) In particular, and without prejudice to the foregoing provision, the Central Board or its Executive Committee shall, as regards the entries in the register under its control have the power to examine and pass or refuse to pass transfers and transmissions and to approve or refuse to approve transferees of shares and to give certificates of shares.

Regulation 5 – Parties who may not be registered as shareholders

(1) Except as otherwise provided by these regulations, no minor or person who has been found by a Court of competent jurisdiction to be of unsound mind shall be entitled to be registered as a shareholder.

(2) In the case of firms, shares shall be registered in the names of the individual partners, and no firm, as such, shall be entitled to be registered as a shareholder.

Regulation 7 – Exercise of rights of joint holders

If any share stands in the name of two or more persons the person first named in the register shall, as regards voting, receipt of dividends, service of notices and all or any other matter connected with the State Bank, except the transfer of the shares, be deemed the sole holder thereof.

Regulation 9 – Inspection of registers

(1) The register shall, except when closed under the provisions of these regulations, be open to the inspection of any shareholder, free of charge, at the places where they are maintained during business hours, subject to such reasonable restrictions as the Bank may impose, but so that not less than two hours in each working day shall be allowed for inspection.

(2) A shareholder shall not have the right himself to make a copy of any entry in any such register, but may, except when the register is closed, require a copy of any such register or of any part thereof on prepayment therefore at the rate of rupees two for every hundred words or fractional part thereof required to be copied.

Regulation 10 – Closing of share registers

(1) The Central Board or its Executive Committee may close the register from time to time for such periods, not exceeding four weeks at any one time, as shall, in its opinion, be necessary.

(2) A notice of the closing of the register shall be published in the Gazette of India and also in not less than two daily newspapers having wide circulation in India.

Regulation 11 – Form of share certificates and manner of the preparation

(1) Every share certificate shall be issued in such form as may be specified by the Central Board or its Executive Committee from time to time. Each share certificate shall bear a distinctive number and denoting the number of shares in respect of which it is issued. Every share certificate shall bear the name(s) of the shareholder(s).

(2) Every share certificate may be engraved or lithographed or printed as the Central Board or its Executive Committee may from time to time determine and shall be signed on behalf of the bank by two persons duly authorised by the Bank. Every such signature may either be autographic or may be affected by a mechanical method. No share certificate shall be valid unless and until it is so signed. Share certificates so signed shall be valid and binding notwithstanding that, before the issue thereof, any person whose signature appears thereon may have ceased to be a person authorised to sign share certificates on behalf of the Bank;

Provided that should the share certificate so prepared contain the signature of an authorised person who however is dead at the time of issue of the certificate, the Bank may, by a method considered by it as most suitable, cancel the signature of such a person appearing on the certificate and have the signature of any other authorised person affixed to it. The share certificate so issued shall also be valid.

Regulation 12 – Issue of share certificates free of charge

(1) A shareholder shall be entitled to one certificate for each fifty shares or multiples thereof registered in his name on any one occasion and one additional share certificate for the number of shares in excess thereof but less than fifty.

(2) If the number of shares to be registered is less than fifty, one certificate shall be issued for all the shares.

(3) If any shareholder requires more certificates than the number to which he is entitled under the SBI Regulations, the Central Board or its Executive Committee may have such additional certificates issued, at its discretion.

(4) In the case of shares held jointly by several persons, delivery of the relative certificate or certificates to one of such joint holders shall be sufficient delivery to all, and a receipt signed by any one of the joint holders shall effectually bind all the joint holders.

Regulation 13 – Renewal of share certificates

(1) If any share certificate is worn out or defaced or tendered for sub-division, then upon production thereof the Central Board or its Executive Committee, the Central Board or its Executive Committee may order the same to be cancelled, and have a new certificate or certificates issued in lieu thereof.

(2) If any share certificate is alleged to be lost or destroyed, then upon production of such evidence of the loss or destruction thereof, as the Central Board or its Executive Committee may consider satisfactory and upon such indemnity with or without security as Central Board or its Executive Committee may require, and on payment to the Bank of its costs, charges and expenses of and incidental to the matter, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate.

Regulation 15 – Transfer of shares

(1) Without prejudice to the provisions of the SBI Regulations, every transfer of the shares of the Bank shall be in writing in the form provided below or in any usual or common form which the \ Bank shall approve:.

I/We..............................of.............................in consideration of the sum of rupees .... paid to me/us by ....of...........................hereinafter called “transferee(s)”] do hereby transfer to the transferee(s)..................... share/shares of the State Bank of India numbered......................and registered in the register .... to hold unto the transferee(s), his/their executors administrators and assigns, subject to the several conditions contained in the State Bank of India Act, 1955 and the rules and regulations made thereunder, and I/we, the transferee(s), do hereby agree to take the said share/shares subject to the conditions aforesaid and I/we, the transferee(s) request that I/we be “registered in respect of the said share or shares in the register”.

Transferor..	Name... Address..
Witness..	Name... Address.. Occupation..
Transferee..	Name... Address..
Witness..	Name... Address.. Occupation..

(2) The instrument of transfer of any share shall be submitted to the Central Board or its Executive Committee and shall be signed by the transferor and the transferee, and the transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the share register concerned in respect thereof. Each signature to such transfer shall be duly attested by the signature of one credible witness who shall add his address and occupation.

(3) Upon receipt by the Central Board or its Executive Committee of an instrument of transfer with the request to register the transferee, the Central Board or its Executive Committee shall, unless it declines registration under Regulation 16 of the SBI Regulations cause the transfer to be registered.

Regulation 16 – Power to refuse or suspend transfers

(1) The Central Board or its Executive Committee may decline to register any transfer of shares unless:--

(a) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Bank may reasonably require to show the right of the transferor to make the transfer;

(b) it is satisfied after such inquiry as it may consider necessary that the transferee is qualified to be registered as a shareholder of the Bank in respect of the shares covered by the instrument of transfer.

(2) The Central Board or its Executive Committee may suspend the registration of transfer during any period in which the registers are closed.

Regulation 19 – Transmission of shares in the event of death, insolvency, etc. of a shareholder

(1) The executors or administrators of a decreased sole holder of a share, or the holder of a succession certificate issued under Part X of the Indian Succession Act, 1925 in respect of such share, or a person in whose favour a valid instrument of transfer of such share was executed by such person and by the deceased sole holder during the latter's life-time shall be the only persons who may be recognised by the Bank as having any title to the share of the deceased shareholder. In the case of a share registered in the names of two or more holders, the survivor or survivors and on the death of the last survivor, his executors or administrators or any person who is the holder of a succession certificate in respect of such survivor's interest in the share, or a person in whose favour a valid instrument of transfer of the share was executed by such person and such last survivor during the latter's life-time, shall be the only person who may be recognised by the Bank as having any title to such share. The Bank shall not be bound to recognise such executors or administrators unless they shall have obtained probate or letters of administration or other legal representation as the case may be from a court of competent jurisdiction in India

Provided nevertheless that in any case where the Central Board or its Executive Committee shall in its discretion think fit, it shall be lawful for the Central Board or its Executive Committee to dispense with the production of a succession certificate, letters of administration or such other legal representation upon such terms as to indemnity or otherwise as it may think fit.

(2) Any such person becoming entitled to a share in consequence of the death of a shareholder and any person becoming entitled to a share in consequence of the insolvency, bankruptcy or liquidation of a shareholder shall upon production of such evidence, as the Central Board or its Executive Committee may require, have the right –

(a) to be registered as a share holder in respect of the share upon his satisfying the Central Board or its Executive Committee in the same manner as if he were the proposed transferee under Regulation 16 of the SBI Regulations that he is qualified to be registered as a shareholder , or

(b) to make such transfer of the share as the person from whom he derives his title could have made.

Regulation 20 – Shareholder ceasing to be qualified for registration

(1) It shall be the duty of any person registered as a shareholder, whether alone or jointly with another or others, forthwith upon ceasing to be qualified to be so registered in respect of any share to give intimation thereof to the Central Board or its Executive Committee.

Meetings of Shareholders

Regulation 21 – Notice convening a general meeting

(1) A notice convening a general meeting of the shareholders signed by the Chairman or the Vice- Chairman or in their absence Managing Director shall be published at least twenty-eight days before the meeting in the Gazette of India and also by publication in not less than two daily newspapers having wide circulation in India.

(2) Every such notice shall state the time, date and place of such meeting, and also the business that shall be transacted at the meeting.

Regulation 22 – Special general meeting

(1) The Chairman or in his absence Vice-Chairman or in their absence Managing Director shall convene a special general meeting of shareholders, if so directed by the Central Board, or if a requisition for such a meeting has been received either from the RBI or from other shareholders holding shares carrying, in the aggregate, not less than 20 percent of the total voting rights of all the shareholders.

(2) The requisition referred to in sub-regulation (1) shall state the purpose for which the special general

meeting is required to be convened, but may consist of several documents in like form each signed by one or more of the requisitions.

(3) The time, date and place of a general meeting shall be decided by the Central Board:

Provided that a special general meeting convened on requisition by the RBI or other shareholders shall be convened not later than three months of the receipt of the requisition.

Regulation 23 – Business at general meetings

(1) No business other than that specified in sub-section (2) of section 42 of the Act shall be transacted or discussed at the annual general meeting, except with the consent of the Chairman, unless not less than six weeks' notice of the same has been given to the Chairman either by the RBI or by at least ten other shareholders qualified to vote at the meeting. Such notice shall take the form of a definite resolution to be put to the meeting, and shall be included in the notice of the meeting.

(2) Except with the consent of the Chairman, no business shall be transacted or discussed at any special general meeting, except the business for which the meeting has been specifically convened.

Regulation 24 – Quorum at general meeting

No business shall be transacted at any meeting of the shareholders whether it is the annual general meeting or any special general meeting, unless a quorum of at least five shareholders consisting of the RBI represented by a proxy or by a duly authorised representative and four other shareholders entitled to vote at such meeting in person or by proxy or by duly authorised representatives is present at the commencement of such business, and if within fifteen minutes from the time appointed for the meeting a quorum is not present the Chairman may dissolve the meeting or adjourn it to the same day in the following week at the same time and place, and if at such adjourned meeting a quorum is not present, the shareholders who are present in person or by proxy or by duly authorised representative shall form a quorum :

Provided that no annual general meeting shall be adjourned to a date later than the date within which such annual general meeting shall be held in terms of the proviso to sub-section (1) of Section 42 of this Act and if adjournment of the meeting to the same day in the following week would have this effect, the annual general meeting shall not be adjourned but the business of the meeting shall be commenced either as soon within one hour from the time appointed for the meetings as a quorum may be present, or immediately after the expiry of one hour from that time and those shareholders who are present in person or by proxy or by duly authorised representative at such time shall form a quorum.

Regulation 25 – Chairman at general meetings

(1) The Chairman or in his absence, the Vice-Chairman or in their absence, such one of the Directors as may generally or in relation to a particular meeting be authorised by the Chairman in this behalf, shall be the Chairman of the meeting and in the absence of the Chairman, the Vice-Chairman and the person so authorised and failing any authorisation the meeting may elect any other Director to be the Chairman of the meeting.

(2) The Chairman of the general meeting shall regulate the procedure at all general meetings, and , in particular, shall have power to decide the order in which shareholders may address the meeting, to fix a time limit for speeches, to apply the closure when, in his opinion, any matter has been sufficiently discussed and to adjourn the meeting.

Regulation 26 – Persons entitled to attend general meetings

(1) All directors, members of Local Boards or of any Local Committee and all shareholders of the Bank shall, subject to the provisions of sub-regulation (2), be entitled to attend a general meeting.

(2) A shareholder, not being the RBI, a director or a member of a Local Board or of a Local Committee, attending a general meeting shall, for the purpose of identification and to determine his voting rights, be required to sign and deliver to the Bank a form to be specified by the Chairman authenticated or attested by a person authorised by him in this behalf and containing the following particulars:

(a) his full name and registered address;

(b) the denoting number of his shares;

(c) whether he is entitled to vote and the number of votes to which he is entitled in person or as proxy or as a duly authorised representative.

Regulation 27 – Voting at general meetings

(1) Save as otherwise provided in section 24 of the Act, every matter submitted to a general meeting shall be decided by a majority of votes.

(2) A declaration by the Chairman of a general meeting that a resolution has been carried or rejected thereat upon a show of hands by those shareholders present who are entitled to vote on the resolution shall be conclusive, and an entry to that effect in the book of proceedings of the Bank shall be sufficient evidence of that fact, without proof of the number or proportion of the votes recorded in favour of, or against, such resolution, unless immediately on such declaration a poll be demanded in writing on behalf of the RBI or by at least four other shareholders present and entitled to vote at the meeting.

(3) If a poll be duly demanded, it shall be taken either at once or at such time and place and either by open voting or by ballot as the Chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. At such, poll, voting shall be either in person or by proxy or by duly authorised representative, and the shareholders shall exercise the voting rights referred to in regulation 31.

(4) The decision of the Chairman of the meeting as to the qualification of any person to vote, and also in the case of a poll, as to number of votes any person is competent to exercise shall be final.

Regulation 28 – Minutes of general meetings

(1) The Bank shall cause the minutes of all proceedings of general meetings to be entered in books kept for that purpose.

(2) Any such minute, if purporting to be signed by the Chairman of the meeting at which the proceedings were held, or by the Chairman of the next succeeding meeting, shall be evidence of the proceedings.

(3) Until the contrary is proved, every general meeting in respect of the proceedings whereof minutes have been so made shall be deemed to have been duly called and held, and all proceedings held thereat to have been duly held.

Voting rights of shareholders

Regulation 31 – Determination of voting rights

(1) Subject to the provisions contained in section 11 of the Act, each shareholder who has been registered as a shareholder for a period of not less than three months prior to the date of a general meeting shall, at such meeting, have one vote for each fifty shares held by him.

(2) Every shareholder entitled to vote as a foresaid who, not being a company is present in person or by proxy or who being a company is present by a duly authorised representative, or by proxy shall have one vote on

a show of hands and in case of a poll shall have one vote for each fifty shares held by him for the whole period of three months prior to the date of such meeting.

Regulation 32 – Voting by duly authorised representative

(1) A shareholder, being a company, may by a resolution authorise any of its officials or any other person to act as its representative at any general meeting of the shareholders and the person so authorised (referred to as "duly authorised representative" in the SBI Regulations) shall be entitled to exercise the same powers on behalf of the company which he represents, as if he were an individual shareholder of the Bank. The authorisation so given may be in favour of two persons in the alternative and in such a case any one of such persons may act as the duly authorised representative of the company.

(2) A person acting in pursuance of an authorisation given under this regulation shall not be deemed to be a proxy.

(3) No person may attend or vote at any meeting of shareholders of the Bank as a duly authorised representative of a company unless a copy of the resolution appointing him as a duly authorised representative certified to be a true copy by the Chairman of the meeting at which it was passed shall have been deposited at the Local Head Office at the place where the meeting is to be held not less than 4 clear days before the date fixed for the meeting.

(4) An appointment of a duly authorised representative shall, after the deposit of a certified copy of the resolution as aforesaid, be irrevocable for the meeting for which it is made and shall revoke any proxy previously deposited for such meeting by the company.

Regulation 33

No shareholder, being a company, shall vote by proxy so long as resolution of its directors under Regulation 32 of the SBI Regulations authorising any of its officials or any other person to act as its duly authorised representative at any general meeting shall be in force.

Regulation 34 – Proxies

(1) No instrument of proxy shall be valid unless in the case of an individual shareholder it is signed by him or by his attorney duly authorised in writing, or in the case of joint holders, it is signed by the shareholder first named in the register or his attorney duly authorised in writing or in the case of a company it is executed under its common seal, if any, or signed by its attorney duly authorised in writing:

Provided that an instrument of proxy shall be sufficiently signed by any shareholder, who is for any reason, unable to write his name, if his mark is affixed thereto and attested by a Judge, Magistrate, Justice of the Peace, Registrar or Sub-Registrar of Assurances, or other Government Gazetted Officer or an Officer of the RBI or the Bank .

(2) No person shall be appointed as proxy unless he is entitled to attend the general meeting otherwise than as a proxy, provided that this sub-regulation shall not apply to proxy appointed by a company.

(3) No proxy shall be valid unless it is duly stamped and unless, it together with the power of attorney or other authority (if any) under which it is signed, or a copy of that power or authority certified by a notary public or a magistrate, is deposited with the Central Office or other office designated from time to time by the Chairman or Managing Director in this behalf, not less than seven clear days before the date fixed for the meeting.

(4) No instrument of proxy shall be valid unless it is in the following form and dated, namely:-

"STATE BANK OF INDIA

I/We ....of .... being (a) shareholder(s) of the State Bank o f India holding shares Nos ....on the register at.......................... do hereby appoint .... of..................... (or failing him .... of ....) as may/our proxy to vote for me/us and my/our behalf at a meeting of the shareholders o f the State Bank to be held at.............................. on the .... day of .... and at any adjournment thereof.

Dated this .... day of ...."

(5) An instrument of proxy so deposited shall be irrevocable –

(i) unless on or before the last day for the deposit of proxies there shall have been deposited at the Local Head Office of the Bank where the meeting is to be held a notice in writing under the hand or common seal of the grantor specifically stating –

(a) the name of the person in whose favour the instrument was granted; and

(b) that such instrument is revoked; or

(ii) unless the same is deemed to be invalid under sub-regulation (6).

In the case of an instrument of proxy granted in favour of two grantees in the alternative, it shall not be necessary to mention in the notice of revocation the name of the second or alternative grantee provided that the notice is otherwise sufficient to identify beyond doubt the instrument of proxy which it is intended to revoke.

(6) If two or more instruments of proxy in respect of the same shares shall be deposited and if on or before the last day for deposit of proxies all but one of such instruments of proxy shall not have been duly revoked in accordance with the procedure laid down in sub-regulation (5) all such instruments of proxy shall be deemed invalid.

(7) The due revocation of an instrument of proxy shall in no way prohibit the deposit of another valid instrument of proxy within the time specified in sub-regulation (3).

(8) The grantor of an instrument of proxy which has become irrevocable under this regulation shall not be entitled to vote in person at the meeting to which such instrument relates.

Central Board and its Executive Committee

Regulation 44 – Meetings of the Central Board

(1) Meetings of the Central Board shall be convened by the Chairman or, in his absence, by the Vice-Chairman or in their absence by the Managing Director at least six times in each year and at least once in each quarter.

(2) Any three directors may require the Chairman to convene a meeting of the Central Board at any time, and the Chairman shall, on receipt of the requisition, convene a meeting of the Central Board giving sufficient notice, provided that the date of the meeting so convened shall not be later than 21 days from the date of receipt of the requisition.

(3) Meetings of the Central Board shall be held at the Central Office of the Bank, or at such other place as the Chairman, or in his absence, the Vice-Chairman or in their absence the Managing Director may decide.

(4) Ordinarily not less than 15 days' notice shall be given of each meeting of the Central Board, and such notice shall be sent to every director at his registered address. Should it be found necessary to convene an emergency meeting, sufficient notice shall be given to every director in India to enable him to attend.

(5) No business other than that for which the meeting was convened shall be discussed at a meeting of the Central Board except with the consent of the Chairman and a majority of the directors present unless one weeks' notice has been given of the same in writing to the Chairman.

(6) Five Directors, of whom not less than three shall be Directors holding office by virtue of clause (bb) of section 19 or elected under clause (c) of that section or nominated under clause (d) of the said section shall form a quorum for the transaction of business.

(7) A copy of the proceedings of each Central Board meeting shall be circulated as soon as possible thereafter for the information of the directors, and shall be signed by the Chairman of that or the next succeeding meeting.

Regulation 45 – Resolution without meeting of Central Board valid

(1) A resolution in writing signed by a majority of the directors of the Central Board shall be valid and effectual, and shall be deemed to be the resolution passed by the Central Board on the date on which it is signed by the last signatory to the resolution:

Provided that if any dissenting director in writing requires that any resolution so passed shall be placed before a meeting of the Central Board, the resolution shall not be deemed to be valid and effectual, as aforesaid, unless the same is passed at such meeting.

(2) Nothing in sub-regulation (1) shall apply to a resolution in respect of any matter relating to the making of advances or discounting of bills by the Bank.

Regulation 46 – Constitution and powers of the Executive Committee

(1) There shall be an Executive Committee of the Central Board consisting of the Chairman, Vice Chairman, the Managing Directors, if any, the Director nominated under clause (f) of section 19 of the Act and all or any of the other Directors who are normally residents, or may, for the time being, be present at any place within India where the meeting is held.

(2) Subject to the other provisions of these regulations and to such general or special directions as the Central Board may give from time to time, the Executive Committee may deal with any matter within the competence of the Central Board.

Regulation 47 – Meetings of the Executive Committee

(1) Meetings of the Executive Committee shall be held weekly, sufficient notice being given to the directors on the Executive Committee to attend the meeting.

(2) Four directors, of whom not less than two are directors holding office by virtue of clause (bb) of section 19 of the Act or elected under clause (c) or nominated under clause (d) of that section shall form a quorum for the transaction of business:

Provided that where, by reason of the provisions of sub-regulation (4) read with sub-section (3) of section 31 of the Act, any director is unable to be present and vote at a meeting of the Executive Committee, or while some particular business is being transacted by the Executive Committee, and in consequence thereof the number of directors present and eligible to vote is less than four, the quorum for such meeting or, as the case may be, for the transaction of that business shall be three of whom one shall be a director 2(holding office by virtue of clause (bb) or elected under clause (c) or nominated under clause (d) of section 19 of Act.

(3) The minutes of every meeting of the Executive Committee shall be laid before the Central Board as soon as possible after the meeting of the Executive Committee.

(4) The provisions of the Act and, save as otherwise provided in this regulation, of these regulations shall apply to the meetings of the Executive Committee as if they were meetings of the Central Board.

Miscellaneous

Regulation 75 – Manner and form in which contracts binding on the Bank may be executed

(1) Contracts on behalf of the Bank may be as follows:

(i) any contracts which, if made between private persons, would be by law required to be in writing signed by the parties to be charged therewith, may be made on behalf of the Bank in writing signed by any person acting under its authority express or implied, and may in the same manner be varied or discharged;

(ii) any contracts which, if made between private persons, would by law be valid although made by parol only and not reduced to writing may be made by parol on behalf of the Bank by any person acting under its authority express or implied, and may in the same manner be varied or discharged;

(2) All contracts made according to the provisions of this regulation shall be effectual in law, and shall bind the State Bank and all other parties thereto and their legal representatives.

Regulation 75 – Accounts receipts and documents of Bank by whom to be signed

(1) The Vice Chairman, the Managing Directors, the Deputy Managing Directors, the Chief General Managers and such other officers and employees of the Bank as the Central Board or the Executive Committee may authorise in this behalf by notification in the Gazette o f India, to such extent and subject to such limitation if any, as the Central Board or the Executive Committee may specify or impose in so authorizing, are hereby severally empowered, for and on behalf o f the Bank, to sign all documents, instruments, accounts, receipts, letters and advices connected with the current or authorised business of the Bank and, in particular and without prejudice to the generality of the foregoing powers, to endorse and transfer promissory notes, stock receipts, stock debentures, shares, securities and documents o f title to goods, standing in the name o f or held by or on behalf of the Bank or, in the absence of any agreement to the contrary, standing in the name o f or held by or on behalf of any person, firm, company or corporation for or on behalf of which person, firm, company or corporation the Bank has been constituted as attorneys, to draw, accept and endorses bills of exchange and cheques, to issue, confirm and transfer letters o f credit and to sign guarantees and indemnities.

(2) Without prejudice to the provisions of sub-regulation (1) all powers o f attorney and other authorisations issued by the Imperial Bank in favour of any officer or other employee who becomes an officer or other employee of the Bank by virtue of section 7 of the Act shall continue to b e in full force and effect as if instead of the Imperial Bank, the Bank had been a p arty to such powers of attorney or authorisations, and, accordingly, any such officer or other employee may exercise on behalf o f the State Bank such powers as he was exercising before the appointed day on behalf of the Imperial Bank.

(3) The provisions of this regulation shall not deemed in any way to affect the provisions of the Imperial Bank of India Act, 1920, not the authority which any person has under that Act in relation to the Imperial Bank, and any such person if so authorised under this regulation and by, or under, the Imperial Bank of India Act, 1920, may act on behalf of the Bank as well as the Imperial Bank to the extent so authorised.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Bank or entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered or are to be entered into by the Bank. These contracts and also the documents for inspection referred to hereunder, may be inspected at State Bank of India, Shares & Bonds Department, Corporate Centre, 3rd Floor, Varma Chambers, 11 Homji Street, Horniman Circle, Fort, Mumbai 400 001, Maharashtra, from 10.00 a.m. to 1.00 p.m., from the date of this Prospectus until the date of closure of the Issue.

MATERIAL CONTRACTS

1. The Memorandum of Understanding between the Bank and the Lead Managers dated September 23, 2010.
2. The Memorandum of Understanding to be entered into between the Bank and the Registrar to the Issue.
3. DT Agreement with the Debenture Trustee dated on or about the date of Allotment.

MATERIAL DOCUMENTS

1. The Act and the SBI Regulations.
2. Copy of the ECCB resolutions dated April 29, 2010 and September 7, 2010 approving the Issue.
3. Copy of the ECCB Resolution dated September 7, 2010 approving the Draft Prospectus.
4. Copy of the ECCB Resolution dated October 5, 2010 approving this Prospectus.
5. Consents of the Directors, Lead Managers to the Issue, Legal Advisor, Registrars to the Issue and the Debenture Trustee to include their names in this Prospectus to act in their respective capacities.
6. Consent of the Auditor to the Issue dated September 20, 2010 for inclusion of their report audit report in the form and context in which they appear in this Prospectus.
7. Auditor’s report on the consolidated and unconsolidated audited financial statements for financial years ended March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006.
8. Annual Report of the Bank for the last five Financial Years.
9. Application for the in-principle listing approval made to the NSE dated September 23, 2010.
10. The in-principle listing approval from the NSE is expected to be received prior to the filing of this Prospectus.
11. Report of the CARE and CRISIL dated August 25, 2010 and September 17, 2010 respectively.
12. Consent of CARE and CRISIL dated September 20, 2010 and September 17, 2010 respectively for inclusion of their rating in this Prospectus.
13. The Issuer’s letters to SEBI dated January 5, 2009, January 19, 2009, February 6, 2009, May 7, 2009 and September 9, 2010 and SEBI’s responses through letters dated February 17, 2009, March 9, 2009 and September 17, 2010.
14. The Issuer’s letters to RBI dated January 21, 2009, March 24, 2009 and September 6, 2010 and RBI’s responses through letters dated September 7, 2009 and September 9, 2010.
15. Due Diligence Certificate dated October 5, 2010 from Citigroup Global Markets India Private Limited and Kotak Mahindra Capital Company Limited.
16. Due Diligence Certificate from the Debenture Trustee to be issued prior to the Issue Opening.
17. Tripartite Agreement between the NSDL, the Bank and Registrar dated September 19, 2003 and Tripartite Agreement between the CDSL, the Bank and the Registrar dated March 24, 2010.

Any of the contracts or documents mentioned above may be amended or modified any time without reference to the Bondholders in the interest of the Bank in compliance with the Applicable Laws.

DECLARATION

No statements made in this Prospectus contravene any of the provisions of the Act or the rules or regulations made thereunder or any provisions of the SEBI Debt Regulations. All the legal requirements connected with the said Issue as also the guidelines, instructions etc. issued by SEBI, the Government and any other competent authority in this behalf have been duly complied with.

We confirm that this Prospectus does not omit disclosure of any material fact which may make the statements made therein, in light of circumstances under which they were made, misleading and that no statements in this Prospectus are false, untrue or misleading, and that this Prospectus does not contain any mis-statements.

Mr. O.P. Bhatt
Chairman

Mr. S.K. Bhattacharya
Managing Director

Mr. R. Sridharan
Managing Director

Dr. Ashok Jhunjhunwala
Director

Mr. Dileep C. Choksi
Director

Mr. S. Venkatachalam
Director

Dr. (Mrs.) Vasantha Bharucha
Director

Dr. Rajiv Kumar
Director

Mr. D. Sundaram
Director

Ms. Shyamala Gopinath
Director

Mr. Ashok Chawla
Director

Place: Mumbai
Dated: October 5, 2010

CARE Ratings

CREDIT ANALYSIS & RESEARCH LTD.
4TH Floor, Godrej Coliseum,
Somaiya Hospital Road,
Off Eastern Express Highway,
Sion (East), Mumbai - 400 022, INDIA.
☎ : 67543456 Fax : (022) 67543457
E-mail : care@careratings.com
www.careratings.com

Mr. Man Mohan Pathak
General Manager
(Shares & Bonds)
State Bank of India
SBI Corporate Centre Campus,
Madam Cama Marg,
Nariman Point, Mumbai – 400 021

August 25, 2010

Confidential

Dear Sir,

Credit Rating for Retail Bonds issue of Rs.1000 crore

Please refer to your request letter for rating of issue of Retail bonds of Rs.1000 crore (inclusive of green shoe option). This rating is under the umbrella rating for total amount of Rs.15000 crore.

2. Under the said umbrella rating request, it has been decided to assign a **'CARE AAA' [Triple A]** rating to the proposed Retail Bonds issue up to an amount of Rs.1000 crore (inclusive of green shoe option). The Retail bonds might be issued in the form of Lower/Upper Tier II/ Perpetual Bonds and shall not exceed the limit of Rs.1000 crore. Instruments with this rating are considered to be of the best credit quality, offering highest safety for timely servicing of debt obligations. Such instruments carry minimal credit risk

3. Our rating symbols for various ratings for long term instruments and explanatory notes thereon are annexed.

4. The rationale for this rating will be communicated to you separately.

5. Please arrange to get the rating revalidated, in case the proposed Bond issue is not made **within six months** from the date of this letter.

6. Please send us a written confirmation regarding your acceptance of the rating assigned and use thereof, as early as possible, but in any case **within two weeks** from the date of this letter. Please note that, unless accepted, the above rating should not be used for any purpose whatsoever. Please also send us the detailed offer document of the above instrument.

7. CARE reserves the right to suspend/withdraw/revise the rating assigned on the basis of new information or in the event of failure on the part of the company to furnish such information, material and clarifications as may be required by CARE. CARE shall also be entitled to publicise/disseminate. Such suspension/withdrawal/revision in the assigned rating in any manner considered appropriate by it, without reference to you.

8. A formal surveillance/review of ratings is normally done on the expiry of one year from the date of initial rating / last review of the rating. However, CARE reserves the right to undertake a surveillance/review of the rating more than once a year (including any time before the expiry of one year from the date of initial rating) if in the opinion of CARE, circumstances warrant such a surveillance/review.

9. CARE ratings are not recommendations to buy, sell, or hold any security.

10. Kindly arrange to provide us the subscription details of the bond issue and forward to us a copy of the documents pertaining to the bond issue, including the offer document.

11. If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Soujanya Agrawal Vijay

[P. Soujanya]
Manager

[Vijay Agrawal]
Jt. General Manager

Encl: as above

DISCLAIMER

CARE's ratings are opinions on credit quality and are not recommendations to buy sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most issuers of securities rated by CARE have paid a credit rating fee, based on the amount and type of securities issued

Annexure I
Long /Medium -term instruments (NCD/FD/CD/SO/CPS/RPS)

Symbols	Rating Definition
CARE AAA	Instruments with this rating are considered to be of the best credit quality, offering highest safety for timely servicing of debt obligations. Such instruments carry minimal credit risk.
CARE AA	Instruments with this rating are considered to offer high safety for timely servicing of debt obligations. Such instruments carry very low credit risk.
CARE A	Instruments with this rating are considered to offer adequate safety for timely servicing of debt obligations. Such instruments carry low credit risk.
CARE BBB	Instruments with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such instruments carry moderate credit risk.
CARE BB	Instruments with this rating are considered to offer inadequate safety for timely servicing of debt obligations. Such instruments carry high credit risk.
CARE B	Instruments with this rating are considered to offer low safety for timely servicing of debt obligations and carry very high credit risk. Such Instruments are susceptible to default.
CARE C	*Instruments with this rating are considered to be having very high likelihood of default in the payment of interest and principal.*
CARE D	*Instruments with this rating are of the lowest category. They are either in default or are likely to be in default soon.*

As instrument characteristics or debt management capability could cover a wide range of possible attributes whereas rating is expressed only in limited number of symbols, CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

CREDIT ANALYSIS & RESEARCH LTD. 4TH Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai-400 022, INDIA.
• ☎ : 6754 3456 • E-mail : care@careratings.com • Fax : 6754 3457 • www.careratings.com

CREDIT ANALYSIS &
RESEARCH LTD.
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E-mail : care@careratings.com
www.careratings.com

Mr. Man Mohan Pathak
General Manager
(Shares & Bonds)
State Bank of India
SBI Corporate Centre Campus,
Madam Cama Marg,
Nariman Point, Mumbai – 400 021

Sept. 20, 2010

Confidential

Dear Sir,

Credit Rating for Retail Bonds Issue of Rs.1000 crore

Please refer to our rating letter dated August 25, 2010.

2. We enclose herewith our final rationale for the rating assigned as **Annexure I**. The rationale is proposed to be included in our quarterly journal 'CAREVIEW'. A write-up on the above is also proposed to be issued to the press shortly. A draft of the press release is also annexed as **Annexure II**.
3. To ensure that no factual inaccuracies have inadvertently crept in, we shall appreciate any comments that you may have on the annexed write-ups. In case we do not hear from you by Sept. 30, 2010, we will proceed on the basis that you have no comments to offer.
4. If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Soujanya

[P. Soujanya]
Manager

Agrawal Vijay

[Vijay Agrawal]
Jt. Gen. Manager

Encl: A/a

Annexure I
Rationale
State Bank of India

Rating

CARE has assigned 'CARE AAA' [Triple A] rating to the proposed issue of Retail Bonds of state Bank of India (SBI) amounting to Rs.1000 crore (inclusive of green shoe option).

Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Retail Bonds Issue*	1000	**'CARE AAA' (Triple A)**	Assigned

**To be issued in the form of Lower Tier II Bonds*

The rating factors in SBI's parentage (GoI holds 59.41% stake), its long standing record of operations and its systemic importance and dominance in the Indian Banking sector, given its large asset size and extensive branch network. The rating also takes into account the bank's access to stable low cost deposit base and adequate capitalisation levels. SBI's ability to improve its spreads, sustain a healthy low cost deposits ratio and maintain asset quality by containing slippages are the key rating sensitivities.

Background & Management

SBI is the largest bank in India with an asset base of Rs.10,50,902 crore and network of 12,496 branches and 16,369 ATMs as on March 31, 2010. The bank has systemic dominance in the Indian Banking sector with the advances and deposits market share of 16.55% and 16.14% as on June 30, 2010 respectively. Post the merger of its associate SB Indore with itself in August 2010, SBI presently has five associate banks. The associate banks and SBI operate under common technology platform in order to share business processes and derive operational synergies. Such technological integrations enable SBI group to operate like a virtually merged entity. SBI is managed by a broad-based Board of Directors having rich and varied experience with Mr. O. P. Bhatt as the Chairman

[1] *Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications*

Operations

Asset Profile

The overall global business of SBI grew by slower 9.08% during FY10 vis-à-vis 33.53% during the previous year mainly due to weak domestic credit demand during H1FY10 and moderation of credit growth throughout the sector. Given the overall decelerating credit offtake by the commercial sector during H1FY10, SBI's credit growth also declined to 16.48% during FY10 (P.Y.: 30.17%). However, its credit growth is in line with industry growth of 17% seen during the same period. During Q1FY11, the bank witnessed advances growth of 20.74% y-o-y to touch Rs.6,63,828 crore; lagging the industry growth of 22.3% during the same period. The advances growth during the quarter had been mainly driven by growth in large corporate and retail lending. Given the cautious approach due to rising delinquencies, mid-corporate portfolio of the bank slightly declined by 1.2% while SME portfolio remained stagnant on a sequential basis.

Deposit Profile

On the deposits front, growth in aggregate deposits for the banking sector declined to 17.1% during FY10 vis-à-vis 19.8% during FY09 mainly due to lower term deposits mobilisation which was affected by softening interest rates and a pick up in the equity markets. SBI's deposits grew by sluggish 8% y-o-y to Rs.8,04,116 crore. In sync with the industry trend, growth in CASA deposits outpaced retail term deposits for the bank. While CASA deposits grew at 27% y-o-y; retail term deposits clocked 18% y-o-y growth during FY10. During Q1FY10 also, the deposits growth of SBI continued to be slower at 6.78% y-o-y, lagging the industry growth of 14.9%. Bulk term deposits declined by 51% y-o-y and constituted 20.7% of total domestic deposits as on June 30, 2010 while retail term deposits witnessed a weak 10% y-o-y growth. However, continued growth momentum in CASA deposits led the bank to report a CASA mix of 47.57%, up 84bps sequentially.

Trends in Capital Adequacy Ratio (CAR)

As on March 31	2008	2009	2010	June 30, 2010
Tier I CAR (%)	9.14	9.38*	9.45*	9.79*
Total CAR (%)	13.54	14.25*	13.39*	13.54*

*As per Basel II

September 20, 2010

The bank's CAR as per Basel II continues to remain comfortable at 13.54% as on June 30, 2010. (Tier I CAR: 9.79%).

Financial Performance during FY10

- During FY10, the bank reported PAT of Rs.9,166 crore on total income of Rs.85,962 crore. Liquidity overhang coupled with slower credit offtake impacted the net interest income of the bank. Although NIM of the bank improved sequentially throughout FY10, NIM declined by 12bps y-o-y to 2.35% during FY10.
- High employee and branch expansion expenses during the year led to surge in operating expenses. Cost to income of the bank increased substantially to 52.6% during FY10.
- In a bid to improve it provision cover and provide for higher NPAs during FY10, provisioning expenses increased by 18% y-o-y. Provision coverage for NPAs slightly improved to 59.2% as on March 31, 2010. Although the provision cover remains lower than 70% cover stipulated by RBI to be achieved by September 2010, SBI has received approval to achieve the same by September 2011.
- Profitability of the bank has been stagnant mainly due to average earnings profile, higher operating and provision expenses during the year. As a result, ROTA has declined by 17bps to 0.91%.

Performance for quarter ended Sept 30, 2009

- SBI's profitability surged by a healthy 25% y-o-y to Rs.2,914 crore led by robust growth in net interest income and lower operating expenses.
- Net interest income expanded by substantial 45% y-o-y to Rs.7,304 crore given that the decline in cost of deposits surpassed decline in yields. Cost of deposits declined by 189bps to 5.65% during Q1FY11 as the bank continued shedding of high cost bulk deposits.
- Cost to income ratio of the bank declined both on y-o-y as well as q-o-q basis to 44.20% due to drop in employee overheads. During Q1FY11, the bank has written back Rs.845 crore on account of excess provision for wage revision. However, Rs.1,100 crores has been provided towards provision for gratuity as against the estimated actuarial requirement of Rs.2,200 for the whole year.

September 20, 2010

- Asset quality for most public sector banks deteriorated during Q1FY11 partly contributed by slippages in restructured assets. Consequently, Gross NPA increased by 36% y-o-y led by fresh slippages of Rs.4,081 crore during Q1FY10. Bulk of these slippages were contributed by agriculture (Rs.1,283 crore), SME (Rs.1,115 crore) followed by retail (Rs.1,112 crore). Slippages from restructured accounts stood at Rs.158 crore. However, provisions coverage has improved to 60.7% as on June 30, 2010.

Prospects

The banking sector continued to witness a moderation in credit growth for much of FY10 as high deposit growth coupled with low credit offtake led to a build-up of surplus liquidity in the banking system. Treasury gains and lower provisioning on investments during H1FY10 helped shore up profits for most banks. Non-food credit growth and aggregate deposit growth of Scheduled Commercial Banks (SCBs) stood at 17% as on March 26, 2010. Following the improving outlook on monsoon coupled with pick up in corporate earnings, the Reserve Bank of India (RBI), in its First Quarter Review of Monetary Policy, revised the projection for real GDP growth for 2010-11 from 8% to 8.5% (with an upside bias). The projections for aggregate deposit growth and non-food credit growth for SCBs for FY11 were retained at 18% and 20.0% respectively.

During Q1FY11, total non-food credit growth stood at 21.7% y-o-y led largely by borrowing by telecommunication companies to pay for 3G and broadband wireless access spectrum auctions. However, aggregate deposits for SCBs grew by 14.0% as on July 30, 2010. For FY11, we continue to estimate advances growth to be in the range of 20-22% (led by an increase in demand from the infrastructure sector) and deposit growth for FY11 in the range of 18-20%.

For FY11, the scope for significant, across the board treasury gains could be limited in the medium term, given the hardening interest rate scenario. On the asset quality front, the performance of restructured assets remains a key monitorable across the banking industry in general and public sector banks in particular. Most of the restructuring was done in export oriented sectors like Textiles and Gems & Jewellery which are susceptible to unfavorable European conditions and currency volatility. The full effect of the restructured portfolio is expected to play out over the next two quarters. Further, assuming that 15% of the restructured assets get converted into Non Performing Assets (NPAs) in FY11 in addition to the normal system NPAs, the Gross NPA ratio is expected to touch 3.5% (approximately) for FY11. On the whole, managing credit growth and asset quality while sustaining earnings growth would be key challenges for the banking industry. *SBI's ability to improve its spreads, sustain a healthy low cost deposits ratio and maintain asset quality by containing slippages are the key rating sensitivities.*

September 20, 2010

Financial Results

(Rs. Crore)

As on	31-03-08	31-03-09	31-03-10
Interest Income	48950.31	63788.43	70993.92
Interest Expenses	31929.08	42915.29	47322.48
Non Interest Income	8694.93	12690.79	14968.15
Total Income	**57645.24**	**76479.22**	**85962.07**
Operating Expenses (Incl. Depreciation)	12608.61	15648.70	20318.68
Provisions (excl tax)	2668.66	3734.58	4394.83
PAT	**6729.12**	**9121.22**	**9166.05**
Deposits	537403.94	742073.13	804116.23
Tangible Networth (Excl: DTA)	48990.62	56920.81	63437.11
Advances	416768.20	542503.20	631914.15
Investments	189501.27	275953.96	285790.07
Total Assets (Excl: DTA)	721484.27	963405.19	1050901.64
Key Ratios (%)			
Interest Income/Avg Interest Earning Assets	8.69	8.66	7.94
Interest Expenses / Avg Interest Bearing Liabilities	5.80	5.97	5.46
Interest Spread	**2.90**	**2.69**	**2.48**
Net Interest Margin (NIM)	2.64	2.48	2.35
Net Spread	1.37	1.42	1.15
Operational Expenses / Avg Total Assets	1.96	1.86	2.02
Operational Expenses / Total Income	21.87	20.46	23.64
Cost of Deposits	5.57	5.93	5.61
Yield on Advances	9.34	9.67	8.62
Treasury Income/PBT	9.07	18.10	15.20
Core Spread (Yield on Advances - Cost of Deposits)	**3.78**	**3.74**	**3.02**
ROTA	**1.04**	**1.08**	**0.91**
RONW	16.76	17.22	15.23
Capital Adequacy Ratio	**13.54**	**14.25**	**13.39**
Tier I Capital Adequacy Ratio	9.14	9.38	9.45
Credit/Deposit ratio (times)	77.55	73.11	78.58
Gross NPA to Gross Advances	3.04	2.86	3.05
Net NPA to Net Advances	1.78	1.79	1.72
Net NPA to Tangible Networth	15.15	16.78	17.14

September 20, 2010

Annexure II

Press Release

CARE assigns 'CARE AAA' rating to Retail Bonds issue of State Bank of India

CARE has assigned 'CARE AAA' [Triple A] rating to the proposed issue of Retail Bonds of state Bank of India (SBI) amounting to Rs.1000 crore (inclusive of green shoe option).

Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Retail Bonds Issue*	1000	**'CARE AAA' (Triple A)**	Assigned

**To be issued in the form of Lower Tier II Bonds*

Rating Rationale

The rating factors in SBI's parentage (GoI holds 59.41% stake), its long standing record of operations and its systemic importance and dominance in the Indian Banking sector, given its large asset size and extensive branch network. The rating also takes into account the bank's access to stable low cost deposit base and adequate capitalisation levels. SBI's ability to improve its spreads, sustain a healthy low cost deposits ratio and maintain asset quality by containing slippages are the key rating sensitivities.

Bank Profile

SBI is the largest bank in India with an asset base of Rs.10,50,902 crore and network of 12,496 branches and 16,369 ATMs as on March 31, 2010. The bank has systemic dominance in the Indian Banking sector with the advances and deposits market share of 16.55% and 16.14% as on June 30, 2010 respectively. Post the merger of its associate SB Indore with itself in August 2010, SBI presently has five associate banks.

For FY10, SBI earned a relatively stagnant Net Profit of Rs. 1,867 crore on Total Income of Rs. 22,474 crore due to average earnings growth, higher operating and provisioning expenses. During Q1FY11, SBI's advances and deposits registered growth of 20.74% and 6.78% y-o-y respectively; lagging the industry growth of 22.3% and 14.9% during the same period. SBI's profitability surged by a healthy 25% y-o-y to Rs.2,914 crore led by robust growth in net interest income and lower operating expenses. Asset quality registered a fall as Gross NPAs increased by 36% y-o-y led by fresh slippages of Rs.4,081 crore, primarily in agriculture (Rs.1,283 crore), SME (Rs.1,115 crore) and retail (Rs.1,112 crore). However, provisions

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[1] *Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications*

coverage has improved to 60.7% as on June 30, 2010. The bank's CAR as per Basel II continues to remain comfortable at 13.54% as on June 30, 2010. (Tier I CAR: 9.79%).

September 20, 2010

CRISIL
RATINGS

CONFIDENTIAL

Ref. no.: MS/FSR/SBI/2010-11/834

September 17, 2010

Mr. Man Mohan Pathak
General Manager – Shares & Bonds
State Bank of India
Corporate Centre, State Bank Bhavan,
Nariman Point, Mumbai – 400 021
Phone : 022-22633464
Fax : 022-22633470/71

Dear Mr. Pathak,

Re: CRISIL Rating for the Rs.10.0 billion Lower Tier II Bond Issue (including Rs.5 billion under green shoe option) of State Bank of India.

We refer to your request for a rating for the captioned Debt Issue.

CRISIL has, after due consideration, assigned a **"AAA/Stable"** (pronounced "Triple A with stable outlook") rating to the captioned Debt Issue. This rating indicates **highest degree of safety** with regard to timely payment of interest and principal on the instrument.

As per our Rating Agreement, CRISIL would disseminate the rating along with outlook through its publications and other media, and keep the rating along with outlook under surveillance for the life of the instrument. CRISIL reserves the right to suspend, withdraw, or revise the rating / outlook assigned to the captioned issue at any time, on the basis of new information, or unavailability of information, or other circumstances which CRISIL believes may have an impact on the rating.

Further, in view of your decision to accept the CRISIL Rating, we request you to apprise us of the instrument details (in the enclosed format) as soon as it has been placed. In the event of your company not making the issue within a period of 180 days from the above date, or in the event of any change in the size or structure of your proposed issue, a fresh letter of revalidation from CRISIL will be necessary.

Should you require any clarifications, please feel free to get in touch with us.

With warm regards,

Yours sincerely,

Suman Chowdhury

Suman Chowdhury
Head – Financial Sector Ratings

MRSaraf

Manish Saraf
Manager – Financial Sector Ratings

A CRISIL rating reflects CRISIL's current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by CRISIL. CRISIL ratings are based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the rating is based. A CRISIL rating is not a recommendation to buy / sell or hold the rated instrument; it does not comment on the market price or suitability for a particular investor.

CRISIL has a practice of keeping all its ratings under surveillance and ratings are revised as and when circumstances so warrant. CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of its ratings. For the latest rating information on any instrument of any company rated by CRISIL, please contact CRISIL RATING DESK at CRISILratingdesk@crisil.com or at (+91 22) 3342 3001 – 09.

Rating Rationale

September 20, 2010
Mumbai

CRISIL 'AAA' for STATE BANK OF INDIA's Lower Tier II Bonds

Rs.10.00 Billion Lower Tier II Bonds	**AAA/Stable (Assigned)**
Lower Tier II Bonds Aggregating Rs.102.50 Billion@	**AAA/Stable (Reaffirmed)**
Upper Tier II Bonds Aggregating Rs.205.00 Billion@	**AAA/Stable (Reaffirmed)**
Tier I Perpetual Bonds Aggregating Rs.31.65 Billion@	**AAA/Stable (Reaffirmed)**
Fixed Deposits Programme#	**FAAA/Stable (Reaffirmed)**
Rs.150.00 Billion Certificate of Deposits@	**P1+ (Reaffirmed)**

@ Includes the rated debt of State Bank of Indore (SBoI) transferred to State Bank of India (SBI) upon SBoI's merger with SBI
# The rating pertains only to SBoI's fixed deposit programme rated by CRISIL, which has been transferred to SBI following the merger of SBoI with SBI

CRISIL has assigned its **'AAA/Stable'** rating to State Bank of India's (SBI's) Rs.10-billion Lower Tier II bonds issue (including a green shoe option of Rs.5-billion). The ratings on SBI's other aforementioned debt instruments have been reaffirmed at **'AAA/FAAA/Stable/P1+'**.

The ratings continue to reflect the SBI group's dominant position in the Indian banking industry, strong resource profile, and healthy capitalisation. These rating strengths are partially offset by the group's average asset quality with respect to its rating category.

For arriving at its ratings on SBI, CRISIL combines the business and financial risk profiles of SBI and its subsidiaries, including associate banks, collectively referred to as the SBI group. This is because the subsidiaries and the associate banks are an integral part of SBI's growth strategy.

The SBI group is the largest player in the Indian banking sector, with a market share of around 25 per cent in both deposits and advances. The group had consolidated deposits and advances of Rs.11.16 trillion and Rs.8.70 trillion, respectively, as on March 31, 2010. It has strong brand image and a pan-India presence, with a wide reach in rural and semi-urban areas. Apart from banking, the SBI group also has a strong presence in other segments of financial services, such as investment banking and life insurance. The SBI group has a strong resource profile, underpinned by a large and diversified retail deposit base; this lends stability to its resource profile and also results in a significantly higher proportion of low-cost current and savings account deposits (CASA; 42.7 per cent of the group's total deposits as on March 31, 2010) compared to the industry average (around 35 per cent). The group's cost of deposits at 5.74 per cent in 2009-10 (refers to financial year, April 1 to March 31), however, was marginally higher than the industry average because of the sizable proportion of high-cost deposits raised by SBI in 2008-09.

Moreover, the SBI group has a healthy capital position, marked by a large Tier I capital base (Rs.812.61 billion as on March 31, 2010), and demonstrated ability to raise capital whenever needed. The group had a comfortable Tier I capital adequacy ratio of 9.28 per cent as on March 31, 2010 (as per Basel II guidelines). The group's return on assets ratio was 0.9 per cent in 2009-10. CRISIL believes that the SBI group's profitability is likely to improve gradually over the medium term with the improvement in its interest spreads, supported by a sustained high CASA level, and the benefits arising from improving operating efficiencies, supported by its expanded branch network. This is likely to result in adequate internal accruals and support the group's capitalisation over the medium term.

The SBI group has an average asset quality with respect to its rating category, marked by higher-than-industry average gross non-performing assets (NPAs). The gross NPAs of SBI and its associate banks was 2.71 per cent of total advances as on March 31, 2010, compared with the estimated industry average of

2.4 per cent; on a standalone basis, SBI's gross NPAs were higher at 3.05 per cent. Given the large-ticket corporate exposures and the relatively unseasoned retail loan book, CRISIL believes that the SBI group's asset quality is likely to remain average compared to that of its peers over the medium term.

Outlook: Stable

CRISIL believes that the SBI group will maintain its dominant position in the Indian financial services sector over the medium term, and that SBI will remain an institution of national importance, given its significance to India's economy and financial system. Furthermore, the Government of India's (GoI's) ownership of SBI ensures that the bank continues to receive need-based distress support, though the necessity for the same appears remote. The outlook may be revised to 'Negative' if the group's asset quality deteriorates steeply, or if there is a sharp decline in its earnings profile.

About the Bank

SBI is the oldest and the largest bank in India. GoI owns 59.41 per cent of the bank as on March 31, 2010. SBI offers a wide range of banking products and services. The SBI group had 17,337 branches, and 21,485 automated teller machines, as on March 31, 2010. SBI has branches across the globe; through its non-banking subsidiaries, it offers a wide range of financial services such as merchant banking, fund management, factoring, primary dealership, broking, investment banking, credit cards, and life insurance.

SBI, on a standalone basis, reported a profit after tax (PAT) of Rs.91.7 billion for 2009-10, against a PAT of Rs.91.2 billion for 2008-09. The SBI group (including minority interest) reported a PAT of Rs.120.1 billion for 2009-10, against a PAT of Rs.111.7 billion for 2008-09. For the quarter ended June 30, 2010, SBI, on a standalone basis, reported a PAT of Rs.29.1 billion (Rs.23.3 billion for the corresponding period of the previous year) and the SBI group (including minority interest) reported a PAT of Rs.34.7 billion (Rs.28.5 billion).

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