

NEW CAPITAL ADEQUACY FRAMEWORK
DISCLOSURES UNDER PILLAR III AS ON 30.06.08

Table DF-1
Scope of Application

Qualitative Disclosures:

(a) The name of the top bank in the group to which the Framework applies

State Bank of India

(b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group

The consolidated financial statements of the group 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 ICAI. The following subsidiaries/Joint Ventures and Associates constitute the State Bank Group.

(i) That are fully consolidated: The following Subsidiaries and Joint Ventures (which are also subsidiaries) are fully consolidated on a line by line basis as per Accounting Standard AS 21.

Sr.No	Name	Activity	Holding
	DOMESTIC		
1	State Bank of Bikaner and Jaipur	Banking	75.07%
2	State Bank of Hyderabad	Banking	100.00%
3	State Bank of Mysore	Banking	92.33%
4	State Bank of Indore	Banking	98.05%
5	State Bank of Patiala	Banking	100.00%
6	State Bank of Saurashtra	Banking	100.00%
7	State Bank of Travancore	Banking	75.01%
8	SBICI Bank Ltd.	Banking	100.00%
9	SBI Capital Markets Ltd.	NBFC	86.16%
10	SBI CAP Securities Ltd.	NBFC	86.16%
11	SBI CAP Trustee Company Ltd.	NBFC	86.16%
12	SBI CAPS Ventures Ltd.	NBFC	86.16%
13	SBI Cards & Payment Services Ltd.	NBFC	60.00%
14	SBIDFHI Ltd.	Primary Dealers	65.95%
15	SBI Factors & Commercial Services Ltd.	Factoring	69.88%
16	SBI Funds Management Ltd.	Mutual Funds	63.00%
17	SBI MF Trustee Co. Pvt. Ltd.	MF Trustees	100.00%
18	SBI Life Insurance Co. Ltd.	Insurance	74.00%
19	Global Trade Finance Ltd	Factoring	92.60%
20	SBI Pension Management Ltd.	Mutual Funds	100.00%
	OVERSEAS		
21	Indian Ocean International Bank Ltd	Banking	62.96%
22	SBI, Canada	Banking	100.00%
23	SBI, California	Banking	100.00%
24	SBI International (Maritius) Ltd.	Banking	98.00%
25	Commercial Bank of India LLC Moscow	Banking	60.00%
26	PT Bank Indo Monex Ltd., Indonesia	Banking	76.00%
27	SBI Funds Management (Intl.) Ltd.	Mutual Funds	63.00%
28	SBI CAP (UK) Ltd.	NBFC	86.16%

(ii) That are pro-rata consolidated:

The entities which are joint Ventures are consolidated pro rata as per Accounting Standard – AS27.

S.No	Name	Activity	Holding
	DOMESTIC		
1	GE Capital Business Process Management Services Pvt. Ltd.	BPO	40.00%
2	C-Edge Technologies Ltd.	Software Services	49.00%

(iii) All the subsidiaries, joint ventures and associates of State Bank are consolidated. Hence there is no entity which is excluded from consolidation. In addition to the above mentioned Subsidiaries and Joint Ventures, the following associates are consolidated as per Equity Accounting in terms of AS 23.

S.No	Name	Activity	Holding
1	Clearing Corporation of India Ltd	Clearing	28.97%
2	UTI Asset Management Co. Pvt. Ltd.	Asset Management	25.00%
3	SBI Home Finance Ltd.	Home Finance	25.05%
4	S.S. Ventures Ltd	Venture Capital Financing	43.08%
5	Nepal SBI Bank Ltd	Banking	50.00%
6	Bank of Bhutan	Banking	20.00%
7	Andhra Pradesh Grameena Vikas Bank	Banking	35.00%
8	Arunachal Pradesh Rural Bank	Banking	35.00%
9	Chhatisgarh Gramin Bank	Banking	35.00%
10	Ellaquai Dehati Bank	Banking	35.00%
11	Ka Bank Nongkyndong Ri Khasi Jaintia	Banking	35.00%
12	Krishna Grameena Bank	Banking	35.00%
13	Langpi Dehangi Rural Bank	Banking	35.00%
14	Madhya Bharat Gramin Bank	Banking	35.00%
15	Mizoram Rural Bank	Banking	35.00%
16	Nagaland Rural Bank	Banking	35.00%
17	Parvatiya Gramin Bank	Banking	35.00%
18	Purvanchal Kshetriya Gramin Bank	Banking	35.00%
19	Samastipur Kshetriya Gramin Bank	Banking	35.00%
20	Utkal Gramya Bank	Banking	35.00%
21	Uttaranchal Gramin Bank	Banking	35.00%
22	Vananchal Gramin Bank	Banking	35.00%
23	Vidisha Bhopal Kshetriya Gramin Bank	Banking	34.32%
24	Marwar Ganganagar Bikaner Gramin Bank	Banking	26.27%
25	Deccan Grameena Bank	Banking	35.00%
26	Cauvery Kalpatharu Grameena Bank	Banking	32.32%
27	Malwa Gramin Bank	Banking	35.00%
28	Saurashtra Grameena Bank	Banking	35.00%

1.3 Differences in basis of consolidation for accounting and regulatory purposes

In terms of Regulatory guidelines, the consolidated bank may exclude from consolidation, group companies which are engaged in insurance business and business not pertaining to financial services. Hence the groups' investments in the under mentioned entities are taken at cost less impairment, if any, for Consolidated Prudential Reporting purposes.

S.No	Name of the Joint Venture	Group's Stake (%)
1)	C Edge Technologies Pvt Ltd	49.00
2)	GE Capital Business Process Management Services Pvt Ltd	40.00
3)	SBI Life Insurance Company Ltd	74.00

Quantitative Disclosures:

(c) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the names(s) of such subsidiaries: **Nil**

(d) The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted as well as their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities in addition, indicate the quantitative impact on regulatory capital of using this method versus using the deduction:

Name: SBI Life Insurance Co. Ltd. Mumbai

Country of Incorporation : India

Ownership interest: Rs.740.00 crs (74%)

Quantitative Impact on the regulatory capital:

Under consolidation method: NA

Under deduction method: Entire investment made in the Insurance subsidiary is reduced from Tier I capital of the Bank, for the purpose of Capital Adequacy calculation.

**TABLE DF-2: CAPITAL STRUCTURE:
DISCLOSURES AS ON 30th JUNE 2008**

Qualitative Disclosures

(a) Summary

Type of Capital	Features
Equity (Tier -I)	State Bank of India has raised Equity by way of Rights Issue during March 2008 aggregating Rs.16,722 crs (including Premium). Further the bank has also raised Capital by way of Employees Stock Purchase Scheme aggregating Rs542crs. Domestic Banking Subsidiaries have raised equity through Equity Instruments. The majority shareholder is SBI while some of them like SBBJ, SBIR, SBM and SBT have public shareholding as well. Domestic Non-Banking Subsidiaries have raised equity through Equity Instruments. The majority shareholder is SBI and the others are ADB (SBICAP-13.84%), SGAM (SBI FUNDS-37%), GE Capital (SBI CARDS-40%), SIDBI (SBI FACTORS-20%) etc.
Innovative Instruments (Tier-I)	SBI has raised IPDI's in the International Market during FY: 06-07 and 07-08. Some of the Banking Subsidiaries like State Bank of Indore and State Bank of Travancore have also raised capital through Perpetual Debt Instruments. Foreign Subsidiary Banks have not raised Tier I Capital by way of IPDIs as of date.
Tier-II	SBI and its Subsidiaries have raised Upper as well as Lower Tier II Capital. In case of Domestic Subsidiaries, Tier-II capital has been raised by way of Upper Tier-2 and Tier-2 bonds (except SBICI Bank Ltd). The instruments used are generally unsecured, redeemable, non-convertible bonds. They are plain vanilla bonds with no embedded put option, or call option without RBI's prior approval. Some of the Non-Banking Subsidiaries like SBI FACTORS(Rs.40.00crs),SBI CARDS(Rs.124.80crs & GTFL(Rs.100.20crs) have also raised subordinated term debt reckoned as Tier II capital. Tier II capital of Foreign Subsidiaries comprises of subordinated term debt (SBIML, CBIL and IOIB), General provisions and Property revaluation reserves.

Qualitative Disclosures:

State Bank of India has raised Hybrid Tier I Capital and Upper and Lower Tier II Subordinated Debt in the Domestic and International Market. Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments are as under:

Type of capital	Main features				
Equity	Rs. 634.88 crs				
Innovative Perpetual Debt Instruments	Date of Issue	Amount (Rs. crs)	Tenure (months)	Coupon (% p.a. payable annually)	Rating
	15.02.07	Rs. 1604.80 crs (USD 400 mio)	Perpetual with a Call Option after 10 yrs 3 mths i.e. on 15.05.17 and stepup of 100 bps i.e. 6 months USD LIBOR + 220 bps, if Call Option is not exercised	6.439% equivalent to Mid swap + 120 bps	Baa2-Moody's BB - S & P
	26.06.07	Rs. 902.70 crs (USD 225 mio)	Perpetual with a Call Option after 10 years i.e. on 26.06.17 and step-up of 100 bps i.e. 6 months USD LIBOR + 237 bps, if Call Option is not exercised	7.140% equivalent to Mid swap + 137 bps	Baa2-Moody's BB - S & P

Upper Tier II
Subordinated
Debt

Type of Instrument: Unsecured, Redeemable Non-convertible, Upper Tier II Subordinated Bonds in the nature of Promissory Notes.

Special features:

- i) No Put Option by the Investors.
- ii) Call Option by the Bank after 10 years.
- iii) Step-up Option after 10 years, if Call Option is not exercised by the Bank.
- iv) Lock-in-clause on payment of periodic interest and even Principle at maturity, if CAR is below the minimum regulatory CAR, prescribed by RBI.
- v) Not redeemable without the consent of Reserve Bank of India.

Step-up Option: If the Bank does not exercise Call Option after 10 years, the Bonds carry a step-up-option of 50 bps during the remaining period of 5 years.

Lock-in-Clause: Bank shall not be liable to pay either period interest on principal or even principle at maturity, if CAR of the Bank is below the minimum regulatory CAR prescribed by RBI. However, this will not proscribe the Bank from making periodical interest, as long as the Bank maintains the minimum Regulatory CAR, at the material time.

Date of Issue	Amount (Rs. crs)	Tenure (months)	Coupon (% p.a. payable annually)	Rating
05.06.06	2328	180	8.80%	AAA-CRISIL AAA-CARE
06.07.06	500	180	9.00%	AAA-CRISIL
12.09.06	600	180	8.96%	AAA-CRISIL AAA-CARE
13.09.06	615	180	8.97%	AAA-CRISIL AAA-CARE
15.09.06	1500	180	8.98%	AAA-CRISIL
04.10.06	400	180	8.85%	AAA-CRISIL AAA-CARE
16.10.06	1000	180	8.88%	AAA-CRISIL AAA-CARE
17.02.06	1000	180	9.37%	AAA-CRISIL
07.06.07	2523	180	10.20%	AAA-CRISIL AAA-CARE
12.09.07	3500	180	10.10%	AAA-CRISIL AAA-CARE

Lower Tier II
Subordinated
Debt

Type of Instrument: Unsecured, Redeemable Non-convertible, Upper Tier II Subordinated Bonds in the nature of Promissory Notes.

Special features:

- I) Plain vanilla Bonds with no special features like put or call option etc.
- II) Not redeemable without the consent of Reserve Bank of India.

Date of Issue	Amount (Rs. crs)	Tenure (months)	Coupon (% p.a. payable annually)	Rating
12.04.00	32.44 (5.113 mio Euro)	108	6.5%	--
05.12.05	3283	113	7.45%	AAA-CRISIL AAA CARE
28.03.07	1500	111	9.85%	AAA-CRISIL AAA CARE

Quantitative Disclosures

(Rs in crores)

b) Tier-I Capital	67578
• Paid-up Share Capital	635
• Reserves	63986
• Innovative Instruments (only total)	3844
• Other Capital Instruments (only total)	14
• Amt deducted from Tier-I Cap (if any total):	901
(c) Total Eligible Tier-2 Capital (Net of deductions) {Refer (d) and (e) below}	33031
(ci) Total Tier-3 Capital (if any)	0
(Note: as of now, no Tier-3 capital)	
(d) Debt Capital Instruments eligible for inclusion in Upper Tier-2 Capital	
• Total amount outstanding	17658
• Of which raised during Current Year	1002
• Amount eligible to be reckoned as Capital	17658
(e) Subordinated Debt eligible for inclusion in Lower Tier-2 Capital:	
• Total amount outstanding	10447
• Of which raised during Current Year	134
• Amount eligible to be reckoned as Capital	10108
(f) Other Items of Tier II Capital if any	5299
(f) Other Deductions from Tier II Capital if any	34
(g) Total Eligible Capital (net of deductions from Tier I & Tier II Capital) [Should equal Total of (b), (c) and (c.i) minus (f) in any]	100608

Notes:

- ✓ In Basel I scenario, the Bank was deducting, equity investment made in Subsidiaries (where our holding is higher than 50%), from Tier I capital.
- ✓ Under Basel II scenario, the Bank has to deduct 50% from Tier I Capital and 50% from Tier II Capital, of the equity investment made in the financial entities, where investment is more than 30%.

TABLE DF-3 : CAPITAL STRUCTURE :
DISCLOSURES AS ON 30th JUNE 2008

Table 3: CAPITAL ADEQUACY

<p>Qualitative Disclosures (a) A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.</p>	<ul style="list-style-type: none"> • Sensitivity Analysis is conducted annually or more frequently as required, on the movement of Capital Adequacy Ratio (CAR) in the medium horizon of 3 to 5 years, considering the projected growth in Advances, investment in Subsidiaries/Joint Ventures and the impact of Basel II Framework etc. • CAR of the Bank is estimated to be well above the Regulatory CAR of 9% in the medium horizon of 3 to 5 years. However, to maintain adequate capital, the Bank has ample options to augment its capital resources by raising Subordinated Debt and Hybrid Instruments, besides Equity as and when required. • During FY: 2006-07, State Bank of India has raised Upper Tier II Subordinated Debt of Rs. 7,942.90 crs in 8 tranches, Lower Tier II Subordinated Debt of Rs. 1,500 crs (both reckoned as Tier II Capital) and Innovative Perpetual Debt (IPDI Hybrid Debt, reckoned as Tier I Capital) of US \$ 400 mio (around Rs. 1,739 crs) in Overseas Market. Further, during FY: 2007-08, the Bank has raised Upper Tier II Subordinated Debt of Rs. 6,023.50 crs (reckoned as Tier II Capital) in 2 tranches and IPDIs (reckoned as Tier I Capital) of US \$ 225 mio (around Rs. 916 crs) in the Overseas Market. • The Bank has also raised equity through Rights Issue during the FY: 2007-08 and has added an additional Capital Funds (Tier I) of about Rs.16,722 crs to ensure a minimum Tier I capital of 8%. • Further, the Bank has raised Equity through ESPS (Employees Stock Purchase Scheme) during F1 08-09 aggregating Rs.542 crs. • The Bank has put in place the ICAAP Policy and the same is being reviewed on a yearly basis which would enable us to maintain Economic Capital, thereby reducing substantial Capital Risk.
<p>Quantitative Disclosures (b) Capital requirements for credit risk</p> <ul style="list-style-type: none"> ▪ Portfolios subject to standardized approach ▪ Securitization exposures 	<p>→ Fund Based: Rs.66,022.63 crs @ 9.00% CAR</p> <p>→ Nil</p> <p>.....</p> <p>Total Rs.66,022.63 crs @ 9.00% CAR</p>
<p>(c) Capital requirements for market risk (* Standardized duration approach)</p> <ul style="list-style-type: none"> ▪ Interest Rate Risk ▪ Foreign Exchange Risk (including gold) ▪ Equity Risk 	<p>→ Rs. 2,682.09 crs</p> <p>→ Rs.48.00 crs</p> <p>→ Rs.1282.08 crs at 9.00% CAR</p> <p>.....</p> <p>Rs. 4012.17 crs @ 9.00% CAR</p>
<p>(d) Capital requirements for operational risk:</p> <ul style="list-style-type: none"> • Basic indicator approach 	<p>→ Rs.4798.14 crs @ 9.00% CAR</p> <p>.....</p> <p>Rs. 4798.14 crs @ 9.00% CAR</p>

(e) Total and Tier I capital ratio:

- For the top consolidated group; and
- For significant bank subsidiaries (stand alone)

CAPITAL ADEQUACY RATIO AS ON 30.06.2008

	Tier I (%)	Total (%)
State Bank of India	8.29	11.64
SBI Group	8.01	11.72
State Bank of Bikaner & Jaipur	7.62	13.65
State Bank of Hyderabad	6.85	11.72
State Bank of Indore	7.08	11.26
State Bank of Mysore	6.47	11.57
State Bank of Patiala	7.13	13.08
State Bank of Saurashtra	8.30	12.62
State Bank of Travancore	7.16	12.92
SBICI Bank Ltd.	27.80	27.80
SBI International (Maritius) Ltd.	10.53	11.48
State Bank of India (Canada)	20.50	20.50
State Bank of India (California)	6.08	6.52
Commercial Bank of India LLC Moscow	42.51	50.24
Indian Ocean International Bank Ltd.	12.03	13.72
PT Bank Indo Monex, Indonesia	48.11	49.01