

- For General and Life Insurance – SBI General Insurance Company Limited and SBI Life Insurance Company Limited
- For Receivables factoring – SBI Global Factors Limited
- For Custodial Services Banking to Foreign (FII, FPI, FVCI) & Domestic Institutional Clients – SBI Societe Generale Global Securities Services Pvt. Limited (SBI-SG)

To align with the changing banking landscape, your Bank has created two specialised units within CAG BU:

**Corporate Solutions Group (CSG)** - looking at 360° banking requirements of corporate customers in significant sectors, namely FMCG, Auto, Agri, Pharma, and IT, to cover their entire ecosystem and with a focused thrust on existing as well as new-to-bank customers.

**Financial Institutions Group (FIG)** - to address credit, transactional, general banking and non-banking requirements of Financial Institutions such as Insurance Companies, Brokerage Firms, Banks (Private and Foreign), Mutual Funds, FDI and FPI entities.

The total loan portfolio of CAG BU as of 31<sup>st</sup> March 2022 was ₹6.18 lakh crore (fund based – ₹4.02 lakh crore and non-fund based – ₹2.16 lakh crore) compared to a total loan portfolio of ₹5.42 lakh crore (fund based – ₹3.61 lakh crore and non-fund based – ₹1.81 lakh crore) as on 31<sup>st</sup> March 2021. Demand for credit has picked up in the second half of FY2022, resulting in ₹0.76 lakh crore net credit growth at the CAG BU. Major top corporates of the country and Navratna PSUs are esteemed customers of the CAG BU.

## B. Treasury Operations

Global Markets performs domestic Treasury Operations of your Bank and is responsible for deploying surplus funds to achieve desired risk-adjusted returns. Global Markets' portfolio comprises investments in SLR (Statutory Liquidity Ratio) and Non-SLR Securities, Publicly Traded Equities, Venture Capital Funds, Private Equity, and Strategic Investments. Additionally, it offers multiple products and services that cater to its customers'

foreign exchange and risk management requirements.

### Interest Rate Movements & SLR and Non-SLR portfolio

Global Markets manages your Bank's domestic Investment Portfolio and maintains regulatory requirements of CRR (Cash Reserve Ratio) and SLR (Statutory Liquidity Ratio). COVID-19 pandemic continued to significantly impact economies and financial markets worldwide, with geopolitical tensions further exacerbating market sentiment.

One of the primary features of FY 2021-22 has been rising global inflation, mainly due to higher commodity prices and supply chain and logistics disruptions. In India, CPI has remained above RBI's target of 4% throughout the year and has continued to rise steadily above 6% in the last few months, mainly due to upward pressure on crude, edible oil prices and other commodity prices.

During FY 2022, RBI continued to take various monetary measures to support economic growth. To facilitate Government's extensive borrowing programme during the first half of the year, RBI introduced G-Sec Acquisition Program (G-SAP). RBI also continued unconventional measures viz., Targeted Long-Term Repo Operations (TLTROs) for Small Finance Banks, Liquidity Facility for All India Financial Institutions (AIFIs), asymmetric Open Market Operations (OMOs), simultaneous Sale and Purchase of securities, etc. With ample liquidity in the banking system, the earlier relaxation in CRR requirements was gradually withdrawn, starting from March 2021. Relaxation to avail funds under Marginal Standing Facility (MSF) by dipping into the Statutory Liquidity Ratio (SLR) up to an additional one per cent of Net Demand and Time Liabilities (NDTL), i.e., cumulatively up to 3 per cent of NDTL, was also made available till 31<sup>st</sup> December 2021. RBI also undertook Variable Rate Reverse Repo operations of different tenors under the Revised Liquidity Management Framework to manage durable and transient liquidity.

The fiscal deficit for FY 2022-23 is estimated at 6.40% of GDP as against 6.90% (revised estimates) in FY 2021-22. The Centre has announced a record gross

borrowing of ₹14.31 lakh crore as against market expectations of about ₹12.50 lakh crore resulting in a sharp rise in bond yields. Following monetary and liquidity tightening by major Central Banks, along with high inflation numbers, the Indian 10-year benchmark bond yield closed at 6.84% on 31<sup>st</sup> March 2022.

Your Bank has prudently managed the excess liquidity position and is well placed to handle the expected moderation in liquidity. Your Bank has invested in a mix of high-quality corporate bonds and Government securities while maintaining low-interest-rate sensitivity in preparation for a rise in yields.

### Equity Markets

Global and domestic Central Bank liquidity and swift economic recovery from the second wave of COVID-19 helped our equity market outperform global indices in the first half of the financial year. However, equities corrected in the second half of the year as market participants weighed inflationary pressures, commodity prices, a slowdown in growth, hawkish FED, and geopolitical tensions. Indian equities posted decent returns in the current financial year, with the Nifty 50 index recording 18.88% year-on-year gains and ending the year with the second-best returns in seven years. The domestic benchmark equity index Nifty 50 traded between a high of 18,604 and a low of 14,151 during the FY2022.

Your Bank actively participated in the rally in equity markets, calibrating the investment book as per market dynamics. The year also saw a flurry of IPOs, including new-age tech companies, with solid listing gains. Your Bank's active participation in the primary market, including InvITs and REITs, has proven fruitful, generating high returns. Your Bank manages the equity portfolio by realigning the book according to market movements while keeping a tab on domestic and global macros towards achieving substantial risk-adjusted returns.

### Private Equity / Venture Capital Fund

Your Bank has been an active participant in the Alternative Investment space during FY 2021-22 and has supported start-ups through direct equity participation.

During the year, your Bank sanctioned investments of more than ₹1,500 crore in Private Equity / Alternative Investment Funds.

### Forex Markets

Global Markets handles the foreign exchange business of your Bank, providing solutions to the customers for managing their currency flows and hedging risks through options, swaps, and forwards and providing liquidity to markets. Your Bank is a leading player in USD-Rupee Spot and USD-Rupee Forward markets and has a high market share in merchant foreign exchange flows. Your Bank is the leader in providing liquidity in the CCIL Fx Clear platform. The volume traded in Currency Futures puts your Bank in the bracket of leading client Banks of exchange houses. Your Bank is actively onboarding customers on the Fx-Retail platform rolled out by CCIL, through which customers will benefit from transparent and competitive pricing. Your Bank has made FX-All and e-Forex trading platforms available to customers looking at their requirements.

Last year, RBI allowed Indian Banks to participate in the offshore USD-Rupee markets, also known as the NDF market or Non-deliverable Derivative Contracts (NDDCs). Accordingly, your Bank has started participating in the offshore USD-Rupee market and is a significant player. India's merchandise trade volumes showed robust growth of 49.80% Year-on-Year during FY 2021-22, which has also improved merchant volumes for your Bank.

### Derivatives

Your Bank currently deals in Over The Counter (OTC) interest rate and currency derivatives, along with exchange-traded currency derivatives and Interest Rate Futures. The interest rate derivatives traded by your Bank are Rupee Interest Rate Swaps (OIS), Rupee Interest Rate Futures (IRF), Foreign Currency Interest Rate Swaps (IRS), Foreign Currency to Rupee Interest Rate Swaps (MIFOR), Forward Rate Agreements (FRA), Caps, Floors and Collars. Currency derivatives dealt by your Bank are Cross Currency Swaps (CCS), USD / INR options and Cross Currency Options. These

products and their customised versions are offered to your Bank's customers to hedge their interest rate and foreign exchange exposures. Your Bank also uses derivatives for trading and balance sheet hedging purposes.

Your Bank has smoothly completed the transition from LIBOR to Alternative Reference Rates (ARRs) for all LIBOR settings, phased out from 31<sup>st</sup> December 2021. For the last few months, your Bank has been actively spreading awareness amongst customers about the transition. The Bank has started ARR-based products like FCNR(B) loans, PCFC / EBR loans from 1<sup>st</sup> January 2022.

Derivative transactions carry market risk: the probable loss your Bank may incur due to adverse interest and exchange rate movements. It also carries credit risk, the probable loss that your Bank may incur if the counterparties fail to meet their obligations. Your Bank's "Policy for Derivatives" approved by the Board prescribes market risk parameters (Greek limits, Loss limits, cut-loss triggers, open position limits, Duration, Modified Duration, PV01, amongst others) as well as customer eligibility criteria (Credit Rating, sanctioned limits, and CAS rating as per Customer Appropriateness and Suitability policy) for entering into derivatives transactions. Risk on interbank counterparties is monitored through limits

set for the purpose. These counterparties have also executed ISDA with your Bank.

Your Bank has various committees and departments to monitor multiple types of risks. The Asset Liability Management Committee (ALCO) oversees the efficient management of liquidity risks. Market Risk Management Department (MRMD) identifies, measures, and monitors market risks associated with derivative transactions. MRMD also 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.

### C. International Operations

In its endeavour to become a truly International Bank, the focus of your Bank has been realigned to enhance its penetration in overseas local markets along with India based business to support Indian Diaspora and global Indian Corporates spread across various geographies. A separate Business Unit manages the Overseas operations of your Bank – International Banking Group (IBG), headed by the Deputy Managing Director (IBG) and overseen by the MD (IB, T&S).

Overseas Subsidiaries/ Joint Ventures	Share Holding (%)
<b>Subsidiaries</b>	
State Bank of India (California)	100.00
SBI Canada Bank	100.00
State Bank of India (UK) Limited	100.00
Commercial Indo Bank LLC	60.00
SBI (Mauritius) Limited	96.60
Bank SBI Indonesia	99.34
Nepal SBI Bank Limited	55.00
<b>Foreign Non-Banking Subsidiary</b>	
SBI Servicos Limitada, Brazil	99.99
<b>Joint Associate</b>	
Bank of Bhutan Limited	20.00