INDEPENDENT AUDITOR'S REPORT

To

The President of India,

Report on the Financial Statements

1. We have audited the accompanying financial statements of State Bank of India as at 31st March 2013, which comprises the Balance Sheet as at March 31, 2013, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of

   i) The Central Office, **14** Local Head Offices, Global Market Group, International Business Group, Corporate Accounts Group (Central), Mid-Corporate Group (Central), Stressed Assets Management Group (Central) and **42** branches audited by us;
   ii) **7480** Indian Branches audited by other auditors;
   iii) **53** Foreign Branches audited by the local auditors; and

   The branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by Reserve Bank of India.

   Also incorporated in the Balance Sheet and the Statement of Profit and Loss are the returns from **8170** Indian Branches and other accounting units which have not been subjected to audit. These unaudited branches account for **5.38%** of advances, **19.47%** of deposits, **6.25%** of interest income and **16.91%** of interest expenses.

Management's Responsibility for the Financial Statements

2. The management is responsible for the preparation of these financial statements in accordance with the requirements of the Reserve Bank of India, the provisions of the Banking Regulation Act, 1949, the State Bank of India Act, 1955 and recognised accounting policies and practices, including the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI). This responsibility includes the design,

implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, as shown by books of the Bank, and to the best of our information and according to the explanations given to us:

   (i) the Balance Sheet, read with significant accounting policies and notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of state of affairs of the Bank as at 31st March 2013 in conformity with accounting principles generally accepted in India;

(ii) the Profit and Loss Account, read with the significant accounting policies and the notes thereon shows a true balance of profit, in conformity with accounting principles generally accepted in India, for the year covered by the account; and

(iii) the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

Matter of Emphasis

7. Without qualifying our opinion, we draw attention to :

a) Notes 18.8 – para 13 of Schedule 18 : 'Notes to Accounts' regarding deferment of gratuity liability of the bank to the extent of Rs.200 crores pursuant to the exemption granted by the Reserve Bank of India to the public sector banks from application of the provisions of Accounting Standard (AS) 15, Employee Benefits vide its circular no.DBOD.BP.BC/80/21.04.01.018/2010-11 dated February 9, 2011.

b) Notes 18.8 – para 16 of Schedule 18 : During the year, the Bank has made specific provisions of Rs.706.26 crores for certain Non-performing domestic advances to provide for estimated actual loss in collectible amounts.

Report on Other Legal and Regulatory Requirements

8. The Balance Sheet and the Profit and Loss Account have been drawn up in Form "A" and "B" respectively of the Third Schedule to the Banking Regulation Act 1949, these give information as required to be given by virtue of the provisions of the State bank of India Act, 1955 and regulations there under.

9. Subject to limitations of the audit indicated in paragraphs 1 to 5 above and as required by the State bank of India Act, 1955, and subject also to the limitations of disclosure required there in, we report that:

a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory.

b) The transactions of the Bank which have come to our notice have been within the powers of the Bank.

c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

10. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with applicable accounting standards.

For Todi Tulsyan & Co.
Chartered Accountants
Sd/-
Sushil Kumar Tulsyan
Partner : M.No. 075899
Firm Regn. No. 002180 C

For Singhi & Co.
Chartered Accountants
Sd/-
Rajiv Singhi
Partner : M.No.053518
Firm Regn. No.302049 E

For SCM Associates
Chartered Accountants
Sd/-
S K Jhunjhunwala
Partner : M.No. 055639
Firm Regn. No. 314173 E

For S Venkatram & Co.
Chartered Accountants
Sd/-
G Narayanaswamy
Partner : M.No. 002161
Firm Regn. No.004656 S

For Sriramamurthy & Co.
Chartered Accountants
Sd/-
M Poorna Chander Rao
Partner : M.No.02713
Firm Regn. No.003032 S

For T R Chadha & Co.
Chartered Accountants
Sd/-
Vikas Kumar
Partner : M.No. 075363
Firm Regn. No.006711 N

For S N Nanda & Co.
Chartered Accountants
Sd/-
S N Nanda
Partner : M.No. 005909
Firm Regn. No.000685 N

For V Soundararajan & Co.
Chartered Accountants
Sd/-
V S Sukumar
Partner : M.No. 018203
Firm Regn. No.003943 S

For K B Sharma & Co.
Chartered Accountants
Sd/-
Munish Jain
Partner : M No.094750
Firm Regn. No. 002318 N

For Add & Associates
Chartered Accountants
Sd/-
Nimai Kumar Das
Partner: M.No. 051309
Firm Regn. No.308064 E

For Dhamija Sukhija & Co.
Chartered Accountants
Sd/-
Reena Sukhija
Partner: M.No.081977
Firm Regn. No.000369 N

For Prakash & Santosh
Chartered Accountants
Sd/-
Santosh Kumar Gupta
Partner : M No.016304
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For V P Aditya & Co.
Chartered Accountants

Sd/-

V P Aditya
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For S Jaykishan
Chartered Accountants

Sd/-

Sunirmal Chatterjee
Partner : M.No. 017361
Firm Regn. No.309005 E

Place : Kolkata

Date : 23rd May 2013