SBI

भारतीय स्टेट बैंक
भारतीय स्टेट बैंक
STATE BANK OF INDIA

The Listing Department, **BSE Limited,** **Phiroje Jeejeebhoy Towers,** **25th Floor, Dalal Street,** **Mumbai – 400001.**	**The Listing Department,** **National Stock Exchange of India Limited,** **Exchange Plaza, 5th Floor,** **Plot No.: C / 1, 'G' Block,** **Bandra Kurla Complex, Bandra (East),** **Mumbai – 400051.**

CC/S&B/GVP/2024-25/205 **21.06.2024**

Madam / Sir,

Sub: Reporting under Regulation 30 and 51 of SEBI (LODR) Regulations, 2015- India Ratings

In terms of Regulation 30, 51 and other applicable Regulations of SEBI (LODR) Regulations, 2015, we enclose copy of the detailed rating rationale issued by India Ratings & Research Private Limited on 21.06.2024.

Yours faithfully,

ARUNA N DAK

Digitally signed by ARUNA N DAK
Date: 2024.06.22 10:10:13 +05'30'

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शेयर एवं बाण्ड विभाग
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मादाम कामा रोड,
मुंबई – ४०००२१, भारत

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India Ratings Assigns State Bank of India's Additional Bonds 'IND AAA'/Stable; Affirms Existing Ratings

Jun 21, 2024 | Public Sector Bank

India Ratings and Research (Ind-Ra) has taken the following rating actions on State Bank of India (SBI) and its debt instruments:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/ Watch	Rating Action
Long-Term Issuer Rating	-	-	-	-	IND AAA/Stable	Affirmed
Long-term bonds^	-	-	-	INR100	IND AAA/Stable	Assigned
Basel III Tier II bonds*	-	-	-	INR200 (reduced from INR241.16)	IND AAA/Stable	Affirmed
Basel III AT1 bonds*	-	-	-	INR204.74	IND AA+/Stable	Affirmed
Infrastructure bond*	-	-	-	INR400	IND AAA/Stable	Affirmed
Certificates of deposit	-	-	1-365 days	INR300	IND A1+	Affirmed

*Details in Annexure
^ Yet to be issued

Analytical Approach

Ind-Ra continues to take a fully consolidated view of SBI and its subsidiaries to arrive at the ratings, owing to the strategic, operational and legal linkages among them.

Detailed Rationale of the Rating Action

The ratings continue to reflect SBI's strong franchise with a dominant market share in the Indian banking system making it high in systemic importance, strong competitive position, experienced and deep management strength, solid funding, adequate capitalisation with robust access to capital markets.

The ratings of infrastructure bonds are equated to the Long-Term Issuer Rating. The rating of AT1 bonds reflects the bank's ability to service coupons and manage principal write-down risk on its debt capital instruments. To arrive at the rating, Ind-Ra has considered the discretionary component, coupon omission risk and the write-down/conversion risk as key parameters. The agency recognises the unique going-concern loss absorption features that these bonds carry and differentiates them from the bank's senior debt, factoring in a higher probability of an ultimate loss for investors in these bonds. Ind-Ra envisages coupon deferrals and principal write-down risk as a remote possibility in view of the bank's adequate revenue reserve buffers.

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List of Key Rating Drivers

Strengths

- Largest bank with high systemic importance
- Superior asset quality
- Strong catchments, tech adoption to entrench bank further
- Stable operating performance

Weaknesses

- Moderate capital ratios, capitalisation supported by enhanced ability to raise equity

Detailed Description of Key Rating Drivers

Largest Bank with High Systemic Importance: SBI remains the largest bank in India; as per Ind-Ra, the bank has a deposit market share of about 22.55% in the universe of domestic banks in FY24 (FY23: 22.99%) and a net advance share of 19.06% (19.7%). It has a pan-India presence, and has the largest branch network in the country, with 22,542 branches as of March 2024. The bank had low-cost current and savings account (CASA) deposits of 41.1% in FY24 (a modest decline from 43.8% in FY23, in line with broader banking universe), a large granular retail portfolio, stronger-than-peer public sector banks' (PSBs) fee income profile and large non-bank franchises as investments. SBI continues to hold a high systemic importance, resulting in sustained high probability of ordinary and extraordinary support from the government of India (GoI), if required. The ratings also reflect the bank's quasi-sovereign status and its strong standalone profile. The GoI owns a majority stake in SBI (end-March 2024: 56.92%). Many of the bank's subsidiaries are among the largest businesses in their own segments and SBI has frequently monetised its stake in these over the last three years. The bank recorded a net profit of INR610.8 billion in FY24 (one of the highest profit earning Indian companies) (FY23: INR502.3billion), with a return of asset (RoA) of 1.04% (0.96%) and return on average equity of 17.3% (16.5%).

Superior Asset Quality: In FY24, the bank's gross non-performing assets declined to 2.24% (FY23: 2.78%), the net non-performing assets declined to 0.57% (0.67%), and the provision cover decreased marginally to 75% (76.4%). The bank's gross slippage stood comfortable at 0.62% of net advances (INR203 billion) in FY24 from 2.1% (INR496 billion) in FY20. Over the medium term, Ind-Ra does not expect gross slippages to remain at such low levels. However, the agency also does not expect any drastic adverse changes in this regard. The retail GNPAs trended lower to 2.63% as of March 2024 (3.02% as of March 2023) compared to the agency's expectations of a modest uptick. The bank's special mention accounts 1 and 2 (above INR33 billion as on Mar'24) was nearly stable at INR32.6 billion at end-March 2023, at 0.1% of the total advances. Moreover, the bank is of the opinion that even under expected credit loss assessment, its provision requirement would remain below 1% of the net advances.

Strong Catchments, Tech Adoption to Entrench Bank Further: The bank has a significant share in government transactions. Also, being the largest bank with the largest branch-and-ATM network, it is a beneficiary of government businesses and float. Hence, the bank is uniquely positioned; its retail asset growth as well as asset quality could be better than peers'. Its ability to take large exposures at a lower cost on account of cost of deposits being among the lowest, also make it the preferred lender for most large corporates. The bank has rolled out many tech initiatives in the last few years including YONO mobile application and cash management (CMS) for corporates. SBI plans to use its heft to push its CMS into client value chains and benefit from transaction-led income and float; the bank witnessed a 1.99% yoy growth in current account deposits at end-March 2024. There are several additional initiatives such as co-lending partnerships and collection partnerships that the bank is piloting and fine tuning for business and strengthening collections.

Stable Operating Performance: SBI reported a net income of INR610.8 billion in FY24 (FY23: INR502.3billion, FY22: INR316.7 billion, FY21: INR204.11 billion). Profit on sale of investments (FY24: INR68.9 billion; FY23: INR32.9 billion; FY22: INR34.85 billion; FY21: INR60.3 billion) and recovery in the written-off accounts (INR69.33 billion; INR70.97 billion; INR77.82

billion; INR103 billion) continue to be important to the bank's profitability. The bank's RoA stood at 1.04% in FY24 (FY23: 0.96%; FY22: 0.67%, FY21: 0.48%). Its credit costs declined to 0.29% in FY24 (FY23: 0.32%; FY22: 0.5%, FY21: 1.1%). Furthermore, the credit costs will continue to range between 1%-2%, given the 75% provision cover at FYE24, excluding technical write-offs (FYE24: 76.4%). Over the next two years, Ind-Ra expects the bank's profitability to be adequate and believes it would maintain sufficient capital generation through profitability to cover its advances growth target of 13%-15%.

Moderate Capital Ratios Compared to Peers; Capitalisation Supported by Enhanced Ability to Raise Equity: SBI remains a better-capitalised PSB than its peers, with a common equity tier 1 (CET1) ratio of 10.36% in FY24 (FY23:10.3%, FY22: 9.94% FY21: 10.02%). In the agency's opinion, SBI has enhanced ability to raise equity from the markets. Over the past two years, the bank has also been raising infrastructure bonds from the market. It also has non-core assets that are large profitable enterprises in their own segments and the bank has established a track record of monetising them periodically to raise equity. Ind-Ra derives comfort from SBI's capital buffers and operating buffers being adequate to cover any increase in credit costs in a stressed operating environment and deliver profitability. Ind-Ra does not envisage the risk of coupon deferral or principal write-down.

Liquidity

Superior: SBI's domestic CASA was fairly robust at 41%-46% over FY20-FY24, due to which its dependence on volatile and high-cost wholesale deposits remains low. Its deposit profile is also bolstered by its large branch network and a highly entrenched customer base. The bank's top 20 deposits to the total deposits ratio of 4.74% was the least among Indian banks at end-March 2024, highlighting the large size, granularity and robustness of its liability franchise. Furthermore, the bank saw a growth of 2% yoy in current accounts deposits and 4.6% yoy in savings account deposits at end-March 2023. Ind-Ra expects SBI to maintain market growth on current account deposits over the near-to-medium term.

SBI's liquidity coverage ratio was 129% at FYE24 (FYE23: 146.6%). Ind-Ra opines this can be offset by the bank's large deposit mobilising network, its ability to increase deposit rates (current rates offered are materially lower than those offered by most banks), its ability to access the overnight debt capital markets, and interbank markets and repo against excess statutory securities that the bank carries. This ability is backed by the bank's position as India's largest bank, its systemic importance and superior asset quality compared to most large banks.

Rating Sensitivities

Positive: Not applicable

Negative: SBI's long-term ratings are at its support floor and are unlikely to change unless there is a change in the government of India's support stance.

The rating of the AT1 bonds could be downgraded in case of a substantial deterioration in the credit profile of the bank which, among other factors, could reflect in a material decline in SBI's market share, loss of deposit franchise or a large spike in delinquencies that could result in substantial losses. The rating could also undergo a review in case CET 1 capital buffers continue to decline and fall below 8.5%, as this could impact the bank's ability to service coupons, in Ind-Ra's opinion. This could be important in case the bank incurs losses, causing the capital ratios to fall below the minimum regulatory requirement.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on SBI, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

SBI is India's largest bank in terms of assets, deposits, operating profit and number of branches. The bank has one of the largest branch networks in the world (22,405 branches at end-March 2023). The branches are located across the country, with around 65% being in rural and semi-urban locations, furthering the government of India's initiative to increase banking footprint in the less banked regions of the country.

Key Financials Indicators

Particulars (INR billion)	FY24	FY23
Total assets	61,796.9	55,170.0
Total equity*	3,772.5	3,276.0
Net income	610.7	502.3
Return on assets (%)	1.04	0.96
CET1 (%)	10.4	10.3
Capital adequacy ratio (%)	14.3	14.7
Source: SBI, Ind-Ra *Total equity is capital + reserves		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook								
	Rating Type	Rated Limits (billion)	Rating	26 October 2023	4 August 2023	20 July 2023	10 January 2023	29 November 2022	23 March 2022	3 December 2021	1 October 2021	23 August 2021
Issuer rating	Long-term	-	IND AAA/Stable	INDAAA/Stable	INDAAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Basel III Tier II bonds	Long-term	INR200	IND AAA/Stable	INDAAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Basel III AT1 bonds	Long-term	INR204.74	IND AA+/Stable	INDAA+/Stable	INDAA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable
Certificates of deposit	Short Term	INR300	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	-	-	-
Infrastructure Bonds	Long-term	INR 400	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	-	-	-	-
Long-term Bonds	Long-term	INR100	INDAAA/Stable	-	-	-	-	-	-	-	-	-

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Base III AT1 bonds	High
Basel III Tier II bonds	Moderate
Certificates of deposit	Low
Infrastructure bonds	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate/Interest Rate (%)	Maturity Date	Rated Amount (billion)	Rating/Outlook
Basel III Tier II bonds	INE062A08165	2 November 2018	8.9	2 November 2028	INR41.16	WD (Paid In Full)
Basel III Tier II bonds	INE062A08207	28 June 2019	7.99	28 June 2029	INR50	IND AAA/Stable
Basel III AT1 bonds	iNE062A08249	9 September 2020	7.74	Perpetual	INR40	IND AA+/Stable
Basel III Tier II bonds	INE062A08264	26 October 2020	5.83	26 October 2030	INR50	IND AAA/Stable
Basel III AT1 bonds	INE062A08272	24 November 2020	7.73	Perpetual	INR25	IND AA+/Stable
Basel III AT1 bonds	INE062A08280	3 September 2021	7.72	Perpetual	INR40	IND AA+/Stable
Basel III AT1 bonds	INE062A08298	18 October 2021	7.72	Perpetual	INR60	IND AA+/Stable
Basel III AT1 bonds	INE062A08306	14 December 2021	7.55	Perpetual	INR39.74	IND AA+/Stable
Infrastructure bonds	INE062A08330	6 December 2022	7.51	6 December 2032	INR100	IND AAA/Stable
Infrastructure bonds	INE062A08348	19 January 2023	7.70	19 January 2038	INR97.18	IND AAA/Stable
Infrastructure bonds	INE062A08389	1 August 2023	7.54	1 August 2038	INR100	IND AAA/Stable
Infrastructure Bonds	INE062A08397	26 September 2023	7.49	24 September 2038	INR100	IND AAA/Stable
Basel III Tier II Bonds	INE062A08405	2 November 2023	7.81	2 November 2038	INR100	IND AAA/Stable
Utilised limits (Tier 2)					**INR200**	
Utilised AT1 limits					**INR204.74**	
Utilised (Infrastructure Bonds)					**INR397.18**	
Untilised Limits (Infrastructure Bonds)					**INR2.82**	
Total limits					**INR904.7**	
Unutilised Limits					**INR102.82**	

Source: SBI

APPLICABLE CRITERIA

Rating Bank Subordinated and Hybrid Securities

Evaluating Corporate Governance

The Rating Process

Financial Institutions Rating Criteria

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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