

August 08, 2023

State Bank of India: [ICRA]AAA (Stable) assigned to Infrastructure bonds

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Infrastructure Bonds	-	10,000.00	[ICRA]AAA (Stable); assigned
Infrastructure Bonds	30,000.00	30,000.00	[ICRA]AAA (Stable); outstanding
Basel III Tier II Bonds	20,743.00	20,743.00	[ICRA]AAA (Stable); outstanding
Basel III Tier I Bonds	37,735.70	37,735.70	[ICRA]AA+ (Stable); outstanding
Fixed Deposits	-	-	[ICRA]AAA (Stable); outstanding
Total	88,478.70	98,478.70	

*Instrument details are provided in Annexure I

Rationale

The ratings continue to factor in State Bank of India's (SBI) majority sovereign ownership and its status as a domestic systemically important bank (D-SIB), given its dominant position in the Indian banking system. As on March 31, 2023, SBI had a market share of ~24% in advances and ~25% in deposits, which remain the highest in the banking system. The ratings continue to reflect the bank's strong resource profile, driven by the high share of current and savings account (CASA) deposits, resulting in an extremely competitive cost of funds and a granular deposit base. Given its strong resource profile, SBI's liquidity profile remains superior.

The ratings also consider SBI's healthy capital profile and strong operating profitability, which could absorb any unforeseen asset quality pressures. The bank has supported its credit growth ambitions over the past few fiscals through internal capital accretion, which has also improved. ICRA believes SBI's incremental capital requirements remain limited for the targeted growth, while maintaining a buffer of at least 100 basis points (bps) over the regulatory ratios. Moreover, if required, the bank's ability to raise capital from the markets remains strong.

While the headline asset quality indicators have improved, the ratings take note of the monitorable vulnerable book, comprising overdue and standard restructured advances. However, the additional provisions held against the restructured book remain a source of comfort. Given the high provision cover for the legacy stressed assets, ICRA expects that SBI's internal capital generation will continue to be strong along with its asset quality and solvency position. The rating for the Tier I (AT-I) bonds factors in the healthy level of distributable reserves (DRs), which can be used to service the coupon on these bonds in the unforeseeable event of a loss.

The Stable outlook on the ratings factors in ICRA's expectation that SBI remains well-placed to absorb any unanticipated asset quality shocks through its operating profit, given the high provision coverage on legacy accounts. Further, ICRA continues to expect that SBI will benefit from its dominant position in the Indian banking industry, strong ability to raise capital, robust resource profile and sovereign ownership.

Key rating drivers and their description

Credit strengths

Systemically important bank with majority sovereign ownership - The Government of India (GoI) remains the bank's largest shareholder, accounting for a 56.92% equity stake as on March 31, 2023. SBI received significant equity capital support from the GoI amounting to Rs. 19,874 crore during FY2016-FY2018, of which Rs. 8,800 crore was infused in FY2018. SBI has not received any infusion thereafter as it has remained self-sufficient, driven by its steady internal capital generating ability to fund its growth.

Further, SBI holds a dominant position in the Indian banking landscape and is required to maintain additional capital of 0.6% of the risk-weighted assets (RWAs) over the minimum capital requirements, given its classification as a D-SIB by the Reserve Bank of India (RBI). Going forward, ICRA expects internal capital generation to remain strong, thereby providing the requisite growth capital.

Strong market position across retail and corporate segments – SBI's net loan book grew by 17.02% year-on-year (YoY) to Rs. 31.99 lakh crore as on March 31, 2023 from Rs. 27.34 lakh crore as on March 31, 2022. The increase was driven by the healthy credit offtake across segments such as the retail personal segment, agriculture, small and medium enterprises (SME) and the corporate sector. SBI holds a dominant position in the home loan and auto loan segments with a market share of over 33% and 19%, respectively, and an overall market share of ~24% in the advances of the Indian banking industry.

As of March 31, 2023, SBI's loan book was dominated by retail personal advances, which constituted 36.07% of its gross advances followed by corporate advances (excluding SME) at 29.97%, SME advances at 10.99% and agriculture advances at 7.91%. The international loan book constituted 15.06% of its gross advances as on March 31, 2023.

Strong resource profile and competitive cost of funds – SBI maintains its dominant position in the Indian banking system with a ~25% market share in deposits as on March 31, 2023. This is supported by the bank's large network and well-developed customer franchise. Driven by its extensive branch network, the share of the top 20 depositors in the overall deposits stood low at 4.0% as on March 31, 2023 (4.0% as on March 31, 2022), remaining one of the lowest among all public sector banks (PSBs).

Further, the bank's CASA deposits stood at 42.67% of its total deposits as on March 31, 2023, remaining one of the highest among PSBs (PSB average of ~40% as on March 31, 2023). As a result, SBI's cost of interest-bearing funds remains extremely competitive. In FY2023, the cost of interest-bearing funds stood at 4.0% against the PSB average of 4.1%. Although it was higher by 37 bps YoY, it remained broadly in line with the PSB average. Given SBI's strong branch network and steady core deposit base and retail franchise, ICRA believes that the resource profile will remain a strong driver of its credit growth ambitions while supporting its liquidity and profitability.

Healthy capital profile with sizeable value-unlocking opportunities from non-core businesses – The bank's standalone capitalisation profile remained comfortable (CET I of 10.27% and Tier I of 12.06%) as on March 31, 2023 against the regulatory requirement¹ of 8.60% and 10.10%, respectively, despite the strong 17.0% YoY growth in net advances. On a consolidated basis, the capital ratios improved further with CET I of 10.59% and Tier I of 12.29% as on March 31, 2023, mainly because of the better capitalisation profile of most of the subsidiaries.

The bank last raised equity capital of Rs. 15,000 crore from the market in FY2018. ICRA believes SBI's capital requirements for targeted growth, while maintaining a buffer of at least 100 bps over the regulatory ratios, remain limited, given its internal accruals as well as when compared to its market capitalisation. It is well-positioned to raise the requisite capital from the market if needed. With the improved capital position as well as the decline in the net non-performing advances (NNPAs), the solvency² level improved to 7.8% as on March 31, 2023 from 11.44% as on March 31, 2022. Going forward, the solvency profile is expected to improve further even without any incremental capital raise.

SBI, through its various subsidiaries, associates and joint ventures, offers a gamut of financial services like asset management, life insurance, general insurance, credit cards, and capital markets among others, including stakes in various regional rural banks. It also has banking operations in other countries through various overseas subsidiaries. Some of these businesses have been fairly scaled over a period and are among the leading players in their industry segments. In ICRA's view, SBI has the flexibility to unlock the value of its subsidiaries, which will also help its profits and capital requirements, if any.

Earnings profile likely to remain healthy – With its core operating profit being better than the PSB average and given the lower credit costs, the bank was able to report a return on assets (RoA) of 0.96% in FY2023 (0.67% in FY2022) despite the mark-to-market (MTM) losses on the bond portfolio due to the hardening of bond yields. Given the high provision cover on legacy

¹ Including capital conservation buffer of 2.5% of RWAs and 0.60% of RWAs for being a D-SIB

² Solvency defined as (Net NPAs + Net security receipts + Net non-performing investments) / Core capital)

stressed assets, the net profitability is expected to remain strong over the near to medium term without considering any gain from the divestment of non-core assets.

Credit challenges

Asset quality improved, but remains monitorable – The overall gross fresh NPA generation eased to 0.7% in FY2023 (1.0% in FY2022) and was materially lower than the elevated levels seen in the past (~3-11% over FY2017-FY2020). Healthy recoveries and upgrades also supported the headline asset quality metrics with the gross NPA (GNPA) and NNPA moderating to 2.78% and 0.67%, respectively, as on March 31, 2023 (3.97% and 1.02%, respectively, as on March 31, 2022). SBI had a limited standard restructured book of 0.76% of standard advances and the SMA³-1 and SMA-2 loan book (ticket size of more than Rs. 5 crore) stood low at 0.10% of standard advances as on March 31, 2023. Moreover, SBI is carrying an additional provision of 31.45% on standard restructured advances as on March 31, 2023, which is expected to mitigate any incremental stress that could emanate from this book. Inflation levels have also increased sharply in the recent past, leading to the weakening of the Indian currency, faster monetary policy tightening and a sharp rise in the interest rates. The impact of the weakening macro-economic factors could also affect the debt-servicing ability of borrowers and remains a monitorable.

Environmental and social risks

While banks like SBI do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the entities or businesses, to which banks and financial institutions have an exposure, face business disruptions because of physical climate adversities or if such businesses face climate transition risks because of technological, regulatory or customer behaviour changes, it could translate into credit risks for banks. However, such risk is not material for SBI as it benefits from adequate portfolio diversification. Further, the lending is typically short-to-medium term, allowing it to adapt and take incremental exposure to businesses that face relatively fewer downside environmental risks.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for banks as material lapses could be detrimental to their reputation and invite regulatory censure. SBI has not faced material lapses over the years. Customer preferences are increasingly shifting towards digital banking, which provides an opportunity to reduce the operating costs. SBI has been making the requisite investments to enhance its digital interface with its customers. While it contributes to promoting financial inclusion by lending to the underserved segments, its lending practices remain prudent as reflected in the healthy asset quality numbers in this segment compared with its peers.

Liquidity position: Superior

SBI's liquidity profile is superior, supported by its strong retail liability franchise, excess statutory liquidity ratio (SLR) holdings of ~10% of total deposits as on March 31, 2023, liquidity coverage ratio of 146.61% and net stable funding ratio of 114.80% for the year ending March 31, 2023, against the regulatory requirement of 100%. ICRA expects SBI to maintain its liquidity profile, given the large proportion of retail deposits and the high portfolio of liquid investments. The bank can also avail liquidity support from the RBI (through repo against excess SLR investments and marginal standing facility mechanism) in case of urgent liquidity needs.

Rating sensitivities

Positive factors – Not applicable as all the ratings are at the highest level for the respective instruments

Negative factors – Given SBI's dominant position in the Indian financial sector and its sovereign ownership, ICRA expects it to continue maintaining sufficient capitalisation over the regulatory levels. Solvency weaker than 40% on a sustained basis could be a credit negative for the bank. ICRA expects continued extraordinary support from the GoI, if required, given SBI's systemic importance and any dilution in the stance will also be a credit negative. A sharp deterioration in the profitability, leading to a weakening in the DRs eligible for the coupon payment on the AT-I bonds, will be a negative trigger for the rating on these bonds.

³ Special mention accounts; SMA-1 is overdue by 31-60 days and SMA-2 is overdue by 61-90 days

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA Rating Methodology for Banks and Financial Institutions Impact of Parent or Group Support on an Issuer's Credit Rating Consolidation
Parent/Group support	The ratings factor in SBI's sovereign ownership and the demonstrated track record of capital infusions by the GoI. ICRA expects the GoI to support the bank with capital infusions, if required.
Consolidation/Standalone	To arrive at the ratings, ICRA has considered the standalone financials of SBI. However, in line with ICRA's limited consolidation approach, we have factored in the capital requirement of the key subsidiaries, associates and overseas branches of the Group.

About the company

The origin of State Bank of India goes back to the 19th century with the establishment of the Bank of Calcutta in 1806 (redesigned as the Bank of Bengal in 1809), the Bank of Bombay (1840) and the Bank of Madras (1843). These three banks were amalgamated as the Imperial Bank of India in 1921. In 1951, when the country's first Five Year Plan was launched, the Imperial Bank of India was integrated with other state-owned and state-associated banks. An Act was passed accordingly in the Parliament in May 1955 and State Bank of India (SBI) was constituted in July 1955. Later, the State Bank of India (Subsidiary Banks) Act was passed in 1959, enabling SBI to take over seven former state-associated banks as its subsidiaries. Further, State Bank of Saurashtra was merged with SBI in 2008 and State Bank of Indore in 2010. On April 1, 2017, SBI was merged with five of its associate banks (State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore) and Bharatiya Mahila Bank. The GoI held a 56.92% stake in the bank as on March 31, 2023. SBI has the largest network of 22,405 branches across India (as on March 31, 2023) and a significant overseas presence.

Key financial indicators – Standalone

	FY2021	FY2022	FY2023
Net interest income	1,10,710	1,20,708	1,44,841
Profit before tax	27,541	43,422	67,205
Profit after tax	20,410	31,676	50,232
Net advances (Rs. lakh crore)	24.49	27.34	31.99
Total assets* (Rs. lakh crore)	45.11	49.64	54.89
CET I	10.02%	9.94%	10.27%
Tier I	11.44%	11.42%	12.06%
CRAR	13.74%	13.83%	14.68%
Net interest margin / Average total assets	2.62%	2.55%	2.77%
Net profit / Average total assets	0.48%	0.67%	0.96%
Return on net worth	8.86%	12.34%	16.75%
Gross NPAs	4.98%	3.97%	2.78%
Net NPAs	1.50%	1.02%	0.67%
Provision coverage excl. technical write-offs	70.88%	75.04%	76.39%
Net NPA / Core equity	16.33%	11.35%	7.51%

*Total assets and net worth exclude revaluation reserves; ^ Annualised; All calculations as per ICRA Research
Source: SBI, ICRA Research; Amount in Rs. crore unless mentioned otherwise

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2024)						Chronology of Rating History for the Past 3 Years										
		Type	Amount Rated	Amount Outstanding	Date & Rating in FY2024			Date & Rating in FY2023					Date & Rating in FY2022	Date & Rating in FY2021				
			(Rs. crore)	(Rs. crore)	Aug-08-2023	Jul-19-2023	Jul-10-2023	Jan-12-2023	Nov-29-2022	Sep-14-2022	Aug-23-2022	May-31-2022	Sep-30-2021	Nov-03-2020	Oct-19-2020	Sep-24-2020	Sep-16-2020	Sep-01-2020
1	Certificates of Deposit Programme	ST	-	-	-	-	-	-	-	-	-	-	-	-	-	[ICRA]A1+; reaffirmed and withdrawn	[ICRA]A1+	[ICRA]A1+
2	Basel III Tier I Bonds	LT	2,500.00	2,500.00	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (hyb) (Stable)	-	-	-	-
		LT	18,235.70	18,235.70	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (hyb) (Stable)	[ICRA]AA+ (hyb) (Stable)	[ICRA]AA+ (hyb) (Stable)	[ICRA]AA+ (hyb) (Stable)	[ICRA]AA+ (hyb) (Stable)
		LT	7,000.00	6,872.00^	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	-	-	-	-	-	-	-
		LT	10,000.00	3,101.00^	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	-	-	-	-	-	-	-	-	-	-	-
3	Basel III Tier II Bonds	LT	16,743.00	16,743.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)
		LT	-	-	-	-	-	-	-	-	[ICRA]AAA (Stable); reaffirmed and withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)
		LT	4,000.00	4,000.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-	-	-	-	-	-
4	Basel II Lower Tier II Bonds	LT	-	-	-	-	-	-	-	-	[ICRA]AAA (Stable); reaffirmed and withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
5	Fixed Deposits Programme	LT	-	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)
6	Infrastructure Bonds	LT	10,000.00	10,000.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-	-	-	-	-	-	-
		LT	10,000.00	9,718.00^	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-	-	-	-	-	-	-	-
		LT	10,000.00	10,000.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-	-	-	-	-	-	-	-	-	-

	Instrument	Current Rating (FY2024)						Chronology of Rating History for the Past 3 Years										
		Type	Amount Rated	Amount Outstanding	Date & Rating in FY2024			Date & Rating in FY2023					Date & Rating in FY2022	Date & Rating in FY2021				
			(Rs. crore)	(Rs. crore)	Aug-08-2023	Jul-19-2023	Jul-10-2023	Jan-12-2023	Nov-29-2022	Sep-14-2022	Aug-23-2022	May-31-2022	Sep-30-2021	Nov-03-2020	Oct-19-2020	Sep-24-2020	Sep-16-2020	Sep-01-2020
		LT	10,000.00	10,000.00	[ICRA]AAA (Stable)	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: SBI; ST – Short term, LT – Long term; ^ Yet to be placed/Balance amount yet to be placed

Complexity level of the rated instrument

Instrument	Complexity Indicator
Basel III Tier II Bonds	Highly Complex
Basel III Tier I Bonds	Highly Complex
Fixed Deposits	Very Simple
Infrastructure Bonds	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Issuing Bank	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE062A08249	Basel III Tier I Bonds	SBI	Sep-09-2020	7.74%	Sep-09-2025 [#]	4,000.00	[ICRA]AA+ (Stable)
INE062A08223		SBI	Nov-22-2019	8.50%	Nov-22-2024 [#]	3,813.60	[ICRA]AA+ (Stable)
INE062A08199		SBI	Mar-22-2019	9.45%	Mar-22-2024 [#]	1,251.30	[ICRA]AA+ (Stable)
INE062A08173		SBI	Dec-04-2018	9.56%	Dec-04-2023 [#]	4,021.00	[ICRA]AA+ (Stable)
INE062A08181		SBI	Dec-21-2018	9.37%	Dec-21-2023 [#]	2,045.00	[ICRA]AA+ (Stable)
INE062A08215		SBI	Aug-30-2019	8.75%	Aug-30-2024 [#]	3,104.80	[ICRA]AA+ (Stable)
INE062A08272		SBI	Nov-24-2020	7.73%	Nov-24-2025 [#]	2,500.00	[ICRA]AA+ (Stable)
INE062A08314		SBI	Sep-09-2022	7.75%	Sep-09-2027 [#]	6,872.00	[ICRA]AA+ (Stable)
INE062A08371		SBI	Jul-14-2023	8.10%	Jul-14-2033 [#]	3,101.00	[ICRA]AA+ (Stable)
Unplaced		SBI	-	-	-	7,027.00	[ICRA]AA+ (Stable)
INE062A08264	Basel III Tier II Bonds	SBI	Oct-26-2020	5.83%	Oct-26-2030	5,000.00	[ICRA]AAA (Stable)
INE062A08256		SBI	Sep-21-2020	6.24%	Sep-21-2030	7,000.00	[ICRA]AAA (Stable)
INE062A08074		SBI	Jan-02-2014	9.69%	Jan-02-2024	2,000.00	[ICRA]AAA (Stable)
INE652A08015		SBoP	Jan-22-2015	8.29%	Jan-22-2025	950.00	[ICRA]AAA (Stable)
INE648A08013		SBBJ	Mar-20-2015	8.30%	Mar-20-2025	200.00	[ICRA]AAA (Stable)
INE649A08029		SBH	Dec-30-2015	8.40%	Dec-30-2025	500.00	[ICRA]AAA (Stable)
INE649A08037		SBH	Feb-08-2016	8.45%	Feb-08-2026	200.00	[ICRA]AAA (Stable)
INE649A09126		SBH	Mar-31-2015	8.32%	Mar-31-2025	393.00	[ICRA]AAA (Stable)
INE651A08041		SBM	Dec-31-2015	8.40%	Dec-31-2025	300.00	[ICRA]AAA (Stable)
INE651A08058		SBM	Jan-18-2016	8.45%	Jan-18-2026	200.00	[ICRA]AAA (Stable)
INE062A08322		SBI	Sep-23-2022	7.57%	Sep-23-2032	4,000.00	[ICRA]AAA (Stable)
NA	Fixed Deposits	SBI	-	-	-	-	[ICRA]AAA (Stable)
INE062A08330	Infrastructure Bonds	SBI	Dec-06-2022	7.51%	Dec-06-2032	10,000.00	[ICRA]AAA (Stable)
INE062A08348		SBI	Jan-19-2023	7.70%	Jan-19-2038	9,718.00	[ICRA]AAA (Stable)
INE062A08389		SBI	Aug-01-2023	7.54%	Aug-01-2038	10,000.00	[ICRA]AAA (Stable)
Unplaced		SBI	-	-	-	10,282.00	[ICRA]AAA (Stable)

Source: SBI; [#] First call option date

SBoP – State Bank of Patiala, SBBJ – State Bank of Bikaner and Jaipur, SBM – State Bank of Mysore, SBH – State Bank of Hyderabad

Key features of rated debt instruments

The servicing of the Basel III Tier II bonds is not subject to any capital ratios and profitability. However, the Basel III Tier II bonds and Basel III Tier I bonds (AT-I bonds) are expected to absorb losses once the point of non-viability (PONV) trigger is invoked.

Further, the exercise of the call option on the Basel III Tier II and Tier I bonds is contingent upon the prior approval of the RBI. Moreover, the bank will need to demonstrate that the capital position is well above the minimum regulatory requirement, post the exercise of the said call option.

The rated Tier I bonds have the following loss-absorption features that make them riskier:

- Coupon payments are non-cumulative and discretionary, and the bank has full discretion at all times to cancel coupon payments. Cancellation of discretionary payments shall not be an event of default.
- Coupons can be paid out of the current year's profits. If the current year's profit is not sufficient or if the payment of the coupon is likely to result in a loss, the coupon payment can be made through the reserves and surpluses⁴ created via the appropriation of profits (including statutory reserves). However, the coupon payment is subject to the bank meeting the minimum regulatory requirements for CET I, Tier I and total capital ratios (including capital conservation buffer, CCB) at all times as prescribed by the RBI under the Basel III regulations.

These Tier I bonds are expected to absorb losses through the write-down mechanism at the objective prespecified trigger point fixed at the bank's CET I) ratio as prescribed by the RBI, i.e. 6.125% of the total RWAs of the bank or when the PONV trigger is breached in the RBI's opinion.

⁴ Calculated as per the amendment in Basel III capital regulations for Tier I bonds by the RBI, vide its circular dated February 2, 2017. As per the amended definition, DRs include all reserves created through appropriations from the profit and loss account

Given the above distinguishing features of the Tier I bonds, ICRA has assigned a one notch lower rating on these than the rating on the Tier II instruments. The DRs that can be used for servicing the coupon in a situation of inadequate profit or a loss during the year stood at a comfortable 6.43% of RWAs as on March 31, 2023.

The rating on the Tier I bonds continues to be supported by the bank's capital profile, which is likely to remain comfortable, given the outlook on CBI's profitability. However, the transition to the expected credit loss (ECL) framework and its impact on the capital and DRs remain monitorable.

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
SBI Canada Bank	100%	Limited Consolidation
State Bank of India (California)	100%	Limited Consolidation
State Bank of India (UK)	100%	Limited Consolidation
State Bank of India Servicos Limitada, Brazil	100%	Limited Consolidation
SBI MF Trustee Co.	100%	Limited Consolidation
SBICAP Ventures Ltd.	100%	Limited Consolidation
SBI Capital Markets Ltd.	100%	Limited Consolidation
SBICAP Trustee Co. Ltd.	100%	Limited Consolidation
SBICAP Securities Ltd.	100%	Limited Consolidation
SBI Global Factors Ltd.	100%	Limited Consolidation
State Bank Operations Support Services Pvt. Ltd.	100%	Limited Consolidation
Commercial Indo Bank LLC, Moscow	100%	Limited Consolidation
PT Bank SBI Indonesia	100%	Limited Consolidation
SBI (Mauritius) Ltd.	97%	Limited Consolidation
SBI Pension Funds	93%	Limited Consolidation
SBI Payment Services	74%	Limited Consolidation
SBI DFHI Ltd.	72%	Limited Consolidation
SBI General Insurance Co.	70%	Limited Consolidation
SBI Cards & Payment Services Ltd.	69%	Limited Consolidation
SBI SG – Global Securities Pvt. Ltd.	65%	Limited Consolidation
SBI Funds Management Pvt. Ltd.	63%	Limited Consolidation
SBI Life Insurance Co.	55%	Limited Consolidation
Nepal SBI Bank Ltd.	55%	Limited Consolidation
Oman India JIF Mgt.	50%	Limited Consolidation
Oman India JIF Trustee	50%	Limited Consolidation
C-Edge Technologies Ltd.	49%	Limited Consolidation
SBI Macquarie Infra Mgt.	45%	Limited Consolidation
SBI Macquarie Infra Trustee	45%	Limited Consolidation
Macquarie SBI Infra Mgt.	45%	Limited Consolidation
Macquarie SBI Infra Trustee	45%	Limited Consolidation
Andhra Pradesh Grameena Vikas Bank	35%	Limited Consolidation
Arunachal Pradesh Rural Bank	35%	Limited Consolidation
Chattisgarh Rajya Gramin Bank	35%	Limited Consolidation
Ellaquai Dehati Bank	35%	Limited Consolidation
Madhyanchal Rural Bank	35%	Limited Consolidation
Meghalaya Rural Bank	35%	Limited Consolidation
Mizoram Rural Bank	35%	Limited Consolidation
Nagaland Rural Bank	35%	Limited Consolidation
Saurashtra Gramin Bank	35%	Limited Consolidation
Jharkhand Rajya Gramin Bank	35%	Limited Consolidation
Rajasthan Marudhara Gramin Bank	35%	Limited Consolidation

Company Name	Ownership	Consolidation Approach
Telangana Grameena Bank	35%	Limited Consolidation
Utkal Grameen Bank	35%	Limited Consolidation
Uttarakhand Gramin Bank	35%	Limited Consolidation
Yes Bank Ltd.	26%	Limited Consolidation
Jio Payments Bank Ltd.	23%	Limited Consolidation
Clearing Corporation of India Ltd.	20%	Limited Consolidation
Bank of Bhutan Ltd.	20%	Limited Consolidation
Investec Capital Services (India) Private Limited	20%	Limited Consolidation

Stake as on March 31, 2023

Source: SBI and ICRA Research

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

Anil Gupta

+91 124 4545 314

anilg@icraindia.com

Aashay Choksey

+91 22 6114 3430

aashay.choksey@icraindia.com

Sohil Mehta

+91 22 6114 3449

sohil.mehta@icraindia.com

Vaibhav Arora

+91 124 4545 386

vaibhav.arora@icraindia.com

RELATIONSHIP CONTACT

Mr. L. Shivakumar

+91 22 6114 3304

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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