September 30, 2021

State Bank of India: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Basel III Additional Tier I Bonds	23,235.70	23,235.70	[ICRA]AA+ (Stable); reaffirmed
Basel III Tier II Bonds	27,243.00	27,243.00	[ICRA]AAA (Stable); reaffirmed
Basel II Lower Tier II Bonds	500.00	500.00	[ICRA]AAA (Stable); reaffirmed
Medium-term Deposits	NA	NA	MAAA (Stable); reaffirmed
Total	**50,978.70**	**50,978.70**	

**Instrument details are provided in Annexure-1*

Rationale

The ratings reaffirmation for various instruments of State Bank of India (SBI) takes into account its 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 June 30, 2021, SBI had a market share of ~25% in both advances and deposits. Further, the ratings continue to reflect the bank's strong resource profile driven by the high share of its current and savings account (CASA) deposits, resulting in an extremely competitive cost of funds and granular deposit base. Given its strong resource profile, SBI's liquidity profile remains superior.

The reaffirmation also considers SBI's healthy capital profile and strong operating profitability, which could absorb provisioning for asset quality pressures in the wake of the uncertainty regarding the tail risk of the Covid-19 pandemic. The bank has supported its credit growth ambitions over the past few fiscals through its strong internal capital accretion abilities. ICRA believes SBI's capital requirements for targeted growth, while maintaining a buffer of at least ~100 bps over the regulatory ratios, remain limited compared to its market capitalisation. Moreover, if required, the bank's ability to raise capital from the markets remains strong. Further, SBI is expected to continue generating steady profitability in the coming fiscals after posting a healthy return on assets (RoA) of 0.5% in FY2021 (0.4% in FY2020).

The bank's asset quality, in the backdrop of any disruptions posed by the potential third wave of the pandemic, would remain a key monitorable. ICRA believes SBI remains well-placed to absorb any unanticipated asset quality shocks with slippages of 1.5-2.0% of advances and would be able to absorb the credit costs through its operating profits, given the high provisioning 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, driving the Stable outlook on the ratings.

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 June 30, 2021. SBI received sizeable equity capital support from the GoI amounting to Rs. 19,874 crore during FY2016-FY2018 of which Rs. 8,800 crore was infused last in FY2018. In FY2019 and FY2021, the GoI infused Rs. 1.96 lakh crore into public sector banks (PSBs). However, SBI received no infusion as it has remained self-sufficient driven by steady internal capital generation abilities to fund its growth.

Further, SBI holds a dominant position in the Indian banking landscape with a market share of ~25% in both advances and deposits as on June 30, 2021 along with market leadership in various segments. Given its sheer dominance, SBI has been classified as a D-SIB by the Reserve Bank of India (RBI), which translates into an additional capital requirement of 0.6% of the risk-weighted assets (RWAs) over the minimum capital requirements. Going forward, ICRA believes SBI would continue with strong internal capital generation to provide the requisite growth capital.

Strong market position across retail and corporate segments – SBI's standard loan book grew at a modest pace of 5.9% YoY (though it was similar to the banking sector) to Rs. 23.89 lakh crore as on June 30, 2021 from Rs. 22.56 lakh crore as on June 30, 2020. The increase was driven by the healthy credit offtake across the retail personal segment (16.5% YoY growth) while the growth in the agriculture and small and medium enterprises (SME) segments remained subdued at 2.5% and 2.0%, respectively. The corporate loan book declined marginally by 2.3% YoY as on June 30, 2021 due to tepid demand from the corporate sector. SBI holds a dominant position in the home loan and auto loan segments with a market share of over 31% each and an overall market share of 25% in advances of the Indian banking industry.

As of June 30, 2021, SBI's domestic loan book was dominated by retail personal advances, which constituted 40.4% of the bank's gross domestic advances followed by corporate advances (excluding SME) at 36.7%, SME advances at 13.2% and agriculture advances at 9.7%. The international loan book constituted 14.6% of its gross advances as on June 30, 2021. Based on the sharp growth seen in retail advances, the share of the top 20 exposures as a percentage of total exposures and Tier I capital declined to 10.6% and 170%, respectively, as on March 31, 2021 (13.9% and 233%, respectively, as on March 31, 2020).

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 June 30, 2021. 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 overall deposits stood low at 3.7% as on March 31, 2021, remaining the lowest among all PSBs.

Further, the bank's CASA deposit base stood at ~46% of its total domestic deposit base as on June 30, 2021, remaining one of the highest among PSBs (average stood at ~40-42%). As a result, SBI's cost of interest-bearing funds remains extremely competitive. In Q1 FY2022, the cost of interest-bearing funds stood at 3.7% against the PSB average of 3.9%. Given SBI's strong branch network, steady core deposit base, and retail franchise, ICRA believes that the resource profile will remain a strong driver of the bank's credit growth ambitions while supporting its liquidity and profitability.

Healthy capital profile with sizeable value unlocking opportunities from non-core businesses – The bank had last raised equity capital of Rs. 15,000 crore from the market in FY2018, while it had also received a capital infusion of Rs. 8,800 crore during the same year as a part of the GoI's recapitalisation plan. SBI grew its net advances by ~12% over the past three fiscals (FY2019-FY2021) without any fresh capital raise through its own abilities to accrue capital. While the GoI has budgeted ~Rs. 20,000 crore for infusion into PSBs as a part of recapitalisation for FY2022, the allocation of the same is yet to be announced. ICRA believes SBI is well positioned to raise requisite capital from the markets if needed. Even if the bank does not raise equity capital, it could generate sufficient internal capital, in our view, to achieve the requisite growth of 7.0-8.0% in advances while maintaining a cushion of at least 100 bps over the regulatory capital requirements.

The bank's standalone capitalisation profile remains comfortable (CET-I of 9.91%, Tier I of 11.32% and CRAR of 13.66%) as on June 30, 2021 against the regulatory requirement[1] of 8.60%, 10.10% and 12.10%, respectively, as on October 1, 2021. On a consolidated basis, the capital ratios remain even better with CET-I of 10.53%, Tier I of 11.88% and CRAR of 14.18% as on June 30, 2021 mainly because of the better capitalisation profile of most of the subsidiaries.

SBI, through its various subsidiaries, associates and joint ventures, offers a gamut of financial services like asset management, life insurance, general insurance, credit cards, capital markets among others, including stakes in various regional rural banks. SBI 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.

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

SBI divested its stake in SBI Life Insurance Limited in FY2018, resulting in a profit of Rs. 5,436 crore, while in FY2019, it raised Rs. 473 crore from the divestment of its stake in the general insurance business and Rs. 1,087 crore from the part divestment of its merchant acquisition business. In FY2020, the bank further divested a 4.5% stake in SBI Life Insurance Limited, resulting in a profit of Rs. 3,484 crore and a 4.4% stake in SBI Cards and Payment Services Limited for a profit of Rs. 2,731 crore. In FY2021, SBI further sold a 2.1% stake in SBI Life for a profit of Rs. 1,367 crore and divested its stake in non-core assets and invested in private equity/alternative investment funds for a total amount of Rs. 600 crore. In ICRA's view, SBI may divest its stake in a few more businesses in the near term to unlock the value of its subsidiaries and this will also help its profits and capital levels.

Earnings profile likely to remain healthy – With expected credit costs and other provisions of 1.5-2.0% of the advances in FY2022, we expect the bank will continue to absorb most of these provisions through its core operating profits (1.6% of assets in FY2021) going forward. While there could be some one-off expenditure related to the provisioning of pension costs, the RoA is likely to remain healthy even after accounting for this. Without any gain from the divestment of non-core assets, ICRA expects an RoA of more than 0.4% in FY2022, which is only expected to improve further next year.

Credit challenges

Uncertainty on asset quality, given the tail risk of Covid-19 – Despite the challenges posed by the pandemic on the debt servicing ability of borrowers, the bank's slippages declined to 1.3% of standard advances in FY2021 (2.4% in FY2020 and 1.8% in FY2019). The reduction in slippages was supported by various regulatory forbearance like moratorium on debt servicing for borrowers, one-time restructuring of advances and the standstill on asset classification directed by the Hon'ble Supreme Court. SBI had a standard restructured book of 1.0% of standard advances as on June 30, 2021 and the same is likely to increase marginally in the near term but will remain below 2%. In addition, the SMA[2]-1 and SMA-2 loan book (above Rs. 5 crore ticket size) stood at 0.4% of standard advances.

Hence, the overall asset quality remains manageable even though the full impact of the pandemic, including that of a potential third wave, is still evolving. ICRA expects the bank to maintain slippages below 2% of standard advances. Even in such a stress case scenario, SBI appears to be well placed to absorb these asset quality shocks. The credit costs and other provisions are expected to remain at 1.5-2.0% of advances with expected net non-performing advances (NPAs) likely to decline below 1.5% compared to 1.8% as on June 30, 2021.

Liquidity position: Superior

Supported by its strong retail liability franchise, excess statutory liquidity ratio (SLR) holdings of ~11% of net demand and time liabilities in FY2021, and liquidity coverage ratio of 159.5% for the quarter ending June 30, 2020 against the regulatory requirement of 100%, SBI's liquidity profile is superior. 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 reverse 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[3] 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

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

[3] Solvency profile = (Net NPAs + Net Non-Performing Investments + Net Security Receipts) / Core Capital

weakening in the distributable reserves eligible for the coupon payment on the additional tier I (AT-I) bonds, will be a negative trigger for the rating on the AT-I bonds.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	[ICRA's Rating Methodology for Banks] [Impact of Parent or Group Support on an Issuer's Credit Rating]
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 Government of India held a 56.92% stake in the bank as on June 30, 2021. SBI has the largest network of 22,448 branches across India (as on March 31, 2021) and a significant overseas presence.

Key financial indicators – Standalone

	FY2020	FY2021	Q1 FY2022
Net interest income (Rs. crore)	98,085	1,10,710	27,638
Profit before tax (Rs. crore)	25,063	27,541	8,923
Profit after tax (Rs. crore)	14,488	20,410	6,504
Net advances (Rs. lakh crore)	23.3	24.5	24.3
Total assets* (Rs. lakh crore)	39.3	45.1	45.3
% CET I	9.8%	10.0%	9.9%
% Tier I	11.0%	11.4%	11.3%
% CRAR	13.1%	13.7%	13.7%
% Net interest margin / Average total assets	2.6%	2.6%	2.4%^
% Net profit / Average total assets	0.4%	0.5%	0.6%^
% Return on net worth	7.0%	8.9%	11.1%^
% Gross NPAs	6.2%	5.0%	5.3%
% Net NPAs	2.2%	1.5%	1.8%
% Provision coverage excl. technical write-offs	65.2%	70.9%	67.9%
% Net NPA / Core equity	25.9%	16.3%	19.1%

**Total assets and net worth exclude revaluation reserves*
Source: *SBI, ICRA Research*
^ Annualised
All calculations as per ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years								
		Type	Amount Rated	Amount Outstanding	Date & Rating in FY2022	Date & Rating in FY2021					Date & Rating in FY2020		Date & Rating in FY2019	
			(Rs. crore)	(Rs. crore)	Sep-30-2021	Nov-03-2020	Oct-19-2020	Sep-24-2020	Sep-16-2020	Sep-01-2020	Nov-11-2019	Aug-16-2019	Feb-28-2019	Jun-06-2018
1	Certificates of Deposit Programme	ST	41,500.00	-	-	-	-	[ICRA]A1+; reaffirmed and withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Basel III Compliant Additional Tier I Bonds	LT	764.30	-	-	-	-	[ICRA]AA+ (hyb)(Stable); reaffirmed and withdrawn	[ICRA]AA+ (hyb)(Stable)	[ICRA]AA+ (hyb)(Stable)	[ICRA]AA+ (hyb)(Stable)	[ICRA]AA+ (hyb)(Stable)	[ICRA]AA+ (hyb)(Stable)	[ICRA]AA+ (hyb)(Stable)
		LT	5,000.00	2,500.00	**[ICRA]AA+ (Stable)**	[ICRA]AA+ (hyb)(Stable)	-	-	-	-	-	-	-	-
		LT	18,235.70	18,235.70	**[ICRA]AA+ (Stable)**	[ICRA]AA+ (hyb)(Stable)	[ICRA]AA+ (hyb)(Stable)	[ICRA]AA+ (hyb)(Stable)	[ICRA]AA+ (hyb)(Stable)	[ICRA]AA+ (hyb)(Stable)	[ICRA]AA+ (hyb)(Stable)	[ICRA]AA+ (hyb)(Stable)	[ICRA]AA+ (hyb)(Stable)	[ICRA]AA+ (hyb)(Stable)
3	Basel III Compliant Tier II Bonds	LT	15,243.00	15,243.00	**[ICRA]AAA (Stable)**	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)
		LT	500.00	-	-	-	-	[ICRA]AAA (hyb)(Stable); reaffirmed and withdrawn	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)
		LT	7,000.00	7,000.00	**[ICRA]AAA (Stable)**	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)	-		-	-	-
		LT	5,000.00	5,000.00	**[ICRA]AAA (Stable)**	[ICRA]AAA (hyb)(Stable)	[ICRA]AAA (hyb)(Stable)	-	-	-	-	-	-	-
4	Basel II Compliant Lower Tier II Bonds	LT	500.00	500.00	**[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 (Stable)
5	Term Deposits Programme	MT	NA	NA	**MAAA (Stable)**	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)

Removal of (hyb) suffix from Basel III instruments

In compliance with the circular issued by the Securities and Exchange Board of India (SEBI) on July 16, 2021 for standardising the rating scales used by credit rating agencies, ICRA has discontinued its practice of affixing the (hyb) suffix alongside the rating symbols for hybrid instruments. Accordingly, ICRA has removed the (hyb) suffix that was earlier being placed alongside the rating symbol for the hybrid instruments issued by SBI. The earlier and revised denotation of the rating for various instruments can be seen in the table above. This rating action only involves the removal of the (hyb) suffix and should not be construed as a change in the credit rating.

Complexity level of the rated instrument

Instrument	Complexity Indicator
Basel III Compliant Tier II Bonds	Highly Complex
Basel III Compliant AT-I Bonds	Highly Complex
Basel II Lower Tier II Bonds	Simple
Medium-term Deposits	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-1: 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 Additional 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-04-2-23#	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)
Proposed		SBI	-	-	-	2,500.00	[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)
INE062A08082		SBI	Dec-23-2015	8.33%	Dec-23-2025	4,000.00	[ICRA]AAA (Stable)
INE062A08090		SBI	Feb-18-2016	8.45%	Feb-18-2026	3,000.00	[ICRA]AAA (Stable)
INE062A08108		SBI	Mar-18-2016	8.45%	Mar-18-2026	3,000.00	[ICRA]AAA (Stable)
INE062A08116		SBI	Mar-21-2016	8.45%	Mar-21-2026	500.00	[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)
INE648A09078	Basel II Lower Tier II Bonds	SBBJ	Mar-20-2012	9.02%	Mar-20-2022	500.00	[ICRA]AAA (Stable)
NA	Medium-term Deposits	SBI	-	-	-	-	MAAA (Stable)

Source: *SBI; # First call option date; $ First call option after five years from issuance date*

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

Key features of rated debt instruments

The servicing of the Basel III Tier II Bonds and certificates of deposit is not subject to any capital ratios and profitability. However, the Basel III Tier II Bonds and Basel III Tier 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 bonds and Basel III Tier I bonds is contingent upon the prior approval from the RBI, and the bank will also need to demonstrate that the capital position is well above the minimum regulatory requirement post the exercise of the said call option.

The rated Basel III Compliant Tier I Bonds (Additional Tier I or AT-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. However, 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 surpluses[4] created through 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.

[4] *Calculated as per the amendment in Basel III capital regulations for AT-I bonds by the RBI, vide its circular dated February 2, 2017. As per the amended definition, distributable reserves include all reserves created through appropriation from the profit and loss account*

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 – 5.5% till October 1, 2021, and thereafter 6.125% of the total RWAs of the bank or when the PONV trigger is breached in the RBI's opinion.

Given the above distinguishing features of the AT-I bonds, ICRA has assigned a one notch lower rating on these than the rating on the Tier II instruments. The distributable reserves that can be used for servicing the coupon in a situation of inadequate profit or a loss during the year, stood at a comfortable 5.7% of RWAs as on June 30, 2021. The rating on the Tier I bonds continues to be supported by the bank's capital profile (CET I: 9.91%, Tier I: 11.32% and CRAR: 13.66% as on June 30, 2021), which is likely to remain comfortable, given the outlook on SBI's profitability and its strong capital-raising ability.

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Bank SBI Botswana Limited	100%	Limited Consolidation
SBI Canada Bank	100%	Limited Consolidation
State Bank of India (California)	100%	Limited Consolidation
State Bank of India (UK)	100%	Limited Consolidation
SBICAP (Singapore) Ltd.	100%	Limited Consolidation
State Bank of India Servicos Limitada, Brazil	100%	Limited Consolidation
SBI MF Trustee Co.	100%	Limited Consolidation
SBI Caps Ltd.	100%	Limited Consolidation
SBICAP Trustee Co. Ltd.	100%	Limited Consolidation
SBICAP Securities Ltd.	100%	Limited Consolidation
SBI Infra Management Solutions	100%	Limited Consolidation
PT Bank SBI Indonesia	99%	Limited Consolidation
SBI (Mauritius) Ltd.	97%	Limited Consolidation
SBI Pension Funds	93%	Limited Consolidation
SBI Global Factors Ltd.	86%	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 (Intl.)	63%	Limited Consolidation
SBI Funds Management Pvt. Ltd.	63%	Limited Consolidation
Commercial Indo Bank LLC, Moscow	60%	Limited Consolidation
SBI Life Insurance Co.	56%	Limited Consolidation
Nepal SBI Bank Ltd.	55%	Limited Consolidation
Nepal SBI Merchant Banking	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

Company Name	Ownership	Consolidation Approach
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
Telangana Grameena Bank	35%	Limited Consolidation
Utkal Grameen Bank	35%	Limited Consolidation
Uttarakhand Gramin Bank	35%	Limited Consolidation
Jio Payments Bank Ltd.	30%	Limited Consolidation
Yes Bank Ltd.	30%	Limited Consolidation
Clearing Corporation of India Ltd.	20%	Limited Consolidation
Bank of Bhutan Ltd.	20%	Limited Consolidation

Stake as on March 31, 2021

Source: *SBI and ICRA Research*

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