September 01, 2020

State Bank of India: [ICRA]AA+(hyb) assigned to Basel III compliant Tier I bonds

Summary of rating action

Instrument*	Previously Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Basel III Compliant Tier I Bonds	-	4,000.00	[ICRA]AA+(hyb)(Stable); Assigned
Basel III Compliant Tier I Bonds	15,000.00	15,000.00^	[ICRA]AA+(hyb)(Stable); Reaffirmed
Basel III Compliant Tier II Bonds	15,743.00	15,743.00	[ICRA]AAA(hyb)(Stable); Reaffirmed
Lower Tier II Bonds Programme	500.00	500.00	[ICRA]AAA(Stable); Reaffirmed
Certificates of Deposit	41,500.00	41,500.00	[ICRA]A1+; Reaffirmed
Medium Term Deposits	NA	NA	MAAA(Stable); Reaffirmed
Total	**72,743.00**	**76,743.00**	

^ Includes Rs. 764.30 crore of bonds that are yet to be issued
** Instrument details are provided in Annexure-1*

Rationale

The rating reaffirmation for various instruments of State Bank of India (SBI) continues to be supported by its majority sovereign ownership and its status as a systemically important bank (SIB), given its dominant position in the Indian financial system. SBI has a dominant market share of ~24%[1] each in the Indian banking sector's advances and domestic deposits. The ratings continue to reflect the steady growth in the bank's advances and its strong resource profile with a high share of current account and savings account (CASA) deposits leading to a competitive cost of funds and high granularity in its deposit base, thus imparting superior liquidity.

SBI has declared that ~9.5% of its loan book is under moratorium[2], which has created uncertainty regarding the asset quality in the near term. The management has guided towards a slippage of 1.5-1.6% of advances in FY2021, which, in ICRA's view, can be absorbed through its operating profits. In ICRA's view, the bank is well placed to absorb higher slippages of 2.5-3.0% through its operating profits even in a stress scenario, given the high provisions on legacy stressed exposures and limited incremental ageing provisions. However, in a stress scenario, SBI's internal capital generation will be muted and it may need to raise growth capital. While the Government of India (GoI) has not budgeted any capital for public sector banks (PSBs) for FY2021, in ICRA's view, SBI's capital requirements are comfortable in relation to its market capitalisation levels and it has demonstrated strong ability to raise funds from the market in the past. The bank has enough headroom to raise the requisite capital from the market while maintaining the GoI's shareholding above the 51% level. Most of SBI's subsidiaries remain self-sufficient and profitable with limited incremental capital requirements in the medium term and offer considerable value-unlocking opportunities to the bank.

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[1] *As on March 31, 2020*
[2] *Customers who have not paid one or any monthly loan instalment during March-June 2020*

ICRA expects that SBI will continue to benefit from its dominant position in the Indian banking industry, strong ability to raise capital, robust resource profile and sovereign ownership. While near-term stress could emerge on the asset quality because of the Covid-19 pandemic, this is expected to be absorbed through its operating profits, driving the Stable outlook on the ratings.

Key rating drivers and their description

Credit strengths

Systemically important bank with majority sovereign ownership – The ratings continue to factor in SBI's majority sovereign ownership (57.64% equity shares held by the GoI as on June 30, 2020) and the demonstrated capital infusion from the parent (total capital infusion of Rs. 19,874 crore during FY2016-2018 under the recapitalisation plan). SBI also holds a dominant position in the Indian banking industry with a market share of ~24% each in the banking sector's advances and domestic deposits as on March 31, 2020 and market leadership in various product segments. Given its dominance in the overall financial system, SBI has been classified as a domestic-SIB (D-SIB) by the Reserve Bank of India (RBI), which entails a higher capital requirement of 0.6% of risk-weighted assets (RWAs) over the regulatory requirements. Although the GoI infused ~Rs. 1.76 lakh crore in various PSBs[3] in FY2019 and FY2020, SBI did not receive any capital infusion during this period as it was relatively better placed. Going forward, in ICRA's view, the bank will require growth capital in case of stress on the asset quality and profitability. Further, based on the existing GoI shareholding, SBI can raise enough capital for growth from non-GoI sources while maintaining majority GoI ownership.

Strong market position across retail and corporate segments – SBI's standard loan book grew by ~7.7% YoY to Rs. 22.55 lakh crore as on June 30, 2020 from Rs. 20.69 lakh crore as on June 30, 2019. The increase was driven by the healthy credit offtake across the retail personal segment (12.85% YoY growth). However, the growth in the agriculture segment remained subdued at 1.61% while the SME segment recorded a decline of 0.89%. The corporate loan book growth remained muted at 3.4% YoY as on June 30, 2020 because of a degrowth in certain segments like infrastructure, textiles, steel and petroleum products, even as the same was offset by increased growth in the services segment. SBI holds a dominant position in the home loan and auto loan segments with a market share of over 32% each and an overall market share of ~24% in advances in the Indian banking industry. As of June 30, 2020, SBI's domestic loan book was dominated by corporate advances, which constituted 39.7% of its gross advances followed by retail advances (excluding SME) at 36.7%, SME advances at 13.6% and agriculture advances at 10.0%. The international loan book constituted 14.4% of its gross advances (overall) as on June 30, 2020. Despite the higher growth in retail advances, the share of the top 20 exposures to total exposures and the share of the top 20 exposures as a percentage of the Tier 1 capital inched up to 13.93% and 233%, respectively, as on March 31, 2020 (12.80% and 218%, respectively, as on March 31, 2019). The management has guided towards a 6-8% credit growth in FY2021, which will be supported by a strong deposit base, planned capital raise and/or divestment of stakes in non-core businesses in the near to medium term.

Strong resource profile and competitive cost of funds – SBI holds a dominant position in the Indian banking industry with a ~24% market share in deposits as of March 31, 2020, supported by its large branch network across

[3] *Includes capital infusion in IDBI Bank Limited*

India, a significant share in Government businesses and its well-developed customer franchise. Despite the high market share of deposits, the share of the top 20 depositors was the lowest among PSBs at 2.94% as on March 31, 2020 (3.11% as on March 31, 2019). SBI's CASA-to-deposits (domestic) ratio remains one of the highest among PSBs, which is supported by a large pool of Rs. 14.98 lakh crore of low-cost CASA deposits. This is a significant credit positive, translating into lower cost of interest-bearing funds. The bank's domestic CASA deposits ratio stood at 45.34% as on June 30, 2020 compared to the PSBs' average of ~39.7%. The CASA deposits continued to register a strong YoY growth of ~16.7% in Q1 FY2021, much higher than the YoY growth of ~7-8% for PSBs as on March 31, 2020. For Q1 FY2021, the cost of interest-bearing funds stood at 4.37% (4.85% for Q1 FY2020) against the PSB average of 4.86% in Q4 FY2020. Going forward, ICRA expects SBI's strong liability profile to remain a significant positive to support its credit growth while maintaining its liquidity and profitability.

Adequate capital position with sizeable value-unlocking opportunities from non-core businesses – The bank last raised equity capital of Rs. 15,000 crore in FY2018, in addition to which it received equity capital of Rs. 8,800 crore from the GoI as a part of the PSB recapitalisation plan. Over the last two years (FY2019 and FY2020), SBI has managed to grow its net advances by ~20% without fresh equity capital raise mainly through a calibrated growth in the RWAs by focusing on retail assets and better rated corporate exposures. It also raised ~Rs. 14,000 crore though the issuance of Tier 1 bonds during the past two years. While the GoI has not budgeted any capital for PSBs for FY2021, ICRA believes that SBI is well positioned to raise the requisite capital from the market, if required. The bank secured shareholder approval for raising equity capital of up to Rs. 20,000 crore in FY2021. However, the capital raising is likely to be dependent on the trends in asset quality and the consequent impact on internal capital generation after the moratorium ends. In a scenario of higher slippages, ICRA expects that the bank could require capital for achieving growth in advances.

The bank's standalone capitalisation profile remains comfortable (CET 1 of 10.14%, Tier 1 of 11.35% and CRAR of 13.40%) as on June 30, 2020 against the regulatory requirement[4] of 8.60%, 10.10% and 12.10%, respectively, as on September 30, 2020. On a consolidated basis, the capital ratios remain better than on a standalone basis with a CET 1 of 10.95%, Tier 1 of 12.12% and CRAR of 14.13% as on June 30, 2020 mainly because of the better capitalisation profile of most of the subsidiaries.

Further, In ICRA's view, SBI's subsidiaries largely remain self-sufficient in meeting their capital requirements in the near to medium term. The bank's CET 1 has not gone below 9.57% during the last four years and ICRA expects that SBI will continue to maintain capital cushions of over 1% above the regulatory capital requirements at the consolidated level while pursuing growth.

SBI, through its various subsidiaries, offers several other financial services like asset management, life insurance, general insurance, credit cards, capital markets and various other services and also has stakes in various regional rural banks. It also has banking operations in other countries through various overseas subsidiaries. Some of these businesses have scaled up fairly over a period and are among the leading players in their industry segments. In FY2018, SBI divested its stake in SBI Life Insurance Limited, resulting in a profit of Rs. 5,436 crore. In FY2019, SBI divested its stake in the general insurance business to raise Rs. 473 crore and it raised 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 Q1 FY2021, SBI further sold a 2.1% stake in SBI Life Insurance Limited for a

[4] *Including capital conservation buffer (CCB) of 2.5% of RWAs and 0.60% of RWAs for being a D-SIB*

profit of Rs. 1,367 crore. The bank may divest its stake in a few more businesses in the near term to unlock the value of its subsidiaries and to aid its profits and capital.

Credit challenges

Uncertainty regarding asset quality, given Covid-19-induced moratorium on loan book – SBI's asset quality has been on an improving trend since the merger of its various subsidiaries and associated banks, effective April 1, 2017. Consequently, its gross non-performing assets (GNPAs) and net NPAs (NNPAs) declined to 6.15% and 2.23%, respectively, as on March 31, 2020 from 9.98% and 5.97%, respectively, as on June 30, 2017. The fresh slippage rate remained moderate at ~2.6% of standard advances in FY2020 (2.2% in FY2019 and 5.5% in FY2018). The stock of SMA[5] 1 & 2 remained limited at Rs. 1,750 crore (<0.1% of standard advances) as on June 30, 2020 compared to ~Rs. 18,313 crore (0.88% of standard advances) as on September 30, 2019, reflecting an improvement in the asset quality. SBI has a high provision cover (including write-offs) of 86.32% on its GNPAs as on June 30, 2020, which will drive limited incremental credit provisions of 50-60 bps annually for the bank till FY2022. However, with the Covid-19-induced pandemic and the subsequent moratorium granted by the bank on loan repayments by its customers, the uncertainty regarding the asset quality has increased in the near term.

The bank declared that ~9.5% of its loan book was under moratorium as on June 30, 2020 (down from ~18% as of May end), which has created uncertainty regarding the asset quality in the near term. Though the management has guided towards a slippage of 1.5-1.6% of advances in FY2021, higher stress cannot be ruled out given the sharp deceleration in economic growth. Additionally, the RBI has allowed banks to restructure the loans impacted by Covid-19, which could reduce the near-term slippages but create uncertainty regarding such restructured accounts.

In ICRA's view, even in a scenario of higher slippages of 2.5-3.0%, the credit cost (credit provision/average total assets - ATA) would be ~1.2-1.3% in FY2021, given the high provisions on legacy stressed exposures and limited incremental ageing provisions. While this can be absorbed through SBI's operating profits, it may result in a limited reduction or a marginal increase in the NNPAs from the level of 2.23% as on March 31, 2020.

Well placed to absorb credit costs through operating profits but could lead to muted profitability – SBI's operating profit (before divestments and trading income) has been improving (1.57% of ATA in FY2020, 1.54% in FY2019 and 1.41% in FY2018), supported by the competitive cost of interest-bearing funds, improved asset quality and lower slippages, which resulted in lower interest reversals. With declining fresh slippages and an improved provision cover, the credit costs/ATA have also been declining (1.13% in FY2020, 1.51% in FY2019 and 2.00% in FY2018). This was further supported by the divestment of stakes in subsidiaries, translating into improved net profits. The return on assets (RoA) improved to 0.38% in FY2020 (0.02% in FY2019 and -0.20% in FY2018).

Going forward, the outlook on the bank's profitability remains uncertain due to the uncertainty regarding the asset quality. However, with limited incremental provisions on legacy stressed assets, ICRA expects SBI to absorb the credit provisions through its operating profits in a scenario of slippages as guided by the management as well as in ICRA's scenario of higher slippages. If the slippages remain range-bound at 1.5-1.6% as guided by the management, ICRA expects the RoA and RoE to be ~0.4% and ~7%, respectively, which may be sufficient to support the 6-8% credit growth without the need for fresh capital. However, if the slippages were to be higher at

[5] *Special mention account; SMA 1 is overdue by 31-60 days and SMA 2 is overdue by 61-90 days. SBI's exposure to SMA with exposure of >Rs. 5 crore*

2.5-3.0%, the RoA and RoE could moderate to ~0.1% and 1.5-2.0%, respectively, which will require the bank to raise capital for growth.

Liquidity position: Superior

SBI's liquidity position is supported by its strong retail liability franchise, excess SLR holdings of ~7.5% of net demand and time liabilities in FY2020, and strong liquidity coverage ratio of 151.30% for the quarter ending June 30, 2020 against the regulatory requirement of 100% from January 1, 2019 onwards. ICRA expects SBI to maintain superior liquidity, given the large proportion of retail deposits and 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 triggers – Not applicable

Negative triggers – Given SBI's dominant position in the Indian financial sector and its sovereign ownership, ICRA expects the bank to continue to maintain sufficient capitalisation over the regulatory levels. A net NPA/CET ratio of >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.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA 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 infusion by the GoI. ICRA expects the GoI to support SBI with capital infusions, if required.
Standalone/Consolidated	To arrive at the ratings, ICRA has considered the standalone financials of SBI. However, in line with ICRA's limited consolidation approach, the capital requirement of the key subsidiaries and overseas branches of the Group, going forward, have been considered. In ICRA's view, SBI's subsidiaries will largely remain self-sufficient in meeting their capital requirements in the near to medium term.

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 accordingly passed in 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 57.64% stake in the bank as on June 30, 2020. SBI has the largest network of 22,135 branches across India (as on June 30, 2020) and a significant overseas presence.

Key financial indicators – Standalone

	FY2019	FY2020	Q1 FY2020	Q1 FY2021
Net interest income – Rs. crore	88,349	98,085	22,939	26,642
Profit before tax – Rs. crore	1,607	25,063	4,063	5,560
Profit after tax – Rs. crore	862	14,488	2,312	4,189
Net advances – Rs. lakh crore	21.9	23.3	21.3	23.0
Total assets (excl revaluation reserves) – Rs. lakh crore	36.6	39.3	35.6	40.9
% CET 1	9.62%	9.77%	9.61%	10.14%
% Tier 1	10.65%	11.00%	10.65%	11.35%
% CRAR	12.72%	13.06%	12.89%	13.40%
% Net interest margin / Average total assets	2.23%	2.59%	2.54%^	2.66%^
% Net profit / Average total assets	0.02%	0.38%	0.26%^	0.42%^
% Return on net worth	0.44%	7.18%	4.71%^	7.97%^
% Gross NPAs	7.53%	6.15%	7.53%	5.44%
% Net NPAs	3.01%	2.23%	3.07%	1.86%
% Provision coverage excl. technical write-offs	61.86%	65.21%	61.05%	67.07%
% Net NPA/ Core capital	35.55%	25.91%	35.03%	20.90%

^ Ratios are annualised; FY2019 and FY2020 financials are audited and Q1 FY2020 and Q1 FY2021 financials are unaudited
All ratios are as per ICRA calculations
Source: SBI, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years					
		Type	Amount Rated	Amount Outstanding	FY2021	FY2020		FY2019		FY2018	
					01-Sep-20	11-Nov-19	16-Aug-19	28-Feb-19	6-June-18	18-Jan-18	3-Oct-17
1	Basel III Compliant Tier I Bonds Programme	LT	4,000	-	[ICRA]AA+(hyb) Stable; assigned		-	-	-	-	-
2	Basel III Compliant Tier I Bonds Programme	LT	15,000	14,235^	[ICRA]AA+ (hyb) (Stable); Reaffirmed	[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 Programme	LT	15,743	15,243^	[ICRA]AAA(hyb) (Stable); Reaffirmed	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)
4	Lower Tier II Bonds Programme	LT	500	500	[ICRA]AAA (Stable); Reaffirmed	[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); Reaffirmed	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)
6	Certificates of Deposit Programme	ST	41,500	NA	[ICRA]A1+; Reaffirmed	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

^ Balance yet to be placed; Amount in Rs. crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

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
NA	Basel III Compliant Tier I Bonds Programme	SBI	Proposed	-	-	4,000.00	[ICRA]AA+(hyb) (stable)
INE062A08223		SBI	22-Nov-19	8.50%	22-Nov-24#	3,813.60	
INE062A08199		SBI	22-Mar-19	9.45%	22-Mar-24#	1,251.30	
INE062A08173		SBI	4-Dec-18	9.56%	4-Dec-23#	4,021.00	
INE062A08181		SBI	21-Dec-18	9.37%	21-Dec-23#	2,045.00	
INE062A08215		SBI	30-Aug-19	8.75%	30-Aug-24#	3104.80	
NA		SBI	Unutilised	-	-	764.30	
INE062A08074	Basel III Compliant Tier II Bonds Programme	SBI	02-Jan-14	9.69%	02-Jan-24	2,000.00	[ICRA]AAA(hyb) (stable)
INE062A08082		SBI	23-Dec-15	8.33%	23-Dec-25	4,000.00	
INE062A08090		SBI	18-Feb-16	8.45%	18-Feb-26	3,000.00	
INE062A08108		SBI	18-Mar-16	8.45%	18-Mar-26	3,000.00	
INE062A08116		SBI	21-Mar-16	8.45%	21-Mar-26	500.00	
INE652A08015		SBoP	22-Jan-15	8.29%	22-Jan-25	950.00	
INE648A08013		SBBJ	20-Mar-15	8.30%	20-Mar-25	200.00	
INE649A08029		SBH	30-Dec-15	8.40%	30-Dec-25	500.00	
INE649A08037		SBH	08-Feb-16	8.45%	08-Feb-26	200.00	
INE649A09126		SBH	31-Mar-15	8.32%	31-Mar-25	393.00	
INE651A08041		SBM	31-Dec-15	8.40%	31-Dec-25	300.00	
INE651A08058		SBM	18-Jan-16	8.45%	18-Jan-26	200.00	
NA		SBI	Unutilised	-	-	500.00	
INE648A09078	Basel II Compliant Lower Tier II Bonds Programme	SBBJ	20-Mar-12	9.02%	20-Mar-22	500.00	[ICRA]AAA (stable)
NA	Medium Term Deposits Programme		-	-	-	-	MAAA (stable)
NA	Certificates of Deposit Programme		-	-	7-365 days	41,500.00	[ICRA]A1+

Source: SBI; # First call option 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

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 done through reserves and surpluses[6] 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 1, Tier 1 and total capital ratios (including 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 pre-specified trigger point fixed at the bank's (CET 1) ratio as prescribed by the RBI – 5.5% till September 2020, and thereafter 6.125% of the total RWAs of the bank or when the point of non-viability trigger is breached in the RBI's opinion.

The letters 'hyb' in parenthesis suffixed to a rating symbol stand for 'hybrid', indicating that the rated instrument is a hybrid subordinated instrument with equity-like loss-absorption features, which may translate into higher levels of rating transition and loss severity vis-à-vis conventional debt instruments.

Given the above distinguishing features of the Tier I bonds, ICRA has assigned a one notch lower rating to these compared to the rating on the Tier II instruments. The distributable reserves, that can be used for servicing the coupon in case of inadequate profits or a loss during the year, stood at a comfortable 6.3% of the RWAs as on March 31, 2020. The rating on the Tier I bonds continues to be supported by SBI's capital profile (CRAR: 13.40%; CET 1 capital: 10.14% and Tier 1 capital: 11.35% as on June 30, 2020), which is likely to remain comfortable, given its strong capital-raising ability as well as its systemic importance in the Indian banking system. The rating on the Basel III compliant Tier I bonds also factors in the uncertainty regarding the bank's profitability, given the uncertainty regarding the asset quality amid the pandemic-induced stress on the same. However, the same is expected to be absorbed through SBI's strong operating profits, the buffer in the existing capital levels and the sizeable distributable reserves for servicing the Tier I bonds.

[6] *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 appropriations from the profit and loss account*

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