August 20, 2024

State Bank of India: [ICRA]AAA (Stable) assigned to Basel III Tier II bonds; ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Basel III Tier II Bonds	-	7,500.00	[ICRA]AAA (Stable); Assigned
Long-term Bonds^	10,000.00	10,000.00	[ICRA]AAA (Stable); Reaffirmed
Infrastructure Bonds	40,000.00	40,000.00	[ICRA]AAA (Stable); Reaffirmed
Basel III Tier II Bonds	18,743.00	18,743.00	[ICRA]AAA (Stable); Reaffirmed
Basel III Tier I Bonds	30,418.40	30,418.40	[ICRA]AA+ (Stable); Reaffirmed
Fixed Deposits	-	-	[ICRA]AAA (Stable); Reaffirmed
Total	**99,161.40**	**1,06,661.40**	

** Instrument details are provided in Annexure I*
^ Infrastructure bonds

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, 2024, SBI had a market share of 22.6% in advances and 24.4% in deposits[1], 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 position remains superior.

The ratings also consider SBI's healthy capital profile and strong operating profitability, which could help it 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, its 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 remain 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.

[1] *As per ICRA's estimates, including overseas advances*

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, 2024. 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. The bank 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 advances grew by 15.9% year-on-year (YoY) to Rs. 37.5 lakh crore as on June 30, 2024 from Rs. 32.4 lakh crore as on June 30, 2023. The increase was driven by the healthy credit offtake across segments such as retail personal, agriculture, small and medium enterprise (SME) and the corporate sector. SBI holds a dominant position in the home loan and auto loan segments with a market share of over 26% and 20%, respectively, as on June 30, 2024, and an overall market share of 22.6% in the advances of the Indian banking sector as on March 31, 2024.

As of June 30, 2024, SBI's loan book was dominated by retail personal advances, which constituted 35.89% of its gross advances followed by corporate advances (excluding SME) at 29.88%, SME advances at 11.62% and agriculture advances at 8.11%. The international loan book constituted 14.51% of its gross advances as on June 30, 2024.

Strong resource profile and competitive cost of funds – SBI maintains its dominant position in the Indian banking system with a 24.4% market share in deposits as on March 31, 2024. 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 was low at 4.7% as on March 31, 2024 (4.0% as on March 31, 2023), remaining one of the lowest among all public sector banks (PSBs).

Further, the bank's CASA deposits stood at 40.70% of its total domestic deposits as on June 30, 2024, remaining one of the highest among PSBs (PSB average of 38.33% as on March 31, 2024). As a result, SBI's cost of interest-bearing funds remains extremely competitive. It stood at 4.87% in FY2024 against the PSB average of 4.95%. However, it increased by 49 bps YoY in Q1FY2025 to 5.12% (remained range-bound on quarter-on-quarter (QoQ) basis), given the elevated interest rates environment. 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 10.25%[2] and Tier I of 11.78%[2]), as on June 30, 2024, against the regulatory requirement[3] of 8.60% and 10.10%, respectively, despite the strong 15.9% YoY growth in net advances in Q1 FY2025. Notwithstanding the sufficient internal accruals and capital position for growth, the RBI's implementation of the expected credit loss (ECL) framework for credit exposures and additional provisioning for infrastructure financing remain monitorable from a capitalisation perspective.

The bank last raised equity capital of Rs. 15,000 crore from the market in FY2018. ICRA believes SBI's capital requirements for the targeted growth, while maintaining a buffer of at least 100 bps over the regulatory ratios, remain limited, given its internal accruals as well as its market capitalisation. It is well-positioned to raise the requisite capital from the divestment of non-core assets or the market if needed. With the improvement in the capital position as well as the decline in the net non-performing

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[2] *Excluding the interim profits for the period*

[3] *Including capital conservation buffer of 2.5% of RWAs and 0.60% of RWAs as it is a D-SIB*

advances (NNPAs), the solvency[4] level improved to 6.4% as on March 31, 2024 from 7.8% as on March 31, 2023. Going forward, the solvency profile is expected to remain steady at this level.

Through its various subsidiaries, associates and joint ventures, SBI offers a gamut of financial services like asset management, life insurance, general insurance, credit cards, and capital markets among others, including stakes in several regional rural banks. It also has banking operations in other countries through its overseas subsidiaries. Some of these businesses have scaled up fairly 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 profit and capital requirements, if any.

Earnings profile likely to remain healthy – With its core operating profit at 1.3% of average total assets (ATA) in FY2024 compared to the PSB average of 1.6% and given the lower credit costs, the bank was able to report a return on assets (RoA) of 1.04%. The profitability remains strong with RoA of 1.11% in Q1 FY2025 though it is expected to moderate from the year-ago level on account of the moderation in interest spreads and the higher credit costs. Given the high provision cover on legacy 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 increased to 0.9% of standard advances in Q1 FY2025 from 0.7% in FY2024 (0.7% in FY2023) though it was materially lower than the elevated levels seen in the past (~3-11% during FY2017-FY2020). Healthy recoveries and upgrades also supported the headline asset quality metrics with the gross NPA (GNPA) and NNPA moderating to 2.21% and 0.57%, respectively, as on June 30, 2024 (2.24% and 0.57%, respectively, as on March 31, 2024).

SBI had a limited standard restructured book of 0.43% of standard advances and the SMA[5]-1 and SMA-2 loan book (ticket size of more than Rs. 5 crore) stood low at 0.12% of standard advances as on June 30, 2024. Moreover, it is carrying an additional provision of 32% on standard restructured advances as on June 30, 2024, which is expected to mitigate any incremental stress that could emanate from this book. Nonetheless, given the monetary policy tightening and the sharp rise in 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, the liquidity coverage ratio of 127.09% and net stable funding ratio of 112.41%, for the quarter ended June 30, 2024, 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

[4] *Solvency defined as (NNPAs + Net security receipts + Net non-performing investments) / Core capital)*

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

investments. The bank can also avail liquidity support from the RBI (through repo against excess statutory liquidity ratio (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 this 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 for these bonds.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's 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 consolidation approach, the capital requirement of the key subsidiaries, associates and overseas branches of the Group has been considered.

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 June 30, 2024. SBI has the largest network of 22,580 branches in India (as on June 30, 2024) and a significant overseas presence.

Key financial indicators – Standalone

State Bank of India	FY2023	FY2024	Q1 FY2024	Q1 FY2025
Total income	1,82,811	1,99,722	47,121	49,698
Profit after tax	50,232	61,077	16,884	17,035
Total assets* (Rs. lakh crore)	54.89	61.52	55.15	61.60
CET I	10.27%	10.36%	10.19%#	10.25%#
CRAR	14.68%	14.28%	14.56%#	13.86%#
PAT / ATA	0.96%	1.04%	1.23%	1.11%
Gross NPAs	2.78%	2.24%	2.76%	2.21%
Net NPAs	0.67%	0.57%	0.71%	0.57%

**Total assets exclude revaluation reserves; Total income = Net interest income + Non-interest income (excluding trading gains); #Excludes profits for the interim period; 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

		Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years								
	Instrument	Type	Amount Rated	Date & Rating in FY2025		Date & Rating in FY2024			Date & Rating in FY2023					Date & Rating in FY2022
			(Rs. crore)	Aug-20-2024	Jun-21-2024	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
1	Basel III Tier I Bonds	LT	13,418.40	[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+ (Stable)	[ICRA]AA+ (Stable)
		LT	-	-	[ICRA]AA+ (Stable); reaffirmed and withdrawn	[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)
		LT	7,000.00	[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)	-	-
		LT	10,000.00	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	-	-	-	-	-	-
2	Basel III Tier II Bonds	LT	14,743.00	[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 (Stable)	[ICRA]AAA (Stable)
		LT	7,500.00	[ICRA]AAA (Stable)	-	-	-	-	-	-	-	-	-	-
		LT	-	-	-	-	-	-	-	-	-	[ICRA]AAA (Stable); reaffirmed and withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
		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)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
		LT	4,000.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-
3	Basel II Lower Tier II Bonds	LT	-	-	-	-	-	-	-	-	-	[ICRA]AAA (Stable); reaffirmed and withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
4	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)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	MAAA (Stable)
5	Infrastructure Bonds	LT	10,000.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-	-
		LT	10,000.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-	-	-
		LT	10,000.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-	-	-	-	-
		LT	10,000.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-	-	-	-	-	-
6	Long-term Bonds#	LT	10,000.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-	-	-	-	-	-	-

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

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
Long-term Bonds^	Very Simple

^ Infrastructure bonds

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)
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)
INE062A08413		SBI	Jan-19-2024	8.34%	Jan-19-2034#	5,000.00	[ICRA]AA+ (Stable)
Unplaced		SBI	-	-	-	2,027.00	[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)
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)
Unplaced		SBI	-	-	-	7,500.00	[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)
INE062A08397		SBI	Sep-26-2023	7.49%	Sep-24-2038	10,000.00	[ICRA]AAA (Stable)
Unplaced		SBI	-	-	-	282.00	[ICRA]AAA (Stable)
INE062A08421	Long-term Bonds^	SBI	Jun-27-2024	7.36%	Jun-27-2039	10,000.00	[ICRA]AAA (Stable)

Source: SBI; # First call option date; ^ Infrastructure bonds
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 after the said call option is exercised.

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 surpluses[6] 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.

[6] *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 to these than the rating for 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 7.85% of RWAs as on March 31, 2024.

The rating for the Tier I bonds continues to be supported by the bank's capital profile, which is likely to remain comfortable, given the outlook on SBI's profitability. However, the transition to the 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%	Full Consolidation
State Bank of India (California)	100%	Full Consolidation
State Bank of India (UK) Limited	100%	Full Consolidation
State Bank of India Servicos Limitada, Brazil	100%	Full Consolidation
SBI MF Trustee Co.	100%	Full Consolidation
SBICAP Ventures Ltd.	100%	Full Consolidation
SBI Capital Markets Ltd.	100%	Full Consolidation
SBICAP Trustee Co. Ltd.	100%	Full Consolidation
SBICAP Securities Ltd.	100%	Full Consolidation
SBI Global Factors Ltd.	100%	Full Consolidation
State Bank Operations Support Services Pvt. Ltd.	100%	Full Consolidation
Commercial Indo Bank LLC, Moscow	100%	Full Consolidation
PT Bank SBI Indonesia	100%	Full Consolidation
SBI CDMDF Trustee Private Limited (w.e.f. July 25, 2023)	100%	Full Consolidation
SBI (Mauritius) Ltd.	97%	Full Consolidation
SBI Pension Funds	92%	Full Consolidation
SBI Payment Services	74%	Full Consolidation
SBI DFHI Ltd.	72%	Full Consolidation
SBI General Insurance Co.	69%	Full Consolidation
SBI Cards & Payment Services Ltd.	69%	Full Consolidation
SBI SG – Global Securities Pvt. Ltd.	65%	Full Consolidation
SBI Funds Management Pvt. Ltd.	62%	Full Consolidation
SBI Funds Management (Intl.)	62%	Full Consolidation
SBI Life Insurance Co.	55%	Full Consolidation
Nepal SBI Bank Ltd.	55%	Full Consolidation
Nepal SBI Merchant Banking	55%	Full Consolidation
Oman India JIF Mgt.	50%	Full Consolidation
Oman India JIF Trustee	50%	Full Consolidation
C-Edge Technologies Ltd.	49%	Full Consolidation
SBI Macquarie Infra Mgt.	45%	Full Consolidation
SBI Macquarie Infra Trustee	45%	Full Consolidation
Macquarie SBI Infra Mgt.	45%	Full Consolidation
Macquarie SBI Infra Trustee	45%	Full Consolidation
Andhra Pradesh Grameena Vikas Bank	35%	Full Consolidation
Arunachal Pradesh Rural Bank	35%	Full Consolidation
Chhattisgarh Rajya Gramin Bank	35%	Full Consolidation
Ellaquai Dehati Bank	35%	Full Consolidation
Jharkhand Rajya Gramin Bank	35%	Full Consolidation
Madhyanchal Rural Bank	35%	Full Consolidation
Meghalaya Rural Bank	35%	Full Consolidation
Mizoram Rural Bank	35%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Nagaland Rural Bank	35%	Full Consolidation
Rajasthan Marudhara Gramin Bank	35%	Full Consolidation
Saurashtra Gramin Bank	35%	Full Consolidation
Telangana Grameena Bank	35%	Full Consolidation
Utkal Grameen Bank	35%	Full Consolidation
Uttarakhand Gramin Bank	35%	Full Consolidation
Yes Bank Ltd.	26%	Full Consolidation
SBI Home Finance Ltd	26%	Full Consolidation
Jio Payments Bank Ltd.	23%	Full Consolidation
The Clearing Corporation of India Ltd.	20%	Full Consolidation
Bank of Bhutan Ltd.	20%	Full Consolidation
Investec Capital Services (India) Private Limited	20%	Full Consolidation

Stake as on March 31, 2024

Source: SBI and ICRA Research

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