May 31, 2022(Revised)

State Bank of India: Migration of the rating outstanding on the medium-term rating scale to the long-term rating scale

Summary of rating action

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

**Instrument details are provided in Annexure-1*

Rationale

In compliance with the circular [SEBI/HO/MIRSD/MIRSD_CRADT/P/CIR/2021/594] issued by the Securities and Exchange Board of India (SEBI) on July 16, 2021 and the subsequent circular (SEBI/HO/MIRSD/MIRSD_CRADT /P/CIR/2022/43) of April 1, 2022, for standardising the rating scales used by credit rating agencies, ICRA has discontinued the medium-term rating scale which was being used to assign ratings to the fixed deposit programmes of entities.

Accordingly, ICRA has migrated the rating currently outstanding for the fixed deposits programme of State Bank of India (SBI) from the medium-term rating scale to the long-term rating scale. The medium-term rating scale of ICRA was a 14-point scale, while the long-term rating scale is a 20-point scale. The migration of the rating has resulted in a change in the rating symbol; however, this is to be construed only as a recalibration of the rating from one scale to another and not as a reflection of a change in the credit risk of the fixed deposit programme.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities, and key financial indicators: Click here

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 Government of India (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, 2022. SBI has the largest network of 22,266 branches across India (as on March 31, 2022) and a significant overseas presence.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years							
		Type	Amount Rated	Amount Outstanding	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021					Date & Rating in FY2020	
			(Rs. crore)	(Rs. crore)	May-31-2022	Sep-30-2021	Nov-03-2020	Oct-19-2020	Sep-24-2020	Sep-16-2020	Sep-01-2020	Nov-11-2019	Aug-16-2019
1	Certificates of Deposit Programme	ST	-	-	-	-	-	-	[ICRA]A1+; reaffirmed and withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Basel III 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)
		LT	5,000.00	2,500.00	[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+ (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 Tier II Bonds	LT	15,243.00	15,243.00	[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)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)
		LT	500	-	-	-	-	-	[ICRA]AAA (hyb) (Stable); reaffirmed and withdrawn	[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 (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 (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	-	-	-	-	-
4	Basel II Lower Tier II Bonds	LT	500	-*	[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	Fixed Deposits	LT	NA	NA	[ICRA]AAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)

** Matured and repaid on March 20, 2022; to be withdrawn*

Complexity level of the rated instrument

Instrument	Complexity Indicator
Basel III Tier II Bonds	Highly Complex
Basel III Tier I Bonds	Highly Complex
Basel II Lower Tier II Bonds	Simple
Fixed 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: www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE062A08249	Basel III Tier I Bonds	Sep-09-2020	7.74%	Sep-09-2025#	4,000.00	[ICRA]AA+ (Stable)
INE062A08223		Nov-22-2019	8.50%	Nov-22-2024#	3,813.60	[ICRA]AA+ (Stable)
INE062A08199		Mar-22-2019	9.45%	Mar-22-2024#	1,251.30	[ICRA]AA+ (Stable)
INE062A08173		Dec-04-2018	9.56%	Dec-04-2023#	4,021.00	[ICRA]AA+ (Stable)
INE062A08181		Dec-21-2018	9.37%	Dec-21-2023#	2,045.00	[ICRA]AA+ (Stable)
INE062A08215		Aug-30-2019	8.75%	Aug-30-2024#	3,104.80	[ICRA]AA+ (Stable)
INE062A08272		Nov-24-2020	7.73%	Nov-24-2025#	2,500.00	[ICRA]AA+ (Stable)
Proposed		-	-	-	2,500.00	[ICRA]AA+ (Stable)
INE062A08264	Basel III Tier II Bonds	Oct-26-2020	5.83%	Oct-26-2030$	5,000.00	[ICRA]AAA (Stable)
INE062A08256		Sep-21-2020	6.24%	Sep-21-2030$	7,000.00	[ICRA]AAA (Stable)
INE062A08074		Jan-02-2014	9.69%	Jan-02-2024	2,000.00	[ICRA]AAA (Stable)
INE062A08082		Dec-23-2015	8.33%	Dec-23-2025	4,000.00	[ICRA]AAA (Stable)
INE062A08090		Feb-18-2016	8.45%	Feb-18-2026	3,000.00	[ICRA]AAA (Stable)
INE062A08108		Mar-18-2016	8.45%	Mar-18-2026	3,000.00	[ICRA]AAA (Stable)
INE062A08116		Mar-21-2016	8.45%	Mar-21-2026	500.00	[ICRA]AAA (Stable)
INE652A08015		Jan-22-2015	8.29%	Jan-22-2025	950.00	[ICRA]AAA (Stable)
INE648A08013		Mar-20-2015	8.30%	Mar-20-2025	200.00	[ICRA]AAA (Stable)
INE649A08029		Dec-30-2015	8.40%	Dec-30-2025	500.00	[ICRA]AAA (Stable)
INE649A08037		Feb-08-2016	8.45%	Feb-08-2026	200.00	[ICRA]AAA (Stable)
INE649A09126		Mar-31-2015	8.32%	Mar-31-2025	393.00	[ICRA]AAA (Stable)
INE651A08041		Dec-31-2015	8.40%	Dec-31-2025	300.00	[ICRA]AAA (Stable)
INE651A08058		Jan-18-2016	8.45%	Jan-18-2026	200.00	[ICRA]AAA (Stable)
INE648A09078	Basel II Lower Tier II Bonds	Mar-20-2012	9.02%	Mar-20-2022*	500.00	[ICRA]AAA (Stable)
NA	Fixed Deposits	-	-	-	-	[ICRA]AAA (Stable)

Source: *SBI; # First call option date; $ First call option after five years from issuance date; * Matured on March 20, 2022 – to be withdrawn*

Key features of the rated 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 of the Reserve Bank of India (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 Tier I bonds (or 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 the full discretion at all times to cancel the 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 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.

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-I) ratio as prescribed by the RBI, i.e. 6.125% of the total risk-weighted assets (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 case of inadequate profits or a loss during the year, stood at a comfortable at 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 capital: 9.94%, Tier I capital: 11.42% and CRAR: 13.83% as on March 31, 2022), 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
Mizoram Rural Bank	35%	Limited consolidation
Nagaland Rural Bank	35%	Limited consolidation
Saurashtra Gramin Bank	35%	Limited consolidation

Company Name	Ownership	Consolidation Approach
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:** State Bank of India, and ICRA Research*

Corrigendum

The stake of the Government of India in SBI as on March 31, 2022 has been corrected in the about the company section.

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