

August 23, 2022^(Revised)

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

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Basel III Tier I Bonds	-	7,000.00	[ICRA]AA+ (Stable); assigned
Basel III Tier I Bonds	20,735.70	20,735.70	[ICRA]AA+ (Stable); reaffirmed
	2,500.00	-	[ICRA]AA+ (Stable); reaffirmed and withdrawn
Basel III Tier II Bonds	16,743.00	16,743.00	[ICRA]AAA (Stable); reaffirmed
	10,500.00	-	[ICRA]AAA (Stable); reaffirmed and withdrawn
Basel II Lower Tier II Bonds	500.00	-	[ICRA]AAA (Stable); reaffirmed and withdrawn
Fixed Deposits	NA	NA	[ICRA]AAA (Stable); reaffirmed
Total	50,978.70	44,478.70	

*Instrument details are provided in Annexure I

Rationale

The ratings continue to factor in State Bank of India's (SBI) majority sovereign ownership and its status as a domestic systemically important bank (D-SIB), given its dominant position in the Indian banking system. As on March 31, 2022, SBI had a market share of ~24-25% in advances and deposits, which remains the highest in the banking system. The ratings continue to reflect the bank's strong resource profile driven by the high share of current and savings account (CASA) deposits, resulting in an extremely competitive cost of funds and a granular deposit base. Given its strong resource profile, SBI's liquidity profile remains superior.

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

While the headline asset quality indicators have improved during the past fiscals, the ratings also take note of the monitorable vulnerable book, comprising overdue and standard restructured advances. However, the additional provisions held against the restructured book remain a source of comfort. Given the high provision cover for the legacy stressed assets, ICRA expects that SBI's internal capital generation will continue to improve along with its asset quality and solvency position. The rating for the Additional 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 expectations 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.

ICRA has withdrawn the rating assigned to the Rs. 10,500-crore Basel III Tier II Bonds, Rs. 500.00-crore Basel II Lower Tier II Bonds as these bonds have been fully redeemed and no amount is outstanding against the rated instruments. ICRA has also

withdrawn the rating assigned to the Rs. 2,500-crore Basel III Tier I Bonds on request of the bank as the instrument was unplaced. The rating was withdrawn in accordance with ICRA's policy on withdrawal (click [here](#) for the policy).

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, 2022. 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 in FY2018. Subsequently, SBI has not received any infusion as it has remained self-sufficient, driven by its steady internal capital generation ability to fund its growth.

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

Strong market position across retail and corporate segments – SBI's standard loan book grew at a healthy pace of 16.67% year-on-year (YoY) to Rs. 27.87 lakh crore as on June 30, 2022 from Rs. 23.89 lakh crore as on June 30, 2021. The increase was driven by the healthy credit offtake across segments such as the retail personal segment, agriculture, small and medium enterprises (SME) and the corporate sector. SBI holds a dominant position in the home loan and auto loan segments with a market share of over 33% and 19%, respectively, and an overall market share of ~24% in the advances of the Indian banking industry.

As of June 30, 2022, SBI's domestic loan book was dominated by retail personal advances, which constituted 34.6% of its gross advances followed by corporate advances (excluding SME) at 31.3%, SME advances at 11.3% and agriculture advances at 8.3%. The international loan book constituted 14.6% of its gross advances as on June 30, 2022.

Strong resource profile and competitive cost of funds – SBI maintains its dominant position in the Indian banking system with a ~25% market share in deposits as on March 31, 2022. 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 4.0% as on March 31, 2022 (3.7% as on March 31, 2021), remaining one of the lowest among all public sector banks (PSBs).

Further, the bank's CASA deposit base stood at 43.7% of its total deposit base as on June 30, 2022, remaining one of the highest among PSBs (PSB average of ~42% as on March 31, 2022). As a result, SBI's cost of interest-bearing funds remains extremely competitive. In FY2022, the cost of interest-bearing funds stood at 3.6% against the PSB average of 3.8%. 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's standalone capitalisation profile remains comfortable (CET- I of 9.72% and Tier I of 11.15%) as on June 30, 2022 against the regulatory requirement¹ of 8.60% and 10.10%, respectively, despite the strong 15.8% YoY growth in net advances. On a consolidated basis, the capital ratios remain even better with CET I of 9.99% and Tier I of 11.36% as on June 30, 2022, mainly because of the better capitalisation profile of most of the subsidiaries.

The bank last raised equity capital of Rs. 15,000 crore from the market in FY2018. ICRA believes SBI's capital requirements for targeted growth, while maintaining a buffer of at least 100 bps over the regulatory ratios, remain limited compared to its market capitalisation and that it is well-positioned to raise the requisite capital from the markets if needed. With the improved capital position as well as the decline in the net non-performing advances (NNPA) levels, the solvency² level improved to 11.4%

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

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

as on March 31, 2022 from 18.2% as on March 31, 2021. Going forward, the solvency profile is expected to improve further even without any incremental capital raise.

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

Earnings profile likely to remain healthy – With its core operating profit being better than the PSB average and given the lower credit costs, the bank was able to report a return on assets (RoA) of 0.67% in FY2022 (0.48% in FY2021). Despite the improvement in the operating profit in Q1 FY2023, driven by lower operating expenses, the RoA declined to 0.49% (annualised) on account of the mark-to-market (MTM) losses on the bond portfolio due to the hardening of bond yields. Given the high provision cover on legacy stressed assets, lower credit costs could help more than offset the impact of the losses on the bond portfolio in Q1 FY2023. This shall result in a continued improvement in the net profitability without considering any gain from the divestment of non-core assets. Accordingly, the RoA is expected to remain >0.50% over the near to medium term.

Credit challenges

Uncertainty on asset quality, given the tail risk of Covid-19 and macro-economic factors – Despite the challenges posed by the Covid-19 pandemic, the bank's slippages remained under control at 1.0% of standard advances in FY2022 (1.3% in FY2021 and 2.4% in FY2020). Healthy recoveries and upgrades also supported the headline asset quality metrics with the gross NPA (GNPA) and NNPA moderating to 3.91% and 1.00%, respectively, as on June 30, 2022 (5.32% and 1.77%, respectively, as on June 30, 2021). SBI had a standard restructured book of 1.03% of standard advances and the SMA³-1 and SMA-2 loan book (above Rs. 5 crore ticket size) stood at 0.25% of standard advances as on June 30, 2022. However, SBI is carrying an additional provision of 0.28% of standard advances as on June 30, 2022 against the restructured book, which is expected to mitigate any incremental stress that could emanate from this book. Recently, there has been a sharp increase in inflation levels, leading to the weakening of the Indian currency, faster monetary policy tightening and a sharp rise in the interest rates. The impact of the weakening macro-economic factors could also adversely impact the debt-servicing ability of borrowers and remains a monitorable.

Liquidity position: Superior

SBI's liquidity profile is superior, supported by its strong retail liability franchise, excess statutory liquidity ratio (SLR) holdings of 9.4% of total deposits, liquidity coverage ratio of 138.10% and net stable funding ratio of 117.48% for the quarter ending June 30, 2022 against the regulatory requirement of 100%. ICRA expects SBI to maintain its liquidity profile, given the large proportion of retail deposits and the high portfolio of liquid investments. The bank can also avail liquidity support from the RBI (through 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 weaker than 40% on a sustained basis could be a credit negative for the bank. ICRA expects continued extraordinary support from the GoI, if required, given SBI's systemic importance and any dilution in the stance will also be a credit negative. A sharp deterioration in the profitability, leading to a weakening in the DRs eligible for the coupon payment on the AT-I bonds, will be a negative trigger for the rating on these bonds.

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

Analytical approach

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

About the company

The origin of State Bank of India goes back to the 19th century with the establishment of the Bank of Calcutta in 1806 (redesigned as the Bank of Bengal in 1809), the Bank of Bombay (1840) and the Bank of Madras (1843). These three banks were amalgamated as the Imperial Bank of India in 1921. In 1951, when the country's first Five Year Plan was launched, the Imperial Bank of India was integrated with other state-owned and state-associated banks. An Act was passed accordingly in the Parliament in May 1955 and State Bank of India (SBI) was constituted in July 1955. Later, the State Bank of India (Subsidiary Banks) Act was passed in 1959, enabling SBI to take over seven former state-associated banks as its subsidiaries. Further, State Bank of Saurashtra was merged with SBI in 2008 and State Bank of Indore in 2010. On April 1, 2017, SBI was merged with five of its associate banks (State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore) and Bharatiya Mahila Bank. The GoI held a 57.57% stake in the bank as on June 30, 2022. SBI has the largest network of 22,294 branches across India (as on June 30, 2022) and a significant overseas presence.

Key financial indicators – Standalone

	FY2021	FY2022	Q1 FY2022	Q1 FY2023
Net interest income	1,10,710	1,20,708	27,638	31,196
Profit before tax	27,541	43,422	8,923	8,360
Profit after tax	20,410	31,676	6,504	6,068
Net advances (Rs. lakh crore)	24.5	27.3	24.3	28.2
Total assets* (Rs. lakh crore)	45.1	49.7	45.3	50.0
CET I	10.0%	9.9%	9.9%	9.7%
Tier I	11.4%	11.4%	11.3%	11.2%
CRAR	13.7%	13.8%	13.7%	13.4%
Net interest margin / Average total assets	2.6%	2.5%	2.4%^	2.5%^
Net profit / Average total assets	0.5%	0.7%	0.6%^	0.5%^
Return on net worth	8.9%	12.3%	11.1%^	9.3%^
Gross NPAs	5.0%	4.0%	5.3%	3.9%
Net NPAs	1.5%	1.0%	1.8%	1.0%
Provision coverage excl. technical write-offs	70.9%	75.0%	67.9%	75.0%
Net NPA / Core equity	16.3%	11.4%	19.2%	11.4%

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

Source: SBI, ICRA Research; Amount in Rs. crore unless mentioned otherwise

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (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)	Aug-23-2022	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	41,500.00	-	-	-	-	-	-	[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	2,500.00	2,500.00	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+(hyb) (Stable)	-	-	-	-	-	-
		LT	18,235.70	18,235.70	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+(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)
		LT	7,000.00	-	[ICRA]AA+ (Stable)	-	-	-	-	-	-	-	-	-
		LT	2,500.00	-	[ICRA]AA+ (Stable); reaffirmed and withdrawn	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+(hyb) (Stable)	-	-	-	-	-	-
3	Basel III Tier II Bonds	LT	16,743.00	16,743.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AA A (hyb) (Stable)	[ICRA]AA A (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)
		LT	500.00	-	-	-	-	-	-	[ICRA]AAA (hyb) (Stable); reaffirmed and withdrawn	[ICRA]AA A (hyb) (Stable)	[ICRA]AA A (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)
		LT	10,500.00	10,500.00	[ICRA]AAA (Stable); reaffirmed and withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AA A (hyb) (Stable)	[ICRA]AA A (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)

	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)	Aug-23-2022	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
4	Basel II Lower Tier II Bonds	LT	500.00	500.00	[ICRA]AAA (Stable); reaffirmed and withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
5	Fixed Deposits Programme	MT	0	NA	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)

Source: SBI; ST – Short term, LT – Long term; MT – Medium term; ^- yet to be placed

Complexity level of the rated instrument

Instrument	Complexity Indicator
Basel III Tier II Bonds	Highly Complex
Basel III Tier I Bonds	Highly Complex
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: [Click Here](#)

Annexure I: Instrument details

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

ISIN	Instrument Name	Issuing Bank	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Unplaced	Basel III Tier I Bonds	SBI	-	-	-	2,500.00	[ICRA]AA+ (Stable); withdrawn
INE062A08082	Basel III Tier II Bonds	SBI	Dec-23-2015	8.33%	Dec-23-2025 [^]	4,000.00	[ICRA]AAA (Stable); withdrawn
INE062A08090		SBI	Feb-18-2016	8.45%	Feb-18-2026 [^]	3,000.00	
INE062A08108		SBI	Mar-18-2016	8.45%	Mar-18-2026 [^]	3,000.00	
INE062A08116		SBI	Mar-21-2016	8.45%	Mar-21-2026 [^]	500.00	
INE648A09078	Basel II Lower Tier II Bonds	SBBJ	Mar-20-2012	9.02%	Mar-20-2022	500.00	[ICRA]AAA (Stable); withdrawn

Source: SBI; [^]- redeemed on account of exercise of call option

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 (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 bonds and AT-I bonds is contingent upon the prior approval of 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 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 surpluses⁴ 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 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.

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 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 7.4% of RWAs as on March 31, 2022.

The rating on the Tier I bonds continues to be supported by the bank's capital profile, which is likely to remain comfortable, given the outlook on SBI's profitability and its strong capital-raising ability.

Annexure II: 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

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, DRs include all reserves created through appropriation from the profit and loss account

Company Name	Ownership	Consolidation Approach
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
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, 2022

Source: SBI and ICRA Research

Corrigendum

Rationale dated August 23, 2022, has been revised with changes as below:

- Addition of “[ICRA’s Rating Methodology on Consolidation](#)” in the analytical approach section

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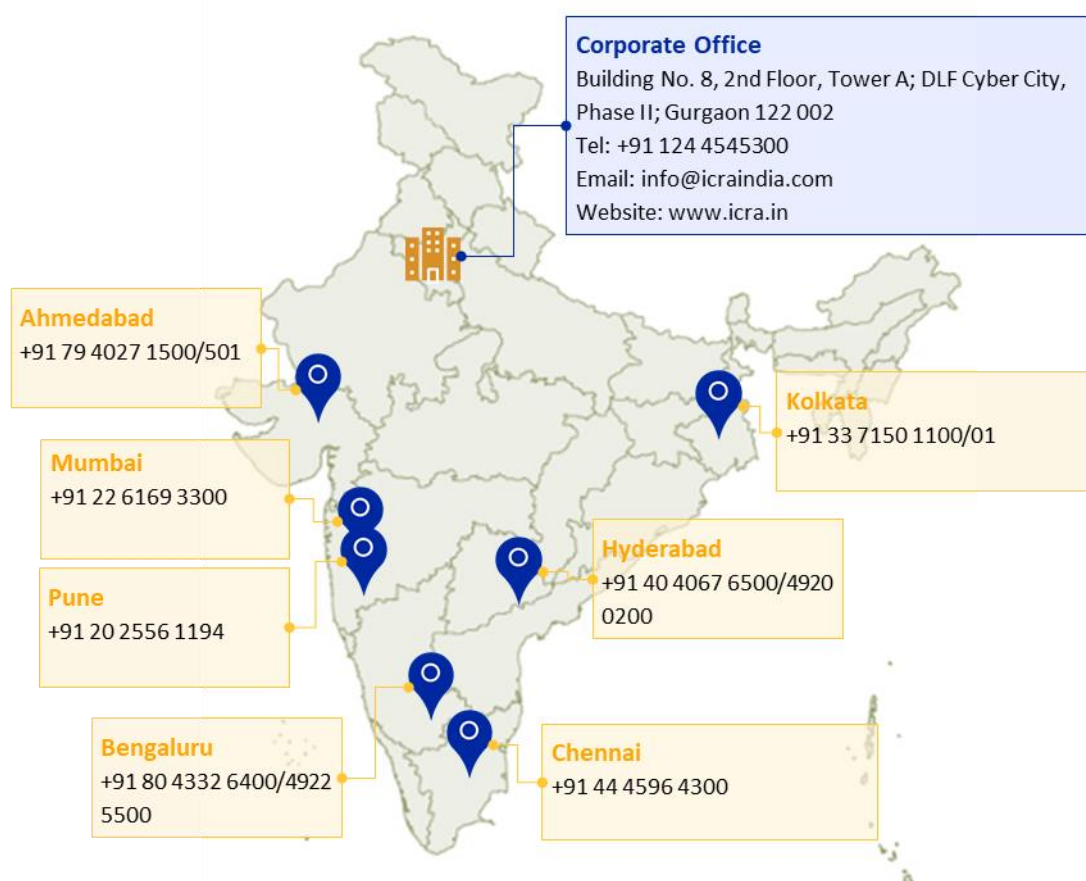


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