

State Bank of India (SBIN IN)

FUNDAMENTAL VIEW ¹

As of 23 May 2024

- State Bank of India (SBI) is the largest state-owned bank in India and is in some respects the country's flagship bank. Given the bank's ~57% government ownership and systemic importance, government support for SBI is very strong.
- It is rated Baa3(sta)/BBB-(sta)/BBB-(sta), the same as India's sovereign ratings. Fitch revised its outlook to stable from negative while affirming its BBB- rating in June 2022. A sovereign downgrade to HY would be the greatest credit risk, but we assess that risk as low.
- The bank's capital buffers are relatively low, but we take comfort in the strong government support.

RISKS & CATALYSTS

As of 23 May 2024

- SBI does not have a strong buffer vs. the regulatory minimum of 8%, but its size, systemic importance and majority government shareholding confer particularly strong government support. But consequentially, any deterioration in the sovereign ratings will also affect the bank's credit.
- Increasing consolidation in the country's financial space may narrow the gap between SBI's market leading position vs its peers, particularly HDFC Bank.
- Asset quality is trending well but net slippages should normalize. Similar to the other PSBs, SBI has a large SME and mid-corporate book which could be impacted disproportionately by higher rates. However, SBI's asset quality is better than the other PSBs and it is also better run due to the high caliber of its management team.
- Deposit competition on the back of tight system liquidity has led to some pressure on margins and loan growth of the Indian banks, but SBI's less tight liquidity position than its private sector peers has allowed it to guide for steady loan growth of 13-15% YoY in FY25 along with a stable NIM.

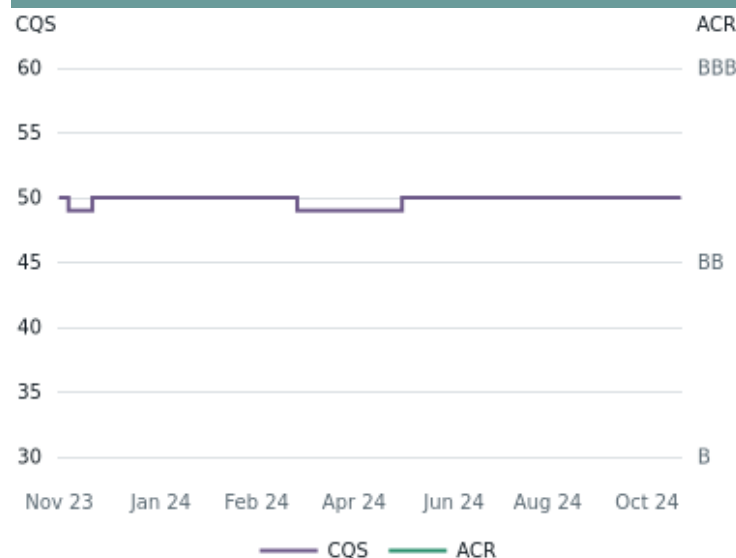
CREDIT QUALITY SCORE (CQS)²

As of 16 Oct 2024

CURRENT CQS



HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS



KEY METRICS

As of 23 May 2024

INR MN	FY20	FY21	FY22	FY23	FY24
NIM	2.97%	3.04%	3.12%	3.37%	3.28%
ROAA	0.38%	0.48%	0.67%	0.96%	1.04%
ROAE	6.4%	8.4%	11.9%	16.5%	17.3%
Equity to Assets	5.9%	5.6%	5.6%	5.9%	6.1%
CET1 Ratio	10.1%	10.3%	10.3%	10.6%	10.6%
Gross NPA Ratio	6.15%	4.98%	3.97%	2.78%	2.24%
Provisions/Loans	1.83%	1.77%	0.91%	0.54%	0.14%
PPP ROA	1.79%	1.65%	1.58%	1.59%	1.60%

BUSINESS DESCRIPTION

As of 23 May 2024

- State Bank of India is the largest commercial bank in India. Its predecessor banks date back to the 19th century. In the early 20th century, they merged to form the Imperial Bank of India, which became the State Bank of India after India gained independence in 1947.
- The Government of India remains the largest shareholder with a 56.92% stake. Per the SBI Act, the government's shareholding cannot fall below 55%.
- SBI merged with its 5 associate banks and Bharatiya Mahila Bank in 2018. The merger catapulted SBI into one of the world's 50 largest banks.
- The bank has 85% of its loans in the domestic market, and has steadily increased its international business too over the past few years with offices across all international business centres. The domestic book is split 42% retail, 35% corporates, 13% SMEs and 10% to the agri segment.
- It has diversified its operations with well regarded subsidiaries in the areas of fund management, credit cards, insurance, and capital markets.

GLOSSARY

- The Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.
- The Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.
- The Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.
- The Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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