# 'CareEdge BBB+/Stable' rating assigned to State Bank of India

| Long-term foreign currency issuer rating | CareEdge BBB+/Stable |
|---|---|

CareEdge Global Ratings has assigned a 'CareEdge BBB+/Stable' long-term foreign currency issuer rating to State Bank of India (SBI).

## Rationale

The rating factors in SBI's dominant position as the largest bank in India with ~20% share in advances by the banking industry, along with majority ownership (~55% as of March 31, 2026) by the Government of India (GoI; rated CareEdge BBB+/Stable 'Unsolicited'). The bank's status as a Domestic Systemically Important Bank (D-SIB), high socio-political relevance, coupled with contagion risk, and strong public perception underscore the likelihood of strong extraordinary sovereign support, if required. The GoI has consistently demonstrated its commitment to support public sector banks (PSBs) through various initiatives, including recapitalisation measures and budgetary support. Further, the GoI's majority stake, coupled with substantial board-level representation alongside the Reserve Bank of India (RBI), results in a high degree of oversight and control, thereby promoting institutional stability. SBI's credit profile also takes into account its comfortable capitalisation, and robust funding and liquidity position. However, these strengths are partially offset by its moderate profitability and asset quality.

CareEdge Global has assessed SBI's core credit profile at 'A-', implying that the bank's standalone profile is stronger than its overall rating. However, the overall rating remains equated to the GoI's sovereign rating of BBB+, given the sovereign's majority ownership and control, D-SIB status by the RBI, deep exposure to the domestic operating environment, and the close interlinkages of credit risks of a financial institution with its country of domicile. Consequently, SBI's overall rating will be equal and move in lockstep with India's sovereign rating, irrespective of the bank's standalone profile.

## Outlook

The stable outlook for SBI, in line with the sovereign of India, reflects CareEdge Global Rating's expectation of continued support from the GoI and the bank's ongoing strategic importance within the PSB framework. The rating outlook on SBI will move in tandem with CareEdge Global Rating's outlook on India's sovereign rating.

## Rating sensitivities

**Upward factors**

- Any upward revision in the sovereign rating or outlook of India by CareEdge Global

**Downward factors**

- Any downward revision in the sovereign rating or outlook of India by CareEdge Global
- Material dilution in the GoI's support philosophy or a significant decrease in its shareholding below the majority mark

## Analytical approach

CareEdge Global has evaluated SBI's business and financial risk profile on a consolidated basis, including its subsidiaries, considering the business and financial linkages as well as the shared brand. CareEdge Global has equated SBI's rating with the GoI's rating, using its criteria for rating government-related entities (GRE).

## Key rating drivers

### Strengths

**Dominant market position and extensive franchise**

The bank holds a dominant and leadership position in the Indian banking sector, with approximately 20% share in bank advances and 22% in bank deposits, making it the single largest player across key banking segments. The bank benefits from a strong, well-established franchise with a wide and deep reach, supported by an extensive pan-India network of over 23,000 branches, broad customer base, and significant rural and semi-urban presence, which strengthens its competitive positioning and funding profile. SBI also has a large global footprint with international presence in 29 countries, contributing to diversification of operations and enhancing its position among leading global banking institutions. Its scale is further reflected in its consolidated total assets of Rs 83.2 trillion as of March 2026.

Its strong brand, wide distribution network, and diversified presence across retail, corporate and other financial services segments (including subsidiaries) reinforce its leadership position and enable it to maintain a large, stable and granular deposit base, and diversified loan portfolio.

**High criticality, majority ownership, and strong support from the GoI**

SBI, India's largest bank, plays a pivotal role in providing financial and banking access to a large population, including in rural areas, through its extensive branch network. It operates within the broader PSB ecosystem, which collectively accounts for nearly 55% of total banking assets, enabling the government to channel credit to priority sectors such as agriculture, MSMEs, and infrastructure. PSBs, including SBI, also act as stabilising agents during periods of economic stress by supporting countercyclical lending and ensuring uninterrupted credit flow to key sectors, making them critical for the country's economic and financial stability. Further, SBI is designated as a D-SIB, reflecting its critical importance in the Indian financial system and economy, and requiring it to maintain additional regulatory capital buffers.

Over the past decade, the GoI has strengthened PSBs through reforms, including recapitalisation of over Rs 3 trillion (FY16-FY21), consolidation of 27 PSBs into 12, and enhancements in governance and risk management. Given this close linkage, PSBs carry a significant reputation risk for the GoI, as their performance shapes investor confidence and market perception of India's financial stability. Therefore, the GoI has a strong moral obligation to extend timely financial support to such institutions. Additionally, the GoI and the RBI have consistently demonstrated such support not only to PSBs but also to the private sector scheduled commercial banks (SCBs). Notably, there is no history of any SCB defaulting on depositors or lenders money in India.

SBI's majority holding reflects strong sovereign backing and underscores the likelihood of continued support in both normal and stress scenarios. Any potential distress or failure of a PSB typically has significant systemic implications, including erosion of investor confidence and heightened contagion risk, reinforcing the strong expectation of sovereign backing.

**Comfortable capitalisation**

SBI continues to maintain a comfortable capitalisation profile, with adequate buffers over the minimum regulatory requirements. This is supported by robust internal capital generation in recent years, equity infusion through qualified institutional placements of Rs 250 billion in FY26 and proceeds from stake sales in select subsidiaries. As of March 31, 2026, the bank reported a capital adequacy ratio (CAR) of 15.4% (PY: 14.3%) and a core equity tier I (CET I) ratio of 12.3% (PY: 10.8%), both well above the respective regulatory thresholds of 11.5% and 8.0%.

The bank's strong capital buffers, coupled with improving profitability, provide sufficient headroom to support business growth (with credit growth estimated at 13-15%) while also absorbing potential stress in asset quality. Historically, capitalisation has also been reinforced by periodic equity infusions from the Government of India under recapitalisation programmes for PSBs. However, equity infusion is not expected over the medium term given the strong internal accruals being sufficient to fund the business growth. Further, the impact of the RBI's proposed Expected Credit Loss (ECL) framework on SBI's capital adequacy is likely to be minimal owing to its adequate provisioning over and above regulatory requirements.

**Strong funding and liquidity profile**

The bank's deposit base has demonstrated steady and healthy growth, increasing by ~11% Y-o-Y to Rs 59,756 billion as of March 2026. Its current account and savings account (CASA) franchise remains robust, with the ratio sustained at 39.5% as of March 2026. The cost of domestic deposits eased marginally to 5.04% in FY26 from 5.11% in FY25, supported by softening benchmark rates. Additionally, international deposits continue to provide a cost advantage, with lower funding costs of 3.78% in FY26 (FY25: 4.15%), enhancing overall funding flexibility.

In addition, the bank benefits from a healthy proportion of retail term deposits, thereby providing stability to its liability profile. Its diversified depositor mix and strong retail franchise, coupled with a sustained focus on CASA mobilisation, are expected to support stability in funding costs over the medium term, helping mitigate increasing competitive pressures for low-cost deposits.

## Weaknesses

**Improving yet moderate earnings profile[1]**

SBI's consolidated profitability witnessed a marginal moderation in FY26, primarily due to pressure on margins. Net interest margins (NIMs) contracted as loan yields repriced downward more quickly than funding costs, while deposit costs remained relatively elevated. This resulted in muted growth in net interest income and some moderation in core operating profitability. Nonetheless, the bank's return metrics remained resilient, with return on assets (RoA) sustaining at levels of 1.07% in FY26 compared with 1.11% in FY25.

Profitability continued to be supported by a materially improved credit cost trajectory, with annualised credit costs remaining in the range of 0.1-0.3% during FY23-FY26 compared with 0.5% in FY22. This improvement was driven by sustained asset quality strengthening, reflected in lower slippages and robust recoveries and upgrades, which, in turn, reduced provisioning requirements. Additionally, non-interest income remained supportive, aided by strong treasury gains and stable fee income, partially offsetting pressure on core margins.

While margin compression presents near-term headwinds, the bank's overall profitability is expected to remain resilient, supported by improved asset quality, comfortable provisioning buffers, and steady contribution from non-core income streams.

**Asset quality susceptible to risks in certain segments and country's operating environment**

Despite steady improvement, the bank's asset quality is exposed to vulnerabilities in select segments, particularly MSME and agriculture, which reported relatively elevated gross non-performing assets (GNPA) levels of ~7.3% and ~3.0%, respectively, as of March 2026. These risks are further influenced by country's operating environment, where borrower resilience remains sensitive to factors such as economic growth trends, inflationary pressures, interest rate movements, and monsoon variability, particularly for MSME and agricultural segments. Additional risks stem from potential slippages due to external factors such as geopolitical developments and elevated borrower leverage. Consequently, the bank's ability to sustain low incremental slippages and effectively manage risks in these segments while supporting business growth remains a key monitorable.

[1] All profitability ratios are computed based on average total assets

Nevertheless, asset quality has improved consistently and across segments in recent years. GNPA and NNPA ratios declined to 1.5% and 0.4%, respectively, supported by lower slippages, robust recoveries and upgrades, and continued write-offs. Fresh slippages have been contained below 1.0% since FY22, significantly lower than the 1.6-2.2% levels observed during FY19-FY20, reflecting stronger underwriting standards and risk management practices. Improvements have been particularly notable in the consumer, corporate, and international portfolios, with a sharp reduction in corporate stress and moderation in overseas exposures.
The bank has also enhanced the credit quality of its corporate portfolio, with incremental exposure increasingly skewed toward higher-rated borrowers, as evidenced by the share of A-and-above-rated loans rising to 88% as of March 2026 (from 80% in March 2022). Supported by a comfortable provision coverage ratio of ~74%, prudent underwriting, and a gradual shift toward better-quality assets, the bank's overall asset quality metrics are expected to remain stable despite segment-specific risks.

## Liquidity

The bank's liquidity coverage ratio remained robust at 124% as of March 2026, supported by a stable retail and CASA deposit base, a strong pool of liquid investments, and access to diversified funding sources. Liquidity is reinforced by the bank's ability to tap systemic funding avenues, including the RBI's liquidity adjustment facility (LAF), marginal standing facility (MSF), repo against SLR securities, refinance from institutions such as NABARD, NHB, and SIDBI, as well as the call money market. Additionally, given its sovereign ownership, the bank benefits from its ability to raise capital as well as to access emergency support from the GoI.

## Environmental, social and governance (ESG) considerations

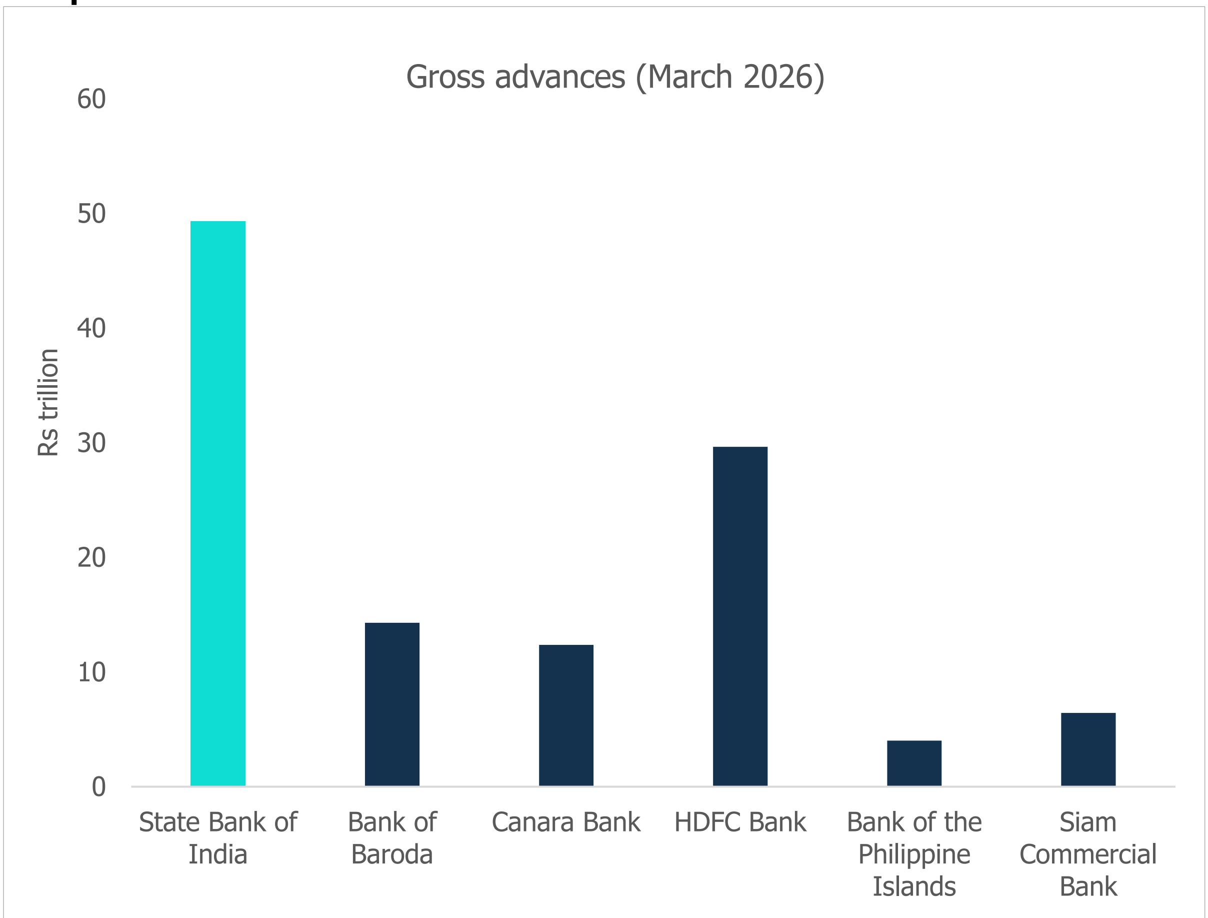
SBI's ESG profile aligns well with its robust credit risk framework, with governance standing out as a key strength, consistent with trends across the broader financial sector. While the bank has minimal direct exposure to environmental risks due to its service-oriented model, indirect risks arise through its lending portfolio if counterparties face climate-related disruptions or transition challenges. However, SBI mitigates this through diversified exposures. The bank is strengthening its environmental initiatives, including a Net Zero aspiration by 2055, green financing programmes, and renewable energy adoption across branches. Social risks, particularly cybersecurity, data privacy, and customer protection, remain critical. SBI continues to promote financial inclusion through prudent lending and targeted schemes, while maintaining a healthy asset quality. Its governance framework is supported by board diversity, independent committees, and strong grievance redressal mechanisms.

**About the company**

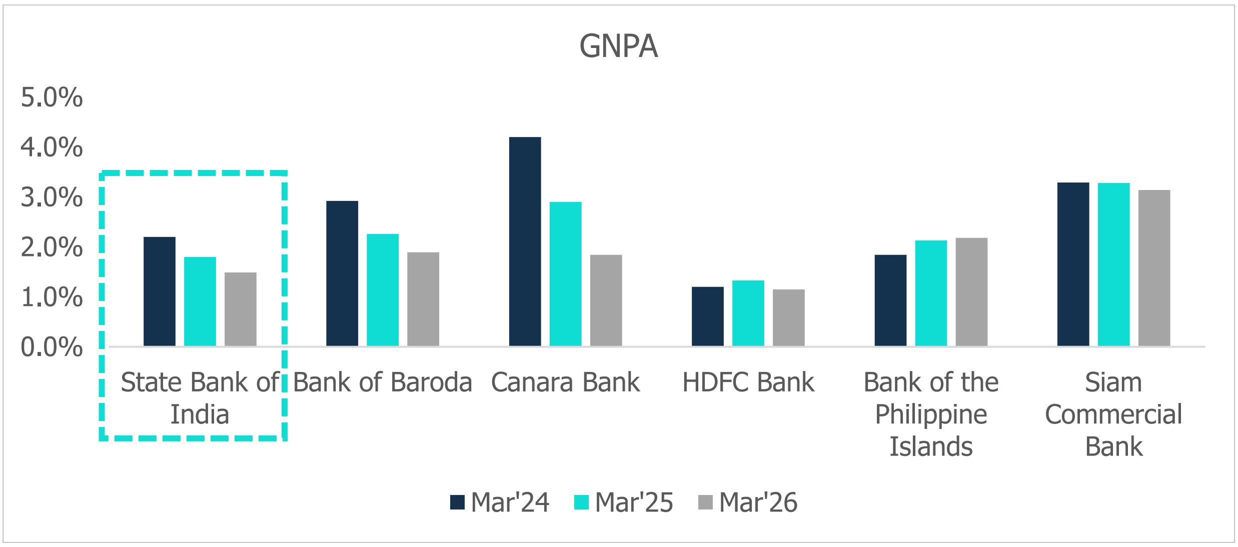
SBI is the largest bank in India in terms of assets, deposits, and advances, and is classified as a D-SIB by the RBI. The GoI is the majority shareholder (~55%). Founded from the Imperial Bank of India in 1955, SBI has evolved into a globally present universal bank with strong retail franchise, diversified operations, and a critical role in India's financial system and economic development.

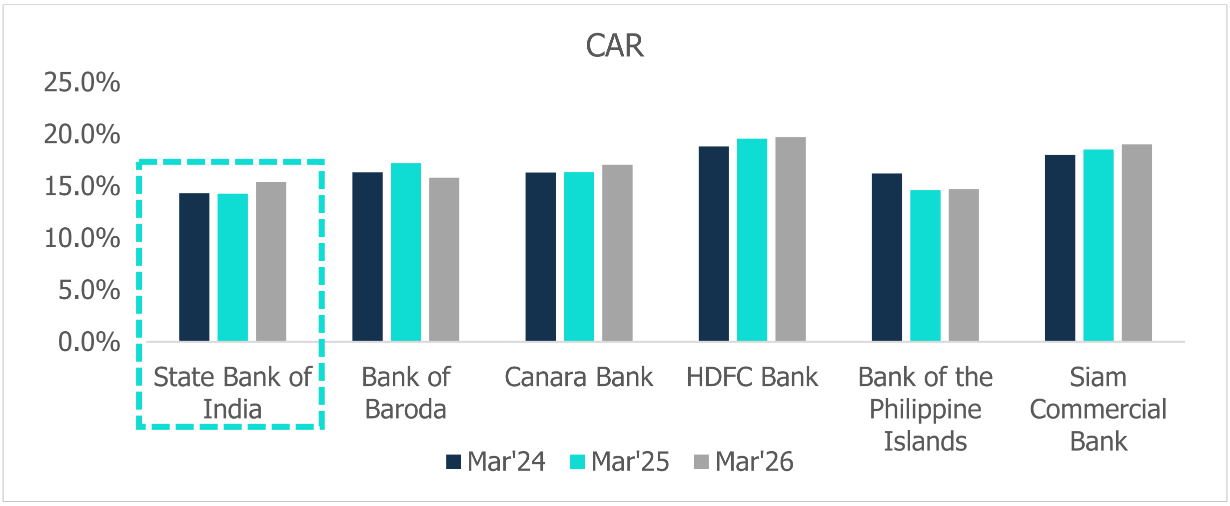
SBI operates an extensive network of ~23,000 branches, 60,000+ ATMs, and international presence across ~29 countries, serving over 0.5 billion customers. Beyond core banking, through subsidiaries and joint ventures, SBI offers a wide range of financial services including insurance, asset management, credit cards, investment banking, and capital markets, forming an integrated financial services group. Its diversified loan book of Rs 49.3 trillion, includes retail (35.2%), corporate (28.9%), MSME (12.4%), agriculture (8.5%), with international advances contributing 15.1%.

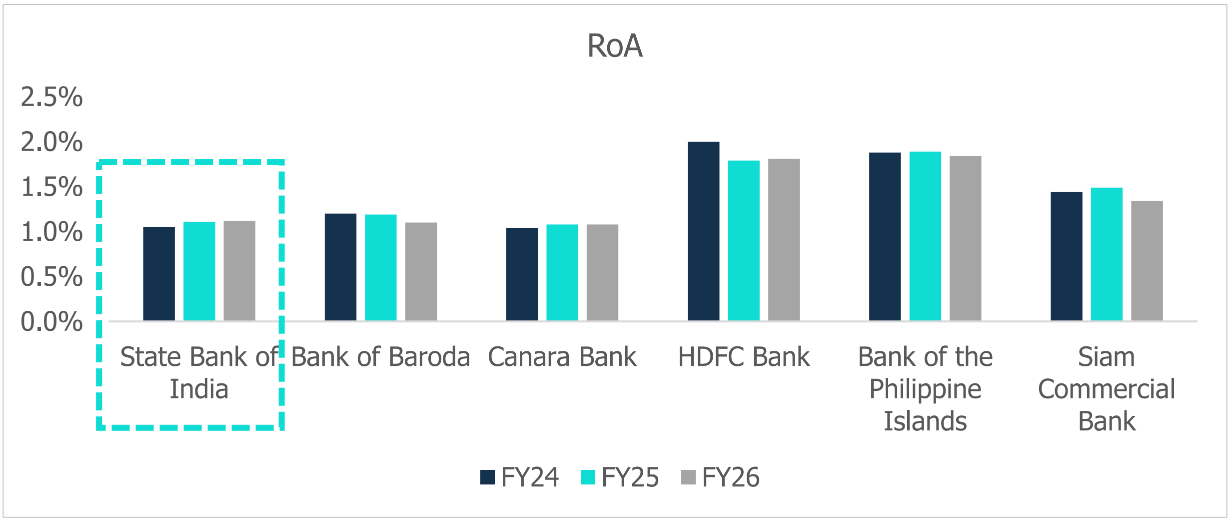
**Comparison with other banks[2]**




[2] For Bank of the Philippine Islands (BPI) and Siam Commercial Bank (SCB), gross advances pertain to December 2025, GNPA & CAR relate to December 2023 - December 2025, while RoA reflects performance over the CY23-CY25 period. Gross advances have been converted into INR using exchange rates of PHP/INR 1.53 for BPI and THB/INR 2.86 for SCB as of December 31, 2025.


GNPA
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
State Bank of India
Bank of Baroda
Canara Bank
HDFC Bank
Bank of the Philippine Islands
Siam Commercial Bank
Mar'24
Mar'25
Mar'26


CAR
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
State Bank of India
Bank of Baroda
Canara Bank
HDFC Bank
Bank of the Philippine Islands
Siam Commercial Bank
Mar'24
Mar'25
Mar'26


RoA
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
State Bank of India
Bank of Baroda
Canara Bank
HDFC Bank
Bank of the Philippine Islands
Siam Commercial Bank
FY24
FY25
FY26

### Key financial metrics (consolidated)

| Particulars | Unit | March 31, 2024 | March 31, 2025 | March 31, 2026 |
|---|---|---|---|---|
| **Total assets** | Rs billion | 67,338 | 73,142 | 83,216 |
| **Total income** | Rs billion | 5,960 | 6,648 | 7,141 |
| **Profit after tax** | Rs billion | 671 | 776 | 833 |
| **RoA** | % | 1.1 | 1.1 | 1.1 |

### Key financial metrics (standalone)

| Particulars | Unit | March 31, 2024 | March 31, 2025 | March 31, 2026 |
|---|---|---|---|---|
| **Total assets** | Rs billion | 61,797 | 66,761 | 76,230 |
| **Profit after tax** | Rs billion | 611 | 709 | 800 |
| **CAR**[3] | % | 14.3 | 14.3 | 15.4 |
| **GNPA**[3] | % | 2.2 | 1.8 | 1.5 |
| **NNPA**[3] | % | 0.6 | 0.5 | 0.4 |
| **RoA** | % | 1.1 | 1.1 | 1.1 |

## Solicitation status

The rating is solicited. The management has provided information to and held meetings with the CareEdge Global analytical team for the rating.

### Rating history

| Instrument | Type | Rating | Date |
|---|---|---|---|
| **Issuer rating** | Long-Term Foreign Currency | CareEdge BBB+/ Stable | July 06, 2026 |

[3] As per reported financials

**Criteria applied**

[CareEdge Global's Government Related Entity Rating Methodology]

[CareEdge Global's Financial Institutions Rating Methodology]

[CareEdge Global's Consolidation Methodology]

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