

INDUSTRY	BANKS		
CMP (as on 10 Nov 2017)	Rs 334		
Target Price	Rs 373		
Nifty	10,322		
Sensex	33,315		
KEY STOCK DATA			
Bloomberg	SBIN IN		
No. of Shares (mn)	8,632		
MCap (Rs bn) / (\$ mn)	2,879/44,206		
6m avg traded value (Rs mn)	5,512		
STOCK PERFORMANCE (%)			
52 Week high / low	Rs 352/241		
	3M	6M	12M
Absolute (%)	12.4	13.3	18.6
Relative (%)	6.8	3.1	(2.5)
SHAREHOLDING PATTERN (%)			
Promoters	57.96		
FIs & Local MFs	22.34		
FPIs	10.90		
Public & Others	8.80		
<i>Source : BSE</i>			

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Good tidings, finally

After a series of mostly underwhelming quarters, SBIN's 2QFY18 numbers point towards better times. The obvious question is whether this can sustain, especially the multi-qtr low slippage (2.4% ann). Core earnings picked up (+5% QoQ), NIM expanded 7 bps (2.43%) and costs were curbed (+6% QoQ) despite the merger. Gains from stake sale flowed through to higher provisions (PCR +430bps), restricting earnings to ~Rs 15.8bn (-21% QoQ). Frontloading coverage on NCLT accounts is also a positive.

SBIN's wide presence (esp. post merger) will help whenever the bank steps up credit growth. Costs will stay in control with recalibration of branches/employees. An improving NIM trajectory, fast track NCLT resolutions and monetisation of non-core assets are key triggers hereon. The strong CRAR position (13.94%) keeps growth options open. Maintain BUY. Our SOTP is Rs 373 (1.6x Sept-19E core ABV of Rs 174 + Rs 96 subs value).

Financial Summary

(Rs bn)	2QFY18	2QFY17	YoY (%)	1QFY18	QoQ (%)	FY17	FY18E	FY19E	FY20E
Net Interest Income	185.9	176.1	5.6%	181.2	2.6%	618.6	743.0	846.3	956.7
PPOP	200.0	118.7	68.4%	139.9	43.0%	508.5	581.2	600.5	672.7
PAT	15.8	20.1	-21.1%	-5.6	NA	104.8	89.4	138.8	240.4
EPS (Rs)	1.8	2.3	-21.1%	-0.7	NA	13.1	10.4	16.1	27.9
ROAE (%)						6.8	4.5	6.1	10.0
ROAA (%)						0.42	0.29	0.38	0.60
Adj. BVPS (Core, ex-subs, Rs)						109.2	118.6	156.9	190.3
P/ABV (x)#						2.22	2.01	1.52	1.24
P/E (x)#						18.4	23.1	14.8	8.5

Source: Bank, HDFC sec Inst Research; # Adjusted for subsidiaries' value

FY18E, FY19E and FY20E metrics include the erstwhile Associate Banks and BMB, now merged into SBIN.

Highlights of the quarter

- Slippages at Rs 106.3bn were substantially contained (2.36% vs 6.55% ann), as corp slippages halved QoQ. The watchlist (~Rs 212.9bn, smallest in the peerset) shrunk to 1.1% of loans, as ~81% of corp slippages in H1FY18 came from within. High coverage (~65.1%), generous provisioning against NCLT a/cs (51.5% coverage on ~Rs 720bn) and declining SMA-II provide a sufficient buffer against future jolts. We have factored slippages at 3.05% and LLP of 1.9% over FY18-20E.
- Costs seem to have eased after a spurt in 4QFY17 (merger related). Operational efficiency was clearly visible, as employee costs were flat and the C-I ratio (ex treasury) dipped ~150bps sequentially. Mgt has rationalised 1,344 branches, and expects an overall cost savings of ~Rs 11.5bn annually. We have factored core C-I ratio of 57.7% over FY18-20E.
- Near-term outlook:** Slower growth, volatility in corporate slippages and the recent run up (12% in three months) will weigh on the stock price.

Asset quality progress, a positive surprise

- The improvement in asset quality was a pleasant surprise, as GNPA's (Rs 1,861bn, 9.83%) dipped ~1% QoQ, and accelerated provisions led to a 9% drop in NNPA (Rs 979bn, 5.43%). Mgt proactively used the proceeds from the stake sale in SBI Life to enhance coverage (~65.1%, +434bps QoQ). Mgt believes that the worst is behind, and Corp performance will only pick up hereon
- Stress in the Corp and SME segments remains elevated. Corp GNPA's inched up 56bps sequentially to 19.2%, while SME GNPA's dipped 95bps to ~10.9%. Slippages across segments declined QoQ, with a sharp drop in SME slippages (Rs 12.5bn, -80% QoQ) and Retail slippages (Rs 6.9bn vs. Rs 45bn QoQ). Though Agri slippages dipped to Rs 25.5bn, stress was higher in states like Maharashtra and Karnataka. Corp slippages were lower at Rs 45.8bn and the mgt has hinted at volatility hereon (largely from the watchlist and restructured book).
- SBIN has an aggregate exposure of ~Rs 720bn (39 a/cs) to both the NCLT lists. The bank has consciously met provision requirements two qtrs in advance, and has coverage of ~51.5% on these exposures. With a chunk of slippages from the watchlist, the downward trajectory continued (~Rs 212.9bn i.e. 1.2% vs. Rs 324.3bn i.e. 2.1% in 4Q and Rs 244bn i.e. 1.1%).
- Net stressed assets continued to dip and stood at ~7.3% vs. 8.1% sequentially, while the SMA II book is

continuously declining. With a relatively smaller restructured book (~1.8% of loans), we derive some comfort on asset quality.

Corp growth muted, Retail gains

- Total advances remained flat YoY/QoQ at ~Rs18.1tn. Domestic loans dipped ~1% sequentially, while the overseas book grew ~5/4% QoQ/YoY. Corporate loans de-grew ~3%, while SME loans also slowed down (~2% QoQ). Though demand has been tepid, mgt is focussed on lending only to better-rated corporates and believes that govt capex will boost growth
- The share of Retail loans continues to increase, and grew at ~13/3% YoY/QoQ. Within Retail, Home loans (~58% of the retail book) grew ~13/3%, while Auto and other personal loans also clocked a growth of ~20% and ~11% respectively. We have factored in a loan CAGR of 13% over FY18-20E

NIMs bottomed out

- Global NIMs improved 7bps sequentially to 2.43%, as the drop in yields was cushioned by a simultaneous fall in CoF. Lower slippages and lower corresponding interest reversals also aided the sequential uptick in NIMs
- Management believes that there is further scope for expansion, given (1) Benefits of SA rate reduction yet to crystallise, (2) Improving CD ratio, and (3) ~72% of the domestic book already linked to MCLR. We have factored in NIMs of 2.60% over FY18-20E

Others include telecom exposures of ~ Rs 25.5bn for 1QFY18 and 2QFY18 vs. Rs 31.5bn in 4QFY17

Watchlist Comparison

	4Q	1Q	2Q
Rs bn	FY17	FY18	FY18
SBIN	324.3	244.4	212.9
% of Loans	2.06	1.35	1.18
ICICIBC	190.4	203.6	195.9
% of Loans	4.1	4.4	4.1
AXSB	94.4	79.4	60.5
% of Loans	2.5	2.1	1.5

Watchlist

Industry	2QFY17		3QFY17		4QFY17*		1QFY18*		2QFY18*	
	Balance (Rs bn)	% of loans	Balance (Rs bn)	% of loans	Balance (Rs bn)	% of loans	Balance (Rs bn)	% of loans	Balance (Rs bn)	% of loans
Power	36.8	0.3	29.5	0.2	110.8	0.7	105.3	0.6	104.7	0.6
Iron & steel	26.9	0.2	19.1	0.1	35.0	0.2	29.4	0.2	18.8	0.1
Engineering	-	-	-	-	-	-	-	-	-	-
Oil & Gas	34.0	0.2	-	-	-	-	-	-	-	-
Construction	20.4	0.1	19.3	0.1	31.4	0.2	24.7	0.1	20.5	0.1
Chemicals	22.8	0.2	-	-	-	-	-	-	-	-
Textiles	9.1	0.1	7.8	0.1	8.2	0.1	6.0	0.0	3.1	0.0
Others	109.5	0.8	104.3	0.7	138.9	0.9	79.0	0.4	65.7	0.4
Overseas	-	-	-	-	-	-	-	-	-	-
Total	259.5	1.8	180.0	1.2	324.3	1.7	244.4	1.3	212.9	1.2

Source: Bank, HDFC sec Inst Research; * - 4QFY17, 1QFY18 and 2QFY18 include the erstwhile Associate Banks and BMB, now merged into SBIN.

SOTP

Particulars	Rs bn	Per Share	Rationale
State Bank (Bank consol)	2,398	278	1.6x Sept-19E Core ABV of Rs 174
SBI Life	457	53	3.0x Sept-19E EV of Rs 212bn
SBI AMC	67	8	5% FY19E AUM
Others	302	35	Stakes in NSE, UTI MF, SBI Caps and others
Total Value	3,223	373	
CMP	2,879	334	
Upside (%)	11.9	11.9	

Source: HDFC sec Inst Research

Comparable Quarters At A Glance

(Rs bn)	1QFY17	2QFY17	4QFY17	1QFY18	2QFY18	YoY Growth	QoQ Growth
Net Interest Income	182.5	181.2	210.7	176.1	185.9	2.6	5.6
Non-interest Income	87.6	101.5	122.2	80.1	160.2	57.9	100.1
<i>Treasury Income</i>	34.4	32.8	20.0	17.7	85.7	161.5	384.0
Operating Income	270.1	282.7	332.9	256.1	346.0	22.4	35.1
Operating Expenses	132.5	142.8	159.8	137.4	146.0	2.3	6.3
Pre Provision Profits	137.6	139.9	173.1	118.7	200.0	43.0	68.4
Provisions	130.4	148.3	209.3	89.3	191.4	29.0	114.3
<i>NPA Provisions</i>	112.7	151.7	193.2	121.3	167.2	10.2	37.9
PBT	7.3	(8.4)	(36.2)	29.4	8.6	(202.3)	(70.7)
Provision For Tax	3.5	(2.8)	(1.8)	9.4	(7.2)	153.5	(176.7)
PAT	3.7	(5.6)	(34.4)	20.1	15.8	(383.4)	(21.1)
Balance Sheet items/ratios							
Deposits	22,974	23,790	25,853	26,025	26,232	10.3	0.8
<i>CASA Deposits</i>	9,007	9,360	11,074	11,135	11,340	21.2	1.8
Advances	18,595	18,747	19,525	18,867	18,924	0.9	0.3
CD ratio (%)	80.9	78.8	75.5	72.5	72.1	-666 bps	-35 bps
CAR (%)	14.0	13.6	12.9	13.3	13.9	38 bps	63 bps
<i>Tier I (%)</i>	10.8	11.0	10.1	10.7	10.9	-11 bps	18 bps
Other ratios							
Yield On Advances (%)	9.61	9.54	9.32	8.49	8.46	-108 bps	-3 bps
Cost Of Deposits (%)	6.12	6.07	5.84	5.54	5.42	-65 bps	-12 bps
NIM (%)	2.84	2.79	2.74	2.36	2.43	-36 bps	7 bps
Cost-Income Ratio (%)	49.0	50.5	48.0	53.6	42.2	-831 bps	-1144 bps
Tax rate (%)	48.5	33.73	NA	31.9	(83.54)	NA	NA
Asset quality							
Gross NPA	1,377	1,598	1,779	1,881	1,861	16.5	(1.0)
Net NPA	782	924	583	1,078	979	6.0	(9.2)
Gross NPAs (%)	7.40	8.52	9.11	9.97	9.83	983 bps	-14 bps
Net NPAs (%)	4.36	5.12	5.19	5.97	5.43	543 bps	-54 bps
Slippages (% Ann.)	NA	8.35	NA	6.55	2.36	NA	-383 bps
Std Restructured Book (%)	NA	NA	NA	2.09	1.80	NA	-29 bps
Coverage Ratio (%) Calc.	43.16	42.20	45.48	42.70	47.40	520 bps	470 bps
Coverage Ratio (%) Reported	59.91	NA	61.53	60.79	65.13	NA	434 bps

Source: HDFC sec Inst Research;

Slightly ahead of estimates, driven by NIM improvement

Includes SBI Life stake sale gain of ~Rs 56.4bn

SBIN provided ~Rs 38.4bn towards the 1st NCLT list and ~Rs 21.4bn towards the 2nd List. Accelerated provisions of ~Rs 23.6bn were made on specific exposures in stressed sectors

Driven by SA growth of 22% and CA growth of 16%

Largely driven by ~13/3% growth in retail loans. Within retail, Auto (+4% QoQ) and home loans (+3% QoQ) grew strongly

Despite a drop in yields, NIMs improved 7bps owing to falling CoF

Include corp slippages of ~Rs 45.4bn w/w ~Rs 24.5bn were from the watchlist. Watchlist dipped from ~Rs 244.4bn to ~Rs 212.9bn sequentially

Advances remained flat YoY/QoQ despite a 5/4% QoQ/YoY growth in foreign offices

Amongst domestic loans, Corp loans de-grew ~3%, while Retail loans grew ~13/3% YoY/QoQ

Within Retail, Auto and Home loans jumped ~20% and ~13% respectively

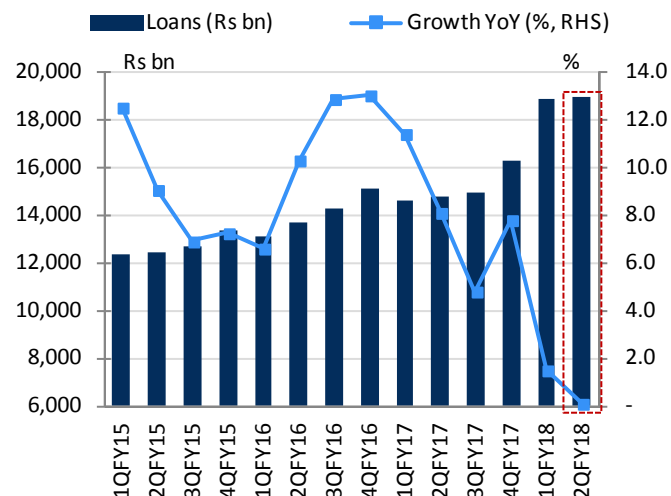
We have factored in loan growth of 13% over FY17-19E

Total deposits grew ~10/1% YoY/QoQ

Deposit growth was driven by CASA growth of ~21/2% YoY/QoQ.

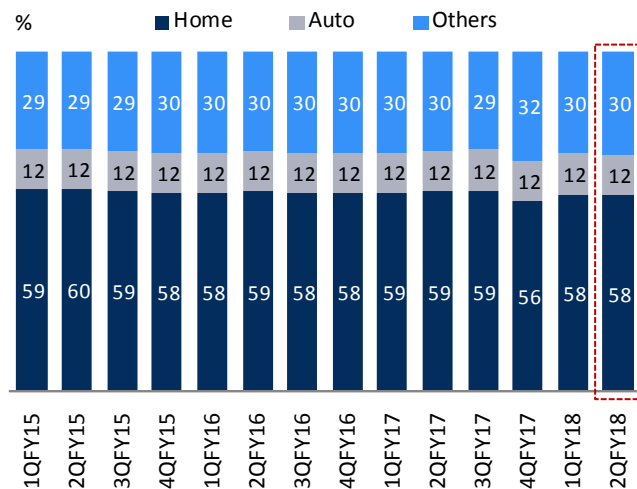
The CASA ratio stood at ~44.9% (+400bps YoY)

Comparable Loans Were Flat QoQ



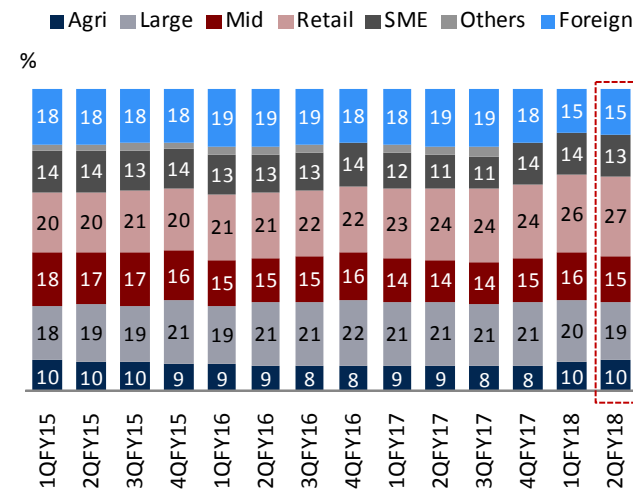
Source : Bank; 1HFY18 incl. SBIN+ABs +BMB

HomeLoans Share Remains Stable



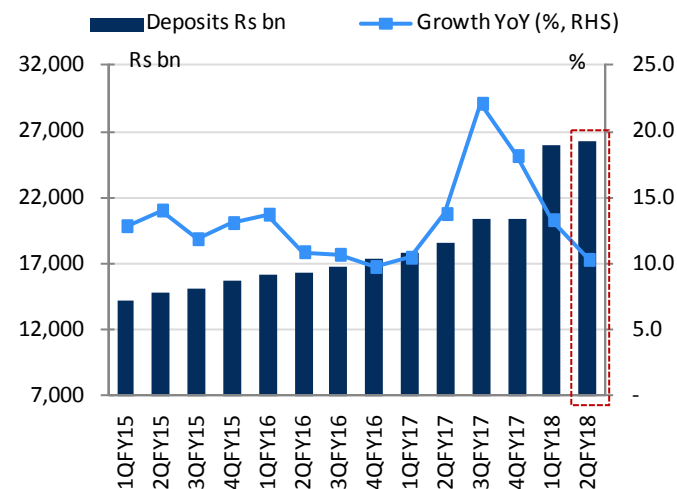
Source : Bank; 1HFY18 incl. SBIN + ABs + BMB

Retail Share Continues To Rise



Source : Bank; 1HFY18 incl. SBIN + ABs + BMB

Comparable Deposits Up 10/1% YoY/QoQ



Source : Bank; 1HFY18 incl. SBIN + ABs + BMB

SA grew ~21/3% YoY/QoQ and CA grew 16% YoY (albeit down sequentially)

The CASA ratio on an avg basis was at ~43.9%

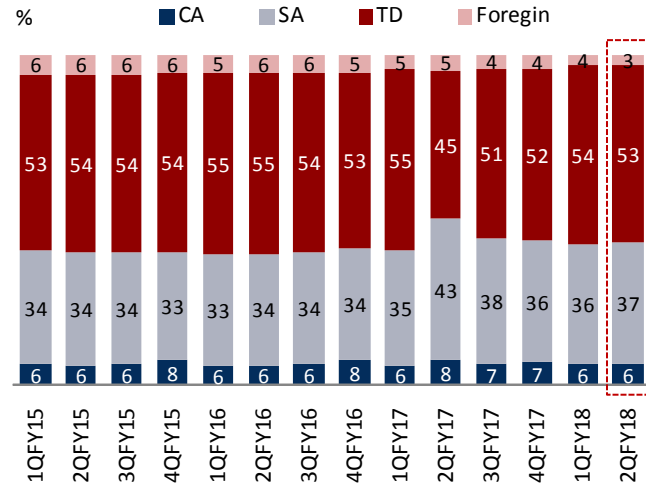
Domestic CD ratio dipped ~73bps QoQ to 63.3%

Gobal NIM (2.43%) was up 7bps QoQ, as domestic margins rose 9bps to 2.59%

Despite pressure on yields, NIMs saw an uptick owing to a 13bps drop in CoF

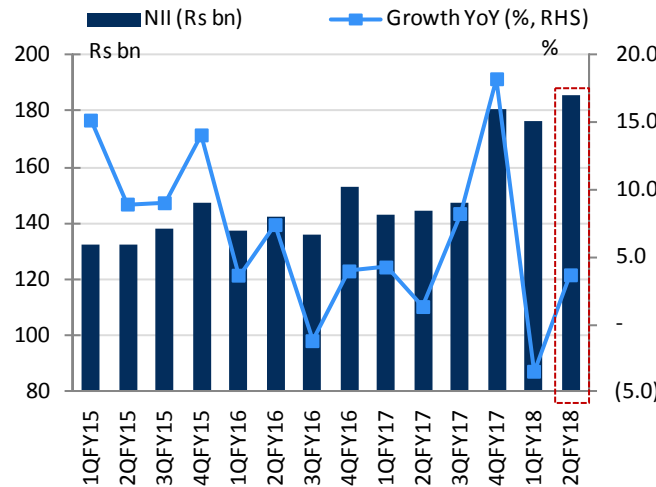
We expect NIMs of 2.60% over FY17-19E

CASA Ratio Jumps ~400bbps YoY



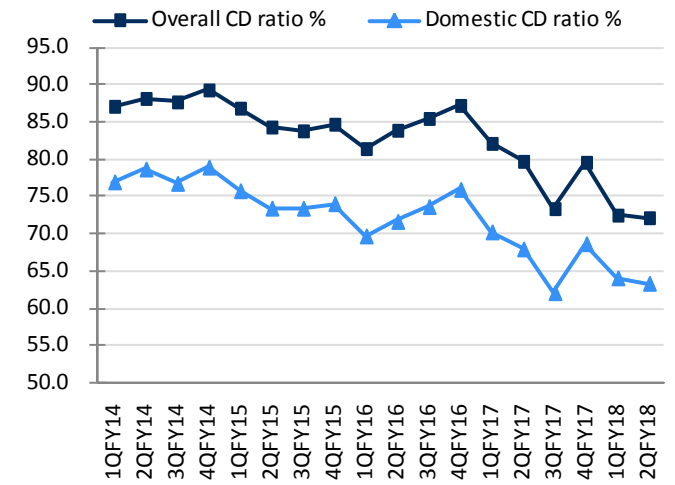
Source : Bank; 1HFY18 incl. SBIN + ABs + BMB

NII Jumped ~6/3 QoQ/YoY



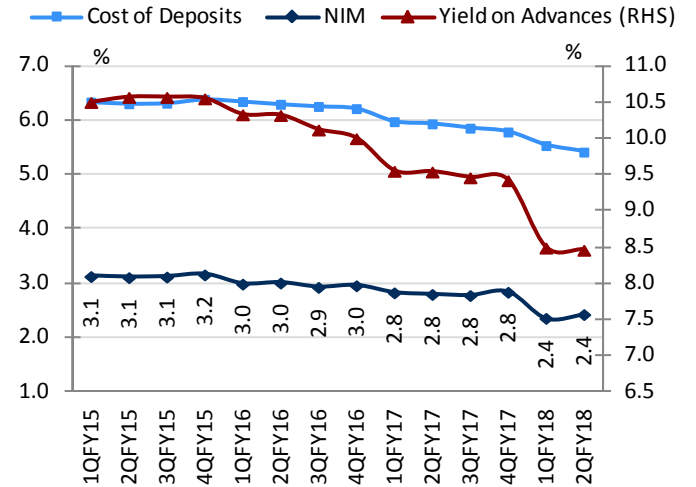
Source : Bank; 1HFY18 incl. SBIN + ABs + BMB

Domestic CD Ratio Dipped ~73bps QoQ



Source : Bank; 1HFY18 incl. SBIN + ABs + BMB

NIMs Rose 7bps To 2.43%



Source : Bank; 1HFY18 incl. SBIN + ABs + BMB

Comparable fees grew ~10/6% QoQ/YoY

SBIN has started amortising LC/BG fees; thus fees were lower by Rs7.1bn for H1 (~Rs 3.3bn for 2Q)

Treasury gains include Rs 56.4bn from stake sale in SBI Life via IPO

Overall opex grew ~6/2% YoY/QoQ, driven by a 14% sequential growth in other expenses

Management expects some rationalisation in costs and improvement in employee efficiency

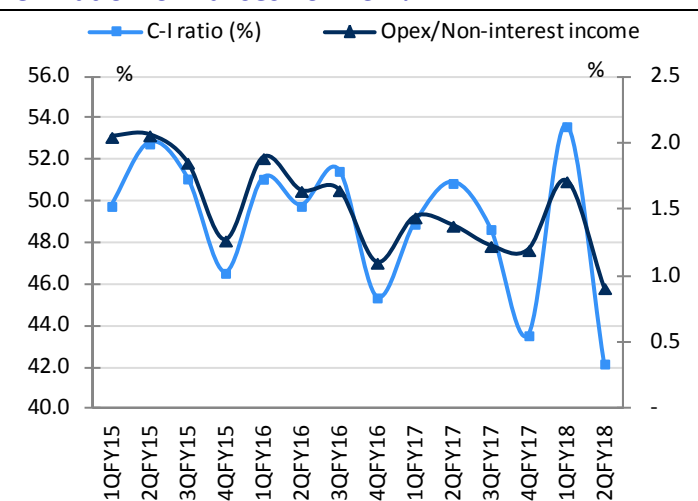
Ex-treasury the C-I ratio stood at 56.1%, down 153bps QoQ

Non-interest Income

Rs bn	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18
CEB	28.4	31.1	32.9	49.0	32.0	31.5	35.1	57.9	34.0	43.2	41.1	60.8	48.7	53.6
% Loan (Ann.)	0.94	1.03	1.08	1.55	0.99	0.96	1.03	1.62	0.94	1.21	1.14	1.61	1.06	1.19
Treasury	5.9	4.5	9.2	16.6	8.7	14.9	12.4	14.2	27.2	22.9	39.7	17.7	17.7	85.7
Forex	4.3	4.7	5.0	5.4	4.9	4.7	5.5	6.0	6.0	9.0	5.9	5.9	6.7	6.8
Dividend	0.2	0.4	-	6.2	0.3	0.5	-	4.0	1.6	1.4	-	3.9	0.2	0.9
Misc. inc.	4.2	4.7	6.0	8.7	8.7	8.7	8.8	25.0	4.6	7.8	10.9	15.0	6.8	13.3
Total	42.5	45.7	52.4	85.2	50.9	62.0	61.8	107.0	73.4	84.2	96.6	103.3	80.1	160.2
(YoY %)	-5%	37%	25%	29%	20%	36%	18%	26%	44%	36%	56%	-3%	-9%	58%

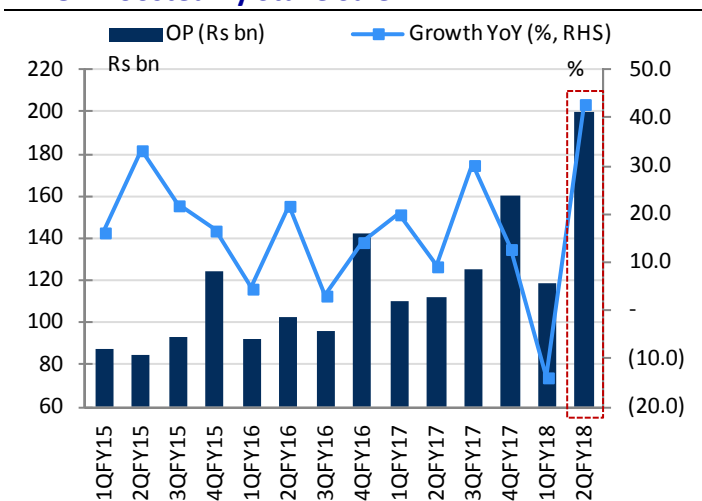
Source: Bank, HDFC sec Inst Research; 1HFY18 incl. SBIN + ABs + BMB

C-I Ratio Normalises To ~43.2%



Source : Bank; 1HFY18 incl. SBIN + ABs + BMB

PPOP Boosted By Stake Sale



Source : Bank; 1HFY18 incl. SBIN + ABs + BMB

LLP grew ~38% sequentially, owing to higher provisioning on NCLT accounts

PCR was up 434bps QoQ to 65.1%

Slippages stood at Rs 106.3bn w/w, Rs 90.6bn were fresh slippages

Corp slippages (Rs 45.4bn) were largely from the watchlist;

Other slippages include ~Rs 6.9bn from Retail, ~Rs 12.5bn from SME and ~Rs 25.5bn from the Agri portfolios

~35% of the restructured book overlaps with the watchlist

The bank has a combined exposure of ~Rs 720bn to both the NCLT lists on which total coverage is at ~51.5%

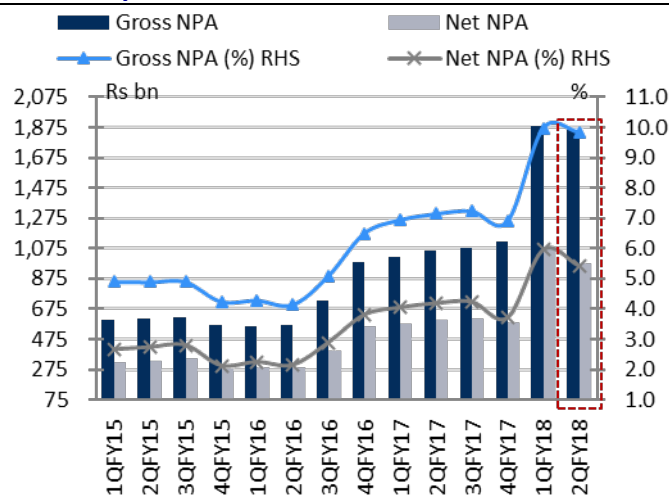
Standard restructured book stood at Rs 340bn (~1.8% of loans)

Provisions Break-up

Rs bn	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18
LLP	39.0	40.3	47.2	46.4	33.6	38.4	76.4	121.4	63.4	76.7	72.4	109.9	121.3	167.2
% Ann.	1.30	1.34	1.55	1.46	1.04	1.17	2.24	3.40	1.76	2.15	2.01	2.91	2.64	3.71
MTM	(5.5)	(0.1)	0.5	(0.8)	1.8	(0.5)	0.3	(0.1)	0.1	1.1	1.0	0.8	(7.6)	0.4
SA	0.8	1.6	3.7	18.3	4.0	5.9	1.8	10.0	9.2	(0.7)	13.6	2.9	(20.4)	22.8
Others	0.7	1.0	1.0	2.1	0.6	(0.2)	1.0	0.4	1.5	1.9	2.3	3.8	(4.0)	1.1
Total (A)	35.0	42.7	52.3	65.9	40.0	43.6	79.5	131.7	74.1	79.0	89.4	117.4	89.3	191.4
YoY %	22%	41%	26%	12%	14%	2%	52%	100%	85%	81%	12%	-11%	-32%	29%
As % PPOP*	40%	51%	56%	53%	43%	42%	83%	93%	67%	70%	71%	73%	75%	96%
Tax	19.4	10.5	11.5	20.7	15.1	20.3	5.3	(2.5)	11.2	7.9	9.9	14.7	9.4	(7.2)
(% PBT)	37%	25%	28%	36%	29%	34%	32%	-24%	31%	24%	28%	34%	32%	-84%

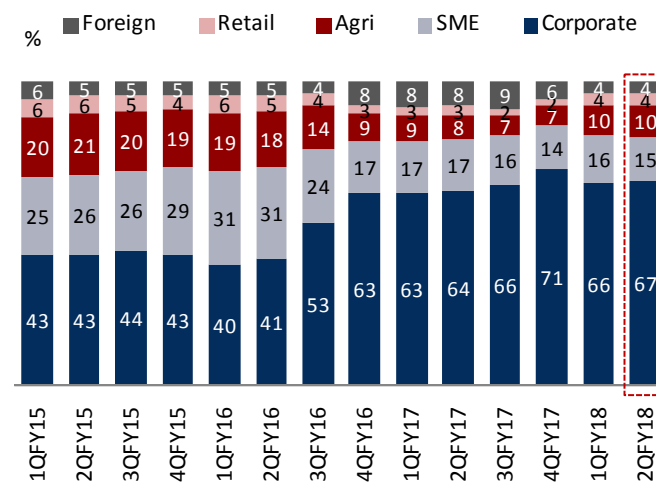
Source: Bank, HDFC sec Inst Research, * PPOP: Pre-provisioning operating profits; 1HFY18 incl. SBIN + ABs + BMB

GNPAs dip 1% QoQ; NNPA slides ~9% QoQ



Source : Bank; 1HFY18 incl. SBIN + ABs + BMB

Segment-Wise GNPA Contribution



Source : Bank; 1HFY18 incl. SBIN + ABs + BMB

Watchlist stood at Rs 212.9bn
i.e. 1.1% vs. Rs 244.4bn i.e.
1.3%

O/S Std. SDR and S4A stood at
Rs 105bn (56bps) and Rs 86bn
(46bps) respectively

Asset Quality Movement

Rs bn	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18
Opening	616	604	607	620	567	564	568	728	982	1,015	1,058	1,082	1,779	1,881
Slippages	99	77	70	48	73	59	207	303	108	119	104	104	301	106
% Ann.	3.30	2.56	2.31	1.51	2.27	1.80	6.07	8.49	3.00	3.33	2.88	2.75	6.55	2.36
Upgrades	14	17	7	7	15	6	4	1	12	2	11	10	20	11
Recoveries	32	10	-	45	12	9	7	16	16	13	10	12	46	22
Write-Offs	66	48	51	49	49	39	37	32	46	61	59	39	132	93
Closing	604	607	620	567	564	568	728	982	1,015	1,058	1,082	1,124	1,881	1,861
QoQ %	-2%	0%	2%	-8%	-1%	1%	28%	35%	3%	4%	2%	4%	37%	-1%

Source: Bank, HDFC sec Inst Research; 1HFY18 incl. SBIN + ABs + BMB

Peer Valuations

BANK	Mcap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
ICICIB #	2,042	319	BUY	364	114	134	151	15.6	13.3	11.8	2.10	1.68	1.49	10.5	10.8	9.5	1.20	1.19	1.18
KMB #	1,889	993	BUY	1,179	181	205	235	35.8	29.6	23.3	4.57	3.93	3.32	13.9	13.3	14.5	1.89	1.89	1.94
AXSB	1,305	545	NEU	504	199	234	271	35.0	18.0	13.0	2.74	2.33	2.01	6.5	11.7	14.5	0.58	0.99	1.16
IIB	988	1,660	BUY	1,809	382	444	521	28.1	22.8	18.3	4.35	3.74	3.19	16.2	17.3	18.5	1.79	1.80	1.81
FB	218	112	BUY	137	59	65	72	20.6	16.1	12.9	1.92	1.73	1.55	9.9	10.5	11.9	0.84	0.91	0.97
CUB	108	163	BUY	196	56	66	78	18.1	15.7	13.1	2.91	2.47	2.09	15.5	15.4	15.8	1.58	1.57	1.57
DCBB	58	187	BUY	214	78	88	99	22.0	17.4	14.4	2.39	2.13	1.90	10.9	11.1	12.2	0.97	1.02	1.02
SBIN #*	2,879	334	BUY	373	119	157	190	23.1	14.8	8.5	2.01	1.52	1.24	4.5	6.1	10.0	0.29	0.38	0.60
BOB	392	170	BUY	206	102	144	172	20.6	13.4	10.0	1.67	1.18	0.99	5.1	7.4	9.2	0.27	0.39	0.47
AUBANK	172	605	NEU	550	76	89	105	56.8	43.8	32.5	8.01	6.81	5.75	14.2	16.0	18.4	1.78	1.71	1.85
Equitas	47	140	NEU	160	64	67	73	86.7	35.2	20.1	2.18	2.10	1.92	2.4	5.7	9.3	0.54	1.11	1.24
Ujjivan	46	382	BUY	435	146	163	185	347.0	22.6	17.7	2.61	2.34	2.06	0.7	10.9	12.4	0.15	1.90	1.96

Source: Company, HDFC sec Inst Research, # Adjusted for subsidiaries value; *- metrics include the erstwhile Associate Banks and BMB, now merged into SBIN.

Standalone Income Statement

(Rs bn)	FY16	FY17	FY18E	FY19E	FY20E
Interest Earned	1,640.0	1,755.2	2,294.5	2,478.9	2,716.6
Interest Expended	1,068.0	1,136.6	1,551.5	1,632.6	1,759.9
Net Interest Income	571.9	618.6	743.0	846.3	956.7
Other Income	278.4	354.6	443.1	419.0	453.6
Fee Income (CEB)	156.6	162.8	205.5	226.8	245.4
Treasury Income	50.2	107.5	144.4	85.0	85.0
Total Income	850.4	973.2	1,186.1	1,265.3	1,410.3
Total Operating Exp	417.8	464.7	604.9	664.8	737.7
Employee Expense	251.1	264.9	362.0	403.3	447.2
PPOP	432.6	508.5	581.2	600.5	672.7
Provisions & Contingencies	294.8	359.9	462.8	404.7	365.0
Prov. for NPAs (incl. std prov.)	291.4	354.1	473.8	403.2	361.7
PBT	137.7	148.6	118.4	195.8	307.7
Provision for Tax	38.2	43.7	29.1	57.1	67.3
PAT	99.5	104.8	89.4	138.8	240.4

Source: Bank, HDFC sec Inst Research; FY18E, FY19E and FY20E metrics include the erstwhile Associate Banks and BMB, now merged into SBIN.

Standalone Balance Sheet

(Rs bn)	FY16	FY17	FY18E	FY19E	FY20E
SOURCES OF FUNDS					
Share Capital	7.8	8.0	8.6	8.6	8.6
Reserves	1,435.0	1,874.9	2,326.5	2,438.0	2,636.9
Shareholders' Funds	1,442.7	1,882.9	2,335.1	2,446.6	2,645.6
Savings	5,977.5	7,432.9	10,653.9	11,932.4	13,364.3
Current	1,398.1	1,471.2	1,991.1	2,150.4	2,322.4
Term Deposit	9,931.7	11,543.4	15,296.1	16,060.9	18,068.5
Total Deposits	17,307.2	20,447.5	27,941.1	30,143.7	33,755.2
Borrowings	2,241.9	3,176.9	3,487.1	3,661.5	3,629.6
Other Liabilities & Provs	1,598.8	1,552.4	1,826.5	1,881.3	1,782.0
Total Liabilities	22,590.6	27,059.7	35,589.8	38,133.0	41,812.4
APPLICATION OF FUNDS					
Cash & Bank Balance	1,674.7	1,719.7	3,032.4	2,491.5	3,916.7
Investments	4,771.0	7,659.9	10,029.0	10,781.1	9,618.0
G-Secs	3,703.7	5,752.4	7,544.1	7,535.9	7,088.6
Advances	14,637.0	15,710.8	20,091.3	22,301.4	25,579.7
Fixed Assets	103.9	429.2	524.0	550.2	588.7
Other Assets	1,404.1	1,540.1	1,913.1	2,008.8	2,109.2
Total Assets	22,590.6	27,059.7	35,589.8	38,133.0	41,812.4

Source: Bank, HDFC sec Inst Research; FY18E, FY19E and FY20E metrics include the erstwhile Associate Banks and BMB, now merged into SBIN.

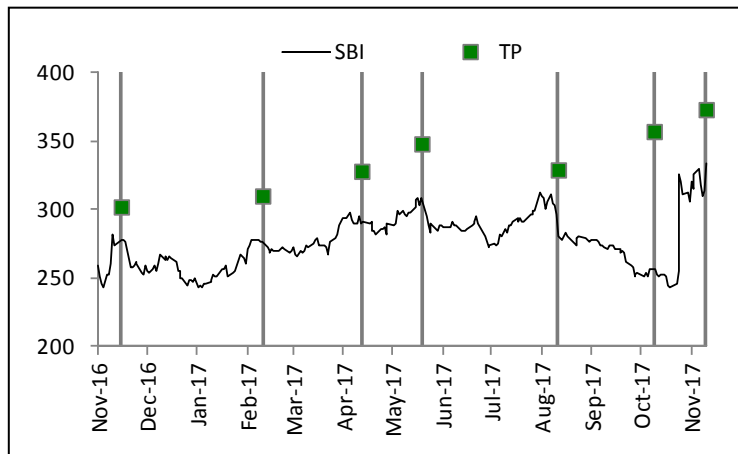
Standalone Key Ratios

	FY16	FY17	FY18E	FY19E	FY20E
VALUATION RATIOS					
EPS (Rs)	12.8	13.1	10.4	16.1	27.9
Earnings Growth (%)	(24.1)	5.4	(14.8)	55.3	73.3
BVPS (Rs)	171.2	182.3	233.9	246.8	288.9
Core Adj. BVPS (Rs)	99.3	109.2	118.6	156.9	190.3
ROAA (%)	0.46	0.42	0.29	0.38	0.60
ROAE (%)	7.30	6.97	4.68	6.69	10.1
ROAE (%) (Core)	7.91	6.77	4.49	6.14	10.0
P/E (x)	19.3	18.4	23.1	14.8	8.5
P/ABV (x)	2.50	2.22	2.01	1.52	1.24
P/PPOP (x)	6.0	5.2	5.0	4.8	4.3
Dividend Yield (%)	0.8	0.8	0.7	0.8	1.3
PROFITABILITY					
Yield On Advances (%)	8.37	7.88	7.72	7.61	7.84
Yield On Investment (%)	8.82	7.76	7.25	7.20	7.08
Cost Of Funds (%)	5.72	5.27	5.12	5.01	4.94
Cost Of Deposits (%)	5.98	5.59	5.40	5.27	5.14
Core Spread (%)	2.65	2.61	2.60	2.61	2.90
NIM (%)	3.01	2.84	2.46	2.58	2.73
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	1.94	1.87	1.93	1.80	1.85
Core Cost-Income Ratio (%)	52.21	53.68	58.06	56.32	55.66
BALANCE SHEET STRUCTURE					
Loan Growth (%)	12.6	7.3	7.5	11.0	14.7
Deposit Growth (%)	9.8	18.1	8.1	7.9	12.0
C/D Ratio (%)	84.6	76.8	71.9	74.0	75.8
Equity/Assets (%)	6.4	7.0	6.6	6.4	6.3
Equity/Advances (%)	9.9	12.0	11.6	11.0	10.3
CASA (%)	42.6	43.5	45.3	46.7	46.5
Capital Adequacy Ratio (CAR, %)	13.1	13.0	12.9	12.7	12.5
W/w Tier I CAR (%)	9.9	10.4	10.5	10.2	10.1

	FY16	FY17	FY18E	FY19E	FY20E
ASSET QUALITY					
Gross NPLs (Rs bn)	981.8	1,123.4	1,799.9	1,556.5	1,410.3
Net NPLs (Rs bn)	558.1	582.8	995.9	776.1	687.1
Gross NPLs (%)	6.50	6.90	8.96	6.98	5.51
Net NPLs (%)	3.81	3.71	4.96	3.48	2.69
Slippages (%)	4.65	2.57	4.10	2.80	2.25
Coverage Ratio (%)	43.2	48.1	44.7	50.1	51.3
Provision/Avg. Loans (%)	1.95	2.17	2.35	1.86	1.46
ROAA TREE					
Net Interest Income	2.66%	2.49%	2.37%	2.30%	2.39%
Non Interest Income	1.29%	1.43%	1.41%	1.14%	1.13%
<i>Treasury Income</i>	0.23%	0.43%	0.46%	0.23%	0.21%
Operating Cost	1.94%	1.87%	1.93%	1.80%	1.85%
Provisions	1.37%	1.45%	1.48%	1.10%	0.91%
<i>Provisions For NPAs</i>	1.25%	1.33%	1.46%	1.07%	0.87%
Tax	0.18%	0.18%	0.09%	0.15%	0.17%
ROAA	0.46%	0.42%	0.29%	0.38%	0.60%
Leverage (x)	15.79	14.93	14.85	15.42	15.70
ROAE	7.30%	6.31%	4.24%	5.80%	9.44%

Source: Bank, HDFC sec Inst Research; **FY18E, FY19E and FY20E metrics include the erstwhile Associate Banks and BMB, now merged into SBIN.**

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
15-Nov-16	273	BUY	302
13-Feb-17	276	BUY	310
13-Apr-17	290	BUY	328
20-May-17	308	BUY	348
13-Aug-17	281	BUY	329
9-Oct-17	257	BUY	357
11-Nov-17	334	BUY	373

Rating Definitions

- BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
- NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
- SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

INSTITUTIONAL RESEARCH
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