



Q2FY26 State Bank of India.



State Bank of India.

A Quarter marked by scale milestones, retail/SME-led loan growth, improved asset quality, stable CASA, robust capital, and continued digital adoption

CMP* INR 958	Target INR 1,108	Potential Upside 15.6%	Market Cap (INR Bn) INR 8,870	Recommendation BUY	Sector Banking
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Result Highlights

- SBI reported a strong performance in Q2FY26, with total business surpassing INR 100 tn and the RAM (Retail, Agriculture, MSME) portfolio crossing INR 25 tn, reflecting sustained momentum in granular lending. Net Profit (including exceptional gain) for the quarter stood at INR 201,600 mn, up 10.0% YoY.
- Profitability remained healthy, with ROA at 1.15% and ROE at 20.2% for H1FY26. Net Interest Income rose 3.3% YoY (+4.7% QoQ) to INR 4,29,841 mn missed our estimate of INR 4,52,313 mn by 5.0%. NIMs stayed stable, with whole-bank NIM at 2.9% and domestic NIM at 3.1% in Q2FY26.
- Advances grew 12.7% YoY, with domestic advances rising 12.3% YoY, while foreign office advances increased 15.0% YoY. Retail advances expanded 15.1% YoY, supported by SME lending (+18.8% YoY), agriculture (+14.3% YoY), and retail personal loans (+14.1% YoY). Corporate advances grew 7.1% YoY. Deposits increased 9.3% YoY, and CASA deposits rose 8.1% YoY, placing the CASA ratio at 39.6% as of September 30, 2025.
- Asset quality improved further, with Gross NPA at 1.73% (down 40 bps YoY) and Net NPA at 0.42% (down 11 bps YoY). Provision Coverage Ratio stood at 75.8% (and 92.29% including AUCA). Slippage ratios moderated to 0.60% for H1FY26 and 0.45% for Q2FY26, while credit cost remained low at 0.39%.
- The Capital Adequacy Ratio stood at 14.6%. Digital adoption increased, with 64%+ of new savings accounts opened via YONO and ~98.6% of transactions routed through alternate channels.

Valuation and Outlook

We remain constructive on SBI, supported by the upward-revised credit growth guidance of 12–14% for FY26, a healthy corporate pipeline, and stable NIMs (above 3%) and CRR-related tailwind ahead. The Bank's strategic priorities include operational upgrades under Project SURL, Yono 2.0 rollout, and talent/technology investments. The bank has strengthened capital through a INR 2,50,000 mn QIP and plans value unlocking via listings of SBI AMC and SBI General.

However, areas to watch include the slowdown in Express Credit as customers move toward secured gold loans and the uncertain durability of core fee income linked to debit card interchange. Moreover, despite currently stable asset quality, the forthcoming ECL framework could create pressure in the SMA-1/2 pools.

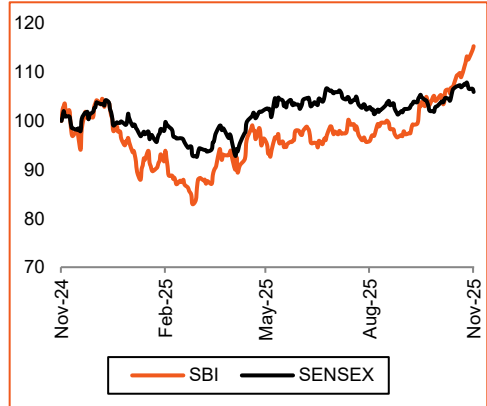
We value SBI's standalone business at INR 857 per share (based on 1.2x FY27E ABVPS), while we value its stake in the subsidiaries at INR 251 per share, implying a SOTP target price of INR 1,108. We reiterate our **"BUY"** rating on the stock.

KEY FINANCIALS

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
NII	15,98,758	16,69,651	18,39,992	23,93,703	28,86,325
PPOP	9,37,968	11,05,792	12,69,901	16,54,784	20,03,747
PAT	6,10,762	7,09,006	8,35,495	10,75,437	13,08,793
EPS (INR / Share)	68.4	79.4	90.5	116.5	141.8
BVPS (INR / Share)	422.7	494.3	609.2	725.7	867.5
NIM	3.0%	2.9%	2.8%	3.2%	3.3%
Advances Growth YoY (%)	15.8%	12.4%	13.9%	17.8%	16.9%

Source: Company, DevenChoksey Research

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	9,230
Mkt Cap (INR Bn)	8,870
52 Wk H/L (INR)	971/680

*Based on previous closing
Note: All the market data is as of previous closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Sep-25	Jun-25	Mar-25
Promoters	55.5	57.4	57.4
FIIIs	9.6	9.3	9.9
DIIIs	27.6	25.6	24.9
Others	7.3	7.7	7.5
Total	100.0	100.0	100.0

19.7%

NII CAGR
between FY25-27E

23.2%

PAT CAGR
between FY25-27E

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Key Con-call Highlights:

Industry Context

- Management characterizes the global backdrop as a modest, uneven recovery, with IMF projecting 3.2%/3.1% world GDP growth in 2025/2026 and disinflation progressing but slow. Domestically, RBI pegs real GDP growth at ~6.8% in FY26 and 6.6% in FY27, supported by resilient consumption, investment, and a broadening recovery in services/manufacturing.
- Industry credit growth for scheduled commercial banks is trending ~11–12% in FY26, while deposit growth is lagging. Key risks remain from volatile commodities and potential trade-disruption spillovers, though India's macro stability offers latitude for sustained medium-term growth.

Financial Performance

- Q2 FY26 evidenced resilient profitability despite a weaker treasury quarter. Domestic NIM improved 7 bps QoQ to 3.1%, aided by lower cost of deposits/borrowings, improved CASA balances, and disciplined avoidance of high-cost wholesale deposits.
- Treasury gains moderated versus Q1 (absence of OMO/switch tailwinds), yet AFS reserves rose and no MTM losses were reported. Core fee income grew strongly, led by higher debit card spends/interchange and broad-based retail processing fees; sustainability of debit interchange uplift remains to be seen.
- Recoveries from written-off accounts were robust at ~INR 2,483 cr (bank estimates 6–8% recovery rate on the technical write-off pool). Liquidity coverage ratio improved to ~144%. Excluding the realized gain on Yes Bank stake sale, management indicated ROA remains >1%. The bank completed a landmark INR 25,000 cr QIP (4.5x subscribed), enhancing capital to support growth and book value compounding.

Operational & Franchise Strength

- SBI underscores compounding from structural advantages: low-cost liabilities, scale, and disciplined pricing. Total deposits stand at ~INR 56 tn with CASA >INR 21 tn; CASA ratio is ~39.6% and CASA market share ~23% versus overall deposit share +22%. The bank highlights steady gains in current account share (+185 bps YoY) and rising average daily balances, driven by targeted nudges at account opening, transaction banking hubs, and variant-led current account offerings.
- Technology-led centralization is advancing: trade finance has been consolidated from 17 centers to two digital hubs; “Project SUR/SRL” aims to simplify, automate, centralize, and selectively outsource high-friction processes; YONO 2.0 will materially upgrade journeys and architecture. Human capital remains a focus via blended physical/digital training (SPARK platform) and scaled tech hiring.

Management Commentary

- Credit growth guidance has been raised to 12–14% for FY26, with corporate credit targeted at ~10% over H2; a diversified INR ~7 tn pipeline (about half sanctioned) underpins visibility.
- Retail mortgages should sustain mid-teens growth amid an expanded sourcing footprint, while “Express Credit” (unsecured personal loans) is expected to improve as gold-loan substitution ebbs with moderating gold prices. Overseas corporate growth remains opportunistic and RORWA/ROVA-accretive; IBG book share is intended to stay near ~15%.
- Margin outlook is constructive: fixed-deposit stock repricing continues for 1–2 more quarters, CASA focus persists, borrowing costs have eased, and full CRR/CR benefits by end-November should support NIM, assuming no further rate cuts in December.
- On ECL transition, SBI expects limited P&L impact given a staged roadmap, existing standard-asset buffers, and intensified SMA1/2 collections; final assessment awaits RBI's definitive guidelines. Subsidiary monetization (SBI AMC, SBI General) is under active consideration subject to board/timing decisions; SBI Card and SBI Life continue to be strategic, scale platforms.

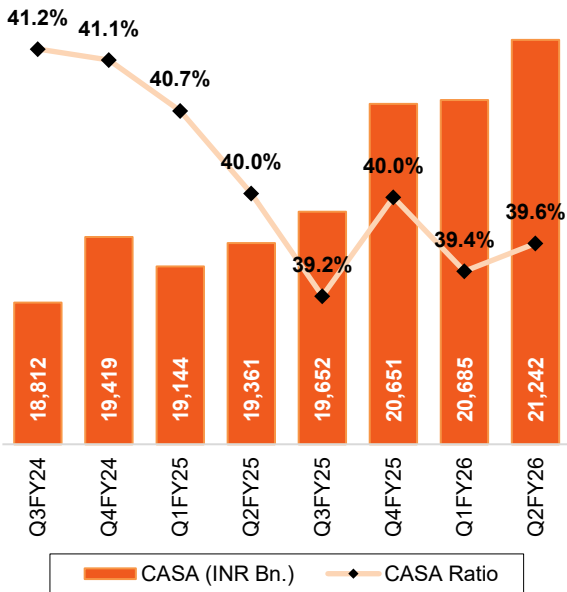
Outlook

- SBI delivered a quarter marked by franchise consolidation—CASA-led funding strength, NIM resilience despite rate headwinds, healthy core fees, and stable asset quality—offsetting softer treasury performance.
- With enhanced capital, disciplined pricing, and a visible lending pipeline, management guides to above-industry growth at attractive ROVA/ROE, supported by operating leverage from digital centralization and Project SUR/SRL.
- Near-term watch items include deposit mobilization vs. system lag, sustainability of fee momentum (debit interchange), policy-rate trajectory, and evolving ECL rules.

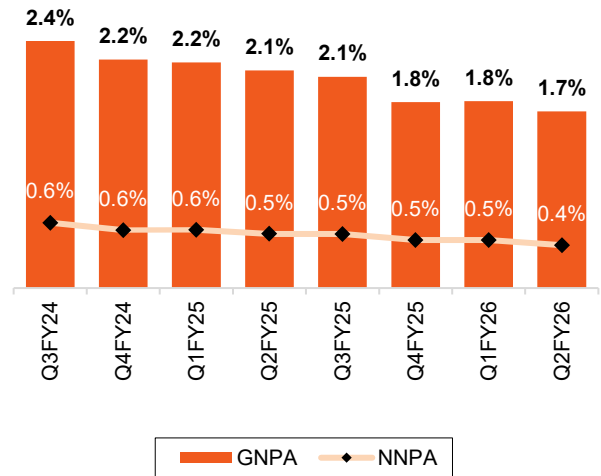
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Story in Charts

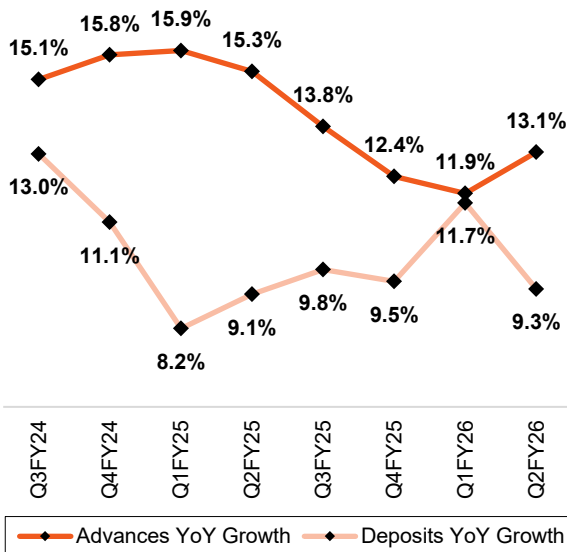
CASA (INR Bn.) & CASA Ratio (%)



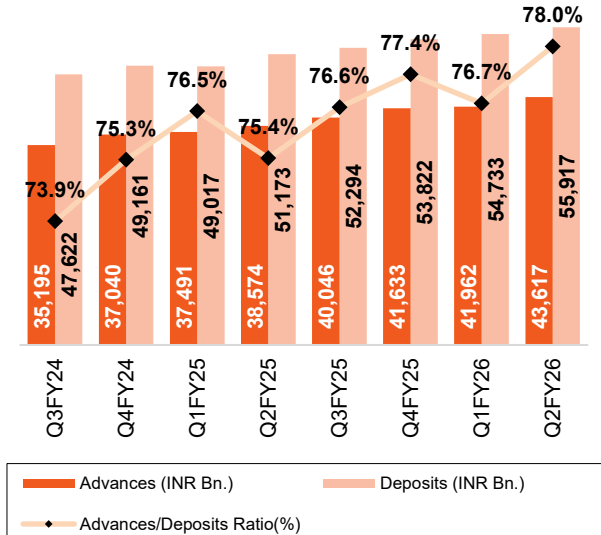
Asset quality improving



Advance/Deposit YoY Growth(%)



Advances/Deposit: C/D ratio continues to moderate



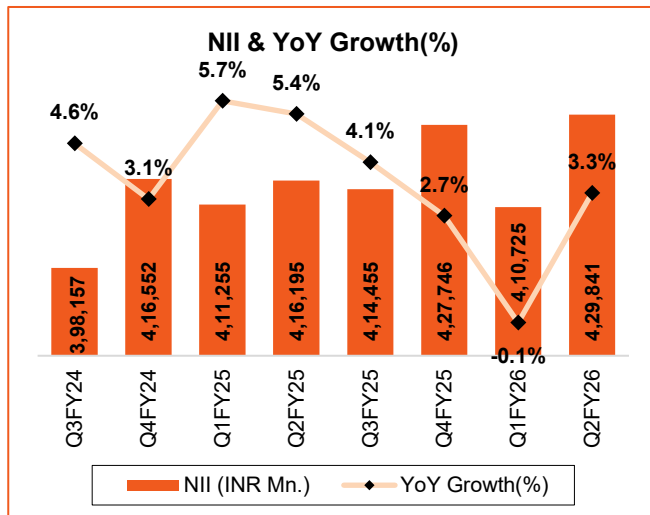
Source: Company, DevenChoksey Research

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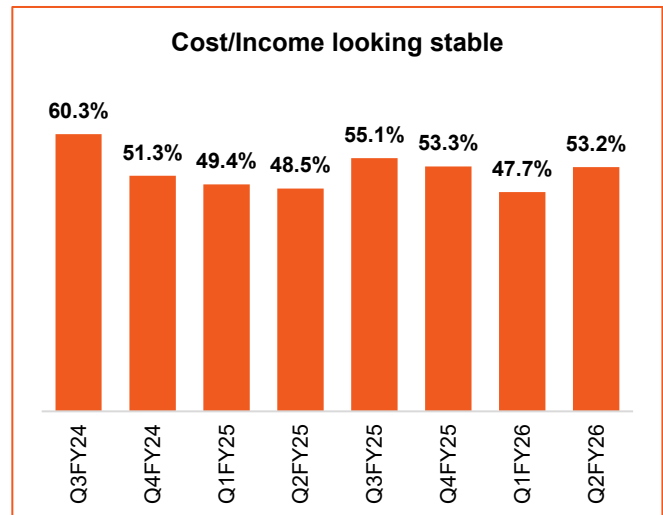
Result Snapshot

Particulars (INR Mn)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Income Statement					
Interest income	11,96,539	11,79,959	11,38,706	1.4%	5.1%
Interest expense	7,66,699	7,69,234	7,22,510	-0.3%	6.1%
Net interest income	4,29,841	4,10,725	4,16,195	4.7%	3.3%
Non interest income	1,53,255	1,73,457	1,52,706	-11.6%	0.4%
Total income	5,83,096	5,84,182	5,68,901	-0.2%	2.5%
Employee costs	1,66,060	1,68,995	1,48,074	-1.7%	12.1%
Other operating expenses	1,43,927	1,09,742	1,27,890	31.2%	12.5%
Operating expenses	3,09,987	2,78,737	2,75,964	11.2%	12.3%
Pre-provision profit	2,73,109	3,05,445	2,92,937	-10.6%	-6.8%
Provisions	54,001	47,592	45,057	13.5%	19.9%
Exceptional Item	45,932	0	0	0.0%	0.0%
Profit before tax	2,65,040	2,57,853	2,47,880	2.8%	6.9%
Tax expense	63,444	66,248	64,566	-4.2%	-1.7%
Net profit	2,01,597	1,91,604	1,83,314	5.2%	10.0%
Adj. PAT	1,55,665	1,91,604	1,83,314	-18.8%	-15.1%
Balance Sheet Analysis					
Deposits	5,59,17,004	5,47,32,537	5,11,72,849	2.2%	9.3%
CASA Deposits (domestic)	2,12,42,660	2,06,85,270	1,97,06,424	2.7%	7.8%
CASA (%)	39.6%	39.4%	40.6%	26bps	-94bps
Advances	4,36,17,370	4,19,62,051	3,85,74,235	3.9%	13.1%
Total Assets	6,98,74,687	6,76,85,048	6,34,14,593	3.2%	10.2%
Capital adequacy ratio (%)	14.6%	14.6%	13.8%	-1bps	86bps
Spread Analysis					
NIM (%)	3.0%	3.2%	3.4%	-13bps	-33bps
Asset Quality					
Gross NPA	7,62,430	7,80,400	8,33,690	-2.3%	-8.5%
Net NPA	1,84,600	1,99,080	2,02,940	-7.3%	-9.0%
GNPA (%)	1.73%	1.83%	2.13%	-10bps	-40bps
NNPA (%)	0.42%	0.47%	0.54%	-5bps	-12bps
PCR (%)	75.79%	74.49%	75.66%	130bps	13bps
Key Ratios					
Cost to Income ratio (%)	53.2%	47.7%	48.5%	545bps	465bps
C/D ratio (%)	78.00%	76.67%	75.38%	134bps	262bps
RoA (%)	1.17%	1.14%	1.17%	3bps	0bps

Source: Company, DevenChoksey Research



Source: Company, DevenChoksey Research



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Financials:

Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26E	FY27E	FY28E
Interest Income	46,24,894	49,27,806	57,26,073	66,11,410
Interest Expense	29,55,242	30,87,814	33,32,370	37,25,085
Net Interest Income	16,69,651	18,39,992	23,93,703	28,86,325
Non interest income	6,16,831	7,07,885	8,14,067	9,36,177
Operating income	22,86,482	25,47,877	32,07,771	38,22,502
- Employee expense	6,43,522	7,00,303	8,09,755	9,30,571
- Other operating expense	5,37,168	5,77,673	7,43,231	8,88,185
Operating Expense	11,80,690	12,77,976	15,52,987	18,18,756
PPOP	11,05,792	12,69,901	16,54,784	20,03,747
Provisions	1,53,079	1,99,257	2,20,868	2,58,689
PBT	9,52,713	10,70,644	14,33,916	17,45,057
Exceptional Items	0	45,932	0	0
Tax Expense	2,43,706	2,81,081	3,58,479	4,36,264
PAT	7,09,006	8,35,495	10,75,437	13,08,793
Diluted EPS (INR)	79.4	90.5	116.5	141.8

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26E	FY27E	FY28E
Source of Funds				
Share capital	8,925	9,231	9,231	9,231
Reserves & Surplus	44,02,697	56,13,656	66,89,093	79,97,886
Networth	44,11,621	56,22,887	66,98,324	80,07,117
Borrowings	56,35,725	69,90,816	77,85,447	87,80,103
Deposits	5,38,21,895	5,82,56,798	6,48,78,726	7,31,67,523
Other liabilities & provisions	28,91,291	50,23,030	78,46,437	1,02,31,061
Total Equity & Liabilities	6,67,60,533	7,58,93,530	8,72,08,934	10,01,85,804
Uses of Funds				
Cash & Balance with RBI	22,72,175	29,12,840	29,19,543	32,92,539
Other Bank and Call Money	11,30,122	8,73,852	9,73,181	10,97,513
Net investments	1,69,05,727	1,95,16,027	2,20,58,767	2,48,76,958
Loans & advances	4,16,33,121	4,74,36,477	5,58,95,382	6,53,41,382
Fixed assets	4,41,076	5,30,942	5,50,942	5,70,942
Other assets	43,78,312	46,23,391	48,11,120	50,06,470
Total Assets	6,67,60,533	7,58,93,530	8,72,08,934	10,01,85,804

Exhibit 4: Key Ratios

Key Ratio	FY25	FY26E	FY27E	FY28E
Growth Rates				
Advances (%)	12.4%	13.9%	17.8%	16.9%
Deposits (%)	9.5%	8.2%	11.4%	12.8%
Total assets (%)	8.0%	13.7%	14.9%	14.9%
NII (%)	4.4%	10.2%	30.1%	20.6%
Pre-provisioning profit (%)	17.9%	14.8%	30.3%	21.1%
PAT (%)	16.1%	17.8%	28.7%	21.7%
B/S Ratios				
Credit/Deposit (%)	77.4%	81.4%	86.2%	89.3%
CASA (%)	38.7%	39.7%	39.9%	40.2%
Advances/Total assets (%)	62.4%	62.5%	64.1%	65.2%
Leverage - Total Assets to Equity	15.13	13.50	13.02	12.51
Operating efficiency				
Cost/income (%)	51.6%	50.2%	48.4%	47.6%
Opex/total assets (%)	1.8%	1.7%	1.8%	1.8%
Opex/total interest earning assets	1.9%	1.8%	1.9%	1.9%
Profitability				
NIM (%)	2.9%	2.8%	3.2%	3.3%
RoA (%)	1.1%	1.2%	1.3%	1.4%
RoE (%)	17.3%	16.7%	17.5%	17.8%
Asset quality				
Gross NPA (%)	1.8%	1.7%	1.5%	1.4%
Net NPA (%)	0.5%	0.4%	0.4%	0.4%
PCR (%) (excl. AUCA)	74.4%	75.0%	75.0%	75.0%
Slippage (%)	0.6%	0.5%	0.5%	0.4%
Credit cost (%)	0.3%	0.3%	0.3%	0.3%
Per share data / Valuation				
EPS (INR)	79.4	90.5	116.5	141.8
BVPS (INR)	494.3	609.2	725.7	867.5
ABVPS (INR)	472.3	587.5	702.4	841.8
P/E (x)	10.1	9.1	7.1	5.8
P/BV (x)	1.6	1.3	1.1	0.9
P/ABV (x)	1.7	1.4	1.2	1.0

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State Bank Of India Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
06-Nov-25	958	1,108	BUY
02-May-25	800	941	BUY
07-Feb-25	737	915	BUY
11-Nov-24	848	1,020	BUY
06-Aug-24	812	1,010	BUY
15-May-24	818	975	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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