
October 12, 2010

**CARE ASSIGNS 'CARE AAA' RATING TO RETAIL BONDS ISSUE OF
STATE BANK OF INDIA**

CARE has assigned 'CARE AAA' [Triple A] rating to the proposed issue of Retail Bonds of state Bank of India (SBI) amounting to Rs.1000 crore (inclusive of green shoe option).

Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Retail Bonds Issue*	1000	'CARE AAA' (Triple A)	Assigned

**To be issued in the form of Lower Tier II Bonds*

Rating Rationale

The rating factors in SBI's parentage (GoI holds 59.41% stake), its long standing record of operations and its systemic importance and dominance in the Indian Banking sector, given its large asset size and extensive branch network. The rating also takes into account the bank's access to stable low cost deposit base and adequate capitalisation levels. SBI's ability to improve its spreads, sustain a healthy low cost deposits ratio and maintain asset quality by containing slippages are the key rating sensitivities.

Bank Profile

SBI is the largest bank in India with an asset base of Rs.10,50,902 crore and network of 12,496 branches and 16,369 ATMs as on March 31, 2010. The bank has systemic dominance in the Indian Banking sector with the advances and deposits market share of 16.55% and 16.14% as on June 30, 2010 respectively. Post the merger of its associate SB Indore with itself in August 2010, SBI presently has five associate banks.

¹ Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

For FY10, SBI earned a relatively stagnant Net Profit of Rs.9,166 crore on Total Income of Rs.85,962 crore due to average earnings growth, higher operating and provisioning expenses. During Q1FY11, SBI's advances and deposits registered growth of 20.74% and 6.78% y-o-y respectively; lagging the industry growth of 22.3% and 14.9% during the same period. SBI's profitability surged by a healthy 25% y-o-y to Rs.2,914 crore led by robust growth in net interest income and lower operating expenses. Asset quality registered a fall as Gross NPAs increased by 36% y-o-y led by fresh slippages of Rs.4,081 crore, primarily in agriculture (Rs.1,283 crore), SME (Rs.1,115 crore) and retail (Rs.1,112 crore). However, provisions coverage has improved to 60.7% as on June 30, 2010. The bank's CAR as per Basel II continues to remain comfortable at 13.54% as on June 30, 2010. (Tier I CAR: 9.79%).

Analyst Contact

Vijay Agrawal

Tel # (022) 6754 3416

E-mail: Vijay.agrawal@careratings.com

P. Soujanya

Tel # (022) 6754 3515

E-mail: soujanya.pantula@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's Place No. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail :Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :swati.agrawal@careratings.com</p>