

SBI Q2FY24 Risk Analysis Report

Financial Performance

Strengths

1. Continued profit growth: Net Profit increased by 8.03% YoY to ₹14,330 crores.
2. Improved Net Interest Income: 12.27% YoY growth.
3. Strong half-yearly performance: ROA at 1.10% and ROE at 22.57% for H1FY24.

Potential Risks

1. Decline in Operating Profit: 8.07% YoY decrease to ₹19,417 crores in Q2FY24.
2. Slight decrease in ROA: Down by 3 bps YoY to 1.01% for the quarter.
3. Marginal decrease in Domestic NIM: Down by 12 bps YoY to 3.43% for Q2FY24.

Balance Sheet

Strengths

1. Solid credit growth: 12.39% YoY overall, with 13.21% YoY in Domestic Advances.
2. Strong growth in SME Advances: 22.75% YoY increase.
3. Healthy growth in Retail Personal Advances: 15.68% YoY increase.
4. Foreign Office advances crossed ₹5 lakh crores.
5. Robust deposit growth: 11.91% YoY in Whole Bank Deposits.

Potential Risks

1. CASA ratio decline: CASA ratio at 41.88%, down 275 bps YoY, indicating potential increase in cost of funds.
2. Slower growth in Corporate loans: 6.62% YoY growth, lagging behind other segments.

Asset Quality

Strengths

1. Improved NPA ratios: Gross NPA ratio down by 97 bps YoY to 2.55%, Net NPA ratio down by 16 bps YoY to 0.64%.
2. Higher Provision Coverage Ratio: PCR (Incl. AUCA) improved by 39 bps YoY to 91.93%.
3. Improved Slippage Ratio: Down by 16 bps YoY to 0.70% for H1FY24.
4. Lower Credit Cost: Improved by 6 bps YoY to 0.22% for Q2FY24.

Potential Risks

1. Decline in PCR (excluding AUCA): Down by 248 bps YoY to 75.45%, which might indicate lower protection against potential losses.
2. Slight increase in quarterly Slippage Ratio: Up by 13 bps YoY to 0.46% for Q2FY24.

Capital Adequacy

Strengths

1. Improved Capital Adequacy Ratio: CAR up by 77 bps YoY to 14.28%, well above regulatory requirements.

Potential Risks

1. Slight decline in CAR compared to Q1FY24: Down by 28 bps QoQ, though still at a healthy level.

Operational Efficiency

Strengths

1. High digital adoption: 61% of SB accounts and 39% of retail asset accounts acquired digitally through YONO.
2. Increased use of alternate channels: Share in total transactions increased from ~96.8% in H1FY23 to ~97.7% in H1FY24.

Potential Risks

1. Cybersecurity risks: High reliance on digital channels may increase vulnerability to cyber attacks.
2. Technology dependence: Any technical issues or downtime could significantly impact operations.

Overall Risk Assessment

Based on the Q2FY24 results, SBI maintains a strong financial position with improved asset quality and capital adequacy. However, there are some areas of concern and potential risks:

1. Decline in Operating Profit and slight decrease in ROA
2. Pressure on Net Interest Margin
3. Continuing decline in CASA ratio
4. Slower growth in Corporate loans compared to other segments
5. Decrease in Provision Coverage Ratio (excluding AUCA)
6. Slight increase in quarterly Slippage Ratio
7. Cybersecurity and technology dependence risks

While these risks are notable, they appear manageable given the bank's overall strong performance. However, close monitoring and proactive management of these areas will be crucial for maintaining the bank's financial health and stability.