

SBI Q3FY24 Risk Analysis

Overview

This risk analysis is based on the Q3FY24 results press release of the State Bank of India (SBI). The analysis covers various aspects of the bank's performance and potential risks identified from the available data.

Key Performance Indicators

Profitability

- Net Profit for 9MFY24: ₹40,378 crores (20.40% YoY increase)
- Q3FY24 Net Profit: ₹9,164 crores (after accounting for one-time exceptional item of ₹7,100 crores)
- ROA for 9MFY24: 0.94%
- ROE for 9MFY24: 19.47%
- Q3FY24 ROA: 0.62%

Balance Sheet

- Credit growth: 14.38% YoY
- Deposit growth: 13.02% YoY
- CASA ratio: 41.18% (as of December 31, 2023)

Asset Quality

- Gross NPA ratio: 2.42% (improved by 72 bps YoY)
- Net NPA ratio: 0.64% (improved by 13 bps YoY)
- Provision Coverage Ratio (PCR): 74.17% (declined by 195 bps YoY)

Capital Adequacy

- Capital Adequacy Ratio (CAR): 13.05%

Risk Analysis

1. Credit Risk

- Risk Level: Moderate
- Observations:
 - ❑ Improving asset quality with declining GNPA and NNPA ratios
 - ❑ Slippage ratio for 9MFY24 improved by 5 bps YoY
- Potential Concerns:
 - ❑ Decline in Provision Coverage Ratio by 195 bps YoY
 - ❑ Increase in Q3FY24 slippage ratio by 17 bps YoY

2. Liquidity Risk

- Risk Level: Low to Moderate
- Observations:
 - ❑ Healthy deposit growth of 13.02% YoY
 - ❑ CASA ratio of 41.18%, indicating a stable low-cost deposit base
- Potential Concerns:
 - ❑ Slight decline in CASA ratio, down 330 bps YoY

3. Interest Rate Risk

- Risk Level: Moderate
- Observations:

- Net Interest Income (NII) increased by 4.59% YoY in Q3FY24
- Potential Concerns:
 - Decline in Domestic NIM by 35 bps YoY in Q3FY24
 - Pressure on margins due to rising interest expenses (37.84% YoY increase in Q3FY24)

4. Capital Adequacy Risk

- Risk Level: Low
- Observations:
 - CAR at 13.05%, above regulatory requirements
- Potential Concerns:
 - Decline in CAR by 22 bps YoY, potentially due to rapid credit growth

5. Operational Risk

- Risk Level: Low
- Observations:
 - High share of alternate channels in total transactions (97.7% in 9MFY24)
- Potential Concerns:
 - Increased reliance on digital channels may expose the bank to cyber risks

6. Market Risk

- Risk Level: Moderate
- Observations:
 - Diversified loan portfolio across corporate, SME, and retail segments
- Potential Concerns:
 - Exposure to potential market volatility, especially in the corporate sector

7. Concentration Risk

- Risk Level: Low to Moderate
- Observations:
 - Balanced growth across various loan segments
- Potential Concerns:
 - Rapid growth in SME (19.24% YoY) and Agri (18.12% YoY) advances may increase sector-specific risks

Conclusion

While SBI shows strong overall performance with improving asset quality and profitability, there are areas that require monitoring. The decline in NIM and provision coverage ratio, along with the slight increase in slippage ratio in Q3FY24, warrant attention. The bank's strong capital position and diversified portfolio provide resilience, but ongoing vigilance is necessary to manage potential risks in a dynamic economic environment.