

Result Update

Q1 FY26

State Bank of India

Institutional
Research

Muted performance: Margins under pressure, but profit remains steady

Operational Metrics

- ⇒ Net Interest Income (NII) stood at Rs. 41,072 crores, down 4.0% QoQ / down 0.1% YoY. The marginal YoY drop, despite steady credit growth, was due to NIM compression from higher funding costs.
- ⇒ Operating expenses stood at Rs. 27,874 crores, down 21.9% QoQ / up 7.9% YoY. The sharp sequential drop reflects normalization after Q4's high insurance-related and other costs.
- ⇒ Pre-provision operating profit (PPOP) came in at Rs. 30,544 crores, down 2.4% QoQ / up 15.5% YoY. YoY growth was supported by healthy other income and controlled opex.

Margins & Profitability

- ⇒ Provisions were Rs. 11,384 crores, down 10.0% QoQ / up 20.9% YoY, with YoY rise across segments indicating a cautious stance.
- ⇒ Net interest margin (NIM) stood at 2.90%, down 10 bps QoQ / down 32 bps YoY.
- ⇒ Net profit (PAT) stood at Rs. 19,160 crores, up 2.8% QoQ / up 12.5% YoY. Profit growth was aided by lower sequential provisions.
- ⇒ Return on assets (ROA) stood at 1.14%, up 2 bps QoQ / up 4 bps YoY.

Asset quality and Balance sheet

- ⇒ CASA ratio stood at 39.4%, down 57 bps QoQ / down 130 bps YoY.
- ⇒ Gross advances stood at Rs. 41,96,205 crores, up 0.8% QoQ / up 11.9% YoY, with growth led by retail and MSME lending. Corporate growth remains muted in Q1FY26.
- ⇒ Gross deposits stood at Rs. 54,73,253 crores, up 1.7% QoQ / up 11.7% YoY, aided by term deposit accretion.
- ⇒ Capital adequacy ratio (CAR) stood at 14.63%, up 38 bps QoQ / up 77 bps YoY, maintaining healthy capital buffers.
- ⇒ Gross NPA (GNPA) stood at 1.83%, up 1 bps QoQ / down 38 bps YoY.
- ⇒ Net NPA (NNPA) stood at 0.47%, flat QoQ / down 10 bps YoY, indicating sustained asset quality strength.

Key Highlights

Particulars (Rs. crores)	Q1FY26	Q4FY25	QoQ (%)	Q1FY25	YoY (%)
Net Interest Income	41,072	42,775	-4.0%	41,125	-0.1%
PPOP	30,544	31,286	-2.4%	26,449	15.5%
Net Profit	19,160	18,643	2.8%	17,035	12.5%
NIM (%)	2.90	3.00	-10bps	3.22	-32bps
RoA (%)	1.14	1.12	2bps	1.10	4bps
GNPA (%)	1.83	1.82	1bps	2.21	-38bps
NNPA (%)	0.47	0.47	0bps	0.57	-10bps
CASA (%)	39.40	39.97	-57bps	40.70	-130bps

Source: Company, BP Equities Research

Sector Outlook

Positive

Stock

CMP (Rs.)	804
BSE code	500112
NSE Symbol	SBIN
Bloomberg	SBIN IN
Reuters	SBI.BO

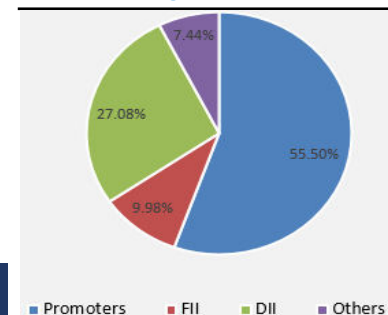
Key Data

Nifty	24,363
52 Week H/L (Rs.)	876/ 680
O/s Shares (Mn)	8,925
Market Cap (Rs. bn)	7,424
Face Value (Rs.)	1

Average Volume

3 months	1,15,63,290
6 months	1,18,02,440
1 year	1,28,74,690

Share Holding (%)



Relative Price Chart



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Valuation and Outlook

State Bank of India (SBI), the country's largest public sector bank, delivered a muted performance in Q1FY26, with soft loan growth and a reduction in provisions supporting profitability. Credit growth across the overall banking industry remains subdued, and SBI's performance was broadly in line with industry trends. Loan growth momentum was driven by strong double-digit YoY expansion in SME, retail, and personal banking segments, while corporate loan growth stayed muted as large borrowers increasingly turned to market-based funding instruments. This mix suggests that the credit portfolio is gradually strengthening. Asset quality was a key positive during the quarter, with improvements across Gross and Net NPAs, strong recoveries, and credit costs remaining under control. The cost-to-income ratio reverted to a comfortable range after the spike seen in the previous quarter. On the margin front, NIMs came under pressure due to a rate cut and lagged deposit repricing. Management has guided for a full-year NIM of 3%, though its achievability in FY26 will need close monitoring. Margins are expected to remain under pressure in the current interest rate environment, with the extent of compression yet to be quantified. **Overall, the results were broadly in line with expectations. While the outlook for growth and margins remains muted, the sustained improvement in asset quality provides a measure of comfort, and we maintain a neutral stance going forward.**

"Domestic NIM is expected to be around 3.0% for FY26. The trajectory for NIM this year will be U-shaped."

Key takeaways from Q1FY26 earnings call:

- ⇒ Management clarified that the QIP funds are not intended for growth capital, but are meant to augment CET1. After the capital raise in 1QFY26, the bank had an available buffer of 233 bps over the minimum regulatory capital requirement.

"Loan mix: 30.7% MCLR-linked, 30.2% EBLR-linked, 22.6% fixed-rate, 15.9% others."

Advances and Deposits

- ⇒ Corporate loan book saw pressure from: a) Rs. 120bn prepayments due to interest rate changes and Rs. 160-180bn business shift to commercial paper (CP) by large corporates
- ⇒ Xpress credit growth slowed due to: a) Faster repayments. and due to system upgrades reducing exposure to overleveraged low-income borrowers.
- ⇒ The bank has minimal exposure to sectors hit by tariffs, though renewable energy is seeing faster loan churn and competition from NBFCs.
- ⇒ CASA deposit grew by 8.05% YoY. CASA ratio stands at 39.36% . Total deposits increased 1.7% QoQ and 11.7% YoY, domestic credit to deposit ratio stood at 68.88%.

"A strong Rs. 7.2tn pipeline supports FY26 credit growth guidance of 12%, with a potential upside to 13% if conditions improve."

Yields, Margins, and Opex

- ⇒ Cost of funds remains high due to increased fixed deposits and lower CASA ratio, but is expected to ease as loans reprice in coming quarters.
- ⇒ Domestic NIM is guided at 3% for FY26, with a U-shaped trend: pressure in Q2FY26 and improvement from Q3FY25 as term deposits reprice and a CRR cut releases Rs. 520bn.
- ⇒ Miscellaneous income fell on a QoQ basis as Q4FY25 included year-end charges such as inspection and folio fees.
- ⇒ Lower opex in Q1FY26 due to containment in overheads while in Q4FY25 there was front loading of expenses.
- ⇒ Opex might be inch up going forward. Digital initiatives under consideration are not expected to alter C/I ratio.

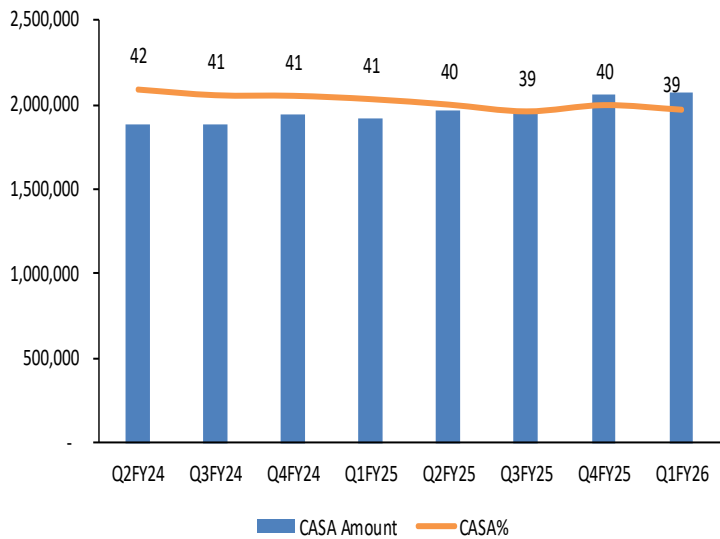
"The slippage ratio is guided to remain below 0.6% for FY26, with strong July pullbacks reinforcing management confidence."

Asset Quality

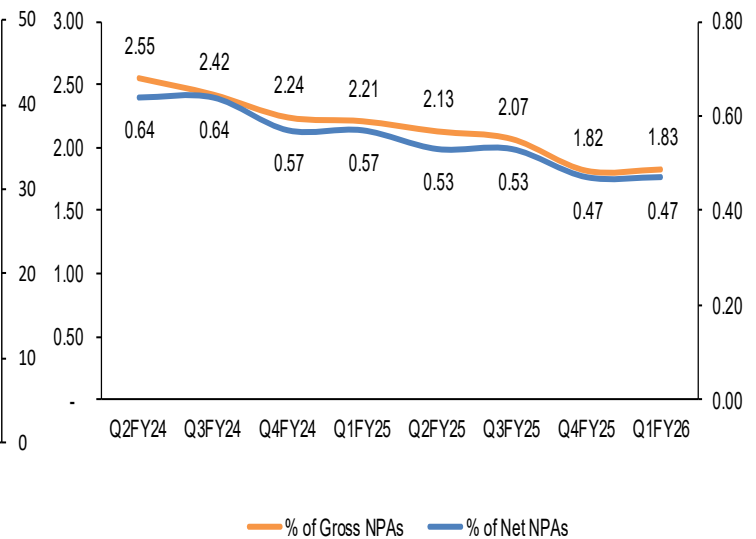
- ⇒ Most SME loans are secured or backed by the CGTMSE scheme, reducing credit risk.
- ⇒ Q1FY26 slippages were Rs. 26.8bn in SME, Rs. 24.6bn in agriculture, Rs. 26.0bn in personal loans, and Rs. 12.0bn in corporate credit groups.
- ⇒ Rs. 15.85bn in slippages have already been recovered in Q2FY26.

Quarterly Snapshot (Rs. crores)

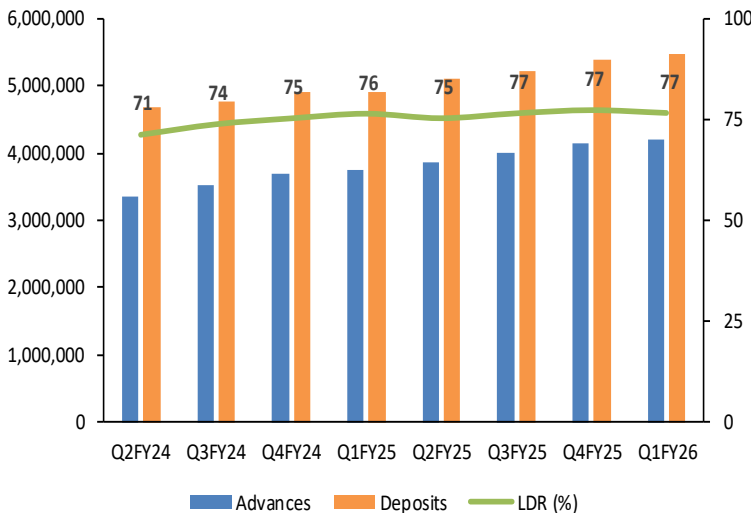
CASA



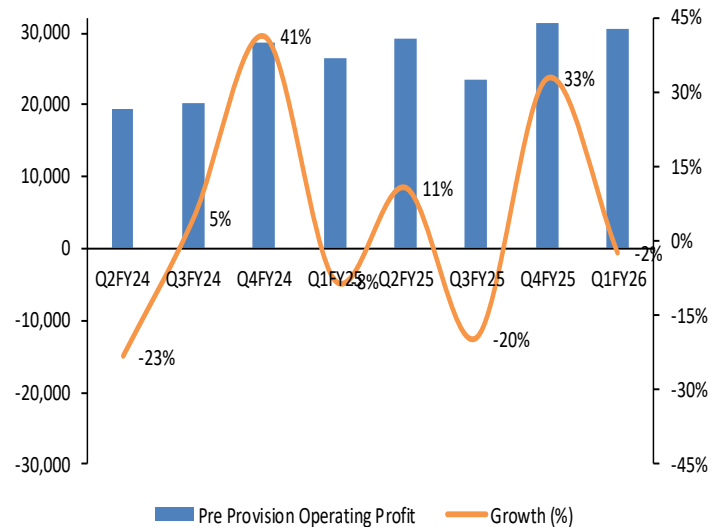
NPA Ratios (%)



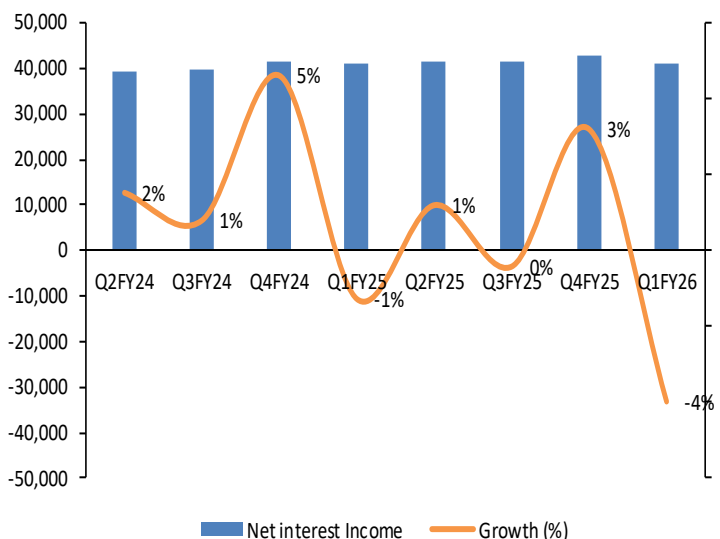
Loan - Deposit Ratio (%)



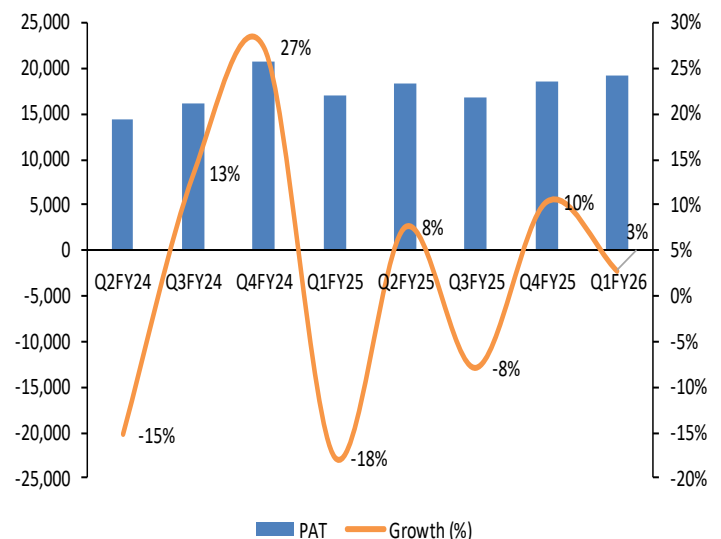
Pre-Provision Operating Profit



Net Interest Income



Profit After Tax



Key Financials

YE March (Rs. crores)	FY21	FY22	FY23	FY24	FY25
Net Interest Income	1,10,710	1,20,708	1,44,841	1,59,876	1,66,965
<i>Growth %</i>	<i>12.90%</i>	<i>9.00%</i>	<i>20.00%</i>	<i>10.40%</i>	<i>4.40%</i>
PPOP	71,554	75,292	83,713	93,797	1,10,579
<i>Growth%</i>	<i>5.00%</i>	<i>5.20%</i>	<i>11.20%</i>	<i>12.00%</i>	<i>27.5%</i>
Net Profit	20,410	31,676	50,232	61,076	70,900
<i>Growth %</i>	<i>40.90%</i>	<i>55.20%</i>	<i>58.60%</i>	<i>21.60%</i>	<i>16.10%</i>
EPS	22.9	35.5	56.3	68.4	79.4

Profitability & Valuation

NIM (%)	3.26%	3.36%	3.58%	3.30%	2.90%
RoA (%)	0.48%	0.67%	0.96%	1.02%	1.10%
RoE (%)	9.91%	13.92%	19.40%	20.34%	18.60%
BV per Share (Rs.)	241	269	310	364	439
P/E (x)	35.1	22.6	14.3	11.8	10.1
P/BV (x)	3.3	2.9	2.5	2.2	1.8

Key Operating Metrics

CASA %	46	45	44	41	40
CASA Amount	1,646,974	1,775,084	1,862,904	1,941,996	2,152,900
Deposits	3,681,277	4,051,534	4,423,778	4,916,077	5,382,190
<i>Growth%</i>	<i>13.6%</i>	<i>10.1%</i>	<i>9.2%</i>	<i>11.1%</i>	<i>9.5%</i>
Advances	2,449,498	2,733,967	3,199,269	3,703,971	4,163,312
<i>Growth%</i>	<i>5.3%</i>	<i>11.6%</i>	<i>17.0%</i>	<i>15.8%</i>	<i>12.4%</i>
LDR (%)	67	67	72	75	77

Source: Company, BP Equities Research

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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