

SBI set to launch foreign AT1 bonds on Wednesday

Indicative coupon is 5.5%

Abhijit Lele | Mumbai September 14, 2016 Last Updated at 00:05 IST



India's largest lender, State Bank of India or SBI, is set to launch first foreign offering for dollar-

State Bank of India (SBI) chairwoman Arundhati Bhattacharya smiles during a product launch in Mumbai

denominated Additional Tier-I (AT1) bonds on Wednesday. Issue's minimum size is expected to be \$500 million and indicative coupon rate is 5.5 per cent.

Money raised through these perpetual bonds, with five-year call option, will bolster capital adequacy ratio of bank. CAR is the amount of capital a bank sets aside as a proportion of risky assets. The bank would raise up to \$1 billion through these bonds.

Merchant banking sources said SBI would like to test the waters — interest and pricing band — before firming up the size. The aim is to get fine pricing close to five per cent.

Managers for the bond offering include Citi, Standard Chartered Bank, JPMorgan, HSBC, and National Bank of Abu Dhabi.

SBI's CAR was 14.01 per cent in June, and 12 per cent a year ago. Out of 14.01 per cent, Common Equity Tier-I (CET-I) was 10.71 per cent in June, while a year ago, CAR was 12 per cent with CET-I of 9.59 per cent. Tier one capital is the best form of bank capital — the money the bank has in its coffers to support all

risks it takes: Lending, trading and so on.

SBI's CAR improved substantially in the first quarter of FY17 due to gains from revaluation of real estate assets. It boosted CET-I by Rs 14,383 crore (72 basis points).