THE HINDU BusinessLine

SBI, ICICI Bank asset quality, profitability differ: Moody’s

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Mumbai, March 16:

Moody’s Investors Service on Wednesday said State Bank of India’s profitability metrics could face lingering pressure as it spends the next 6-8 quarters rebuilding its balance-sheet buffers.

It noted that ICICI Bank has seen significant improvement in its core operating profitability, allowing it to absorb a higher level of credit costs.

As the largest bank in India by assets and deposits, SBI accounted for around 17 per cent of system loans and 16 per cent of system deposits as of end-June 2015.

As of the same date, ICICI accounted for 6 per cent of system loans and 4 per cent of system deposits.

“SBI is also showing a stabilisation of its underlying asset quality, and we believe that recent developments provide further confirmation that it has moved past the worst of its latest asset cycle,” said Alka Anbarasu, Vice-President and Senior Analyst.

SBI’s new impaired loan formation has slowed, and the global credit rating agency sees this development as a sign that, barring new adverse shocks, the bank’s delinquencies in this cycle have peaked.

By contrast, ICICI’s asset quality has deteriorated over the last few quarters, and the bank's corporate loans will remain under pressure, because some of its corporate customers show weak debt servicing metrics, said Srikanth Vadlamani, Vice-President and Senior Credit Officer. ICICI exhibits a meaningful exposure to large corporates, and that the exposure represents a key source of risk for the bank’s asset quality, he added.

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