J.P.Morgan

Asia Pacific Equity Research
06 January 2010

State Bank of India

Running into headwinds

- **We assume coverage of SBI with a Neutral rating** and Mar-11 price target of Rs2,300. At 1.5x P/BV (one-year forward), we believe upside in the near term is limited by earnings pressure from higher provisioning, rising bond yields, and capital pressure—notwithstanding a strong argument for a long-term re-rating. Under prior J.P. Morgan coverage, SBI was rated OW with a PT of Rs2,847.
- **SBI's low provision coverage remains a significant risk** to its earnings and book value, in our view. We believe despite the revised and diluted RBI norms, SBI would still have to raise its coverage, which could dampen its earnings. There could be further stress, if our benign assumptions on incremental NPL creation are belied.
- **Rising rates a mixed bag for SBI:** Rising rates should negatively affect SBI via higher bond yields and losses on its portfolio. This could be only somewhat offset by an improvement in NIMs. We believe rather than rates, improving LDRs are a more important driver of SBI's NIMs, and they will be inhibited by capital.
- **Dilution remains an issue:** The "catch 22" situation for SBI is that it needs 25%+ loan growth to improve NIMs, but doing that would put pressure on CAR. With near-term ROEs unlikely to cross the mid-teens, the cushion of the 9.0% Tier-1 may not hold out for very long.
- The key (upside) risk to our call remains a **possible long-term relative re-rating of** state-owned banks vs private banks. However, we think that this trend could play out only over a two-year period and the re-rating could be in "pause" mode for the time being.
- **Valuation—too close to peak:** SBI trades at a mere 25% discount to its historical peak, tighter than others in our universe. An ROE of ~16% and a low CAR should cap upside from current levels, despite a possible improvement in operating parameters. Our Gordon growth valuation multiple is 1.5x FY11E, and we see little upside from the current levels.

Neutral

SBI.BO, SBIN IN

Price: Rs2,305.80

▼ **Price Target: Rs2,300.00**
Previous: Rs2,847.00

India
Banks

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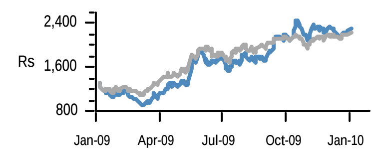
Price Performance



	YTD	1m	3m	12m
Abs	1.6%	-0.7%	6.8%	74.1%
Rel	0.0%	-4.9%	1.7%	4.4%

State Bank of India (Reuters: SBI.BO, Bloomberg: SBIN IN)

Year-end Mar (Rs in mn)	FY08A	FY09A	FY10E	FY11E	FY12E		
Operating Profit	155,404	228,017	224,414	293,977	374,164	52-wk range (Rs)	2,500.00 - 891.50
Net Profit	89,607	109,867	121,797	137,668	165,558	Market cap (Rs mn)	1,463,906
Cash EPS (Rs)	141.90	173.05	191.84	216.84	260.77	Market cap ($ mn)	31,656
Fully Diluted EPS (Rs)	101.70	158.77	171.48	216.43	264.55	Shares outstanding (mn)	635
DPS (Rs)	11.67	21.38	28.00	36.00	47.00	Fiscal Year End	Mar
EPS growth (%)	17.3%	22.0%	10.9%	13.0%	20.3%	Price (Rs)	2,305.80
ROE	17.3%	16.4%	15.7%	15.6%	16.4%	Date Of Price	06 Jan 10
P/E	16.2	13.3	12.0	10.6	8.8	Avg daily value (Rs mn)	1,279.6
BVPS (Rs)	969.74	1,140.22	1,301.21	1,482.05	1,691.03	Avg daily value ($ mn)	27.7
P/BV	2.4	2.0	1.8	1.6	1.4	Avg daily vol (mn)	0.9
Div. Yield	0.5%	0.9%	1.2%	1.6%	2.0%	NIFTY	5,282
						Exchange Rate	46.24

Source: Company data, Bloomberg, J.P. Morgan estimates.

See page 13 for analyst certification and important disclosures, including non-US analyst disclosures.

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Company description

SBI is the largest bank in India with a 59% government stake. It has a loan book of ~US$180 billion with exposure to corporate, SME, retail, international and Agri sectors. Agri sector forms >25% of its total system credit. It has the largest number of branches (>10,000) and highest employee strength among Indian banks.

P&L sensitivity metrics

	EBITDA impact (%)	EPS impact (%)
NIMs		
Impact of each 10bps	5.4%	7.0%
Cost to Income		
Impact of each 100bps	3.2%	4.2%
Provisions/Assets		
Impact of each 10bps	0.0%	7.0%

Source: J.P. Morgan estimates.

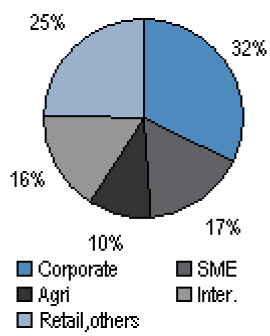
Price target and valuation analysis

Our Mar-11 price target of Rs2, 300 is based on Gordon growth model, assuming a terminal growth rate of 8%, cost of equity of 14.2%, and an ROE of 16%, implying a P/B of 1.5x FY11E book, and a value of Rs107/share from the insurance business.

Risk free rate:	7.5%
Market risk premium:	7.0%
Beta:	0.95
Cost of Equity	14.2%
Terminal “g”:	8%
Asset/Equity	5.3
Target P/B (FY11 book)	1.5

SBI’s current valuation is just 25% off its January 2008 peak vs private sector banks, whose valuations are 35-55% off their January 2008 highs. Key risks to our view and PT are: (1) overall re-rating of the public sector banks; and (2) government reforms.

Loan breakdown



Source: Company.

EPS estimates: J.P. Morgan vs consensus

Rs	J. P. Morgan	Consensus
FY10E	192	179
FY11E	217	222
FY12E	261	272

Source: Bloomberg, J.P. Morgan estimates.

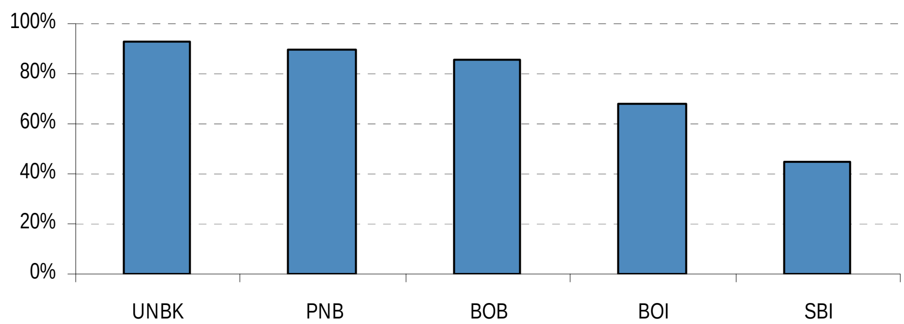
Investment negatives

Provision cover remains a risk

The revised RBI norms may not immediately impact SBI, but its low provision coverage remains a significant risk to earnings and, indeed, its book value. We think that the revised norms merely give SBI a longer window to raise its coverage – in any case, it remains an earnings dampener. This is despite our benign assumptions on incremental NPL creation.

- The revised RBI guidelines on provision cover allows "technical write-offs" (NPLs that are shown as 100% provisioned in the branch books but are written off in the published accounts) to be included in provision coverage. It is likely that SBI's "accounts under collection", a classification similar to technical write-offs, will also be reckoned, which will take its provision coverage to 58% as of September 2009—SBI needs to get to 70% by September 2010. We think this is a temporary reprieve – it is likely that RBI will come back with tighter asset-specific provisioning norms, based on aging.

Figure 1: SBI's provisioning lower vs peers



Source: Company data.

- Fundamentally, SBI's provision cover is too low and needs to be raised. SBI is one of the few PSU banks that follow the RBI sliding scale (see the table below) to the letter, which is why their cover is very low. We believe that 70-75% provision cover is ideal for Indian banks, based on our discussions with credit rating agencies on broad trends of loss-given-default. The risk remains that SBI will have to raise its provision cover to ~70% over time, either through a capital write-down or via P&L provisioning, in our view.

Table 1: RBI NPA provisioning

	NPA Provisioning requirement	
Age of NPL (mnts)	Secured	Unsecured
0-12	10	20
12-24'	20	100
24-48	30	100
>48 mnts	100	100

Source: RBI circular.

- The SBI management, on occasion, has defended its low provisioning cover on the logic that it expects a large part of its recent NPL formation to be regularized and be written back. We believe that is too optimistic. We do believe that incremental NPL formation and slippage from restructured loans to NPLs will be limited, but an absolute reduction in Gross NPLs will be difficult.

Figure 2: SBI—Gross NPLs

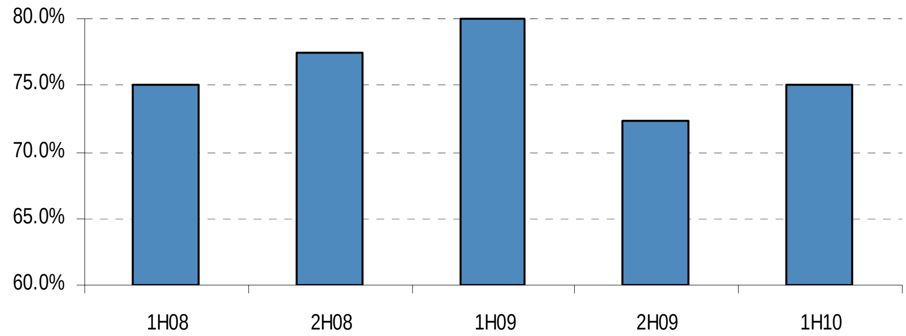
Source: Company, J.P. Morgan estimates.

Rising rates: A mixed bag for SBI

Rising rates will help SBI's NIMs in a small way, but the general improvement should be gradual. The key factor, we believe, is improving LDRs, which require a bounce back in systemic loan growth. We expect SBI's NIMs to improve 20bp in FY11, and a further 10bp in FY12; this should still keep it below FY08 levels. On the other hand, rising bond yields should represent headwinds for valuations in the medium term.

- **We believe rising rates will be a partial relief to SBI,** because they now enter a period when the high-cost deposits from last year will be repriced downwards. Rising rates would support asset yields, and drive NIMs upward. However, the impact of this should be minimal, as loan yields overall remain very soft in general.
- **But current LDR low:** A more important factor for SBI is loan-deposit ratios. Its aggressive deposit gathering in 4Q 2009 (deposits grew 20% in six months) drove its LDRs down significantly, and the excess funds remained locked in very low-yield assets. Systemic loan growth should help solve this problem, but that, we believe, will be a slow process.

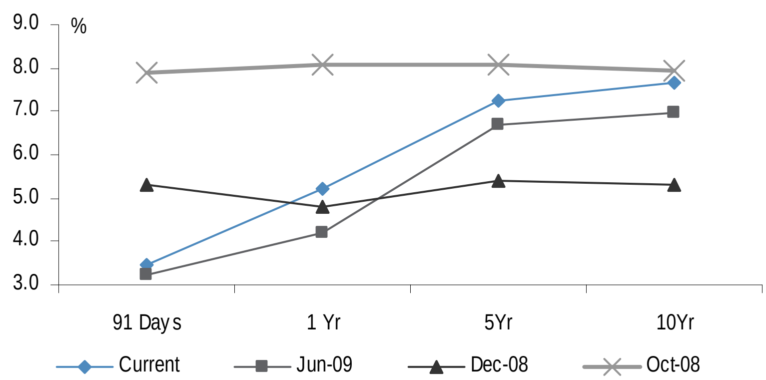
Figure 3: LDR down significantly in 2H09



Source: Company.

- On the other hand, SBI has a clear negative from rising bond yields. We expect the yield curve to flatten as the RBI raises rates and reduces excess liquidity from the system; this may cause bonds in the 4-6 year maturity bucket to rise and that would create a P&L drag via bond losses.

Figure 4: Yield curve currently steep



Source: Bloomberg.

Dilution remains an issue

The **"**catch 22" situation for SBI is that it needs 25%+ loan growth to improve NIMs, but doing that would impact CAR. With near term ROEs unlikely to cross the mid-teens, the cushion of the 9.0% Tier 1 will not hold out for very long.

- **Tier-1 low:** We think SBI is capable of growing at 22-25% over the next 2-3 years: it has addressed its traditional weaknesses on loan origination capabilities, diversity in loan mix and customer acquisition in liabilities. However, these growth levels are likely to see Tier 1 CAR fall below 8%, with core Tier 1 falling to ~7% by FY12E. If we raise loan forecasts for FY11/12 from 22% to 25%, the decay in CAR will be even sharper.

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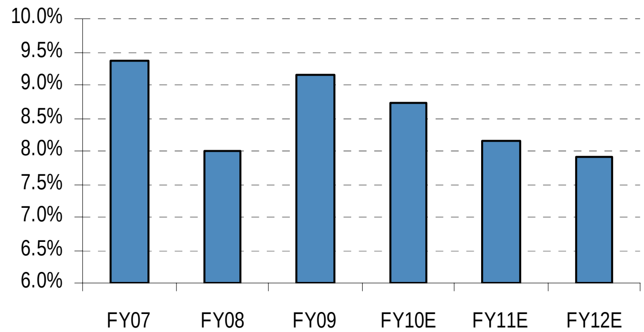
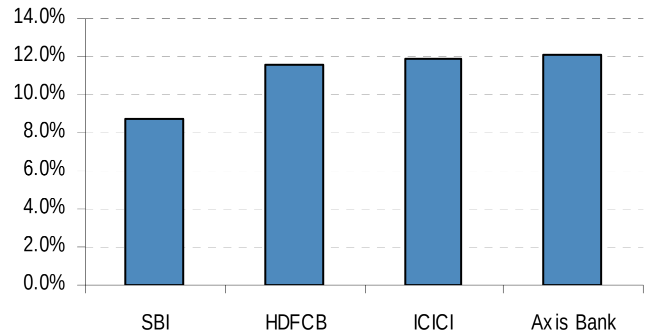
Figure 5: SBI :Tier 1 dipping below 8% in FY12E



Source: Company, J.P. Morgan estimates.

Figure 6: SBI: Under capitalized vs peers



Source: Company, J.P. Morgan estimates.

- **Might face regulatory pressure to increase Tier-1:** SBI should be fine with 7.8% Tier-1 CAR under the letter of existing regulation. We believe, however, that SBI will be held to standards higher than the regulatory minimum, given is status as systemically important. The pressure on the bank will be even greater as the large private sector banks are likely to end FY09 with higher levels of CAR than SBI. We do not think SBI can sustain 22-25% loan growth (which it needs to improve ROAs) without more capital.

- **Unlike private banks, dilution will not be at significant premiums to book:** Unlike private sector banks, SBI does not have the luxury to issue stock at 2.5-3x P/BVs, which ensures that BV-accretion cushions the ROE dilution that an issuance inevitably brings. We cannot see SBI being able to issue capital at significantly above 1.5-1.6x P/BV, in which case we see its ROEs stuck in the 14-16% range for 4-5 years at least. Of course, we are assuming that the government finally does change the law to allow its stake to fall to 51%, (55% is the current floor). Otherwise, we think a rights issue will remain SBI's only option on capital raising.

Investment positives

Long-term relative re-rating story

The main (upside) risk to our call remains a possible narrowing of the rating differentials between private and state-owned banks. This would be driven by:

- Narrowing growth differentials between private and state banks. Up to the mid-noughties, private sector banks are expected to grow at 30-35% while state banks would be stuck in the teens. That growth differential has significantly narrowed to a 3-4 percentage point gap, and we believe could drive valuation differentials down as well.

- If the state-owned banks get through this cycle without NPLs spiking, it would remove another reason for the valuation differential. This argument will not apply to SBI as long as its provision coverage remains <50%, in our view.

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Government reforms could be a positive catalyst

If the government does manage to lower the floor of its holding in SBI from 55% to 51% (requires a change in law), it may act as a positive trigger for the stock. However, we think the kicker would be temporary, as the fundamental problem with SBI – low ROAs, low provision coverage and the need to dilute – would not go away.

Valuation – too close to peak

SBI is trading at 1.6x PBV (consolidated), which is a mere 25% below its historical peak, a discount that is tighter than any other bank in our coverage universe. An ROE of ~16% and a possible need to raise capital makes it hard to argue for significant upside from current levels, even with a possible improvement in operating parameters. Our Gordon growth valuation multiple is 1.5x FY11E book, and we see little upside from current levels. Our rating is Neutral – we would advise investors to wait for a correction.

- **Two-stage Gordon growth model– growth still not strong enough:** We use a two-stage Gordon growth model with FY09-12E period of ~15% and terminal growth of 8% from FY12E. But with ROAs at <1% and ROEs at ~16% we believe it is difficult to assign higher multiples to SBI as even a terminal growth of 8% does not justify higher multiples than our 1.5x FY11 book .

Table 2: SBI Valuations—PT of Rs2300/share

FY12 ROE	16.0%
COE	14.2%
Growth	8.0%
Book Implied book	1.31
Implied FY11 Book	1.49
FY12 Consolidated Book	1,684.5
Rs	
Bank Valuation	2,203
Insurance valuation	108
Price target	2,311

Source: J.P. Morgan estimates.

Table 3: SBI—Life Insurance valuation

Valuation (X NBAP)	17
PV on NBAP	97,394
Embedded value	7,108
Appraisal value	101,953
Share capital	10,000
Value of business - excess	91,953
SBI's share	68,045
SBI-No. of shares	635
Per share addn to mkt cap	107

Source: J.P. Morgan estimates.

- **Trading too close to the peak:** Of our coverage universe SBI is trading at 22% discount to its Jan-08 highs v/s other companies which are off 35-55% of their Jan -08 highs.

Table 4: Valuations—Current valuations vs the peak

	Axis	HDFCB	ICICIBC	KMB	SBI	IDFC	HDFC	INDEX
Current	2.33	3.41	1.77	3.43	1.66	2.63	4.65	2.00
Maximum	4.6	5.2	3.3	7.5	2.1	5.0	7.1	3.1
Discount	-50%	-35%	-46%	-54%	-22%	-47%	-34%	-36%

Source: Bloomberg, J.P. Morgan estimates.

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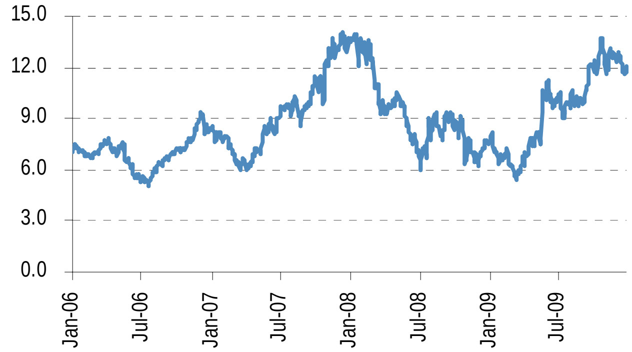
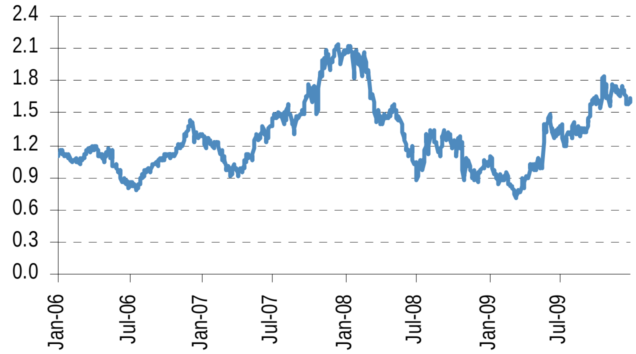
Figure 7: SBI—One-year forward P/E



Source: Bloomberg, J.P. Morgan estimates.

Figure 8: SBI—One-year forward P/B



Source: Bloomberg, J.P. Morgan estimates.

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Company analysis

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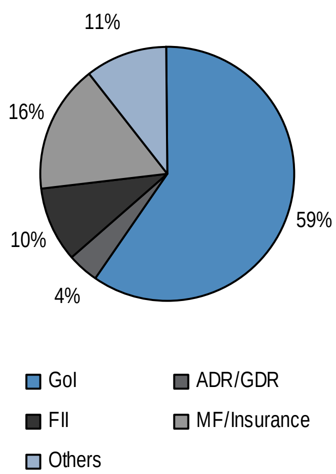
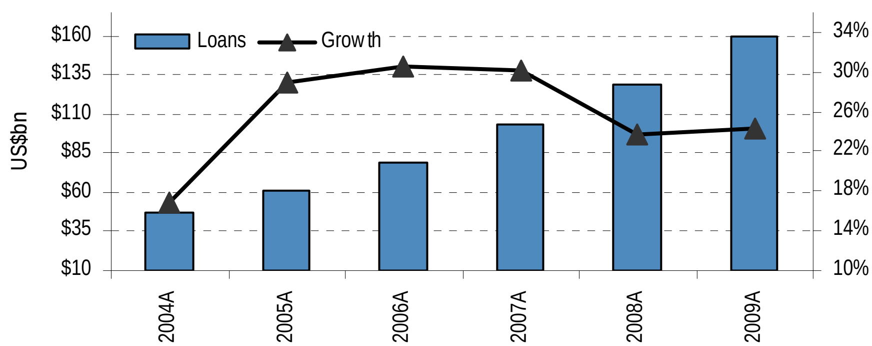
Figure 9: SBI—Shareholding Pattern



Source: Company, NSE.

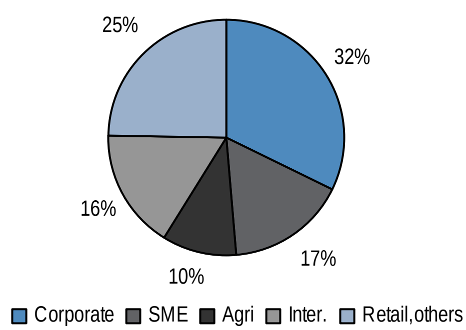
Figure 10: SBI—Loan book and growth



Source: Company, J.P. Morgan.

SBI's loan mix is ~50% Corporate and SME lending, 10% Agri, 16% international book.

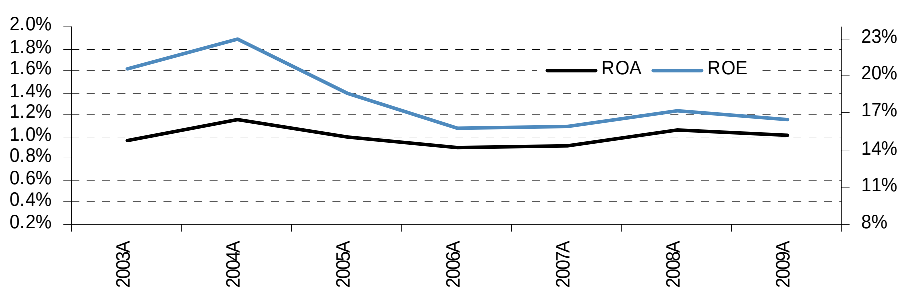
Figure 11: SBI—Loan book composition



Source: Company

SBI's ROAs have been in the range of 0.9-1.1%.

Figure 12: SBI—ROA and ROE trends



Source: Company, J.P. Morgan.

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State Bank of India: Summary of Financials

Income Statement Rs in millions, year end Mar	FY08	FY09	FY10E	FY11E	FY12E
NIM (as % of avg. assets)	2.7%	2.6%	2.4%	2.4%	2.4%
Earning assets/assets	94.6%	94.9%	95.7%	95.8%	95.8%
Margins (% of earning assets)	2.6%	2.5%	2.3%	2.3%	2.3%
Net Interest Income	235,943	290,719	312,898	378,380	462,564
Total Non-Interest Income	158,893	203,015	241,215	296,869	352,204
Fee Income	-	-	-	-	-
Dealing Income	-	-	-	-	-
Other Operating Income	-	-	-	-	-
Total operating revenues	394,836	493,734	554,112	675,249	814,768
Operating costs	-239,432	-265,717	-329,699	-381,272	-440,604
Pre-Prov. Profits	155,404	228,017	224,414	293,977	374,164
Provisions	-43,410	-60,001	-37,919	-68,837	-100,698
Other Inc/Exp.	25,389	9,068	12,925	264	-2,398
Exceptionals	-2,522	-2,178	-5,075	-5,736	-6,898
Disposals/ other income	-	-	-	-	-
Pre-tax	137,383	177,085	199,419	225,404	271,068
Tax	-47,776	-67,218	-77,622	-87,736	-105,510
Minorities	-	-	-	-	-
Other Distbn.	-	-	-	-	-
Attributable Income	89,607	109,867	121,797	137,668	165,558

Growth Rates	FY08	FY09	FY10E	FY11E	FY12E
Loans	23.8%	24.4%	20.0%	22.0%	18.0%
Deposits	18.2%	25.0%	12.2%	21.9%	20.7%
Assets	26.0%	27.0%	12.1%	27.4%	17.5%
Equity	44.0%	18.2%	14.1%	13.9%	14.1%
RWA	39.3%	24.3%	18.5%	21.9%	17.5%
Net Interest Income	8.5%	23.2%	7.6%	20.9%	22.2%
Non-Interest Income	36.1%	27.8%	18.8%	23.1%	18.6%
of which Fee Grth	-	-	-	-	-
Revenues	22.0%	30.3%	11.1%	29.8%	18.2%
Costs	19.7%	11.0%	24.1%	15.6%	15.6%
Pre-Provision Profits	15.9%	46.7%	-1.6%	31.0%	27.3%
Loan Loss Provisions	21.3%	38.2%	-36.8%	81.5%	46.3%
Pre-Tax	-	-	-	-	-
Attributable Income	40.7%	22.6%	10.9%	13.0%	20.3%
EPS	17.3%	22.0%	10.9%	13.0%	20.3%
DPS	-16.7%	83.3%	30.9%	28.6%	30.6%

Balance Sheet Gearing	FY08	FY09	FY10E	FY11E	FY12E
Loan/deposit	77.7%	74.1%	80.1%	75.3%	75.1%
Investment/assets	26.5%	23.4%	23.1%	19.5%	14.5%
Loan/Assets	58.7%	57.5%	61.6%	58.9%	59.2%
Customer deposits/liab.	75.6%	77.6%	76.9%	78.3%	78.8%
LT debt/liabilities	6.4%	5.0%	4.8%	4.7%	4.6%

Per Share Data Rs	FY08	FY09	FY10E	FY11E	FY12E
EPS	141.90	173.05	191.84	216.84	260.77
DPS	11.67	21.38	28.00	36.00	47.00
Payout	8.2%	12.4%	14.6%	16.6%	18.0%
Book value	891.74	1,019.27	1,179.99	1,482.05	1,691.03
Fully Diluted Shares	631.47	634.88	634.88	634.88	634.88

Asset Quality/Capital	FY08	FY09	FY10E	FY11E	FY12E
Loan loss reserves/loans	0.0%	0.0%	0.0%	0.0%	0.0%
NPLs/loans	2.6%	2.6%	2.6%	2.5%	2.7%
Loan loss reserves/NPLs	0.0%	0.0%	0.0%	0.0%	0.0%
Growth in NPLs	-39.4%	24.4%	19.4%	19.1%	27.5%
Tier 1 Ratio	8.2%	9.1%	8.0%	6.9%	6.7%
Total CAR	12.4%	13.6%	11.9%	10.4%	9.9%

Key Balance sheet Rs in millions	FY08	FY09	FY10E	FY11E	FY12E
Net Loans	6,032,219	7,503,624	9,004,349	10,985,305	12,962,660
LLR	0	0	0	0	0
Gross Loans	6,032,219	7,503,624	9,004,349	10,985,305	12,962,660
NPLs	157,441	195,845	233,829	278,467	354,969
Investments	2,720,000	3,056,892	3,380,663	3,641,329	3,177,544
Other earning assets	565,146	517,467	574,965	746,299	879,692
Avg. IEA	8,711,880	11,069,738	13,241,704	15,930,457	19,431,174
Goodwill	-	-	-	-	-
Assets	10,272,695	13,048,257	14,624,732	18,637,183	21,907,942
Deposits	7,764,165	10,119,883	11,244,331	14,595,037	17,252,935
Long-term bond funding	660,232	645,916	700,888	869,021	996,870
Other Borrowings	-	-	-	-	-
Avg. IBL	7,636,872	9,595,098	11,355,509	13,704,638	16,856,931
Avg. Assets	9,212,220	11,660,476	13,836,495	16,630,957	20,272,562
Common Equity	612,364	723,904	826,112	940,924	1,073,598
RWA	7,795,267	9,691,824	11,483,426	13,999,995	16,455,054
Avg. RWA	6,694,744	8,743,545	10,587,625	12,741,710	15,227,525

Du-Pont Analysis	FY08	FY09	FY10E	FY11E	FY12E
NIM (as % of avg. assets)	2.7%	2.6%	2.4%	2.4%	2.4%
Earning assets/assets	94.6%	94.9%	95.7%	95.8%	95.8%
Margins (as % of Avg. Assets)	2.6%	2.5%	2.3%	2.3%	2.3%
Non-Int. Rev./ Revenues	40.2%	41.1%	43.5%	44.0%	43.2%
Non IR/Avg. Assets	1.7%	1.7%	1.7%	1.8%	1.7%
Revenue/Assets	3.8%	3.8%	3.8%	3.6%	3.7%
Cost/Income	60.6%	53.8%	59.5%	56.5%	54.1%
Cost/Assets	2.6%	2.3%	2.4%	2.3%	2.2%
Pre-Provision ROA	6.4%	6.1%	6.2%	5.9%	5.9%
LLP/Loans	-0.7%	-0.8%	-0.4%	-0.6%	-0.8%
Loan/Assets	59.2%	58.0%	59.7%	60.1%	59.1%
Other Prov, Income/ Assets	0.3%	0.1%	0.1%	0.0%	-0.0%
Operating ROA	1.7%	2.0%	1.6%	1.8%	1.8%
Pre-Tax ROA	6.3%	5.7%	6.0%	5.5%	5.4%
Tax rate	-	-	-	-	-
Minorities & Outside Distbn.	0.0%	0.0%	0.0%	0.0%	0.0%
ROA	1.0%	0.9%	0.9%	0.8%	0.8%
RORWA	1.3%	1.3%	1.2%	1.1%	1.1%
Equity/Assets	5.6%	5.7%	5.6%	5.3%	5.0%
ROE	17.3%	16.4%	15.7%	15.6%	16.4%

Source: Company reports and J.P. Morgan estimates.

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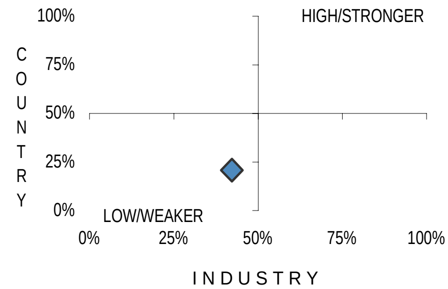
All Data As Of 06-Jan-10

Q-Snapshot: State Bank of India

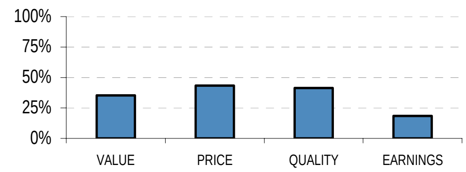
Quant Return Drivers (a Score >50% indicates company ranks 'above average')

Score 0% (worst) to 100% (best)	vs Country	vs Industry	Raw Value
Value			
P/E Vs Market (12mth fwd EPS)	66%	73%	0.7x
P/E Vs Sector (12mth fwd EPS)	44%	62%	0.9x
EPS Growth (forecast)	18%	27%	5.5%
Value Score	35%	54%	
Price Momentum			
12 Month Price Momentum	32%	57%	75.1%
1 Month Price Reversion	79%	58%	-1.5%
Momentum Score	44%	60%	
Quality			
Return On Equity (forecast)	43%	79%	16.1%
Earnings Risk (Variation in Consensus)	46%	44%	0.13
Quality Score	41%	71%	
Earnings & Sentiment			
Earnings Momentum 3mth (risk adjusted)	50%	43%	15.6
1 Mth Change in Avg Recom.	75%	73%	0.06
Net Revisions FY2 EPS	1%	10%	-100%
Earnings & Sentiment Score	**19%**	**20%**	
COMPOSITE Q-SCORE* (0% To 100%)	**21%**	**42%**	

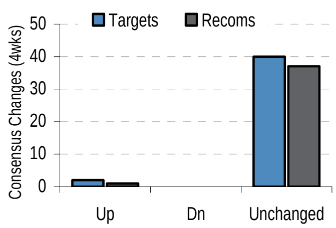
J.P. Morgan Composite Q-Score



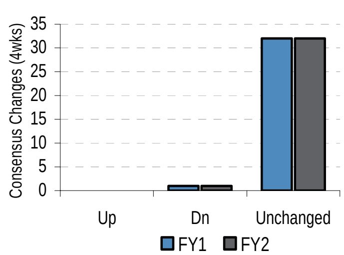
Quant Return Drivers Summary (vs Country)



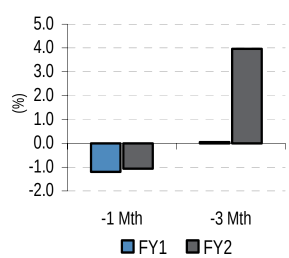
Targets & Recommendations**



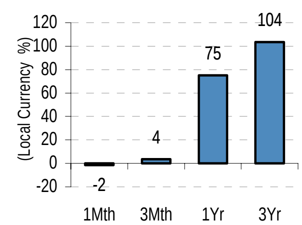
EPS Revisions**



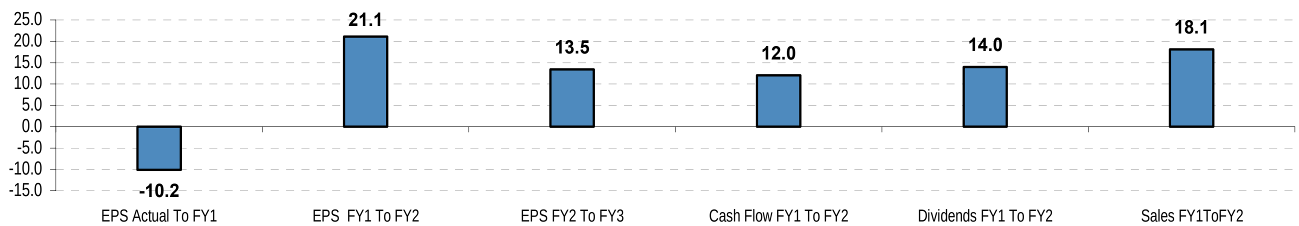
EPS Momentum (%)



Historical Total Return (%)



Consensus Growth Outlook (%)



Closest in Country by Size (Consensus. ADV = average daily value traded in US$m over the last 3 mths)

Code	Name	Industry	USD MCAP	ADV	PE FY1	Q-Score*
500325-IN	Reliance Industries Ltd.	Oil Refining/Marketing	75,948	147.94	18.9	44%
500312-IN	Oil & Natural Gas Corp. Ltd.	Oil & Gas Production	54,571	25.48	11.7	48%
532555-IN	NTPC Ltd.	Electric Utilities	41,072	15.32	21.6	28%
500209-IN	Infosys Technologies Ltd.	Information Technology Services	32,208	59.93	25.0	53%
532540-IN	Tata Consultancy Services Ltd.	Information Technology Services	31,616	31.91	23.3	91%
500112-IN	**State Bank of India**	**Regional Banks**	**31,264**	**107.43**	**14.8**	**21%**
532454-IN	Bharti Airtel Ltd.	Wireless Telecommunications	26,517	87.54	13.8	6%
500103-IN	Bharat Heavy Electricals Ltd.	Electrical Products	25,490	38.15	27.6	31%
500113-IN	Steel Authority of India Ltd.	Steel	22,030	27.10	16.9	72%
507685-IN	Wipro Ltd.	Information Technology Services	21,855	16.14	22.9	84%
500510-IN	Larsen & Toubro Ltd.	Trucks/Construction/Farm Machinery	21,357	49.77	28.5	19%

Source: Factset, Thomson and J.P. Morgan Quantitative Research. For an explanation of the Q-Snapshot, please visit http://jpmorgan.hk.acrobat.com/qsnapshot/
Q-Snapshots are a product of J.P. Morgan's Global Quantitative Analysis team and provide quantitative metrics summarized in an overall company 'Q-Score.'
Q-Snapshots are based on consensus data and should not be considered as having a direct relationship with the J.P. Morgan analysts' recommendation.
* The Composite Q-Score is calculated by weighting and combining the 10 Quant return drivers shown. The higher the Q-Score the higher the one month expected return. On a 14 Year back-test the stocks with the highest Q-Scores have been shown (on average) to significantly outperform those stocks with the lowest Q-Scores in this universe. ** The number of up, down and unchanged target prices, recommendations or EPS forecasts that make up consensus.

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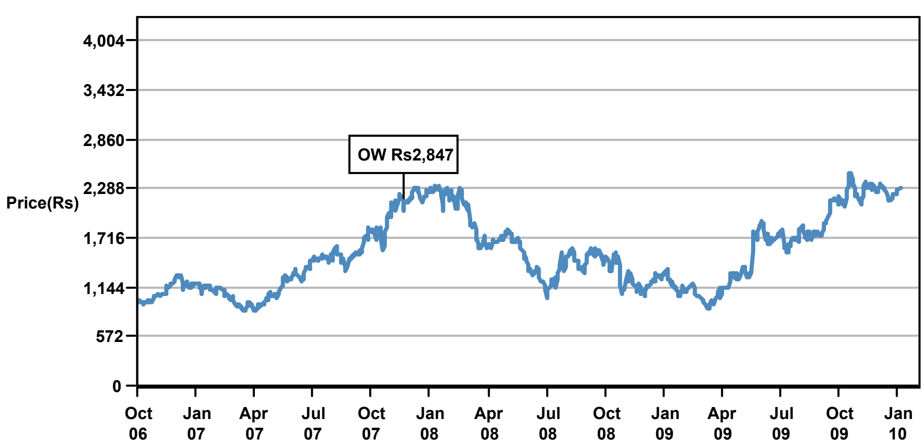
State Bank of India (SBI.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
20-Nov-07	OW	2174.72	2847.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Break in coverage Feb 26, 2004 - Jun 30, 2004. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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JPM Global Equity Research Coverage	42%	44%	14%
IB clients*	58%	57%	42%
JPMSI Equity Research Coverage	41%	49%	10%
IB clients*	78%	73%	57%

*Percentage of investment banking clients in each rating category.
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