



State Bank of Mysore

(Associate of the State Bank of India)
Head Office, Bangalore - 560 254

NOTICE

The 54th Annual General Meeting of the Shareholders of State Bank of Mysore will be held at Jnana Jyothi Auditorium, Central College Campus, Palace Road (Opp. Cauvery Guest House), Bangalore - 560 001 on Wednesday, 4th June 2014 at 11.30 a.m. for transacting the following business :

“To discuss and adopt the Report of the Board of Directors, the Balance Sheet and Profit & Loss Account of the Bank made up to the 31st March, 2014 and the Auditor’s Report on the Balance Sheet and Accounts”.

Bangalore
30th April 2014

Sharad Sharma
Managing Director

Dear Shareholders,

ABRIDGED BALANCE SHEET FOR THE FINANCIAL YEAR - 2013-14.

The Department of Financial Services, Government of India has advised all the Public Sector Banks to shift to paperless compliance of the third schedule of the Banking Regulations Act, 1949 and issue abridged form of the Balance Sheet and Profit and Loss Account in the format devised by the Reserve Bank of India, as a part of the Green Initiative.

2. The practice of sending abridged Balance Sheet and Profit and Loss Account was implemented in 2012-13. Those who are desirous of getting the complete/regular version of the Annual Report, will receive the soft copy on specific request to the following address along with your e-mail address.

Chief Manager,
Shares and Bonds Department,
State bank of Mysore,
Head Office, K.G.Raod,
Bengaluru-560 254.
e-mailID:cmshares@sbm.co.in

General Manager (Try) & CFO.

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Salient features of the Report of the Board of Directors:

To the State Bank of India, Reserve Bank of India and the Central Government, in terms of Section 43(1) of State Bank of India (Subsidiary Banks) Act, 1959.

1. MANAGEMENT DISCUSSIONS AND ANALYSIS:

1.1: Macro Economic Scenario and Banking Environment.

1.1.1. Global economic activity had strengthened in HY2 and the growth is likely to be in the vicinity of 3.5% in 2014. However, downside risks to growth trajectory arise from ongoing tapering of quantitative easing (QE) in the US.

1.1.2. After the unexpected shock from the May 2013 tapering indication by the US Fed, policy action in India has rebuilt buffers to cushion it against possible spillovers.

1.1.3. Domestically, the GDP growth continued to be modest in Q3 of 2013-14, with some strengthening of activity in services. However lead

indicators do not point sustained revival in industry and services, as yet. Agricultural sector is contingent upon timely arrival of the monsoon.

1.1.4. On the basis of an assessment of the current and evolving macroeconomic situation, RBI has decided to:

- Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 8.0%.
- Keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4% of net demand and time liability (NDTL).

Statutory Liquidity ratio: SLR has remained unchanged at 23 per cent w. e. f. 11.08.2012.

1.2. ECONOMY OF KARNATAKA

1.2.1. Karnataka economy is largely service oriented with 61% of the State revenue coming from services sector, 24% from industrial sector and balance 14% contribution coming from agricultural sector.

1.2.2. Karnataka's state capital Bangalore is considered the Silicon Valley of India.

1.2.3. The general slowdown in the National economy has impacted State economy also which is expected to grow at 5% as against the original estimate of 5.9% and reach Rs.3,11,628 crs. in 2013-14 (from ₹.2,96,658 crores in 2012-13).

1.2.4. The States own tax revenues increased from ₹.25,987 crs in 2007-08 to ₹ 62,464 crs during 2013-14 at a compound annual growth rate (CAGR) of 19.2%.

1.2.5. The business growth of our Bank depends to a large extent on the Karnataka economy, since 82% of branches (772 out of 944 branches as on 31.03.2014) are located in Karnataka. We have also opened our Regional Office at Gulbarga under the newly created Belgaum Zone to undertake branch expansion for business growth and outreach.

2. REVIEW OF BANKING OPERATIONS

2.1. Market Share and Business Growth

2.1.1. The business levels of the Bank and the position of market share in the recent years are furnished hereunder.

(₹ in Crores)

| Year ended 31 st March | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Aggregate Deposits (₹) | 38437 | 42779 | 49663 | 56712 | 61087 |
| Percentage of growth | 18.7 | 11.3 | 16.1 | 14.2 | 7.7 |
| Of which Non-Bulk Deposits (%) | 27724 (72.1) | 29844 (69.9) | 35041 (70.6) | 42360 (74.7) | 50753 (83.1) |
| Gr. in Non-Bulk Deposits (%) | 27.2 | 7.7 | 17.4 | 20.9 | 19.8 |
| Deposits Market share % | 0.86 | 0.79 | 0.78 | 0.83 | 0.76* |
| Total Advances (₹) | 29874 | 34442 | 40653 | 45981 | 50894 |
| Percentage of growth | 15.4 | 15.3 | 18.0 | 13.1 | 10.7 |
| Advances Market share % | 0.92 | 0.87 | 0.85 | 0.85 | 0.79* |

* ASCB as on 21.03.2014

2.1.2. The Bank has seen continuity in growth during the current year also with aggregate deposits reaching a level of ₹ 61,087 crs, a growth of ₹ 4,375 crs over the previous year at a rate of 7.7%. However the growth in Non-Bulk deposit at 19.8% is in tune with the past trend and in accordance with our conscious policy of shedding high cost/bulk deposits. The total advances have reached a level of ₹ 50,894 crs recording a growth of ₹ 4,913 crs over the previous year at a growth rate of 10.7%. As on 21.03.2014 the Bank's market share of Deposits decreased to 0.76% from 0.83%, and also Bank's market share of Advances decreased to 0.79% from 0.85%.

2.2 Key Performance Indicators:

| Sl. No. | Key Indicators | 2011-12 | 2012-13 | 2013-14 |
|---------|---------------------------------|---------|---------|---------|
| 1. | Net Profit (₹ in crs) | 369.15 | 416.10 | 274.25 |
| 2. | Return on Assets (%) | 0.67 | 0.66 | 0.40 |
| 3. | Return on Equity (%) | 10.82 | 11.05 | 6.84 |
| 4. | Expenses – Income Ratio (%) | 49.55 | 46.26 | 53.40 |
| 5. | Earnings per Share (in ₹) | 78.88 | 88.91 | 57.39 |
| 6. | Gross NPA to Gross Advances (%) | 3.70 | 4.53 | 5.54 |
| 7. | Net NPA to Net Advance (%) | 1.93 | 2.69 | 3.29 |
| 8. | Cost of Deposit | 7.09 | 7.32 | 7.21 |
| 9. | Yield on Advances | 11.44 | 11.62 | 10.93 |
| 10. | NIM | 3.16 | 3.22 | 3.02 |

2.3. Income

Total Income of the Bank increased by 6% from ₹ 6,514 crs as at March, 2013 to ₹ 6895 crs in March, 2014. Interest Income increased from ₹ 5,965 crs to ₹ 6322 crs (6%). Non-Interest Income increased by ₹ 24 crs (4.4%) from ₹ 548 crs to ₹ 572 crs; the growth in profit from sale of securities from Rs.66.53 crs to ₹ 69.36 crs.

2.4. Expenses

The Total Expenditure (before provisions and contingencies) increased by ₹ 500 crs, from ₹ 5,230 crs in 2012-13 to ₹ 5,730 crs in 2013-14. While Interest Expenses increased by ₹ 271 crs (6.6%), the Operating Expenses increased by ₹ 230 crs (21%) during the current year.

2.5. Profit

While the Operating Profit decreased from ₹ 1,331.03 crs in 2012-13 to ₹ 1164.44 crs in 2013-14 (-12.5%), the Net Profit decreased from ₹ 416.10 crs to ₹ 274.25 crs (-34.1%).

2.6. Capital Adequacy Ratio

The Capital Adequacy Ratio recast under Basel III guidelines stands at 11.08 %. The Capital Adequacy Ratio of the Bank has come down on account of increase in credit growth of the Bank coupled with reduced profitability on account of higher provisioning.

2.7. Dividend

The Board of Directors has declared a interim dividend of 30% (₹ 3.00 per Equity share of ₹ 10/-) for the year 2013-14.

3. BUSINESS REVIEW

3.1. Deposits

3.1.1. Total Deposits of the Bank grew by ₹ 4,590 crs, to reach the level of ₹ 61,560 crs. Aggregate Deposits (total deposits excl. inter Bank deposits) stood at ₹ 61,087 crs as at March 2014. The share of CASA deposits to Aggregate Deposits increased from 31.4% in March 2013 to 33.3% in March 2014.

3.1.2. Personal Segment Deposits

Personal segment deposits grew by ₹ 5,351 crs, registering a growth of 19.2% to reach a level of ₹ 33,161 crs as on 31st March 2014. The number of deposit accounts under Personal segment have increased by 10,05,983 during the year. The Bank also mobilized ₹ 1,284.61 crs under 'Mybank Century' term deposit scheme.

3.2. Credit Expansion

3.2.1. While the total advances of the Bank increased from ₹ 45,981 crs to ₹ 50,894 crs, thus registering a growth of ₹ 4,886 crs (13.1%) during the year, Net advances (i.e. net of NPA related/floating Provisions, and outstanding under Staff Festival Advance) of the Bank increased from ₹ 44,932 crs in March 2013 to ₹ 49,481 crs. Credit Deposit Ratio of the Bank increased from 81.1% in March 2013 to 83.3% in March 2014.

3.2.2 Corporate Network:

Our bank has formed Corporate Network consisting of 11 large branches spread over Metro and other big centers of the country for catering to the needs of large Corporates.

The Corporate Network of the Bank has achieved business level of ₹ 34,886.61 crs comprising ₹ 8,475.34 crs of deposits and ₹ 26,411.27 crs of Advance as on 31.03.2014. The Advance portion of CNW accounts for 51% of the total advance and 83% of the C&I advance of our Bank.

- The advance growth in CNW was by ₹ 2971.27 crs @ 12.67% over FY13.
- Total Forex Turnover of CNW was at ₹ 24,870 crs accounting for 81% of the total Bank's Forex Turnover, recording a increase 60% over FY13.

3.2.2. Credit Committees – Credit Committees were first established in May 2002, in order to facilitate taking decisions through committee approach to provide more professional touch to credit appraisal, by threadbare discussion on the risk factor. The Bank has held 53 HOCC-I and 36 HOCC-II Meetings, respectively, during the financial year 2013-14 to facilitate growth in advances.

3.3 Personal Segment Advances:

Personal segment advances registered a record growth by ₹ 1,393 crs (19%) to reach a level of ₹ 8,864 crs. Special campaigns were conducted between June 2013 to Sept 2013 and Oct 2013 to Jan 2014 to provide boost to the growth in Housing loans, Car loans, Gold loans and Personal loans. Housing loans

recorded a growth of ₹ 702 crs (19%) to reach a level of ₹ 4,398 crs, Car loans recorded a growth of ₹ 137 crs (24%) to reach a level of ₹ 708 crs, Gold loans recorded a growth of ₹ 136 crs (55%) to reach a level of ₹ 384 crs and Personal loan recorded a growth of ₹ 232 crs (26%) to reach a level of ₹ 1,130 crs.

3.4. Priority Sector Lending and Social Banking:

3.1.1. Total credit provided to the Priority sector for the year ended March, 2014 stood at ₹ 15,457 crs including Inter Bank Participation certificate (IBPC) of ₹ 375 crs invested in Kaveri Gramena Bank as against ₹ 13,483 crs in the previous year ended March 2013 (yoy growth of 14.6%).

3.5. Agriculture Finance:

In order to provide some succour from the hardship suffered by the farmers from drought and other natural calamities, Bank launched three different types of OTS schemes to settle old NPA accounts. 6,997 accounts with outstandings amounting to ₹ 78.97 crs were settled during the year.

3.6. Micro and Small Enterprises:

The Bank's advances to Micro and Small Enterprises as on March 2014 is ₹ 4,524 crs as against ₹ 3,756 crs as on March 2013, registering an increase of ₹ 768 crs (yoy 20%) during the year.

During the year ended March 2014, Bank has taken various initiatives to increase flow of credit to MSE sector. 14 of the existing general banking branches were re-designated as MSE Specialized branches in compliance to the RBI's guidelines of having at least one MSE Specialized branch in each district.

During the year ended March 2014, Bank introduced web-based Credit Proposal Tracking System (CPTS) exclusively for MSE segment, for online monitoring of loan applications received by the Bank at various levels.

3.8. Credit Guarantee Scheme:

The Bank continued to extend collateral free financial assistance to MSE sector by participating in Credit Guarantee Scheme of CGTMSE. Guarantee fee and Annual service fee on such cases are also borne by the Bank. As at 31st March 2014, 11,559 accounts amounting to ₹ .707 crs were covered under the scheme.

3.9. Assistance to Weaker Sections of the Society stood at Rs. 6,360 crs as on March 2014, constituting 14% of ANBC, as against stipulated benchmark of 10%.

3.10. Assistance to Women Entrepreneurs:

The Bank's total credit to women as at the end of March 2014 stood at ₹ 3,040 crs covering 1,82,540 beneficiaries, which work out to 6.8% of Adjusted Net Bank Credit, as against the stipulated benchmark of 5%. The Bank also specially honored outstanding women entrepreneurs of the Bank on the occasion of Centenary Celebrations presided over by Hon'ble Finance Minister, in Oct 2013.

3.11. Measures to improve the economic conditions of SCs/STs:

The Bank's assistance to the SCs/STs under various schemes as at the end of March 2014 stood at ₹ 593 crs covering 92,271 beneficiaries, which forms 3.8% of Priority Sector Advances.

3.12. Finance to Minority Communities:

The Bank's assistance to the notified minorities under various schemes as at March 2014 stood at ₹ 2,137 crs covering 48,872 beneficiaries, which forms 14.2% of Priority Sector Advances.

3.13. Government Sponsored Schemes:

The position of assistance rendered under various Government sponsored schemes by our Bank as at the end of March 2014 is as detailed below.

3.13.1. Prime Minister's Employment Generation Programme (PMEGP):

The Bank has extended financial assistance of ₹ 37 crs to 680 beneficiaries under PMEGP during the year. The Bank's total credit under PMEGP Scheme as at March 2014 stood at Rs.39.85 crs covering 1,187 beneficiaries.

3.13.2. Swarna Jayanthi Shahari Rojgar Yojana (SJSRY) Scheme:

The Bank has extended financial assistance of ₹ 10 crs under SJSRY during the year to 363 beneficiaries. Total amount outstanding under SJSRY scheme as at the end of March 2014 is ₹ 44.7 crs covering 4,640 beneficiaries.

3.13.3. Differential Rate of Interest (DRI) Scheme:

The Bank's advances under DRI scheme stood at ₹ 15.8 crs as at March 2014 covering 13,605 beneficiaries and the share advances to SC/ST beneficiaries within this is 51% (₹ 8 crs).

3.13.4. Swarna Jayanthi Gram Swarozgar Yojana (SGSY) Scheme:

Total amount outstanding under SGSY scheme as at March 2014 is ₹ 13.73 crs covering 1,438

3.14. Investments:

3.14.1. The total investments of the Bank in Government securities, other approved securities and Non-SLR securities increased from ₹ 16,864 crs as at March 2013 to ₹ 19,300 crs as at March 2014.

3.14.2. Profit on sale of investments increased from ₹ 66.53 crs in 2012-13 to ₹ 69.36 crs in 2013-14. During the year interest and dividend income from investments net of amortization charges registered a growth of ₹ 151.46 crs (13%) over March, 2013 level of ₹ 1,157.57 crs.

3.14.3. The yield on investments including profit on sale of securities increased from 7.49% to 7.56% during 2013-14.

3.14.4. Foreign Exchange Turnover of the Bank 2013-14 declined to a level of ₹ 297 crs (Merchant Turnover – ₹ 0.30 Lac crs and Trading Turnover – ₹ 2.67 Lac crs) against previous year level of ₹ 4.04 Lac crs (Merchant Turnover - ₹ 0.25 Lac crs and Trading Turnover – ₹ 3.79 Lac crs)

3.15. International Banking:

3.15.1. The level of Export Credit as on 31st March 2014 was Rs.1666.08 crores (₹ 1395.44 crs as on 31st March 2013) constituting 3.70% of ANBC.

3.15.2. As per Bank's BPR objectives, the Bank had set up five TFPCs at Bangalore, Chennai, Hyderabad, Mumbai and New Delhi linking branches, including CAB branches to TFPCs, for extending quality service to Exporters.

3.15.3. During the year Bank's Export Credit portfolio other than exposures to Central PSU and LC-backed bills business, have been covered under Export Credit Insurance for Banks

(ECIB), Whole Turnover Packing Credit (WTPC) and Whole Turnover Post Shipment (WTPS) Schemes of Export Credit Guarantee Corporation of India.

3.16. Cross Selling:

The Bank has collected a premium of Rs.16 crs while marketing General Insurance Products. In respect of Investment Products, the Bank is extending Mutual Funds products of SBI MF. Applications for SBI Credit Cards are also sourced by the Bank. The Bank has earned an income of ₹ 9.18 crs from Cross Selling Business during FY 2013-14.

3.17. Government Business:

3.17.1. State Government Transactions: The bank has been handling a major share of Government of Karnataka Transactions since inception (1913). About 88% of our total Government Business emanates from State Government transactions and the turnover is directly linked to the budget of the State Government.

3.17.2. Central Government Transactions:

The Banks business turnover from Central Government undertakings like Postal, Railways, Defence, CBDT, etc. during the year 2013-14 is at ₹ 9,005 crs against a turnover of ₹ 9,357 crs registered during 2012-13.

3.17.3. Total Income from Government Business:

During 2013-14, we have earned a Commission of ₹ 64.82 crs, as against ₹ 67.95 crs during FY 12-13.

3.17.4 We are actively involved in most e-governance initiatives of the GOK.

3.18. Marketing Initiatives:

3.18.1. Focussed marketing efforts are directed towards improving Retail / Personal Segment advances by conducting Home Loan/Car Loan Melas at important centers of the Bank. With a view to provide our customers a wide basket of products, the Bank has been introducing new products/services regularly.

3.18.2. Contact Centre - As a customer friendly service, State Bank of Mysore has established a dedicated "SBM Contact Centre". The information is provided in English, Hindi and Kannada on 24 hours on 365 days (24*7*365) basis. Further, as a part of Contact Centre initiative, Lead Management System (LMS) was launched in our bank on 02.11.2012 wherein the business leads are generated on the basis of customer calls received through the toll free helpline number 1800-425-2244.

3.18.3. Customer Grievance Redressal: The Bank has also implemented a friendly Customer Redressal System called SMS UNHAPPY.

3.19. NPA Management:

The Gross NPA ratio increased from 4.53% to 5.54%. The net NPA ratio also increased from 2.69% to 3.29%. A time-bound action plan with measures including effective use of SARFAESI Act, rehabilitation of viable units, sale of assets to ARCs and vigorous follow-up of DRT cases has been put in place to reduce NPA levels.

3.19.1. Restructuring of Debts: The Bank continues to provide Restructuring Package within the framework of RBI guidelines to deserving borrowers under the Rehabilitation Programme or under

packages approved by CDR / BIFR, subject to the viability of the units being established. The Bank has extended the package to 67,113 (60,491) borrowal accounts with dues amounting to ₹ 4,068 (₹ 3,237) crs.

3.20. LEAD BANK SCHEME:

3.20.1. The Bank has been discharging lead bank responsibilities in 3 districts viz Mysore, Channarayana and Tumkur. The combined annual credit plan target of 2014-15 for all banks in 3 districts has gone up from ₹ 8,187 crs to ₹ 10,039 crores, showing a growth of ₹ 1,853 crs (22.6% growth). Achievement of previous year credit plan i.e., for 2013-14 is more than 100 % in all 3 districts put together. Bank has established Financial Literacy Centres at our Lead District Office in all the three districts. Bank is conducting literacy camps during the Melas at village level and Literacy materials have been distributed to all the rural branches.

3.20.2. Rural Self Employment Training Institute (RSETI) / Rural Development and Self Employment Training Institute (RUDSETI):

The Bank has established RUDSETI type of training centres viz. Mybank Institute for Promotion of Self Employment and Development (MIPSED) at Tumkur. Total number of participants trained during 2013-14 is 1,280 with 64% settlement rate with Bank loan and their own resources.

3.21. Financial Inclusion:

3.21.1. Bank has drawn a comprehensive Financial Inclusion

Plan for 2013-2016 for coverage of villages with banking infrastructure. Bank had already covered all the 260 villages with a population of above 2000 allotted under "Swabhiman".

3.21.2. In respect of the villages with population below 2,000 allotted by SLBC for coverage with banking infrastructure, the bank has covered 1,672 villages, as against the target of 1,593 villages during the Financial Year. In total, the bank has so far opened 67 branches in unbanked rural centres.

3.21.3. Implementation of Direct Benefit Transfer Scheme for Government Schemes (DBT): The Bank is participating in the DBT scheme launched by Government of India in 121 districts. Out of this, bank has got the Lead Bank responsibility in two districts of Tumkur and Mysore.

3.21.4. Direct Benefit Transfer Scheme for LPG (DBTL): The Bank has actively participated in implementing the DBTL scheme which was launched in 3 districts of Karnataka under Phase -I, in Dharwad, Tumkur and Mysore.

3.21.5. Implementation of Electronic Benefit Transfer Scheme for distribution of Social Security Pensions: The bank has so far issued 2,79,000 Smart Cards and distributed pensions amounting to ₹ 35.43 crs during the Financial Year.

3.22. SELF HELP GROUP (SHG) LENDING:

The Bank has credit linked 7,595 SHGs with an advance amount of ₹ 310 crs during FY 2013-14, taking the cumulative total of such credit linkage programme to 1,57,698 groups, with a financial outlay of

₹ 2,352 crs up to March 2014. The Bank has advanced to 1,352 beneficiaries amounting to ₹ 41 crs under National Rural Livelihood Mission (NRLM) in FY 14.

3.23. Regional Rural Bank – Kaveri Grameena Bank:

Our Bank has sponsored Kaveri Grameena Bank (KGB) which is headquartered at Mysore. The Bank is operating in 10 districts of Karnataka. All the branches are on CBS mode. The total deposits and advances of KGB as on March 2014 was ₹ 4,668 crs and ₹ 3,735 crs respectively, registering a total business of ₹ 8,403 crs with a growth of ₹ 1,544 crs (22.5%).

4. HUMAN RESOURCES:

4.1. Manpower Profile:

The staff strength comprised of 3,677 officers, 5,075 clerical staff and 2,093 subordinate staff.

4.1.2. Women's Representation: As at March 2014, there were 2,991 Women employees (comprising of 542 Officers and 2,449 Other Employees) in the Bank compared to 2,843 as at March 2013 (Comprising of 520 Officers and 2,323 Other Employees). The Bank continued to provide equal opportunity to women in their career progression.

4.1.3. Scheduled Castes/Scheduled Tribes – Representation:

There were 1,732 Scheduled Caste employees comprising of 612 Officers, 703 Clerical staff and 417 Subordinate staff as at March 2014 & 489 Scheduled Tribe employees comprising of 208 Officers, 204 Clerical staff and 77 Subordinate staff as at March 2014.

There were 489 Scheduled Tribe employees comprising of 208 Officers, 204 Clerical staff and 77 Subordinate staff as at March 2014.

4.2. Training

4.2.1. Training Activities and Coverage: The Bank regards its employees as its critical and valuable assets. To gain competitive edge in new technology being adopted by

bank, several programmes on latest technology developments like internet banking, mobile banking and other alternate delivery channels are conducted regularly. During the year, 630 new clerks were inducted in the bank and all of them have been imparted Orientation Training immediately after their joining the Bank. Bank has also imparted Intermediate Training programme to 663 clerks recruited during 2009 to 2012.

During the year bank had task to train newly recruited nearly 600 Probationary Officers which has been completed successfully. The Bank regularly deputed officers, based on the job profile for training to Apex Training Institutes of SBI and other training institutes like NIBM, IIBF, College of Agricultural Banking-RBI (Pune), CAFRAL (Centre for Advanced Financial Research & Learning), IDRBT etc. to hone their skills and update their knowledge.

4.2.4. Training to KGB employees:

Our Mysore Learning Center has imparted training to officers / clerical staff of Kaveri Grameen Bank (sponsored by SBM) as and when requested. During the current year 20 training programmes for KGB employees were conducted covering 436 employees.

5. INDUSTRIAL RELATION:

5.1. Terminal Benefits to Retired Staff:

During the FY 2013-14 as many as 492 members of staff have retired from the service of the Bank and their PF, Gratuity, Pension and Commutation benefits, were settled on top priority, on time.

5.3 Retired Employees Medical Benefit Scheme II:

During 2013-14, the Bank has received 1,112 applications and

disbursed an amount of Rs.168 lacs.

6. SUPPORT FUNCTIONS:

6.1.1. E-lobby:

It is a ONE-STOP solution for all banking needs like, ATM, Cash Deposit and Self Service Kiosks for passbook printing and Cheque drop kiosk, etc. Our Bank has installed E-lobby facility for its customers at its Avenue Road premises, Bangalore. Bank has taken adequate measures to strengthen security at ATM kiosks, with guards, surveillance cameras, and alarm systems.

6.1.2. Value added service:

Bank has introduced Platinum card for affluent class customers, which is a chip based Magstripe card with higher limit for daily cash withdrawal and POS transactions.

6.1.3. Internet Banking:

Internet banking as an alternate banking channel has gained acceptability and has become popular among retail and corporate customers. Bank's Internet banking site www.onlinesbm.com is secured through 256 bit EVSSL (Extended Validation Secured Socket Layer) encryption.

6.1.4. Mobile Banking:

Bank is offering Mobile Banking Services under the name State Bank Freedom to all its retail customers under four different modes viz. Application mode, WAP mode, USSD and SMS banking, with a daily transaction limit of ₹ 50,000/- and overall calendar month limit of ₹ 2,50,000/-. The service includes enquiry, mini statements, interbank fund transfer through NEFT and IMPS and bill payment facilities. The number of mobile banking registrations and transactions has

grown by 113% and 133%, respectively, during the FY 2013-14.

6.1.5. Electronic Payment System:

All branches of the Bank are enabled for RTGS/NEFT/GRPT remittance facility. In addition Bank also offers Electronic Clearing Service (ECS) and Immediate Payment Service (IMPS) over Mobile Banking Platform. Percentage of all electronic (ATM, Internet Banking, Mobile Banking, RTGS, NEFT and ECS) transactions to total transactions of the Bank is over 45%.

6.1.6. Bank's Website:

The Bank's website (<http://www.statebankofmysore.co.in>) is a repository of information about the Bank, its products and services available to the customers and general public alike in bilingual and Braille form. Besides, information on the interest rates, service charges & fees, information on Bank's financials, policies, acts, online loan enquiry form, online complaint form, etc. are also available.

6.1.7. Digital Signage Solution:

Digital Signage Solution is a method of providing information to our branch customers on various products and services offered by the Bank, which is displayed on LED screen at the branches. Till 31.03.2014, 90 branches have been covered.

6.2. NEW BUSINESS: Under New Business initiatives, different range of IT products and services have been introduced in the Bank.

6.2.1. MERCHANT ACQUIRING BUSINESS (MAB):

We introduced this concept in our Bank since 2013. For the Acquiring Bank it is increase in CASA deposit, float funds and additional income from Merchant in the form of Merchant Discount Rate (MDR).

6.2.2. CASH DEPOSIT MACHINE (CDM):

Cash Deposit Machine accepts deposit of cash from customers into their accounts using Debit cards. Credit is extended instantly to the customer account.

6.2.3. GREEN CHANNEL COUNTER (GCC):

Last year we had 300 GCC machines in 150 branches. The base now stands increased to 275 branches and 425 GCC machines.

6.2.4. SELF SERVICE KIOSKS (SSK):

We have in total 38 SSKs deployed in various branches of our Bank.

6.3. Information Security, Business Continuity and Disaster Recovery:

6.3.1. The treatment of technology risk / operational risk as part of the movement towards Advanced/ Management approach is a manifestation of the significance of the risks in impacting the risk profile of a Bank. In this connection the Bank has adopted a well defined Business Continuity Plan and Disaster Recovery Plan Policy. Our Bank is part of a well established high-end Business Continuity and Disaster Recovery infrastructure which ensures seamless continuity in all the branches and also in the administrative offices.

6.4. Management Information System (MIS):

The MIS Department consolidates and maintains the Credit Information System (CIS) database apart from

collating information from branches and Head Office Departments for submission of various statements to Reserve Bank of India like Basic Statistical Returns, Sectoral Deployment of Funds etc,. The Department also provides information to the Top Management and other user Departments in Head Office.

7. SYSTEMS AND PROCEDURES:

7.1.1. Systems and Procedures Department is a special resource available at Head Office for effective management of work organization concerning the Systems and Procedures.

8. CONTROL AND SUPERVISION:

8.1. RISK MANAGEMENT:

8.1.1. An independent Risk Governance structure is in place for Integrated Risk Management, covering Credit, Market and Operational Risks.

8.1.2. BASEL Implementation:

The Bank has migrated to the Basel II framework, with the Standardized Approach for Credit Risk, Basic Indicator approach for Operational Risk and Standardized Measurement Method for Market Risk.

8.1.3. CREDIT RISK MANAGEMENT:

As part of migration to Advanced Approaches under BASEL-II, State Bank Group is building a technology platform known as the Credit Risk Data Mart (CRDM) to manage all the information required for computing, verifying and monitoring credit portfolio risks. EDWP (Enterprise Data Warehouse Project) team is building the database by capturing the Bank's data for various reporting dates.

8.1.4. MARKET RISK MANAGEMENT:

The Bank has submitted Letter of Intent to RBI in Oct 2013 for migration to IMA.

8.1.5. OPERATIONAL RISK MANAGEMENT:

Reserve Bank of India has prescribed three approaches for computing capital charge for Operational Risk. Currently the Bank is following the Basic Indicator Approach. As per AMA guidelines, Banks are allowed to switch over from BIA to AMA directly. The Operational Risk Management Department (ORMD) has been organizing training programmes for creating awareness among officers about Basel II requirements, Operational Risk Management, Advanced Measurement Approach for Capital Computation and Fraud Prevention Measures.

9. BUSINESS PROCESS RE-ENGINEERING (BPR):

9.1.1. Bank has rolled out various BPR initiatives since 2005, in consonance with the design principles provided by SBI. Loan Origination Software for processing of Retail Loans has been implemented in our Bank at Bangalore, Mysore and Delhi Centres.

9.1.2. The Central Pension Processing Centre (CPPC):

The Central Pension Processing Centre (CPPC) is functioning at Mangalore and pension/arrears of pension is disbursed online throughout the Bank.

9.1.3. In Branch Cash Handling (IBCH) System: This process enables instantaneous cash transactions at commencement of

business at the branches and is designed with a view to give better service to the customers.

10. ASSET LIABILITY MANAGEMENT:

10.1. The Asset Liability Management Committee (ALCO) of the Bank is entrusted with the task of managing Liquidity and Interest rate risk. The tolerance limits for liquidity mismatches and interest rate risks are fixed in accordance with RBI guidelines and Bank's ALM Policy, and these are reviewed by ALCO at regular intervals. The Risk Management Committee of the Board (RMCB) reviews various decisions taken by Asset-Liability Management Committee (ALCO) for managing liquidity and interest rate risks.

11. AUDIT AND INSPECTION:

11.1. Audit:

11.1.1. The overall objective of Internal Audit is to contribute to the effectiveness of the Internal Control System in achieving the Bank's objectives besides providing high quality counsel to management on the effectiveness of Risk Management and Regulatory compliance by the Bank. Towards this end, Risk Focussed Internal Audit (RFIA) and IS Audit is conducted in 626 branches/BPR entities, as against a target of 610 branches/BPR entities envisaged in the Annual Audit Plan 2013-14. That apart, 133 newly opened branches were subjected to Spot Audit, 31 Head Office departments and one staff learning centre was also subjected to audit. We have also conducted Management Audit of Zonal Offices and secretariat of General Managers & Retail NetWorks. During 2013-14, 100% of

our branches have secured Well Controlled/ Adequately Controlled rating and there is no 'Unsatisfactory' rated branch.

11.1.2. 149 branches/offices covering 51.71% of aggregate deposits and 70.37% of total advances and 7 Head Office departments were subjected to Concurrent Audit during this year.

11.2. Credit Audit:

The audit of loan appraisal and administration for high value credit accounts with the aim of improving the asset quality of the Bank is undertaken by the Credit Audit Department. Borrowers with total exposure of ₹ 2 crore and above are covered under Credit Audit. During the financial year 1,186 loan accounts in 186 branches were covered under Credit Audit. **Of 1,186 accounts 1,053 accounts (89%) were rated as Low and Very Low Risk accounts.**

11.3. Vigilance:

11.3.1. Vigilance administration as an important aspect of management function is carried out as per the directives of the Central Vigilance Commission so as to achieve good Corporate Governance for the overall growth of the Bank.

11.3.2. Whistle Blower policy has been introduced in our Bank for the employees to report to the Management, instances of unethical behavior, actual or suspected, fraud or violation of the Bank's code of conduct or ethics policy.

11.3.3. The officers from Vigilance Department conducted surprise inspections of 81 offices/branches during the year under report.

11.3.4. As per the directions of Ministry of Finance, Banking

Division, Vigilance section, Govt of India, New Delhi, a vigilance setup has been established in Kaveri Grameena Bank and the Chief Vigilance Officer of the Bank is overseeing the vigilance administration.

12. OTHER ASPECTS:

12.1.1. Customer Service:

The Bank continues to accord highest priority for customer service. The Bank has been a voluntary member of the Banking Code and Standards Board of India (BCSBI) and is committed to provide services of a high order in a transparent manner. Bank has adopted BCSBI Code of commitment to Customers and placed the same in the Bank's website. Based on customer feedback collected by BCSBI, the Bank has been rated 2nd among the 26 Public Sector Banks in FY 2013-14.

12.1.2. Right to Information Act 2005 - The Bank's website carries all the relevant information on the implementation of the Act.

12.2. Productivity:

Business per employee increased from ₹ 9.55 crs as at the end of March 2013 to ₹ 10.38 crs as at the end of March 2014.

12.3. Public Relations:

12.3.1. State Bank of Mysore has an enduring brand image of its own through its century old close association with its clients. It is known as 'Mysore Bank' in its traditional area of operation. During Centenary Year Bank has installed LCD based Video hoarding in the Head Office

compound with attractive messages and information on products and services with periodical updates on interest rates etc.

12.3.2. The Bank has also organised 'Walkathon' as an annual feature and hosted Musical Evening by vocalist Smt. Shubha Mudgal in Bangalore to commemorate Banks Centenary. On October 5th 2013 Sri P Chidambaram, Hon'ble Union Finance Minister addressed the distinguished gathering of our employees, CMDs of other banks and media representatives regarding contribution of State Bank of Mysore to the society and spoke in glowing terms about the important role Banks such as SBM is playing in the socio-economic development in their respective regions. Bank has also been actively participating in the Karnataka Rajyotsava function and sponsoring State Bank of Mysore Tableau in Dasara Parade at Mysore which is appreciated by one and all.

12.4. Organizational Development:

12.4.1. Branch Expansion:

The Bank has opened 164 new branches during the year 2013-14. With this, the Bank's network of branches stands at 944 spread over 16 states. As at the end of March, 2014, the branch network comprised of 220 Metro, 200 Urban, 216 semi-urban and 308 rural branches.

12.4.2. An exclusive post - General Manager (P & SB) was created for a focussed attention, growth and monitoring of Personal segment business marking a paradigm shift in the business orientation of bank from Corporate sector and Retail sector.

12.4.3. Branches in Minority Concentrated Districts- Centers (MCDs)/ Under Banked Districts:

During the year, the Bank has opened 10 branches in Minority Concentrated Districts/Centers and 20 branches in Under-Banked Districts. As at March 2014, out of 944 branches, the Bank has 82 branches in MCDs constituting 8.7% of the branch network and 117 branches in Under-Banked Districts constituting 12.4% of the branch network.

12.5. Implementation of Official Language Policy:

12.5.1. Bank is progressively improving usage of Hindi and Regional Language to serve the customers to their satisfaction.

12.5.2. To ensure the usage of Hindi and the regional language, our Bank's Website is made available in Hindi and Kannada also and updated periodically. Operating option of Hindi and Regional Language is provided in all the ATMs of our Bank.

12.5.3. Bank successfully organised 2 days National Level Hindi Seminar on "MANAGING ASSET QUALITY" in association under the aegis of College of Agricultural Banking, RBI, Pune on 12.08.2013.

12.6. Community Services Banking:

12.6.1. As per the Government of India guidelines, bank is authorized to spend 1% of its net profit towards Community Service activities by making equitable donations to any organization engaged in Community Development activity with a clean image and good track records.

12.6.2. During the FY 2014, being Centenary year of our establishment, bank took special interest in donating ₹ 1.57 crs to Kidwai Memorial Institute of Oncology for construction of multi-disciplinary paediatric ward named 'State Bank of Mysore