CONTENTS

STATE BANK OF TRAVANCORE

(Associate of the State Bank of India)

HEAD OFFICE: THIRUVANANTHAPURAM

NOTICE

The Fifty First Annual General Meeting of the Shareholders of the State Bank of Travancore will be held in the A.K.G. Memorial Hall, Gas House Junction, Palayam, Thiruvananthapuram - 695 034, on Saturday, the 28th May 2011 at 12.00 noon. (Standard Time) to transact the following business:

"To discuss and adopt the Balance Sheet and Profit & Loss Account of the Bank made up to the 31st March 2011, the report of the Board of Directors and Auditors' Report on the Balance Sheet and Accounts."

Thiruvananthapuram
27th April, 2011

P Pradeep Kumar
Managing Director

BOARD OF DIRECTORS

Chairman under Clause (a) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri O P Bhatt

Managing Director under Clause (aa) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri P Pradeep Kumar

Director under Clause (b) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Dr. J Sadakkadulla

Director under Clause (c) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri B S Gopalakrishna

Director under Clause (c) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri B Ramesh Babu

Director under Clause (c) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri C N Venugopalan

Director under Clause (ca) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri K Muraleedharan Pillai

Director under Clause (cb) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri C Rajkumar

Director under Clause (d) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri Gyan Chand Pipara

Director under Clause (d) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri T Balakrishnan

Director under Clause (d) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri K T Rajagopalan

Director under Clause (e) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri P Vinayagam

MANAGEMENT COMMITTEE

Shri P Pradeep Kumar
Managing Director

Shri S Balachandran
Chief General Manager

Shri Sanjay K. Singh
General Manager
(Planning & Development)

Shri Kalyan Mukherjee
General Manager
(Operations)

Shri V Kannan Kutty
General Manager
(Technology & Inspection)

Shri Saswata Chaudhuri
General Manager (Treasury)

Shri Santanu Mukherjee
General Manager
(Commercial and Institutional & International Banking)

Shri PV Durgadasan
General Manager (Vigilance) &
Chief Vigilance Officer

Report of the Board of Directors to the State Bank of India, the Reserve Bank of India and the Central Government in terms of Section 43 (1) of State Bank of India (Subsidiary Banks) Act, 1959

Period covered by the Report:
1st April 2010 to 31st March 2011

1. MANAGEMENT DISCUSSIONS & ANALYSIS

1.1 Global Economy

The global economy continued its recovery from the global crisis of 2008-09. The recovery, however, has been weak, uneven, and remains fragile, with uncertainty continuing to prevail over the economic conditions in Europe and USA. Some of the countries like Greece, Portugal, Ireland and Spain are going through throes of economic turmoil. Japan, which has not yet shown definite signs of recovery from its long slowdown, has been further grievously affected by the earthquake and tsunami, which hit it in March 2011. Global economy was estimated to have grown by 5.00% in 2010. Growth in emerging economies remains strong while advanced countries are growing slowly and facing uncertainty with large fiscal deficit, high public debt and unemployment levels. The International Monetary Fund [IMF] in their World Economic Outlook [WEO] forecasts World real Gross Domestic Product (GDP) growth is to be about 4.5% in 2011 and 2012, down modestly from 5% in 2010 as downside risks continue to outweigh upside risks.

1.2 National Economy

India's economy too continued its smart recovery from the crisis, aided by the inherent strength of India's domestic demand and complemented by Reserve Bank of India's monetary management and the central government's fiscal stimulus measures. With its GDP likely to grow at 8.6 % in 2010-11, India will be among the fastest growing economies and the average rate of growth for the next five years is estimated to be around 8.4%.

The key growth driver is likely to be the domestic demand fuelled by increasing young earning population, expected household consumption by middle class and upper middle class. The increasing capacity in the savings and vast investment opportunities will also support the growth of the economy. Inflation, however, continues to be a cause for concern. The year on year WPI inflation that started trending up in December 2009 and continued through the current fiscal has shown signs of moderation by the year end. India's real GDP is estimated to grow by around 8.5-9% in 2011-12. Growing inflation, volatile capital inflows, and a fragile recovery in advanced economies that can dampen exports, are immediate risks to India's growth prospects. Any unanticipated shocks to the global economic recovery could drive capital outflows from India, which may lead to increased volatility in the Indian Rupee and affect India's economic recovery.

1.3 Kerala Economy

Kerala has become one of the fastest growing state economies in the country, with the Gross State Domestic Product [GSDP] clocking growth of 9.6% in 2010-11. Kerala has won international recognition for its outstanding achievements in the health sector and in education sector. Kerala is much ahead of most other states in India in terms of Human Development Index and life standard of the people, and on par with some of the developed countries in certain parameters. The prime driver of economy still is the remittances from abroad by Non Resident Keralites. In Agriculture, food crops such as paddy and coconut have faced setbacks due to dwindling area of cultivation and high cost of inputs. Tourism continues to flourish and IT sector is on the growth path, with the flagship Technopark at Thiruvananthapuram and Infopark at Ernakulam gaining further traction. The new mega projects, like Vallarpadam International Container Transhipment Terminal will give a fillip to the economy. The proposed 'Smart City' near Kochi, is expected to propel Kerala to become one of the leading IT destinations in the country. The State's prestigious greenfield airport project 'Kannur International Airport' is expected to transform the North Malabar region into a highly developed growth centre for travel, tourism and industries. These projects are expected to give further thrust to the growth of construction field, expansion of white goods market, further promotion of tourism and small and Medium industries in the state.

1.4 Banking Environment

The resilience and stability of the domestic financial system have become essential to the country's own macroeconomic stability, particularly in an increasingly integrated world. Indian banks have remained resilient even during the height of the sub prime crisis and the consequent financial turmoil. The banking sector is adequately capitalised. The migration to Basel II has resulted in an increase in the capital adequacy ratio of the banking system. Credit quality continues to remain robust. The relatively high share of low cost current and savings account Deposits in total Deposits and Statutory Liquidity Ratio (SLR) pre-emptions in risk free government securities take care of liquidity and solvency issues. Public Sector Banks ('PSBs') were observed to be faring better in terms of growth in credit extended as compared to the deceleration in private banks and decline in business of foreign banks. The economic slowdown has decelerated growth in the balance sheet of the banking system. This could have a lagged effect on the credit quality and profitability of banks. Regulatory changes also have opened up newer opportunities in areas such as financial inclusion, mobile banking and rural banking. The key focus areas for Indian Banks include liquidity management; gainful deployment of funds; availability of cheaper technology to serve thinly populated unbanked areas; grooming suitable replacement for large number of the experienced manpower retiring; IT security; advanced Risk management approaches; and introduction of innovative products.

The Indian Banking sector is continuing to grow with rapid transformation, with almost all the Banks having migrated to Centralised Core Banking Environment, supported by technology enabled products. The revolution in information technology is forcing banks to redefine the existing business practices. India has highest growing young population who want a great banking service, tailored to their needs and in a timeframe that works. There have been more changes in banking sphere in the last decade than in the preceding 100 years. The need of the hour is to think to develop technologies beyond core banking. The next generation banking has to provide customer-centric features, giving users an extremely personalized experience while at the same time providing increased intelligence and automation to help banks sell appropriate products and services to their customers. Banks are gradually moving towards a right mix of assisted and self-service channels to provide a rich unified and consistent banking experience. Customer friendly measures like bright and clean branches, customer friendly business hours and short line in queues have become the key differentiators.

1.5 ASCB Performance

The overall performance of the Banking system recorded a reversal of the trend of the previous year, with Credit growing faster than the Deposits. Aggregate Deposits of All Scheduled Commercial Banks grew by Rs. 7,11,877 crore (15.84%) between 26th March 2010 and 25th March 2011 to reach Rs. 52,04,703 crore as at the last Friday of March 2011. The Gross Advances grew by Rs.6,93,871 crore (21.38%) in the same period to touch Rs.39,38,659 crore. Food credit increased by 32.57% to Rs. 64,283 crore. Non-Food credit grew by 21.21% and reached the level of Rs. 38,74,376 crore. The investment portfolios of banks moved up moderately compared to the resource growth, recording a growth of 8.33% (compared to the growth of 19.97% during the previous year), to reach a level of Rs. 15,00,039 crore, thanks the reduction of Statutory Liquidity Ratio [SLR] by 1% during the year.

1.6 Regulatory Measures and Monetary Policy

The year behind witnessed a series of monetary measures initiated by Reserve Bank of India to contain rising inflation and high demand for credit and streamline banking operations. The landmark event was the introduction of Base Rate system from 1st July 2010. The Base Rate will be the minimum rate for all loans and will ensure transparency and transmission of monetary policy to the lending rate. The Base Rate system would be applicable for all new loans and for those old loans that come up for renewal, other than those specifically exempted. Existing loans based on the BPLR system may run till their maturity. In case existing borrowers want to switch to the new system, before expiry of the existing contracts, an option may be given to them, on mutually agreed terms. RBI has permitted banks to work out their own methodology to compute the base rate and to make changes in the methodology used in the computation of Base Rate upto June 30, 2011

Banking industry faced liquidity stress during the financial year 2010-11 due to mismatch of availability of fresh resources and demand for credit. The total growth in Advances of all scheduled Banks put together during the period was almost equal to the Deposit growth. To ease the pressure, Reserve Bank of India [RBI] reduced the Statutory Liquidity Ratio from 25% to 24% on 18th December 2010. The regulator also actively sought to contain inflationary pressures by increasing the repo and reverse repo rates on seven occasions during the year.

The following are the other important regulatory initiatives and developments initiated by Reserve Bank of India during the financial year.

- The Cash Reserve Ratio (CRR) increased by 25 basis points from 5.75% to 6.00% with effect from the fortnight beginning April 24, 2010.
- Both repo and reverse repo rates were increased on seven occasions during the year; repo rate from 5% at the beginning of the year to 6.75% and reverse repo rate moved from 3.5% to 5.75% during the same period.

- Banks were advised to waive margin/security requirements for agricultural loans up to Rs. 1,00,000/-. from the existing level of Rs. 50,000/-.
- Major changes were made in respect of Housing Loans to prevent excessive leveraging. Loan to Value [LTV] Ratio in respect of housing loans was capped at 80% except in case of housing loans up to Rs. 20 lac (which get categorised as priority sector Advances), where the LTV ratio should not exceed 90%. The risk weight for residential housing loans of Rs. 75 lac and above, irrespective of the LTV ratio, was increased to 125%. The standard asset provisioning on the outstanding amount of housing loans at special rates has been increased from 0.40% to 2.00%.
- Banks should not issue Tier 1 or Tier 2 capital instruments with 'step-up option' henceforth, so that these instruments continue to remain eligible for inclusion in the new definition of regulatory capital.
- Loans sanctioned to Non Banking Finance Companies [NBFCs] for on-lending to individuals or other entities against gold jewellery, are not eligible for classification under agriculture sector even if the underlying assets are eligible for classification as such. Similarly, investments made by banks in securitised assets originated by NBFCs, where the underlying assets are loans against gold jewellery, and purchase/assignment of gold loan portfolio from NBFCs are also not eligible for classification under agriculture sector.
- Housing loans extended to Non Resident Indians (NRIs), for construction of farmhouses and to staff members of the banks are not eligible for subsidy under the Scheme of 1% interest subvention on housing loans up to Rs. 10 lac. Further, loans sanctioned prior to October 01, 2009 would not qualify for reimbursement under the Scheme.
- Exchange-traded Interest Rate Futures were introduced for 91-Day Treasury Bills issued by Government of India.
- Banks have been permitted to engage companies registered under the Indian Companies Act, 1956, excluding Non Banking Financial Companies (NBFCs), as Business Correspondents in addition to the individuals/entities permitted earlier.

2. The Bank's Operations and Performance

2.1 Business Turnover

The gross business turnover of the Bank crossed the major milestone of Rs.One lac crore in December 2010. The total business of the Bank stood at Rs.104,202 crore on 31st March 2011, registering a growth of 16.63% from the level of Rs.89,345 crore as on 31st March 2010.

2.2 Working Results and Operating Profit

Operating profit (after staff provisions) of the Bank for 2010-11 went up by 21% to Rs.1,175.97 crore from Rs. 972.27 crore for the previous year. Net Profit for the year stood at Rs.727.73 crore as compared to Rs.684.27 crore in 2009-10. The Earnings per share (of Rs.10 face value) stood at Rs. 145.55 compared to Rs.136.85 at the end of the previous year.

The Net Interest Income increased by 21% from Rs.1,400 crore in FY 09-10 to Rs. 1696 crore in FY 10-11. Net Interest Margin stood at 2.87%.

2.3 Dividend

The Bank declared a higher dividend of Rs. 18 per share (180%) for the year to the shareholders, entailing a total payout of Rs. 90 crore. Of this, an interim Dividend of Rs. 8 per share (80%) was paid out in October 2010. The Pay-out ratio works out to 12.41% of the distributable profit (excluding dividend tax).

2.4 Capital Augmentation & Capital Adequacy

The Bank's capital funds improved from Rs.4397 crore as at the end of March 2010 to Rs.4881 crore as at the end of March 2011. The capital adequacy Ratio under Basel II stood at 12.54% in March 11 as compared to 13.74% in March 10 against a minimum of 9% stipulated by RBI. The Tier-I CRAR on this date is 9% as against 9.24% as at the end of the previous year. The Bank's Board of Directors had approved a Rights Issue of shares to the shareholders for an amount of Rs. 500 crore. The approvals from the RBI and State Bank of India for the issue have been received. The capital augmentation will serve to improve the Capital adequacy ratio of the Bank in 2011-12.

2.5 Deposits

Aggregate Deposits of the Bank registered a growth of 15.49%, reaching the level of Rs.57,599 crore as on 31st March 2011 as against Rs. 49,874 crore as on 31st March 2010. Personal Deposits, which contribute the bulk of the resources, grew by Rs.3,618 crore to reach Rs. 36,096 crore. NRI Deposits recorded improved performance compared to the previous year, grew by Rs. 725 crore and stood at Rs.11,562 crore. NRI Deposits constituted 20.07% of the Aggregate Deposits of the Bank as on 31st March 2011. Total Deposits of the Bank [including Inter Bank Deposits] moved up to Rs. 58,158 crore as on 31st March 2011 from Rs. 50,883 crore as on 31st March 2010.

2.6 Advances

Advances of the Bank registered a growth of 19.72% during the year and reached a level of Rs. 46,044 crore as on 31st March 2011 as against Rs. 38,461 crore as on 31st March 2010. The main contributions came from the C&I segment [growth of Rs.4,637 crore] and Agriculture segment [growth of Rs.2,280 crore]. The Bank's Retail lending stood at Rs.23,055 crore and constituted 50% of Total Advances as at the end of March 2011. The Credit Deposit Ratio of the Bank stood at 79.17% as on 31st March 2011 as against 75.59% as on 31st March 2010.

2.7 Market Share

Bank's All India market share in Deposits has improved from 1.09% on 31st March 2010 to 1.10% on 26th March 2011. The market share in Advances has been static at 1.16% in the same period. However, the market share would be 1.17% if the Rs.1,000 crore of Inter Bank Participation Certificate (IBPC) issued by the Bank during the year is included. The Bank continued to maintain its position as the premier bank in Kerala with a market share in business of 22.13% as at September 2010 [the latest date up to which data has been released by RBI] with 14% of the total branch network in the state.

2.8 Priority Sector lendings

The Bank continued to give special emphasis on lending to the Priority Sector in conformity with the national policies, expectations and fulfilment of social objectives. Bank's gross Advances to the Priority Sector increased from Rs. 14,260 crore as at the end of March 2010 to Rs.17,353 crore as at the end of March 2011, and constituted 44.07% of the Adjusted Net Bank Credit against the benchmark of 40%.

2.9 Agricultural and Rural Finance & Self Help Groups

Agriculture segment was the standout performer during the year under review. Bank has disbursed an amount of Rs. 5,716 crore under Agriculture segment as at the end of March 2011 against the Special Agricultural Credit Plan target of Rs.4,000 crore. The level of lending to agriculture sector stood at Rs. 5,580 crore as on 31st March 2011. Agri segment showed a positive growth of Rs. 2,280 crore as at the end of financial year 2010-11 compared to a growth of Rs.449 crore during the same period last year. The share of Agriculture Advances to Adjusted Net Bank Credit [ANBC] improved sharply to 14.17% from 10.33% at the end of the previous year.

During the current fiscal 16,677 Kisan Credit Cards (Working capital facility to farmers) and 4,519 Kisan Gold Cards (Investment credit to farmers) were issued with an outlay of funds of Rs. 146 crore and Rs. 182 crore respectively. During the current year, the level of Kissan Credit Card loans increased by 29% and 79% in number and amount respectively against the RBI stipulation of 20%.

The growth in Agriculture lending was driven by an intensive agriculture lending campaign called "SBT- Haritotsavam-2010" during the period June to September 2010. Against a lending target of Rs.1,000 crore, the amount disbursed during the period was Rs.1,424.25 crore, benefiting 2,04,082 farmers.

Bank continued to be active in assisting Self Help Groups and financing them through MFIs and NGOs. 84,787 groups were assisted so far with a financial outlay of Rs.656 crore. Bank has entered into an MOU with Kudumbasree (State mission for poverty alleviation) for giving loans to SHGs at low rate of interest. The notable feature of the programme is community farming by women neighbourhood groups with bank assistance. 600 women who are active in Self Help Groups were honoured with SBT Kudumbasree Award.

Farmers meetings were conducted at various centres to give wide publicity for schemes available to farmers. A special brochure on agricultural schemes in local languages was printed and supplied to the branches for the benefit of farmers. The Bank stands in the first position in terms of number of Farmers Clubs among Commercial banks in Kerala. The farmers Clubs sponsored by Pattanakkad and Bharananganam branches were awarded merit certificates by NABARD for their farmer friendly performance.

2.10 Lending to Micro, Small and Medium Enterprises (MSMEs)

The Bank continued to extend support to Micro, Small and Medium Enterprises, in conformity with national objectives. The total lending to MSME sector recorded a growth of 14.49% over previous year to touch Rs. 8,487 crore. The lending to Micro & Small Enterprises [MSEs] stood at Rs. 5,061 crore which is 18.69% higher over the previous year level. The Small Scale Industries and Small

Business segment recorded a growth of Rs.214 crore during the year, reaching a level of Rs.3906 crore as on 31st March 2011.

The growth in this sector was fuelled by an intensive MSME lending campaign conducted from 01st October 2010 to 31st January 2011. Against a target of Rs. 500 crore under MSME segment [including Rs.150 crore under micro segment, Rs. 150 crore under small segment and Rs. 200 crore under medium segment], the total lending during the campaign period was Rs.628 crore. 1% reduction in interest and waiver of processing charges were offered during the campaign period.

Road Transport Operators (RTO) segment has recorded steady progress after liberalization of collateral security norms and interest rate concession. The lending to the sector grew by 43.98% to reach Rs. 514 crore as at March 31, 2011.Tie up arrangements with various manufacturers / dealers of commercial vehicles served to increase the presence in the market.

The Bank is a Member Lending Institution under the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme for providing collateral free loans. Awareness programmes / workshops /seminars were conducted in all Regional Offices of the Bank / Training sessions and other important centres for operating staff about the scheme. Meetings of entrepreneurs were also conducted to educate them about the scheme. 10,350 loans amounting to Rs. 316 crore have been extended under the scheme so far.

The Bank's Technical Consultancy Cell carried out three project appraisals, four rehabilitation studies and two general studies during the year. The cell also involved in the three Entrepreneurship Development Programmes (EDPs) conducted by the Bank during the year.

2.11 Commercial & Institutional Finance

The Bank performed well under the segment by tapping the potential in market and C&I advance of the Bank reached Rs. 23,835 Crore as on 31st March 2011. This segment contributes more than 50 % of Bank's total advances, which comprises financing Trade and Services, Industry, Infrastructure, financing Corporate customers and other institutions. The 4 Industrial Finance Branches at New Delhi, Bangalore, Chennai and Ernakulam were re-designated as Commercial Branches, to sharpen their focus and broad base their portfolio. The 5 Commercial Network branches (including the Corporate Finance Branch at Mumbai) contribute 40% of the Credit growth. These branches' share of the Credit of the Bank has moved up from 22% to 25% during the year. Their share of the Non-fund based income of the Bank improved from 19% to 23% in the same period. Account Planning Initiative was rolled out at these branches during the year to improve the share of income of the Bank from major accounts.

2.12 Personal Finance

The Bank continued to be active in extending finance to Personal Segment, mainly by way of Housing Loans, Car Loans and Educational Loans. The Personal segment Advances went up to Rs. 13,345 crore as at March 2011 from Rs. 12,696 crore as at the end of the previous year, recording a growth of 5.11%. As many as 20,646 Housing Loans aggregating Rs. 2,363 crore were extended during the period under review, taking the outstanding Housing Loan level to Rs. 6,714 crore as at 31 Mar 2011, an improvement of 20.34% over March 2010 level of Rs. 6144 crore. Similarly 17,215 Car Loans aggregating Rs. 590 crore were extended during the same period, taking the outstanding Car Loan level to Rs. 1,420 crore as at 31 Mar 2011, which is higher by Rs. 96 crore over March 2010 level of Rs. 1,324 crore.

As in the previous years, the Bank continued to support the growing generation to prosecute higher studies by extending Educational Loans under Gyan Jyothi Schemes. The Bank has granted the maximum number of education loans in the State of Kerala. During the year under report, Bank sanctioned 19,782 Educational loans amounting to Rs. 565 crore. The total amount outstanding under this head stood at Rs. 1,713 crore.

The Bank also extended the subsidy assistance provided by the Government for Housing Loans and Educational Loans. These included the 1% interest Subvention for Home Loan borrowers up to a limit of Rs.10 lac where the estimate/cost of construction should not exceed Rs.20 lac, (applicable to the loans disbursed from 01st October 2009 to 31st March 2011), Interest Subsidy for Housing Urban Poor (ISHUP) Scheme to provide home loans with interest subsidy to Economically Weaker Sections (EWS) / Low Income Groups (LIG) for acquisition/construction of house and Central Scheme to provide Interest Subsidy on Education Loan borrowers. Maximum permissible loan amount under ISHUP is Rs.1 lac for EWS and Rs.1.60 lac for LIG category of borrowers (maximum amount eligible for subsidy is Rs.1 lac).

The subsidy scheme for education loans is available to students belonging to Economically Weaker Sections whose parental annual income does not exceed Rs.4.5 lac. Interest Subsidy will be provided by the Government during the moratorium period for the disbursements made on or after 01st April 2009.

2.13 Policies and Guidelines

A comprehensive Policy for lending to Micro Finance Institutions (MFIs)/Non Governmental Organisations (NGOs) has been formulated for regulating and standardising the Advances to the sector. The policy gives detailed guidelines to enable the Bank to increase the outreach by financing large number of SHGs/JLGs in a cost effective manner and supplement the efforts of the branches in financing SHGs/JLGs and enabling financial inclusion. The policy will also act as a precaution to pursue caution while funding micro finance institution (MFIs/NGOs) by adhering to the norms for funding.

Interest rate and charges on Bill Discounting under Inland Letter of Credit Scheme have been revised in line with the market condition to make the products the best in the market and to maintain the profitability.

The Policy on valuation of properties and empanelment of valuers has been revised comprehensively in order to improve smooth and quick delivery of credit and also to ensure speedy recovery of NPAs.

2.14 Introduction of Base Rate

The Bank has introduced Base Rate System effective on July 1, 2010, in conformity with RBI guidelines. Base rate was set at 7.75% on date, which has since been increased three times in tune with the market conditions. The Base rate of the Bank stands at 9% as at 31st March 2011.

2.15 Treasury Operations

The Gross investments of the Bank stood at Rs.17,956 crore as on 31st March 2011 as against Rs.15,881 crore as on 31st March 2010. The revenue from investment operations (interest and dividend) for the year was Rs.1,147 crore as against Rs.957 crore for the previous year. The average yield on investments was at 6.82% during the year as compared to 6.40% during the year ended 31st March 2010. The Bank earned a profit of Rs.98 crore from treasury operations during the period under report.

2.16 International Banking

The Bank's total forex turnover during the year for merchant transactions was Rs.16,746 crore compared to Rs.15,050 crore during the previous year. Inter Bank turnover was higher at Rs.4,34,520 crore as against Rs.3,66,210 crore during the previous year. The total profit from forex operations during the year was Rs. 40.29 crore as against Rs.39.99 crore as on 31st March 2010. The Export Finance extended by the Bank stood at Rs. 1,101 crore, which was 15.13% higher over the level at the end of the previous year.

Moneytrans E Remit a state of the art, technologically advanced Speed Remittance Product developed in-house ensures speedy and safe remittance from the Gulf countries. Moneytrans E Remit has been extended to 27 of the 28 Exchange houses with which the bank has drawing arrangements. Remittances through Moneytrans E Remit (including credits through NEFT) numbered 32.73 lac aggregating to Rs. 14,207.69 crore during 2010-11 as against 24.51 lac and Rs. 9,892 crore respectively during the previous year. The Bank continues to be the leading Bank in Kerala both in terms of number and volume of remittances.

Xpress Money, instant cash transfer arrangement with UAE Exchange and Financial Services Limited operating through select branches has been extended to branches in Thiruvananthapuram, Kottayam, Ernakulam and Kozhikode Zone.

Other products like Xpress Remit, an online remittance facility from US and UK and Viswa Yatra Foreign Travellers Card providing an alternative to carrying foreign currency while travelling abroad continue to be much favoured by the public in general

2.17 Cross Selling

The Bank has been constantly endeavouring to meet the requirements of its customers by making available Life, Non life insurance products as well as other non-banking investment products like Mutual Funds to its customers.

Bank's Cross Selling products include SBI Life Insurance Company's life Insurance products, United India Insurance Company's Non Life (General Insurance) products, SBIMF's Mutual fund products and SBI Cards Credit cards which are being made available to the customers through the branch network. With auto debit facility in place SIP mode of investment in Mutual Funds is becoming popular amongst the Bank's customers. The Bank also has tie up arrangements with UTI Mutual Fund, Sundaram Mutual Fund, Franklin Templeton and Tata Mutual fund houses.

As against Rs. 12.19 crore income earned during the year 2009-10 income from the Cross Selling business during the current year has improved to Rs. 20.57 crores, which represents a YOY growth of 68.74%.

SBI Life Insurance with a share of over 83% continues to be the major contributor to Cross Selling Income followed by General Insurance and Mutual Fund at 10% and 7% respectively.

Our Bank has a tie up with United India Insurance Company Limited for marketing its Non life products through the branch network. Unisuraksha, a personal accidental Death and Total Permanent disability cover, Unihealth, a Health plan (Mediclaim) for resident account holders of the Bank and NRI care, a health cum accident plan for NRI customers of the Bank are some of the major non life products that are available for the customers of the Bank

Unisuraksha, the Personal Accidental Death and Total Permanent disability cover has gained wide acceptance. During the year under consideration more than 45 families, most of being poor and needy have benefited from these claims. Bank's Health plan "Unihealth" a co-branded product of the Bank and UIICO too is gaining acceptance fast.

Among the Mutual fund products Systematic Investment Plans, [SIPS] Fixed Maturity Plans [FMPs] debt and equity funds of SBIMF launched from time to time are also marketed through the branches.

SBI credit cards are also being sold to the Bank's customers through its branch network. Platinum Credit cards for high value customers, Secure Cards, SBI Gift Cards and VIshwa Yatra Cards for overseas travellers are some of SBI Cards products being marketed by us. Auto debit facility for SBI Credit Cards is expected to be in place soon and this will give a boost to Credit Cards in the coming fiscal.

Bank has as on date 1,003 Certified Insurance facilitators and 751 AMFI qualified employees, which form the Insurance and Mutual fund sales force of the Bank. Plans have been drawn out to double these numbers in 2011-12.

2.18 Asset Quality

The Bank continued to give special focus to improving the quality of Assets and containing NPAs. The percentage of Gross NPAs to Gross Advances stood at 1.80% on 31st March 2011 with the Gross NPA level at Rs. 835 crore. The percentage of Net NPA to Net Advances stood at 0.98% as on 31st March 2011 compared to 0.91%, a year ago.

Bank's approach to Asset Management includes revival of viable sick industrial units as an important strategy through appropriate rehabilitation packages. Rehabilitation/ Restructuring packages are under implementation in respect of 37 units with a total exposure (Fund Based +Non Fund Based) of Rs.297.50 crore. Out of these 37 units, 10 units are under Corporate Debt Restructuring [CDR] scheme with exposure of Rs.175.87 crore, 27 units under BIFR scheme with exposure of Rs.121.63 crore. During the year, 12 accounts were referred to CDR scheme for restructuring. Out of these 12 accounts, restructuring packages for four accounts were approved, three accounts were withdrawn from the CDR mechanism and the others are under process.

2.19 Government Business

The Bank conducts State Government Business in 108 branches in Kerala and 2 branches in Tamil Nadu. Approval is awaited from Reserve Bank of India for linking 10 more Non-Banking Treasuries to the branches in Kerala. Further, 196 branches (136 branches in Kerala and 60 outside branches) are authorized for Central Board of Direct Taxes (CBDT) collection and 148 branches in Kerala are authorized for Central Board of Excise and Customs (CBEC) collection. 314 Post Offices are having drawing arrangements with the Bank and 43 Railway Stations have opened accounts with the branches.

The e-payment facility launched by the Bank for payment of commercial taxes for Kerala is well received by the Business Community. As many as 6.82 lac transactions amounting to Rs. 6,245 crore were collected under this Scheme. Proposal for introduction of e-payment of Motor Vehicle Taxes in Kerala State is in the final stages of implementation and will be launched from the beginning of the next financial year 2011-12. E-payment facility for Karnataka Commercial Taxes through the Bank is also expected to be introduced shortly.

The Bank became the exclusive Banker to 14 FRIENDS Centres promoted by IT Mission, Kerala, with 4 more FRIENDS Centres linked to the Bank during 2010-11. Around 2000 Akshaya Centres under IT Mission are also linked with the Bank. The number of Currency Chests maintained by the Bank stood at 127 after 5 unviable Currency Chests were surrendered to Reserve Bank of India during the year. The Bank successfully operationalised the Electronic Data Interchange (EDI) Project at the new Thiruvananthapuram International Airport Cargo Complex. The Bank is one among the 16 banks selected for introduction of e-payment of Customs on all-India basis, scheduled for FY 2011-12. The Bank has maintained a market share of 70% of Kerala State Government transactions during the financial year. Angamally Branch has been authorised by CBEC for collection of Customs Duty at Cochin International Airport, which was functioning as a sub-agency of State Bank of India since 1999.