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STATE BANK OF TRAVANCORE

(Associate of the State Bank of India)

HEAD OFFICE: THIRUVANANTHAPURAM

NOTICE

The Fifty-Fourth 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-695034, on Monday, the 26th May 2014 at 1.30 P.M (Indian Standard Time) to transact the following business:

"To discuss and adopt the Balance Sheet and Profit and Loss Account of the Bank made upto the 31st March, 2014, the report of the Board of Directors and the Auditors Report on the Balance Sheet and Accounts."

Thiruvananthapuram
25.04.2014

Jeevandas Narayan
Managing Director

CORRIGENDUM NOTICE

Reference is invited to the Notice dated 25th April, 2014 published in Part III Sec-4 of the Extra ordinary Gazette of India dated 28th April, 2014 regarding the conduct of the 54th Annual General Meeting of State Bank of Travancore at AKG Memorial Hall, Gas House Junction, Palayam, Thiruvananthapuram 695 034, on Monday, the 26th May 2014 at 1.30 P.M (Indian Standard Time) to discuss and adopt the Balance Sheet and Profit and Loss Account of the Bank made upto the 31st March, 2014, the Report of the Board of Directors and Auditors Report on the Balance Sheet and Accounts.

The revised date and time for conduct of the Meeting is fixed on Thursday the 5th June, 2014 at 10.30 A.M (Indian Standard Time) while the venue remains unchanged.

Thiruvananthapuram
05.05.2014

Jeevandas Narayan
Managing Director

BOARD OF DIRECTORS AS ON 31.03.2014

Smt Arundhati Bhattacharya	Chairman under Clause (a) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri Jeevandas Narayan	Director under Clause (aa) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959.
Dr J Sadakkadulla	Director under Clause (b) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri S Vishvanathan	Director under Clause (c) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri Rajeev Nandan Mehra	Director under Clause (c) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri Purna Chandra Jena	Director under Clause (c) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri V Kaliappan	Director under Clause (c) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri P V Prasad	Director under Clause (ca) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri C Rajkumar	Director under Clause (cb) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri Jitendar Kumar Mehan	Director under Clause (e) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959

MANAGEMENT COMMITTEE

Shri Jeevandas Narayan	Managing Director
Shri Sajeev Krishnan	Chief General Manager(Retail Banking)
Shri E.K.Harikumar	Chief General Manager(Commercial Banking)
Shri S.Chandrasekharan	General Manager (Treasury & Chief Financial Officer)
Shri S.Harikrishnan	Chief Vigilance Officer
Shri G.Madana Mohan Rao	General Manager (Business Strategy &Rural Banking)
Shri T.Keshav Kumar	General Manager (CNW)
Shri A.N.Krishnan	General Manager(Human Resources)
Shri S. Harisankar	General Manager(Information Technology)
Shri V.P.Ravindra Kumar	General Manager (Inspection &Audit)
Shri M.K.Bhattacharya	General Manager(Risk Management & CRO)
Shri Anil Kumar Peshin	General Manager (SAMG)
Shri K.N.Murali	General Manager (Retail Network I)
Shri S.Vasudevan	General Manager (Retail Network II)
Shri D.Babu Jayaraj	General Manager (Retail Network III)

ABRIDGED 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(I) OF STATE BANK OF INDIA (SUBSIDARY BANKS) ACT, 1959.

Period covered by the Report: 1st April 2013 to 31st March 2014

Economic Environment

- Global Economy

Global growth is likely to be in the vicinity of 3½ per cent in 2014-15, about ½ a percentage point higher than in 2013-14. The expansion in global output is expected to be led by Advanced Economies (AEs), especially the US. However, downside risks to growth trajectory arise from ongoing tapering of Quantitative Easing (QE) in the US, continuing deflation concerns and weak balance sheets in the euro area and, inflationary pressures in the Emerging Market and Developing Economies (EMDEs). Weakening growth and financial fragilities in China that have arisen from rapid credit growth in recent years also pose a large risk to global trade and growth.

Global inflation remains benign with activity levels staying below potential in the Advanced Economies as well as in some of the large emerging market and developing economies and a softer bias for global commodity prices continuing into 2014.

The global financial markets have weathered the initial dose of actual tapering of the Quantitative Easing (QE) by the US Fed, quite well. However, the global interest rate cycle has just begun to turn. Any large withdrawal of monetary accommodation by advanced economies and consequent effect on capital flows to and from emerging market and developing economies could lead to volatility and could translate into liquidity shocks impacting asset prices.

- **National Economy**

GDP growth has been stagnant at around 5% during the year. This is attributable to the continued weakness in industrial activity and supply side constraints.

A moderate recovery is likely to set in 2014-15 broadly in line with the Reserve Bank's indicated projections in January 2014. The recovery is likely to be supported by investment activity picking up due to part resolution of stalled projects and improved business and consumer confidence. Manufacturing PMI, for the month of February 2014, touched a year's high on the back of higher output and new orders. The rural demand base is likely to shore up demand, following record agricultural output.

While the global environment remains challenging, policy action in India has rebuilt buffers to cushion it against possible spillovers. There was curtailment of deficit (both Current & Fiscal). There was also adjustment of rupee exchange rate and replenishment of foreign exchange reserve which resulted in lowering of risk of near-term macro instability. However, more efforts in terms of removing structural impediments, building business confidence and creating fiscal space to support investments will be needed to secure growth.

- **Kerala Economy**

Kerala's economy is one of the fastest growing economies in the country. Kerala has won international recognition for its outstanding achievements in Health and Education sectors. The prime driver of the economy still is the remittance from abroad by lakhs of Non- Resident Indians mainly from Gulf. Economy in Kerala is supported by traditional industries, Coir, Cashew, Bricks and tiles, oil milling, Handloom and Timber employing 83% of this total work force in the industrial sector.

Kerala contributes 97% of national pepper production and accounts for 85% of the area under natural rubber in the country. Coconut, tea, coffee, cashew, and spices — including cardamom, vanilla, cinnamon, and nutmeg — comprise a critical agricultural sector. A key agricultural staple is rice, with large number of varieties grown in Kerala's extensive paddy fields. Nevertheless, home gardens comprise a significant portion of the agricultural sector.

Tourism continues to flourish and plays an important role in the state's economy. IT sector is on a growth path with flagship Techno Park at Thiruvananthapuram and Techno City at Ernakulam gaining further traction. The proposed Info Park and Smart City near Kochi, is expected to propel Kerala to become one of the leading IT destinations in the country. Mega Projects like Vallarpadam International Container Transshipment Terminal will give a fillip to the economy. The proposed Vizhinjam International Deepwater Multipurpose Seaport at Thiruvananthapuram is expected to give boast to the State's economy. The Kannur International Airport project is expected to transform the North Malabar region into a highly developed Centre for Travel, Tourism and Industries.

- **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 banking sector demonstrated strong resilience during the global financial crisis and was able to maintain profitability, with asset quality remaining relatively unaffected. In India, reforms have continued with a view to building a robust and resilient financial system. More stringent capital and liquidity measures for commercial banks have been implemented and steps have been taken to build provision buffers. RBI has initiated the steps for implementation of the Basel III norms embedded with provisions and guidelines for higher capital adequacy norms for adoption and implementation by Banks in India. 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 experienced manpower due for retirement; 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 viz. mobile banking, net banking and smart cards..

Further, Green Channel Counters' are the latest innovations in the series for Banks to serve its customers in an eco-friendly atmosphere. Regulatory changes have opened up newer opportunities in rural areas for Banks. The penetration of banks in rural areas has increased manifold due to the progress made under Financial Inclusion Plans of banks.

However, the cause of concern for Indian banks is the sluggish credit off-take, lower investments, supply side constraints which are adversely impacting the asset quality and profitability of Banks.

- **Regulatory Measures and Monetary Policy**

The year 2013-14 witnessed a series of monetary measures initiated by Reserve Bank of India to contain rising inflation, further liberalisation in the Branch Authorisation Policy and more security measures for electronic payment system in scheduled commercial banks. The Reserve Bank of India has granted "in-principle" Bank licences to Infrastructure Development Finance Co and microfinance lender - Bandhan Financial Services Ltd.

Some of the main policy changes and reforms announced by RBI during the year are as under:

- Repo rate moved from 7.5% to 8%.
- Cash reserve ratio (CRR) of scheduled banks maintained at 4.0 per cent of net demand and time liability (NDTL).
- Increased liquidity provided under 7-day and 14-day term repos.
- The reverse repo rate moved in tandem with repo rate and is presently at 7.0 per cent.
- The Marginal Standing Facility (MSF) rate and the Bank Rate are presently at 9.0 per cent.
- Under the new RBI Branch Authorisation Policy, Banks can now open branches without taking permission from RBI, subject to reporting. To provide enhanced banking services in Tier 5 and 6 centres (Rural), domestic scheduled commercial banks should necessarily open 25% of the branches, opened during the year, in unbanked rural centers.
- RBI has stipulated higher provisioning norms on Restructured assets.
- The limit of bank loans to micro and small service enterprises (MSEs) engaged in providing or rendering of services increased from Rs 2 crore to Rs 5 crore per borrower/unit, provided they satisfy the investment criteria for equipment as defined under the MSMED Act, 2006.
- A separate sub-sector called 'Commercial Real Estate - Residential Housing' (CRE-RH) carved out from the Commercial Real Estate (CRE) sector. CRE-RH to consist of loans to builders/developers for residential housing projects (except for captive consumption) under CRE segment. The CRE-RH segment to attract a lower risk weight of 75 per cent and lower standard asset provisioning of 0.75 per

cent as against 100 per cent and 1.00 per cent, respectively for the CRE segment.

- The period for realisation and repatriation to India, of the amount representing the full value of goods or software exported, brought down from twelve months to nine months from the date of export.
- Downloaded E-Aadhaar Card recognised as Valid Document.
- The new Real Time Gross Settlement (RTGS) system launched on October 19, 2013.

The Bank's Performance

Net Profit for the year stood at Rs 304.34 crore as compared to Rs 615.04 crore for the previous year 2012–13, showing a decline of 50.52% over last year. The Operating Profit (after Staff Provisions) for the year ended 31st March, 2014 stood at Rs 1,369.69 crore as compared to Rs 1,351.00 crore recorded for the year ended 31st March, 2013.

The Bank's capital funds improved from Rs 6,175.70 crore under Basel II as at the end of March 2013 to Rs 6,792.01 crore as at the end of March 2014. The capital adequacy ratio under Basel II stood at 11.52% as on March 31, 2014 as compared to 11.70% as on March 31, 2013 against a minimum of 9% stipulated by RBI. Under Basel III, the Bank's capital funds improved from Rs 5671.43 crore as on 1st April 2013 to Rs 6,357.63 crore as on 31st March 2014. The Capital Adequacy Ratio under Basel III improved from 10.74% as on 1st April 2013 to 10.79% as on 31st March 2014.

Bank's aggregate deposits showed a growth of 5.54 % and stood at Rs 88,707 crore as on 31st March, 2014 compared to Rs 84,047 crore in the previous year. The share of Personal Segment Deposits is Rs 62,246.92 crore which constitute 70.17% of Aggregate Deposit. In absolute term Personal Segment Deposit has grown by Rs 9,656 crore Y-O-Y.

NRI Deposits grew by Rs 5651 crore to reach a level of Rs 24,963 crore. It constitutes 28.14% of the Aggregate Deposits of the Bank as on 31st March, 2014. Total Deposits of the Bank (including Inter Bank Deposits) stood at Rs 89,337 crore as on 31st March, 2014 from the level of Rs 84,624 crore as on 31st March, 2013.