

# **ANNUAL REPORT**

(Abridged Version)

2014-2015



സ്റ്റേറ്റ് ബാങ്ക് ഓഫ് ട്രാവൻകൂർ  
**STATE BANK OF TRAVANCORE**  
स्टेट बैंक ऑफ़ त्रावणकोर

<b>Contents</b>	<b>Page</b>
Notice to shareholders	2
Board of Directors	3
Management Committee	3
Abridged Report of the Board of Directors	4
Abridged Balance Sheet	12
Abridged Profit and Loss Account	14
Notes to Accounts	16
Auditors Report	46
Attendance Slip & Proxy Form	48

**STATE BANK OF TRAVANCORE**  
(Associate of the State Bank of India)

Head Office: Thiruvananthapuram

**NOTICE**

The Fifty Fifth 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 15<sup>th</sup> June 2015 at 10.00 A.M. (Indian 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 31<sup>st</sup> March, 2015, the report of the Board of Directors and the Auditors Report on the Balance Sheet and Accounts.”

Thiruvananthapuram  
Date: 05.05.2015

Jeevandas Narayan  
Managing Director

## BOARD OF DIRECTORS AS ON 31.03.2015

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 V. G. Kannan	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 Ramesh Chandra Srivastava	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 M. C. Jacob	Director under Clause (d) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri Sajen Peter	Director under Clause (d) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959
Shri Ashok Kumar Singh	Director under Clause (e) of sub-section (1) of Section 25 of the State Bank of India (Subsidiary Banks) Act, 1959

## MANAGEMENT COMMITTEE AS ON 15.05.2015

Shri Jeevandas Narayan	Managing Director
Shri E.K.Harikumar	Chief General Manager(Retail Banking)
Shri. S. Adikesavan	Chief General Manager(Commercial Banking)
Shri S.Chandrasekharan	General Manager (Treasury & Chief Financial Officer)
Shri K.N.Murali	General Manager (Commercial Banking)
Shri A.N.Krishnan	General Manager (Human Resources)
Shri D.Babu Jayaraj	General Manager (Retail Network III)
Shri S. Harisankar	General Manager (Retail Network II)
Shri G.Madana Mohan Rao	General Manager (Business Strategy & Rural Banking)
Shri M.K.Bhattacharya	General Manager (Risk Management & CRO)
Shri V.P.Ravindra Kumar	General Manager (Information Technology & New Business)
Shri V. Thyagarajan	General Manager (SAMG)
Shri Ramesh R Arya	General Manager (Inspection & Audit)
Shri M. Deviprasad	General Manager (Retail Network I)
Shri Satyaki Rastogi	Chief Vigilance Officer

# **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(1) of State Bank of India (Subsidiary Banks) Act, 1959.**

Period covered by the Report: 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015

## **MANAGEMENT DISCUSSIONS & ANALYSIS**

### **1. Global Economy**

The global economy continued to expand during 2014 at a moderate and uneven pace, as the prolonged recovery process from the global financial crisis was still saddled with unfinished post-crisis adjustments. Global recovery was also hampered by some new challenges, including a number of unexpected shocks, such as the heightened geopolitical conflicts in various areas of the world.

The global economic environment appears poised for a change for the better with the recent sharp fall in the international prices of crude petroleum, which is expected to boost global aggregate demand, and the sharp recovery in the US economy in the midst of gradual withdrawal from monetary accommodation. China, meanwhile, is undergoing a carefully managed slowdown. Disappointing growth in other developing countries in 2014, not only reflected weak external demand but also domestic policy tightening, political uncertainties and supply-side constraints. (Global Economic Prospect; World Bank, January 2015).

The International Monetary Fund (IMF) in its April 2015 outlook has projected the Global growth to reach 3.5 percent and 3.8 percent in 2015 and 2016 based on a pickup in growth in advanced economies and emerging economies relative to the previous year.

### **2. Indian Economy**

The Indian economy is poised for a gradual recovery. GDP based on new series is expected to grow by 7.4% in FY 2014-15 compared to 6.9% in FY 2013-14 and 5.1% in FY 2012-13. Central Statistical Organisation (CSO) introduced a new measure of growth called Gross Value Added (GVA) in line with the international best practices. On GVA basis, economy is estimated to grow by 7.5% in FY 2014-15 on the back of robust growth in services (10.5%) and industry (5.6%).

Inflation, both Wholesale Price Index (WPI) and Consumer Price Index (CPI), remained modest during the latter part of FY 2014-15. During FY 2014-15, WPI inflation stood at 2.1% (average) compared to 6.0% in the previous fiscal. The sharp contraction in fuel prices contributed to the decline in WPI. CPI inflation, based on the new base, also declined to 6% (from 9.6% in last fiscal). The Government's recent move to introduce a flexible inflation-targeting framework is a clear positive, which will help to deliver low and stable inflation, and diminish the prospect of renewed bouts of

high inflation.

The Government also has made strong efforts to put its public finances on solid footing, with the central government's fiscal deficit declining to 4.0% of GDP in FY 2014-15, helped by lower oil prices. By creating space for higher infrastructure spending, fiscal reforms can have a major impact on economic growth.

The Indian economy is now on the threshold of a major transformation, with expectations of policy initiatives by Central Government and RBI. The economy is on the road to recovery due to positive business sentiments, improved consumer confidence and a more controlled level of inflation and lower fiscal deficit. The sectors which were significantly impacted by the crisis and slowdown in the economy are now showing definite signs of improvement.

### **Banking scenario**

Going forward as the investment cycle gather momentum, the credit demand will pick up for Q2 of FY16 because of many confidence building measures in the Union Budget such as the thrust given to the MSME sector, fast clearance of stalled projects etc. The growth in GNPA's is expected to abate in 2015-16 with pickup in economic growth.

On the monetary policy front, the RBI reduced Repo rate by 50 bps to 7.50% in last couple of months. The initial impact would be felt in the lowering of the interest rates on deposits and would progressively result in lower interest rate on advances. RBI has also reduced the Statutory Liquidity Ratio (SLR) by 50 bps to 21.50% of Net Demand and Time Liabilities (NDTL). This improves the elbow room for banks to expand credit and boost growth

### **3. Kerala Economy**

During 2013-14, the contribution of primary, secondary and tertiary sectors to the Gross State Domestic Product (GSDP) at constant prices (2004-05) was 9.2%, 19.9% and 70.9%. The driving factor for the growth economy is mainly the growth in transport storage and communication. In addition to this, tourism and remittances from abroad plays an important role in the growth prospect of Kerala's economy.

Economists hold the view that the substantial reduction in oil prices might not necessarily be a good news for Kerala economy as it is for the rest of the country, since it may have an impact on the flow of remittances.

The State has undergone the highest level of urbanization

in its history during 2001-2011 and was positioned in the 9<sup>th</sup> rank in the level of urbanisation among Indian States as per the 2011 Census.

Notable among the Kerala Government's initiative includes, identifying a set of high priority projects to be taken up on a Mission Mode (Mission 676), special attention to the tribal sector by providing additional funding (ATSP), the successful completion of state of the art infrastructure for the 35<sup>th</sup> National Games, obtaining "in principle" Viability Gap Grant Assistance for the Vizhinjam Port (the first port project in the country to get such assistance from the Centre), and the launching of a State Initiative on Disabilities.

The Government has taken a series of initiatives to give an impetus to the agriculture sector by giving a thrust to organic farming, through a Global Agro Meet, increased focus on soil health and integrated pest management and development.

The Government, with the expertise of the Kerala State Planning Board, has introduced Kerala Perspective Plan 2030. It sets out goals and strategies for the state to achieve significant economic growth, high human standards of living, greater social inclusiveness and better environmental protection.

#### **4. Banking Environment**

The resilience and stability of the domestic financial system have become essential to the country's macroeconomic stability, particularly in an increasingly integrated world. The Indian Banking sector demonstrated strong resilience during the global financial crisis and was able to maintain stability, with asset quality. 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 up Capital Conservation Buffers (CCB). The Basel Committee on Banking Supervision issued the final rules on the Net Stable Funding Ratio (NSFR) in October 2014.

The Reserve Bank has already started phasing in implementation of the Liquidity Coverage Ratio (LCR) from January 2015. The RBI has announced that the Net Stable Funding Ratio (NSFR) is scheduled to be implemented from January 1, 2018 for banks in India. The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities

In July 2014, Banks were allowed to issue long term bonds (LTBs), with exemptions from certain regulatory pre-emptions, for lending to (i) long-term projects in infrastructure sub-sectors, and (ii) affordable housing.

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 a 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 Centralized Core Banking Environment, supported by technology enabled products viz. mobile banking, net banking and smart cards.

#### **5. The Bank's Performance**

**5.1** The Bank went through a process of consolidation during FY 2014-15. Since the credit off-take was subdued, concerted efforts were made to reduce interest expenditure to improve the operating profit. Efforts were made to improve the Operating Profit by reducing Bulk deposits, High cost deposits and repaying higher cost borrowings. This resulted in the control of the interest expenditure.

The bulk deposits (including Certificate of Deposits) have come down by Rs.6,823 crore during the year. This resulted in improvement in the cost of deposits from 7.41% as on 31.03.2014 to 7.32% as on 31.03.2015.

#### **5.2 Total Business**

The total business of the Bank stood at Rs.1,60,984 crore as on 31<sup>st</sup> March 2015 against Rs. 1,60,119 crore as on 31<sup>st</sup> March 2014. It comprises of a Total Deposit of Rs. 91,077 crore and Gross Advance of Rs. 69,907 crore.

#### **5.3 Working results and Operating Profit**

The operating profit (after Staff Provisions) for the year ended 31<sup>st</sup> March, 2015 stood at Rs. 1,372.16 crore as compared to Rs.1,369.69 crore recorded for the year ended 31<sup>st</sup> March, 2014. Net Profit for the year stood at Rs. 335.53 crore as compared to Rs. 304.34 crore for FY 2013-14. The earnings per share (face value of Rs.10) was Rs. 56.63 as on 31.03.2015 as against Rs. 60.87 as on 31.03.2014.

#### **5.4 Dividend**

The Bank declared a dividend of 50% for the year (previous year : 25%) to the shareholders, entailing a total payout of Rs. 35.55 crore. The dividend payout Ratio works out to 10.60% of Net profit. The shares allotted under recently concluded rights issue are also eligible for the dividend.

#### **5.5 Deposits**

Bank's Aggregate Deposits showed a growth of 1.83 % and stood at Rs 90,328 crore as on 31<sup>st</sup> March, 2015 compared to Rs. 88,707 crore in the previous year. The Personal Segment deposits recorded a growth of Rs. 8930 crore (14.35%) during the year, to reach a level of Rs. 71,176 crore, which constituted 78.80% of the Aggregate Deposit of the Bank.

Total Deposits of the Bank (including Inter Bank Deposits) stood at Rs. 91,077 crore as on 31<sup>st</sup> March, 2015 as against

Rs. 89,337 crore as on 31<sup>st</sup> March, 2014.

## **5.6 Advances**

The Gross advances of the Bank stood Rs. 69,907 crore as at the end of 31<sup>st</sup> March, 2015 as against Rs. 70,782 crore a year ago, recording a marginal negative growth of 1.24% due to sluggish credit off-take coupled with macroeconomic condition. Personal segment advance contributed a growth of Rs. 490 crore and reached a level of Rs. 18,784 crore, whereas the C&I segment declined by Rs. 522 crore and reached a level of Rs. 34,379 crore.

The Retail lending stood at Rs. 35,528 crore and constituted 50.82 % of the total advances as at the end of 31<sup>st</sup> March, 2015.

The Credit Deposit Ratio of the Bank stood at 76.76% as on 31<sup>st</sup> March, 2015 as against 79.23% as on 31<sup>st</sup> March, 2014.

### **5.6.1 Commercial & Institutional Finance**

The Bank's performance under this Segment stood at Rs. 34,379 crore as on 31<sup>st</sup> March 2015 as against Rs. 34,901 crore as on 31<sup>st</sup> March 2014. The share of C&I Segment to Total Advances came down from 49.31% as on 31<sup>st</sup> March 2014 to 49.18% as on 31<sup>st</sup> March 2015. The Bank has 7 CNW Branches and 10 CBNW Branches. The total advances of these branches stood at Rs. 28,395 crore as on 31<sup>st</sup> March 2015, representing 40.62% of Total Advances of the Bank.

### **5.6.2 Agricultural Finance.**

The Bank disbursed an amount of Rs. 10,203 crore under Agriculture segment as at the end of March 2015 against the Special Agricultural Credit Plan target of Rs. 7,000 crore. Exposure to Agriculture segment stood at Rs. 12,154 crore as on 31<sup>st</sup> March, 2015, which is 17.06% of ANBC, against a benchmark of 18%.

### **5.6.3 Lending to Micro, Small and Medium Enterprises (MSME)**

MSMEs play a major role in the country's economic development. The Bank gives due importance for the growth of this vital segment of the economy. Total lending to MSME sector as on 31<sup>st</sup> March 2015 stood at Rs.10,892 crore. The lending to Micro and Small Enterprises (MSEs) stood at Rs. 7,655 crore.

### **5.6.4 Personal Segment Finance**

The Bank continued to be active in extending finance to Personal Segment, mainly by way of Housing Loans, Car Loans, Education Loans and Gold Loans. In all, 13,512 housing loans aggregating Rs. 2,105 crore were sanctioned during FY 14-15. The outstanding in Housing Loan stood at Rs. 10,259 crore as on 31.03.2015.

Vehicle loans aggregating to Rs. 563 crore spread over 10257

accounts were sanctioned during FY 14-15. The outstanding in Vehicle loan stood at Rs. 1,454 crore as on 31.03.2015

The Bank continued to support the younger generation to pursue higher studies by extending Education Loans under IBA Model Scheme. The Bank maintained its leadership in extending Education Loans in Kerala State. During the year under review, 4749 Education Loans amounting to Rs.181 crore were sanctioned, taking the total outstanding amount to Rs. 2,284 crore as at the end of March 2015.

### **5.6.5 Priority Sector Lending**

The Bank continued to give special emphasis on lending to the priority sector in conformity with national policies, expectations and fulfillment of social objectives. Bank's Gross Advances to the Priority sector was Rs. 27,609 crore as at the end of March 2015 as against Rs. 29,179 crore as at the end of March 2014 and constituted 38.77% of the Adjusted Net Bank Credit against the benchmark of 40%.

## **5.7 Asset Quality**

The Gross NPA level of the Bank as on 31<sup>st</sup> March, 2015 stood at Rs. 2,357 crore and its percentage to Gross Advance stood at 3.37% compared to 4.35% as on 31.03.2014. The Net NPA level of the Bank as on 31<sup>st</sup> March, 2015 stood at Rs. 1,399 crore. The percentage of Net NPA was 2.04% in FY 14-15, compared to 2.78% as at the end of the previous year.

The Provision Coverage Ratio (PCR) improved from 52.60% as on 31.03.2014 to 60.62% as on 31.03.2015.

## **5.8 Capital and Capital Adequacy**

During the year ended 31<sup>st</sup> March 2015, the Bank has allotted 92,53,473 Equity Shares of Rs. 10 each at Rs. 416.06 per share (including premium of Rs. 406.06 per share) to State Bank of India aggregating to Rs. 385 crore on preferential basis. The Bank also received share application money aggregating to Rs. 474.03 crore through a Rights issue which closed on 31.03.2015.

The capital adequacy ratio under Basel II improved from 11.52% as on March 31<sup>st</sup>, 2014 to 11.63% as on 31<sup>st</sup> March 2015. The capital adequacy ratio under Basel III improved from 10.79% as on 31<sup>st</sup> March 2014 to 10.89% as on 31<sup>st</sup> March 2015 against a minimum of 9% stipulated by RBI.

## **5.9 Branch Network**

The Bank opened 45 new branches during the year. As at the end of 31<sup>st</sup> March 2015 the Bank has 1157 branches and 12 extension counters. The Bank has presence in 16 States and 3 Union Territories. 5 Service Branches were closed during the year.

The number of branches in Kerala increased from 820 in March, 2014 to 838 as at the end of 31<sup>st</sup> March, 2015.



The Bank added 250 ATMs during the year taking the total number of ATMs to 1602. Out of the total ATMs, 1256 ATMs are in Kerala state.

### 5.10 Market Share

The Bank's market share in ASCB Deposits was 1.05% as on 27<sup>th</sup> March, 2015 as compared to 1.16% as on 28<sup>th</sup> March, 2014 (Last Friday data). The market share in Advances has come down from 1.16 % as on 28<sup>th</sup> March 2014 to 1.06% as on 27<sup>th</sup> March, 2015. The Bank's All India Market share in total business as on 21<sup>st</sup> March, 2015 stood at 1.06%. (Source: RBI).

The Bank continued to maintain its position as the premier Bank in Kerala with a market share of 20.24% in business among all Commercial Banks (as at the end of December 2014) with a 14.14% of the total branch network. In respect of NRI deposits, our market share in the State is 24.72%. (Source SLBC, Kerala)

## 6. Business Initiatives

Bank opened 2 specialized MSME Branches at Muvattupuzha and Kannur taking the total number of specialized MSME branches to 10. The Bank has 2 Specialised Housing Finance branches at Ernakulam and Thiruvananthapuram, 45 P&SB branches and 21 Gold point branches which offer specialized services to Personal segment customers. The Bank also has 11 NRI branches to offer specialized services to NRI customers.

One more Relationship Manager was deputed to the gulf countries during the year to strengthen Bank's international presence taking the total number of Relationship Managers posted abroad to 10. Tie up arrangements, were established with one more Exchange House in the Gulf countries during the year, taking the total number of such Tie-up to 43. These Exchange Houses remitted Rs. 40,000 crore through our Bank. The bank also has a Representative office at Dubai.

With the objective of improving our Market share in Corporate segments and enhancing the business mix, the Bank has two networks namely, "Commercial Network" (CNW) to cater to large advances and "Commercial Business Network" (CBNW) to cater to Mid corporates and emerging business groups.

With a view to improve delivery and to strengthen the monitoring of large corporate accounts, high value accounts were shifted to commercial network branches. The Bank has 7 Commercial Network branches and 10 CBNW branches to offer specialized services to corporate customers.

## 7. Development Banking

The Bank continues to play its role in facilitating customer acquisition, retention and broadening of customer base by conducting segment centric marketing drives.

Financial Inclusion (FI) is delivery of banking services at an

affordable cost to the vast sections of the disadvantaged and low-income groups. The Bank has over 28.76 Lac Basic Savings Bank Deposit Accounts (BSBDA). 90% of these accounts were opened in the State of Kerala. Joint Liability Group (JLG) schemes, General Credit Cards to the BSBD Account Holders are other initiatives in this direction.

In conformity with the directions of Reserve Bank of India, the Bank has formulated a Financial Inclusion Plan, which has been rolled out during 2014-15. This plan will be an integral part of the Bank's Business Plan. The Bank's Board has also approved a 3 year Financial Inclusion Plan, for the years 2013 to 2016, in tune with the Bank's future plans for Financial Inclusion.

The Bank continues to give due importance to extending financial assistance to meet the credit requirements of the SC/ST citizens. A credit Cell is functioning at Head Office under the control of Assistant General Manager (MSME) for monitoring flow of credit to these communities. Advances to SC and ST borrowers under Priority sector aggregated to Rs. 4,122 crore constituting 14.92% of priority sector lending.

The Bank continues to give due importance in extending financial assistance to meet the credit requirements of the Minority Communities. Advances to Minority communities stood at Rs.10,718 crore as on 31.03.2015, as against Rs. 9692 crore as on 31.03.2014, constituting 38.82% of Bank's Priority Sector lending.

Bank actively supported/encouraged lending to women entrepreneurs. Total lending to women entrepreneurs stood at Rs. 8,561 crore covering 7,62,061 borrowers. The exposure constitutes 12.02 % of ANBC.

As member of the Aadhaar Payments Bridge System (APBS) and National Automated Clearing House (NACH) of the National Payments Corporation of India (NPCI), Bank is processing files received from NPCI. The Bank is also processing files received through the Plan Funds Management System (PFMS) of the Controller General of Accounts. Both these channels are meant for payment of Government Direct Benefits Transfer (DBT) to the beneficiaries.

The Bank is a member of the Aadhar Enabled Payments System (AEPS) of the National Payments Corporation of India (NPCI) and has entered into an agreement with Unique Identification Authority of India (UIDAI) for using the data base for satisfying the Bank's Know Your Customer (KYC) norms and this is termed as e-KYC.

The payment of subsidy on LPG (DBTL) has been rolled out in all the districts in the country. The Lead Banks of each district have been given the responsibility of collecting the details of beneficiaries from the Oil Manufacturing Companies (OMCs) and opening their accounts and seeding



of Aadhaar.

A dedicated DBTECS branch has been set up in Thiruvananthapuram for processing all DBT, DBTL and ECS payments.

Payments to MNREGS workers in 5 districts of Kerala State are routed through the Bank. From April 2015 onwards all the payments of MNREGS workers in the entire state are routed through the Bank.

**Financial Literacy:** Financial Literacy seminars & Employment Development Programmes for different target groups were arranged in the Lead Districts. For widening the coverage of banking services, a campaign for opening of Savings Bank accounts was conducted in the Lead Districts.

## 8. Technology initiatives

The Bank has a network of 1602 ATMs. The Bank's ATM cum Debit cards are accepted in all outlets having MasterCard / Visa logo. Several facilities such as Visa Money Transfer (VMT), SBI Credit Card payment, SBI Life Premium payment, Mobile recharge, Mobile Banking registration, Cheque Book order etc. have also been enabled in the ATMs.

The Bank's highly secure Internet Banking platform supported by encryption offers utmost security to Internet Banking customers against phishing /hacking threats and provides Intra-Bank /Inter-Bank funds transfer facility up to a limit of Rs 500 crore per transaction for corporate INB (Vistar). 1.55 lakh new registrations were activated during the FY 14-15, showing a growth of 21.62 % over previous year.

Mobile Banking provides customers with another safe, secure, fast and convenient channel for banking transactions. The services provided includes enquiry services, funds transfer, IMPS, bill payment, mobile top-up, DTH recharge etc. The daily limit for MBS transaction is Rs. 50,000/- for aggregate of funds transfer & transactions involving purchase of goods & services, within an overall calendar month limit of Rs. 2,50,000/-. Services like Mobile Top up, DTH recharge and IMPS (Inter Bank Mobile Payment System) also called as Immediate Payment System makes the transaction simple and faster and are available 24x7 even on holidays.

In addition to our existing Mobile Banking application State Bank Freedom, State Bank Anywhere for Associate Banks has been launched in our Bank which provides Internet Banking service through Mobile Application for Retail INB customers having Android Mobile Phones. This application provides Major Internet Banking Services like Fund Transfer, Balance Enquiry, Mini Statement, Bill Payments, and Payments to Loan Accounts, Opening an RD account, Opening an FD account, etc. This product is also available for NRI customers.

"SOFT POWER" is a proactive step which enables web based interfaces in our website for applying home and car loans

online for public.

In this new Online Product, the prospective customers can find their eligibility, customize their loan particulars and finally place their loan application to their preferred branch from the comfort of their home. Application is designed in such a way that the customer can place their requests quickly with minimum inputs.

Electronic Payments of the Bank are done by the Payment and Settlement Group which functions from Belapur, Navi Mumbai. All the branches of the Bank are enabled for RTGS/ GRPT/NEFT remittances. The total number of outward electronic remittances for the year ended 31.03.2015 was 1,01,18,061 registering an increase of 59%, over the previous year. While, the number of transactions under RTGS recorded a growth of 7%, GRPT outward transactions and NEFT transactions increased by 107% & 59% respectively, in the current year. NEFT application was moved to an upgraded version of 5.5.3 with effect from 07.07.2014 which will enable NEFT messaging system to align with the RTGS messaging system in future. In order to improve customer service, RTGS timings for customers increased by one hour to commence from 8.00 am with effect from 29.12.2014.

**Social Media:** The Bank is having dedicated page /channel in "Facebook", "Twitter" and "YouTube" with special emphasis to embrace the new generation customers and all our major products are now promoted through social media also.

## 9. Customer Service

Customer service in the Bank is accorded top priority and every endeavour is made to improve the quality of service to the customers and redress their grievances.

A well-defined and full-fledged Customer Grievances Redressal Mechanism is put in place in the Bank. An official of the rank of Deputy General Manager is placed as head of the Customer Service Department to give greater focus on redressal of complaints.

Bank has provided a facility (SMS SBT CARE) to the customers whereby they can send a message from anywhere by SMS to 9847198471 and / or 56363 from their mobile. The customer is contacted by the officials of the Bank and the complaints are taken up for redressal on priority.

Bank has also established a call centre with toll free number: 1800 425 5566 which enables the customers and general public to seek clarification on Bank's products and services.

## 10. Corporate Social Responsibility (CSR)

Bank, under Corporate Social Responsibility initiatives has extended a wide range of social activities both in rural and urban areas to serve the community at large. During FY 2014-15 an amount of Rs. 2.72 crore was spent for CSR activities. The major CSR initiatives undertaken by the Bank

during the year are as under:

- ▶ Undertaking Construction of toilets in schools under “Swachh Vidyalaya Campaign”.
- ▶ Donation of Computers and equipments to Karthika Thirunal Government & Vocational Higher Secondary School, Manacaud, Thiruvananthapuram.
- ▶ Reimbursement of one day’s expenses of poor cancer patients at Regional Cancer Centre, Thiruvananthapuram.
- ▶ Donation to Navoothan Cancer Foundation for purchase of mobile Cancer detection unit.
- ▶ Assistance to Health Oriented Project Establishment (HOPE) for purchase of one generator for their rehabilitation centre.
- ▶ Associating with Clean Campus Safe Campus’ awareness campaign by Government of Kerala – Anti-narcotic drive among students.
- ▶ Donation to Artificial limb fitment camp conducted by Rotary Club of Trivandrum Central.
- ▶ Donation of Dental chairs to Ex-Servicemen contributory Health Scheme Polyclinic.
- ▶ Providing tree guards for City Greening programme as part of CSR initiative in association with Forest Department of Kerala.
- ▶ Donation to Kannur Municipality for purchase of one mobile cleaning van.
- ▶ Reimbursement of Recurring expenses for four Rural Self Employment Training Institutes for the year 2014 – 2015.
- ▶ Reimbursement of Expenses of Financial Literacy Centres.
- ▶ Associating with Platinum Jubilee celebrations of College of Engineering Thiruvananthapuram.
- ▶ Associating with 5<sup>th</sup> Regional committee Meeting of the Indian Agricultural Universities Association (IAUA) at Kerala Agricultural University Thrissur.
- ▶ Re-laying and maintenance expense for Poojapura Island Park.
- ▶ Associating with National Games 2015 being conducted in the State of Kerala from 31.01.2015 as official Banking partners.

## 11. Internal Control and Supervision

The Integrated Risk Management facilitates the Bank to have a holistic view of the risk management. Modular structure under Integrated Risk Management has various divisions focused on management of a specific risk, viz. Asset Liability,

Market Risk, Credit Risk, Operational Risk, and Information Systems Security. The risk management architecture of the Bank consists of the Board of Directors at the top having overall responsibility to implement Risk Management Systems in the Bank.

Asset Liability Management system has been implemented in the Bank, since April 1, 1999, as per the Reserve Bank of India guidelines on ALM and Liquidity Risk Management. As per the Bank’s ALM Policy, the Asset Liability Management Committee (ALCO) is authorized to evolve appropriate systems and procedures for ongoing identification and analysis of liquidity and market risks and to prescribe parameters for efficient management of these risks. The ALCO, headed by Managing Director meets regularly to review and monitor the same.

Market Risk is largely managed through adherence to various policies, in the conduct of the investment and trading activities along with adherence to various risk limits like position limits, stops loss limits, Value at Risk (VaR), Management Action Trigger (MAT) and Cut Loss Triggers (CLT) through constant monitoring of the risk positions. The policies are reviewed periodically keeping in view regulatory changes, business requirements and market developments.

For Credit Risk Management, the Bank has a structured and standardized credit approval process which includes comprehensive credit rating proposals. For retail loans, Bank uses a risk scoring model. Bank has in place various exposure limits-for single borrower, group of borrowers, specific sectors, industries-as per regulatory requirement and as per its internal policies. Bank takes up regular reviews of its various loan portfolios to assess the risk profile and initiates proactive measures.

The Bank is estimating capital charges for Operational Risk under Basic Indicator Approach. Other risk prone operational areas of the Bank’s business are monitored and proactive actions for improvement are initiated in consultation with other departments like Inspection, Systems & Procedure, Frauds Prevention, and Monitoring & Recovery etc.

Apart from the above, Bank has put in place an effective Institutional mechanism for Risk based Supervision (RBS) through RBS Cell in the Inspection Department. As envisaged by Regulator, the Bank introduced Risk focused Internal Audit (RFIA) under RBS with effect from 1st April 2003. Based on the guidelines on Internal Audit issued by Government of India, bank’s Inspection and Audit Policy has been suitably modified. The Bank has also incorporated the RBI guidelines on Information System Audit in the IS Audit policy.

## 12. Preventive Vigilance

Due to initiation of Preventive Vigilance mechanism through various measures, such as Surprise Inspections, branch visits, circulars and vigilance awareness meetings etc., Bank could