

TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI

BALANCE SHEET AS ON 31ST MARCH 2016

(Rs. in thousands)

	Schedule	As on 31.03.2016	As on 31.03.2015
CAPITAL & LIABILITIES :			
Capital	1	2845	2845
Reserves & Surplus	2	29413940	25940292
Deposits	3	303688650	256498623
Borrowings	4	3331991	403761
Other Liabilities and Provisions	5	16225698	14649000
	TOTAL	352663124	297494521
ASSETS :			
Cash and balances with Reserve Bank of India	6	13978201	12716468
Balances with Banks and Money at Call and Short Notice	7	2010672	1632274
Investments	8	88647069	76711055
Advances	9	225777127	193359462
Fixed Assets	10	1563924	1273044
Other Assets	11	20686131	11802218
	TOTAL	352663124	297494521
Contingent Liabilities	12	116390436	79746385
Bills for Collection		9733638	10900230
Significant Accounting Policies	17		
Notes form part of Accounts	18		
The Schedules referred to above form an integral part of the Balance Sheet			

Sd/-
H S Upendra kamath
Managing Director & CEO

Sd/-
S.Annamalai

Sd/-
S.R.Aravind Kumar

Sd/-
P.C.G.Asok Kumar

Sd/-
B.S.Keshava Murthy

Sd/-
K.Nagarajan

Sd/-
K.N.Rajan

Sd/-
K.V.Rajan

Sd/-
A.Shidambaranathan
Directors

Sd/-
B.Vijayadurai
Directors

Sd/-
V.V.D.N.Vikraman
Directors

Sd/-
P.Yesuthasen
Directors

Sd/-
M.Gunasekaran
General Manager

Sd/-
S.Kandavelu
General Manager

Sd/-
N.Devadas
General Manager

Sd/-
M.A.Nayagam
General Manager

Sd/-
R.Ravindran
General Manager

Sd/-
C.S.Deepak
Company Secretary

Vide our report of even date attached
For Maharaj N R Suresh And Co.
FRN No. 01931S

Thoothukudi
09.06.2016

Sd/-
N.R.Jayadevan
Chartered Accountants
Partner (M.No.23838)

TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2016

(Rs. in thousands)			
YEAR ENDED			
	Schedule	31.03.2016	31.03.2015
I. INCOME			
Interest earned	13	32521703	28355315
Other Income	14	3185045	2918822
	TOTAL	35706748	31274137
II. EXPENDITURE			
Interest Expended	15	22081555	19521048
Operating Expenses	16	6369634	5679420
Provisions & Contingencies		3233994	2279650
	TOTAL	31685183	27480118
III. PROFIT / LOSS			
Net Profit for the year		4021565	3794019
Add : Profit brought forward		13866	38566
	TOTAL	4035431	3832585
IV. APPROPRIATIONS			
Transfer to statutory reserve		1210000	1140000
Transfer to other reserves		1900000	1890000
Transfer to capital reserve		Nil	57510
Transfer to Investment reserve		451	9360
Transfer to Special Reserve 36(1)(viii)		350000	175000
<u>Dividend</u>			
Interim Dividend & Dividend tax paid		479307	307195
Interim Dividend payable			199118
Tax on Interim Dividend			40536
Proposed Dividend		57005	
Tax on Dividend		11605	
Balance carried over to Balance Sheet		27063	13866
Face value of the equity share is Rs.10/-			
	TOTAL	4035431	3832585
Earning per share (Basic and Diluted) (Rs)		14138	13338
Significant Accounting Policies	17		
Notes form part of Accounts	18		
The Schedules referred to above form an integral part of the Profit & Loss Account.			

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Directors

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V.V.D.N.Vikraman
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Thoothukudi
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Sd/-
N.R.Jayadevan
Chartered Accountants
Partner (M.No.23838)

TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI

Schedules to Balance Sheet	(Rs. in Thousands)	
SCHEDULE I - CAPITAL	As on 31.03.2016	As on 31.03.2015
Authorised Equity Capital 50,00,00,000 Equity Shares of Rs.10/- each	5000000	100000
Issued, Subscribed, Called-up and Paid-up Capital 2,84,454 Equity Shares of Rs.10/- each	2845	2845
TOTAL	2845	2845

SCHEDULE 2 - RESERVES AND SURPLUS	As on 31.03.2016	As on 31.03.2015
I. Statutory Reserves		
Opening Balance	8787786	7647786
Additions during the year	1210000	1140000
TOTAL	9997786	8787786
II Capital Reserve		
Opening Balance	109273	51763
Additions during the year	Nil	57510
TOTAL	109273	109273
III Revenue and Other Reserves		
Opening Balance	16290367	14391007
Additions during the year	1900451	1899360
Deductions during the year	Nil	Nil
TOTAL	18190818	16290367
IV Special Reserve U/s.36(1)(viii) of I.T.Act		
Opening Balance	739000	564000
Additions during the year	350000	175000
Deductions during the year	Nil	Nil
TOTAL	1089000	739000
V Balance in Profit and Loss Account	27063	13866
TOTAL : (I, II, III, IV & V)	29413940	25940292

SCHEDULE 3 - DEPOSITS	As on 31.03.2016	As on 31.03.2015
A. I. Demand Deposits		
I) From Banks	350	37
ii) From Others	19895686	17594406
II. Savings Bank Deposits	39020838	32777138
III. Term Deposits		
I) From Banks	11790000	3420000
ii) From Others	232981776	202707042
TOTAL	303688650	256498623
B. I. Deposits of Branches in India	303688650	256498623
II. Deposits of Branches outside India	Nil	Nil

TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI

Schedules to Balance Sheet		(Rs. in Thousands)	
SCHEDULE 4 - BORROWINGS		As on 31.03.2016	As on 31.03.2015
I.	Borrowings in India		
	i. Reserve Bank of India	3130000	Nil
	ii. Other Banks	Nil	Nil
	iii. Other Institutions and Agencies	201991	403761
II.	Borrowings outside India	Nil	Nil
	TOTAL	3331991	403761
	Secured borrowings included in I and II above	Nil	Nil

SCHEDULE 5-OTHER LIABILITIES AND PROVISIONS		As on 31.03.2016	As on 31.03.2015
I.	Bills Payable	1251770	1306785
II.	Inter Office Adjustments (Net)	Nil	Nil
III.	Interest Accrued	2008370	1688820
IV.	Deferred Tax liability	995820	902977
V.	Others (Including Provisions)	11969738	10750418
	TOTAL	16225698	14649000

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		As on 31.03.2016	As on 31.03.2015
	Cash in hand	1850986	2038945
	Balance with Reserve Bank of India in Current Account	12127215	10677523
	TOTAL	13978201	12716468

SCHEDULE 7-BALANCES WITH BANKS & MONEY AT CALL AND SHORT NOTICE		As on 31.03.2016	As on 31.03.2015
I.	In India		
	I) Balances with Banks		
	a) In current accounts	210811	286131
	b) In other Deposits	500000	600000
	ii) Money at call and short notice		
	a)With Banks	Nil	Nil
	b)With other institutions	Nil	250000
	TOTAL	710811	1136131
II.	Outside India		
	a) In current accounts	1299861	191143
	b) In other Deposits	Nil	305000
	TOTAL	1299861	496143
	GRAND TOTAL	2010672	1632274

TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI

Schedules to Balance Sheet		(Rs. in Thousands)	
SCHEDULE 8 - INVESTMENTS		As on 31.03.2016	As on 31.03.2015
I)	Investments in India		
i.	Government securities	77858135	66416539
ii.	Other approved securities	Nil	Nil
iii.	Shares	348870	239085
iv.	Debentures & Bonds	7818995	7044043
v.	Others - Mutual Fund, Commercial Paper	2621069	2586398
	Deposit with NABARD (RIDF)		424990
	TOTAL	88647069	76711055
	Gross Investments	88989818	76876427
	Less: Depreciation	342749	165372
	TOTAL	88647069	76711055
II.	Investments outside India	Nil	Nil

SCHEDULE 9 - ADVANCES		As on 31.03.2016	As on 31.03.2015
A. i)	Bills purchased and discounted	6225602	5127776
ii)	Cash credits, overdrafts and loans repayable on demand	131036829	111500601
iii)	Term Loans	88514696	76731085
	TOTAL	225777127	193359462
B. i)	Secured by tangible assets	224994993	190681293
ii)	Covered by Bank / Government Guarantee	39741	80272
iii)	Unsecured	742393	2597897
	TOTAL	225777127	193359462
C.	Advances in India		
i)	Priority Sector	118401108	94531203
ii)	Public Sector	7602749	7977784
iii)	Banks	Nil	Nil
iv)	Others	99773270	90850475
	TOTAL	225777127	193359462

TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI

Schedules to Balance Sheet		(Rs. in Thousands)	
SCHEDULE 10 - FIXED ASSETS		As on 31.03.2016	As on 31.03.2015
I	Premises		
	At cost as on March 31, preceding year	562511	526319
	Additions during the year	45694	36192
	TOTAL *	608205	562511
	Deductions during the year		
		608205	562511
	Depreciation to date	199481	193954
	TOTAL	408724	368557
II	Other Fixed Assets (including furniture and fixtures)		
	At cost as on March 31, preceding year	2667972	2262408
	Additions during the year	582093	409969
	TOTAL	3250065	2672377
	Deductions during the year	2365	4405
		3247700	2667972
	Depreciation to date	2092500	1763485
	TOTAL	1155200	904487
	* - Includes building under construction at cost (Rs.in thousands) 23778 (Previous year 9386)		
	GRAND TOTAL (I & II)	1563924	1273044

SCHEDULE 11 - OTHER ASSETS		As on 31.03.2016	As on 31.03.2015
I	Inter-Office adjustments (Net)	---	---
II	Interest accrued	2380350	2089847
III	Tax paid in advance / tax deducted at source	8116645	6220876
IV	Stationery and stamps	11810	8780
V	Non-Banking Assets acquired in satisfaction of claims	Nil	Nil
VI	Deferred Tax Asset	292259	278421
VII	Other Assets	9885067	3204294
	TOTAL	20686131	11802218

TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI

Schedules to Balance Sheet		(Rs. in Thousands)	
SCHEDULE 12 - CONTINGENT LIABILITIES		As on 31.03.2016	As on 31.03.2015
I	Claims against the Bank not acknowledged as debts	100290	93904
II	Liability on account of outstanding forward exchange contracts	76737575	50923802
III	Guarantee given on behalf of constituents in India	29510563	19814883
IV	Acceptances, endorsements and other obligations	9551431	8521033
V	Estimated amount of contracts remaining to be executed on capital account not provided for and Liab.under DEAF	490577	392763
TOTAL		116390436	79746385

SCHEDULES TO PROFIT AND LOSS ACCOUNT

		For the year ended (Rs. in Thousands)	
SCHEDULE 13 - INTEREST EARNED		31.03.2016	31.03.2015
I	Interest / discount on advances / bills	24781476	21826334
II	Income on investments	7327895	6059815
III	Interest on balances with Reserve Bank of India and other inter-bank funds	134596	429097
IV	Others	277736	40069
TOTAL		32521703	28355315

SCHEDULE 14 - OTHER INCOME		31.03.2016	31.03.2015
I	Commission, exchange and brokerage	1060690	924229
II	Profit on sale of investments	443389	496163
	Loss on sale of investments	(33023)	(42734)
III	Profit on revaluation of investments	--	--
IV	Profit on sale of land, building and other assets	1401	1194
	Loss on sale of land, building and other assets	(690)	(1481)
V	Profit on exchange transactions	216346	284721
VI	Miscellaneous income	1496932	1256730
TOTAL		3185045	2918822

TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI

Schedules to Profit & Loss Account		For the year ended (Rs. in Thousands)	
SCHEDULE 15 - INTEREST EXPENDED		31.03.2016	31.03.2015
I	Interest on deposits	21614253	19150965
II	Interest on Reserve Bank of India / Inter-Bank borrowings	256004	119711
III	Others	211298	250372
TOTAL		22081555	19521048

SCHEDULE16 - OPERATING EXPENSES		31.03.2016	31.03.2015
I	Payment to and provisions for employees	3499546	3152369
II	Rent, taxes and lightings	620112	515186
III	Printing and stationery	110139	87058
IV	Advertisement and publicity	95151	98287
V	Depreciation on Bank's Property	334542	337553
VI	Directors Fees Allowances & Exp.	15384	11919
VII	Auditors' fees and expenses (including branch auditors)	9774	9684
VIII	Law charges	4211	3309
IX	Postages, telegrams, telephones, etc.	137127	140119
X	Repairs and maintenance	178139	190207
XI	Insurance	252162	222303
XII	Other expenditure	1113347	911426
TOTAL		6369634	5679420

TAMILNAD MERCANTILE BANK LIMITED
57 VE ROAD THOOTHUKUDI-628002

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st March 2016.

SCHEDULE – 17: SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL:

A. Basis of Preparation

The financial statements have been prepared on ongoing concern concept, historical cost convention unless otherwise stated and conform to the Generally Accepted Accounting Principles, (GAAP) in which encompasses applicable statutory provisions, regulatory norms prescribed by the Reserve Bank of India (RBI) from time to time, Accounting Standards (AS) specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and current practices prevailing in the Banking Industry in India and conform to statutory provisions and practices prevailing within the banking industry.

The financial statements have been prepared in accordance with the requirements prescribed under the Third schedule (Form A and Form B) of the Banking Regulations Act 1949. The items of income and expenditure are taken on accrual basis except where specifically stated and it conforms to the guidelines issued by Reserve Bank of India (RBI) for banks.

B. Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statement and the reported income and expenses during the reporting period. Management believes that the estimates and assumptions used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

2. FOREIGN EXCHANGE TRANSACTIONS:

i. Foreign currency balances both, under assets and liabilities, outstanding forward exchange contracts and swaps are evaluated at the year-end rates published by FEDAI. The resultant profit / loss is shown as income / loss.

ii. Deposit accounts denominated in foreign currency such as FCNR (B) EEFC, RFC and placement of such deposits in foreign currency are recorded at year-end Foreign Exchange Dealers Association of India (FEDAI) rates. Foreign currency loan accounts are also disclosed at the year-end FEDAI rates.

iii. Contingent liabilities on account of acceptances, endorsements and other obligations including guarantees and Letters of Credit denominated in foreign currencies are translated at year-end FEDAI rates.

3. INVESTMENTS:

A) Classification of investments has been made as per the guidelines of Reserve Bank of India.

i) The entire investment portfolio of the Bank is classified under three categories viz. "Held to Maturity", "Available for sale" and "Held for Trading".

ii) The investments are classified for the purpose of Balance Sheet under five groups viz. (i) Government securities, (ii) Other approved securities, (iii) Shares, (iv) Debentures and Bonds and (v) Others.

iii) Brokerage/commission received on subscriptions is reduced from the cost.

iv) Brokerage, commission, securities transaction tax etc. paid in connection with acquisition of investments are expensed upfront and excluded from cost

Broken period interest paid / received on debt instruments is treated as interest expense / income and is excluded from cost / sale consideration.

B) Valuation of investments is done as follows:

i) Investments held under "Held to Maturity" are valued at cost price. Wherever the cost price is more than the face value, the premium paid is amortized over the remaining period of maturity. Profit on sale of securities under "Held to Maturity" category is initially taken to Profit & Loss account and then appropriated to Capital Reserve Account. If there is a loss it is charged to Profit & Loss account.

ii) Investments classified under "Available for Sale" category are marked to market on quarterly basis. Shares held under "Available for sale" are marked to market on weekly basis. Scrip wise appreciation / Depreciation is segregated group-wise. The Net Depreciation category wise is charged to Profit & Loss account. The Net Appreciation in any category is ignored.

iii) Investments classified under "Held for Trading" category except shares are marked to market scrip-wise on daily basis. Shares held under "Held for Trading" are marked to market on weekly basis. The net depreciation group wise is charged to Profit and Loss account and the net appreciation is ignored.

- iv) Investments are valued at year-end as per RBI guidelines as follows:
- a) Central Government Securities are valued as per price list published by Fixed Income Money Market and derivatives Association of India (FIMMDA).
 - b) State Government Securities and Other Approved Securities are valued after appropriate mark up over Yield to Maturity (YTM) rates for Central Government securities declared by FIMMDA.
 - c) Debenture and Bonds have been valued with appropriate mark up over the YTM rates for Central Government Securities declared by FIMMDA.
 - d) Quoted shares are valued at market rates quoted on NSE.
 - e) Unquoted shares are valued at book value ascertained from the latest available Balance Sheet and in case the latest Balance Sheet is not available, the same is valued at Re.1 per company.
 - f) Preference shares are valued at YTM, if dividend is received regularly. Where dividend is in arrears, appropriate depreciation is provided based on the number of years for which dividend is in arrears as per RBI guidelines.
 - g) Mutual Fund units are valued at market rates/NAV/ Repurchase price as applicable.
 - h) Treasury bills, certificate of deposits and commercial papers are valued at carrying cost.
 - i) Provisions for investments are made as per RBI prudential norms.

C. Prudential norms: Securities guaranteed by the State Government where the principal / interest is due but not paid for a period of more than 90 days are treated as non performing investments and appropriate provision is made and interest in respect of such investments is recognized as income only on cash basis.

C. (i) In terms of the instructions of RBI, the excess of acquisition cost over face value of securities kept under "Held to Maturity" category is amortized up to the date of maturity and the amount amortized is reflected as a deduction in Profit & Loss account Schedule 13 – Interest Earned, under item II – Income on Investments.

(ii) Brokerage / Commission / Stamp Duty paid in connection with acquisition of securities are treated as revenue expenses.

E. Accounting for REPO Transactions

Repo and reverse Repo transactions are accounted in accordance with the extant RBI guidelines. Securities purchased/sold under Liquidity Adjustment Facility (LAF) with RBI are debited/credited to Investment account and reversed on maturity of the transaction. Interest expended /earned thereon is accounted for as expenditure/revenue.

4. ADVANCES AND PROVISIONS:

a) Advances are classified into Standard, Sub-standard, Doubtful and Loss Assets and provisions for possible losses on such advances are made as per prudential norms/directions of the Board of Directors/directions issued by Reserve Bank of India from time to time. With regard to the Standard Advances, Provisions are made as per extant RBI guidelines. In addition to the specific provision made towards identified NPAs, the bank also holds floating provision.

b) In addition, the bank adopts an approach to provisioning that is based on past experience evaluation of security and other related factors.

c) Provisioning on categorized assets is done as per RBI guidelines except, based on a Board approved policy, additional specific provisions for NPAs under SS (secured) made with 25%, DF2A (NPA for 2 years) and DF2B (NPA for 3 years) @ 100% as against the RBI stipulated minimum of 15% and 40% respectively. Similarly, Education loans were provided at 100% irrespective of asset classification. On the same basis, for some selected high value NPA accounts, considering the possible potential losses, the Bank has made provision during the year up to 100% as per Board directions and the provisions so made is found to be adequate.

d) Advances disclosed are net of provisioning made for non performing assets and floating provisions, provisioning on diminution in fair value of assets on restructured accounts.

e) In case of loan accounts classified as NPA, an account may be reclassified as per performing asset if it confirms to the guidelines prescribed by RBI.

5. FIXED ASSETS AND DEPRECIATION

- a) Fixed assets are carried at cost of acquisition less accumulated depreciation. Cost includes freight, applicable duties, taxes and incidental expense related to the acquisition and installation of the asset. Except for items on which input credit is availed.
- b) Depreciation on fixed assets, except on computers and ATMs, is provided on Straight Line value method at rates prescribed under Schedule II of the Companies Act, 2013.
- c) Depreciation on fixed assets is provided in accordance with estimated useful lives as specified in Schedule II to the Companies Act, 2013, and reckoning the residual value at 5% of the original cost of the asset except for the following .

Class of Asset	Rates of depreciation per annum
Computer Hardware & Software	33.33%

Prescribed rate

Class of Asset	Rates of depreciation per annum
Building	1.67%
Office equipment	20%
Computer Hardware & Software	33.33%
Vehicles	12.50%
Furniture and Electrical Fittings	10%

- d) The written down value of fixed Assets whose lives have expired as at 1st April 2014 after retaining the residual value have been charged to the Statement of Profit & Loss and disclosed as an exceptional item.
- e) Depreciation on additions is pro rata basis, from the date of capitalization.
- f) Expenditure during construction/capital works pending completion is shown at cost.

6. EMPLOYEE BENEFITS

The bank is following Accounting Standard 15 (Revised 2005) "Employee Benefits" as under:

- (1) In respect of contributory plans viz – Provident Fund and Contributory Pension Scheme, the bank pays fixed contribution at pre-determined rates to a separate entity, which invests in permitted securities. The obligation of the bank is limited to such fixed contribution.
- (2) In respect of Defined Benefit Plans, viz. Gratuity and pension as well as for leave encashment, provision has been made based on actuarial valuation as per the guidelines.
- (3) The summarized position of Post-employment benefits and long term employee benefits recognized in the profit and loss account and balance sheet as required in accordance with the **Accounting Standard-15 (Revised)** .
- (4) The actuarial gain / loss is recognized in the profit and loss account.

7. TAXES ON INCOME

1. Income tax expense is the aggregate amount of current tax and deferred tax. Current taxes are determined in accordance with the provisions of tax laws prevailing in India. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period and Deferred Tax is determined in terms of Accounting Standard-22 issued by ICAI.
2. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. Deferred tax assets and liabilities are recognized on a prudent basis for future tax consequences of timing differences by adoption of Profit and Loss approach with their respective tax bases. The impact of changes in the deferred tax assets and liabilities is recognized in the profit and loss account.
3. Deferred tax assets are recognized at each reporting date, based upon management's judgment as to whether realization is considered reasonably certain. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future profits.
4. No withdrawal is made from the Special Reserve created and maintained under the provisions of Section 36(1)(viii) of the Income Tax Act, 1961.

8. REVENUE RECOGNITION:

Income and expenditure is generally accounted on accrual basis except in the following cases.

- i) In the case of NPAs, Income is recognized on cash basis, in terms of guidelines of Reserve Bank of India. Where recovery is not adequate to upgrade the NPA accounts by way of regularization, such recovery is being appropriated towards interest in the first instance and towards the principal/book values thereafter, except in the case of suit filed accounts. In case of Non-performing investments (NPIs), the same accounting treatment as above is followed except otherwise agreed.
- ii) Dividend on investments in shares, units of mutual fund, income from sale of mutual fund products, locker rent, Insurance claims, commission on LCs, income on auxiliary services and other services, overdue charges on bills, commission on Government business and insurance business are accounted on cash/realization basis.
- iii) Income related to credit card is accounted on the basis of the bills raised.
- iv) In the case of suit filed accounts, legal expenses are charged to the profit and loss account. Similarly, at the time of recovery of legal expenses, in respect of such suit filed accounts, the amount recovered is accounted as income.
- v) Funded Interest on Standard Restructured Advances and Interest on FITL as per the guidelines of Reserve Bank of India.
- vi) Expenditure is charged on accrual basis except Electricity, Water, Rent, Property Taxes, Telephone, Insurance, Annual Maintenance Contracts, Law Charges, Advertisement & Publicity and Traveling & Conveyance.

9. EARNINGS PER SHARE

The bank reports basic and diluted earnings per share in accordance with applicable Accounting Standard-20. For the year under reference, both Basic and diluted earning per share being the same, is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the period.

10. CASH FLOW STATEMENT

The Bank has adopted the respective Accounting Standard prescribed under Companies (Accounting Standard) Rules, 2006 and follows indirect method.

11. SEGMENT REPORTING

As per RBI guidelines on enhancement of disclosure relating to segment reporting under AS-17, the reportable segments have been divided into treasury, corporate / wholesale, retail banking operations.

(a) The Bank recognizes the Business Segment as the Primary Reporting Segment and Geographical Segment as the Secondary Reporting Segment, in accordance with the RBI guidelines and in compliance with the Accounting Standard 17.

(b) Business Segment is classified into (a) Treasury (b) Corporate and Wholesale Banking (c) Retail Banking and (d) Other Banking Operations.

(c) Geographical Segment consists only of the Domestic Segment since the Bank does not have any foreign branches.

12. CONTINGENCIES

Loss, if any from contingencies arising from claims, litigation, assessment, fines, penalties etc are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

13. IMPAIRMENT OF ASSETS

Impairment losses, if any, on fixed assets are recognized in accordance with the Accounting Standard 28 'impairment of assets' and charged to profit and loss account.

14. NET PROFIT

The net profit is arrived at after provisions for:

- i) direct taxes
- ii) possible losses on standard assets, restructured advances, NPAs and other contingencies
- iii) depreciation / diminution on investments
- iv) employee retirement benefits and
- v) Other usual and necessary provisions.

15. CASH AND CASH EQUIVALENTS :

Cash and cash equivalents include cash in hand, Balance with RBI, Balance with other Banks and money at Call at Short Notice including cash in ATM, Coin Vending Machine and Cash Deposit Machine.

16. INTANGIBLE ASSETS

In respect of Intangible Assets, the Bank has adopted the respective Accounting Standard (AS26)

17. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) As per the Accounting Standard 29 the bank recognises provisions only when it has a present obligation as a result of past event, it is probable that an outflow of resources is required to settle the obligation and when a reliable estimate of the amount can be made. The required disclosure for contingent liability is made on possible obligation that arises from past events, the existence of which depends on occurrence or non occurrence of future event not under control.

b) Contingent assets are not recognized in the financial statement since this may result in the recognition of income that may never be realized.

Sd/-
H.S.Upendra Kamath
Managing Director & CEO

Sd/-
S.Annamalai

Sd/-
S.R.Aravind Kumar

Sd/-
P.C.G.Asok Kumar

Sd/-
B.S.Keshava Murthy

Sd/-
K.Nagarajan

Sd/-
K.N.Rajan

Sd/-
K.V.Rajan

Sd/-
A.Shidambaranathan
Directors

Sd/-
B.Vijayadurai
Directors

Sd/-
V.V.D.N.Vikraman
Directors

Sd/-
P.Yesuthasen
Directors

Sd/-
M.Gunasekaran
General Manager

Sd/-
S.Kandavelu
General Manager

Sd/-
N.Devadas
General Manager

Sd/-
M.A.Nayagam
General Manager

Sd/-
R.Ravindran
General Manager

Vide our report of even date attached
For Maharaj N R Suresh And Co.
FRN No. 01931S

Sd/-
C.S.Deepak
Company Secretary

Sd/-
N.R.Jayadevan
Chartered Accountants
Partner (M.No.23838)

Thoothukudi
09.06.2016

TAMILNAD MERCANTILE BANK LIMITED
57, V.E ROAD, THOOTHUKUDI-628002

SCHEDULE – 18:

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2016

1. The Financial Statements have been prepared in conformity with Forms A & B of the Schedule III to the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules 2014 to the extent applicable and practices generally prevalent in the banking industry in India.
2. During the year, all the 487 branches have been subjected to statutory audit.
3. Reconciliation of inter branch / office adjustment accounts has been completed up to 31.03.2016
4. (i) In accordance with RBI guidelines, the investments portfolio of the Bank has been classified into three categories as given below:

Category	Book value (Rs.in crore)	% to total investments
Held to Maturity	6021.52	67.93%
Available for Sale	2843.19	32.07%
Held for Trading	0.00	0.00%
Total	8864.71	100.00%

SLR securities under 'Held to Maturity' category accounted for 19.22% of Bank's Demand and Time Liabilities as on 31.03.2016 as against the ceiling of 21.50% stipulated by Reserve Bank of India.

(ii) During the year, the excess of acquisition cost over face value of securities kept under 'Held to Maturity' category was amortized up to the date of maturity and the amortized amount for the year aggregates to Rs.14.95 crore (previous year Rs.7.51 crore). As per Reserve Bank of India guidelines, the said amount has been reflected as a deduction in Schedule 13 – Interest Earned, under item II – 'Income on Investments'.

(iii) Interest received on sale of securities for Rs.730.20 crore (previous year Rs.677.66 crore) and interest paid on purchase of securities Rs.750.30 crore (previous year Rs.700.28 crore) have been netted and shown under the head 'Income on Investments'.

(iv) There was shifting of securities to the tune of Rs.264.70 crore (face value Rs.270.65 crore) from / to HTM category. There was also shifting of securities to the tune of Rs.111.94 crore (face value Rs.110.00 crore) from HFT to AFS category during the year. There was no shifting of securities during last year.

(v) There was sale of Central Government securities out of 'Held to Maturity' category totally for Rs.530.76 crore (face value Rs.550.00 crore) and profit booked was Rs.13.88 crore during the year (previous year Rs.12.45 crore).

5. Additional disclosures

A. Capital

Items	Current Year		Previous Year	
	Basel II	Basel III	Basel II	Basel III
Common Equity Tier I capital ratio (%)	12.18	12.16	13.30	13.29
Tier I capital (%)	12.18	12.16	13.30	13.29
Tier II Capital (%)	0.60	0.59	0.61	0.60
Total Capital Ratio (CRAR%)	12.78	12.76	13.91	13.89
Percentage of the shareholding of the Government of India in public sector banks	NA		NA	
Amount of equity capital raised				
Amount of Additional Tier 1 capital raised of which	Nil		Nil	
PNCPS:				
PDI:				
Amount of Tier 2 capital raised;	Nil		Nil	
Of which				
Debt capital instrument:	Nil		Nil	
Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares/ Redeemable Non-Cumulative Preference Shares/ Redeemable Cumulative Preference Shares]				

B. i. Investments

(Rs. In crore)

Items	Current Year	Previous Year
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	8898.98	7687.64
(b) Outside India,	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	34.27	16.54
(b) Outside India,	Nil	Nil
(iii) Net Value of Investments		
(a) In India	8864.71	7671.10
(b) Outside India.	Nil	Nil
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	16.54	9.48
(ii) Add: Provisions made during the year	22.18	15.03
(iii) Less: Write-off/ write-back of excess provisions during the year	4.45	7.97
(iv) Closing balance	34.27	16.54

ii. Repo Transactions (In face value terms) :

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as on 31.03.2016
Securities sold under repos				
a) Govt Securities	50.00	670.00	279.60	83.00
b) Corporate debt Securities	--	--	--	
Securities sold under MSF				
a) Govt Securities	5.00	230.00	3.57	230.00
b) Corporate debt Securities	--	--	--	
Securities purchased under reverse repos				
a) Govt Securities	4.00	411.00	38.64	Nil
b) Corporate debt Securities	--	--	--	

iii. Non-SLR Investment Portfolio

a) Issuer composition of Non SLR investments

(Rs. in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	136.35	95.00	0.00	0.00	2.00
(ii)	FIs	521.52	273.00	0.00	0.00	0.11
(iii)	Banks	361.92	101.00	10.00	0.00	0.00
(iv)	Private Corporate	89.78	10.00	0.00	0.00	9.47
(v)	Subsidiaries/ Joint Venture	--	0.00	0.00	0.00	0.00
(vi)	Others (RIDF MF & Others)	3.60	0.00	0.00	0.00	0.00
(vii)	Provision held towards depreciation	(34.27)	0.00	0.00	0.00	0.00
	Total	1078.90	479.00	10.00	0.00	11.58

The amounts reported under columns 4, 5, 6, and 7 need not be mutually exclusive.

(Rs.in crore)

	31.03.2016	31.03.2015
Shares	34.89	23.91
Debentures and Bonds	781.90	704.40
Subsidiaries and Joint Ventures	0.00	0.00
Others (COD+CP+NABARD+MF)	262.11	301.14
Total	1078.90	1029.45

b) Non performing Non-SLR investments

(Rs.in crore)

Particulars	Amount
Opening balance – net of provisions	0.0380
Additions during the year	0
Reductions during the above period	0.0380
Closing balance	0
Total provisions held	0

C. Derivatives

The Bank has not entered into any forward rate agreement/interest rate swap or exchange traded interest rate derivative during the year.

D. Asset Quality**i. a. Non-Performing Asset**

(Rs. in Crore)

Items	Current Year	Previous Year
(i) Net NPAs to Net Advances (%)	0.89	0.67
(ii) Movement of NPAs (Gross)		
(a) Opening balance	318.68	428.02
(b) Additions during the year	520.91	463.69
(c) Reductions during the year	420.65	573.03
(d) Closing balance	418.94	318.68
(iii) Movement of Net NPAs		
(a) Opening balance	135.53*	209.75*
(b) Additions during the year	370.03	278.61
(c) Reductions during the year	304.82	352.83
(d) Closing balance	200.74*	135.53*
(iv) Movement of provisions for NPAs		
(excluding provisions on standard assets)		
(a) Opening balance		
(b) Provisions made during the year	183.15	218.27
(c) Write-off/ write-back of excess provisions	150.88	185.08
(d) Closing balance	115.83	220.20
	218.20	183.15

*Amount received includes claim received from ECGC/CGTMSE/UIIC of Rs.0.84 Crore (Previous year Rs.1.25 Crore) and amount held in sundries account in respect of non performing assets NIL (previous year Rs.5.32 crore).

i.b. Non-performing Loan Provisioning coverage Ratio is 71.01%

ii. Movement of NPAs

(Rs.in Crore)

Particulars	Amount as on 31.03.2016	Amount as on 31.03.2015
Gross NPAs as on 1 st April (Opening Balance)	318.68	428.02
Additions (Fresh NPAs) during the year	520.91	463.69
Sub-total (A)	839.59	891.71
Less:-		
(i) Upgradations	225.95	241.74
(ii) Recoveries	95.43	276.19
(iii) Technical/Prudential write-offs	99.01	55.10
(iii) Write-offs	0.26	-
Sub-total (B)	420.65	573.03
Gross NPAs as on 31 st March (closing balance) (A-B)	418.94	318.68

Stock of Technical write-offs and the recoveries made thereon:

(Rs.in crore)

Particulars	2015-16	2014-15
Opening balance of Technical/Prudential written-off accounts as at 1 st April.	212.89	176.46
Add: Technical/Prudential write-offs during the year	99.01	55.10
Sub-total (A)	311.90	231.56
Less: Recoveries made from previously technical/ prudential written-off accounts during the year	41.22	18.67
Closing balance as at 31st March	270.68	212.89

(iii) Sector-wise NPAs

(Rs. in Crore)

Sl. No.	Sector*	Current year (Fy 2015-16)			Previous year (Fy 2014-15)		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector						
1	Agriculture and allied activities	3764.61	17.23	0.45	2107.68	18.63	0.88
2	Industry	2898.97	82.85	2.85	3348.44	111.26	3.32
2a	Of which; Textile	1200.62	13.62	1.13	1147.29	12.00	1.04
3	Services	4167.22	60.41	1.44	3046.45	41.25	1.35
4	Personal loans	1146.15	35.88	3.13	1060.76	33.31	3.14
	Sub-total (A)	11976.95	196.37	1.63	9563.33	204.45	2.13
B	Non Priority Sector						
1	Agriculture and allied activities	0	0	0	0	0	0
2	Industry	5060.28	181.40	3.58	4163.99	38.98	0.93
2a	Of which; Textile	1462.69	0	0	1272.59	0	0
3	Services	3472.30	28.72	0.82	3554.12	58.88	1.65
4	Personal loans	2016.89	12.45	0.61	1973.55	16.37	0.82
5	Food Credit	294.90	0	0	289.51	0	0
	Sub-total (B)	10844.37	222.57	2.05	9981.17	114.23	1.17
	Total (A+B)	22821.32	418.94	1.83	19544.50	318.68	1.65

(iv) Concentration of NPAs

(Rs. in Crore)

	As on 31.03.2016	As on 31.03.2015
Total Exposure to top four NPA accounts	182.96	96.42

S. No	Type of Restructuring	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total					
		Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total	
7	Restructured Accounts as on March 31 of the FY(closing figure*)	No. of borrowers	4	1	-	-	5	-	-	-	80	8	14	8	110	9	14	8	115
		Amount outstanding	548.98	68.73	-	-	617.71	-	-	-	64.88	0.18	31.25	0.10	96.41	68.91	31.25	0.10	714.12
		Provision thereon	33.73	17.18	-	-	50.91	-	-	-	3.43	0.14	31.19	0.10	34.86	17.32	31.19	0.10	85.77

*Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight

vi. Details of financial assets sold to Securitization / Reconstruction Company for Asset Reconstruction (Rs. in crore)

Item	2015-16	2014-15
(i) No. of accounts	Nil	Nil
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(iii) Aggregate consideration	Nil	Nil
(iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v) Aggregate gain/loss over net book value.	Nil	Nil

vii. Details of non performing financial assets purchased/sold

a. Details of non performing financial assets purchased: (Rs. in crore)

Particulars	2015-16	2014-15
1.a) No of accounts purchased during the year	Nil	Nil
b) Aggregate outstanding	Nil	Nil
2.a) Of these number of accounts restructured during the year	Nil	Nil
b) Aggregate outstanding	Nil	Nil

b. Details of non performing financial assets sold : (Rs. In crore)

Particulars	2015-16	2014-15
1. No of accounts sold	Nil	Nil
2. Aggregate outstanding	Nil	Nil
3. Aggregate consideration received	Nil	Nil

viii.. Provisions on Standard Asset

(Rs. in crore)

Item	As at 31.03.16	As at 31.03.15
Provisions towards Standard Assets	121.10	96.14

ix. Floating Provisions

(Rs. in crore)

	Current year	Previous Year
Opening balance of floating provisions	25.92	23.58
The quantum of floating provisions made during the year	3.28	2.34
Amount of draw down made during the year	0.00	0.00
Closing balance	29.20	25.92

E. Draw Down from Reserves

The bank has not made any draw down from the reserves during the year: Nil (previous year Nil).

F. Business Ratios

Items	Current year	Previous year
(i) Interest Income as a percentage to Working Funds \$	9.96%	10.28%
(ii) Non-interest income as a percentage to Working Funds \$	0.98%	1.06%
(iii) Operating Profit as a percentage to Working Funds \$	2.22%	2.20%
(iv) Return on Assets@	1.23%	1.38%
(v) Business (Deposits plus advances) per employee # (Rs. in lakhs)	1219.78	1083.85
(vi) Profit per employee (Rs. in lakhs)	9.48	9.21

\$ Working funds is reckoned as average of total assets (excluding accumulated losses, if any).

@ 'Return on Assets is with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).

For the purpose of computation of business per employee (deposits plus advances) inter bank deposits are excluded.

G. Asset Liability Management (As certified by management)

Maturity pattern of certain items of assets and liabilities:

(Rs. in crore)

	Deposits	Advances	Investments	Borrowings	Foreign Currency assets	Foreign Currency liabilities
1 day	72.64	343.43	1472.40	0	152.18	28.30
2 to 7 days	348.39	373.14	525.16	313.00	2.78	0.09
8 to 14 days	430.80	450.20	233.46	0	3.24	0.31
15 to 30 days	638.52	1044.86	249.50	0	16.62	0.31
31 days to 2 months	2329.21	1063.71	612.13	0	16.41	0.80
Over 2 months and up to 3 months	796.28	502.77	321.49	0	6.48	0.59
Over 3 months and up to 6 months	2918.94	1306.87	517.65	0	8.55	4.67
Over 6 months and up to 1 year	6806.42	1971.11	1593.80	20.20	3.23	30.16
Over 1 year and up to 3 years	12624.90	11607.21	2083.59	0	1.03	59.08
Over 3 years and up to 5 years	2235.57	2238.54	639.16	0	3.38	61.44
Over 5 years	1167.19	1675.87	616.37	0	4.98	0
TOTAL	30368.86	22577.71	8864.71	333.20	218.88	185.75

H. Lending to Sensitive Sector

i. Exposure to Real Estate Sector

Rs. in crore

Category	Current Year Exposure	Previous Year Exposure
I) <i>Direct exposure</i>		
(a) Residential Mortgages – Lending fully secured by Mortgages on residential properties that are or will be occupied by the borrower or that is rented	1657.53	1483.32
of which Individual housing loans eligible for inclusion in priority sector advances	1018.04	933.91
(b) Commercial Real Estate – Lending fully secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure included non-fund based (NFB) limits also;	234.46	241.59
(c) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –	Nil	Nil
a. Residential,	Nil	Nil
b. Commercial Real Estate.		
II) <i>Indirect Exposure</i>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	19.14	8.03

ii. Exposure to Capital Market

(Rs. In Crore)

Particulars	Current Year	Previous Year
i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	72.70	43.95
(ii) advances against shares/bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	4.88	3.42
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	0.00	0.00
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds `does not fully cover the advances;	32.00	52.33
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	31.23	23.48
(vi) loans sanctioned to corporate against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	Nil	Nil
(vii) bridge loans to companies against expected equity flows/issues;	Nil	Nil
(viii) underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	Nil	Nil
(ix) financing to stockbrokers for margin trading;	Nil	Nil
(x) all exposures to Venture Capital Funds (both registered and unregistered)	Nil	Nil
Total Exposure to Capital Market	140.81	123.18

iii. Risk Category wise Country Exposure

Rs. In crore

Risk Category	Exposure (net) as at March 31, 2016	Provision held as at March 31, 2016	Exposure (net) as at March 31, 2015	Provision held as at March 31, 2015
Insignificant	354.16	Nil	291.19	Nil
Low risk	118.45	Nil	121.70	Nil
Moderately low	12.87	Nil	11.19	Nil
Moderate Risk	0.34	Nil	1.77	Nil
Moderately High	0.00	Nil	0.13	Nil
High risk	0.00	Nil	0.00	Nil
Very high risk	0.00	Nil	0.00	Nil
Total	485.82	Nil	425.98	Nil

As the country-wise net funded exposure does not exceed 1% of the Bank's total assets for any country, no provision is required for the risk involved.

iv. Details of single borrower limit (SBL)/group borrower limit (GBL) exceeded by the Bank.

a) Details of single borrower limit in excess of the prudential exposure limits of RBI :

- Nil -

b) Details of Group borrower limit exceeded by the bank: Nil

I. Miscellaneous

i. **Amount of Provisions made for Income-tax and Wealth tax during the year;**

Rs. in crore

	Current year	Previous year
Provision for Income Tax & Wealth Tax	139.00	181.07

ii. **Penalties imposed on the Bank by RBI** : RBI has imposed penalty towards mutilated and FICN notes amounting to Rs.13,500/- during the year 2015-16 (Previous year Rs.41,150/-)

iii. **Special reserve:** As per section 36(1) (viii) of I.T.Act 1961, the bank has created a special reserve of Rs.35.00 Crore during the year 2015-16.

iv. Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account

(Rs. in crore)

	Current Year	Previous Year
Depreciation on Investment	--	--
Diminution on Investment	17.74	0.10
Provision towards NPA	130.33	17.76
Provision towards Standard Asset	24.96	20.92
Floating provision for Advances	3.28	2.34
Provision made for Taxation	139.00	181.07
Deferred Tax	7.90	(18.12)
Provision for unhedged Foreign currency exposure	0.19	2.03
Others :Diminution in fair value - Restructured Advances	0.00	21.86
Total	323.40	227.96

v. Details of complaints / unimplemented awards of Banking Ombudsman

A. customer complaints *	
Number of complaints pending at the beginning of the year	--
Number of complaints received during the year	302
Number of complaints redressed during the year	302
Number of complaints pending at the end of the year * - including ATM complaints	--
B. Awards passed by the Banking Ombudsman	
Number of Unimplemented awards at the beginning of the year	--
Number of awards passed by the Banking Ombudsman during the year	--
Number of awards implemented during the year	--
Number of unimplemented awards pending at the end of the year	--

vi. Letter of Comfort disclosure

(Rs. In crore)

Particulars	31.03.2016	31.03.2015
Letter of comfort issued in earlier years and outstanding as on 01.04.2015	1395.30	1256.03
Add: Letter of comfort issued during the year	5987.42	4438.67
Less: Letter of comfort expired during the year	5654.82	4299.40
Letter of comfort outstanding as on 31.03.2016	1727.90	1395.30

vii. The details of fees / remuneration received during the year in respect of Bancassurance business undertaken.

(Rs.in Lakhs)

Commission on Bancassurance	31-03-2016	31-03-2015
Non – Life Insurance – Net of Service Tax	351.21	319.96
Mutual Fund Products	0.00	0.00
Life Insurance – Net of Service Tax	105.16	95.27

viii. Concentration of Deposits

(Rs.in Crore)

	31-03-2016	31-03-2015
Total Deposits of twenty largest depositors	5665.17	3884.82
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	18.65%	15.10%

ix. Concentration of Advances

(Rs. in Crore)

	31-03-2016	31-03-2015
Total Advances to twenty largest borrowers	2698.25	2596.74
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	11.82%	13.28%

x. Concentration of Exposures

(Rs. in Crore)

	31-03-2016	31-03-2015
Total Exposure to twenty largest borrowers/customers	3546.44	3489.46
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	10.82%	13.53%

6. Disclosure Requirements as per Accounting Standards where RBI has issued guidelines in respect of disclosure items for Notes on Accounts:

6.1. There were no material prior period Income /Expenditure requiring disclosure as per AS 5.

6.2. The heads of income recognized on cash basis are neither material enough nor do they require disclosure under AS 9 on Revenue Recognition.

6.3 The company has changed the method of providing depreciation from 1st April 2014 as required by the Companies Act, 2013. Accordingly depreciation is provided in accordance with Schedule II thereof for the current year.

6.4 Accounting Standard -15 : Employee Benefits

(Rs.in crore)

	2015-16		2014-15	
	Gratuity	Pension	Gratuity	Pension
(i) Principal actuarial assumption used				
Discount Rate	7.93%	7.93%	7.75%	7.75%
Rate of return on Plan Assets	8.50%	7.00%	9.15%	7.30%
Salary Escalation	6.50%	6.50%	6.50%	6.50%
(ii) Change in Benefit Obligation:				
Liability at the beginning of the year	113.44	357.91	100.67	315.71
Interest Cost	8.53	26.15	7.34	22.58
Current Service Cost	7.75	46.47	7.27	24.34
Benefit paid	-11.72	-56.24	-11.99	-48.76
Actuarial (gain) / loss on obligation	-2.11	59.69	10.15	44.04
Liability at the end of the year	115.89	433.98	113.44	357.91
(iii) Fair value of Plan Assets:				
Fair value of Plan Assets at the beginning of the year	97.28	294.86	90.30	254.31
Expected return on Plan Assets	9.02	25.53	8.58	20.04
Contributions	16.16	156.74	10.37	67.56
Benefit paid	-11.72	-56.24	-11.99	-48.76
Actuarial Gain / (loss) on Plan Assets	4.16	13.74	0.02	1.71
Fair value of Plan Assets at the End of the year	114.90	434.63	97.28	294.86
(iv) Actual return on Plan Assets:				
Expected Return on Plan Assets	9.02	25.53	8.58	20.04
Actuarial gain / (loss) on Plan Assets	4.16	13.74	0.02	1.71
Actual return on Plan Assets	13.18	39.27	8.60	21.75
(v) Amount recognized in the Balance Sheet:				
Liability at the end of the year	115.89	433.98	113.44	357.91
Fair value of Plan Assets at the End of the year	114.90	434.63	97.28	294.86
Amount Recognized in the Balance Sheet	0.99	-0.65	16.16	63.05
(vi) Expenses recognized in The Income Statement:				

Current Service Cost	7.75	46.47	7.27	24.34
Interest Cost	8.53	26.15	7.34	22.58
Expected Return on Plan Assets	-9.02	-25.53	-8.58	-20.04
Actuarial Gain or Loss	-6.27	45.95	10.13	42.33
Expenses Recognized in P & L	0.99	93.04	16.16	69.21

Details of Provisions made for Other Long term Employee Benefits :

(Rs.in crore)

S.no.	Other Long Term Benefits	2015-16	2014-15
1	Leave Encashment	2.91	8.18
2	Sick Leave	2.13	3.62

6.5 Accounting Standard-17: Segment Reporting

PART A: Operational Segments:

(Rs. in crore)

Particulars	For the year ended 31.03.2016				For the year ended 31.03.2015			
	Treasur y	Corpora te/Whol esale Banking	Retail Banking	Total	Treasur y	Corpora te/Whol esale Banking	Retail Banking	Total
Revenue	814.92	1002.81	1752.95	3570.68	700.25	774.54	1652.63	3127.42
Result (Profit+)/Loss(-)	185.45	133.78	233.85	553.08	200.56	109.84	234.36	544.76
Unallocated income /Expenses				11.93				(15.71)
Operating Profit				541.15				560.47
Income Tax & Wealth Tax				139.00				181.07
Extraordinary Profit								
Net Profit				402.15				379.40
Other Information	As at 31.03.2016				As at 31.03.2015			
Segment assets	9963.37	10562.17	13899.81	34425.35	8138.04	8558.60	12402.80	29099.44
Unallocated assets				106.71				54.72
Total assets				34532.06				29154.16
Segment Liabilities	8685.63	9366.70	16373.29	34425.62	6557.44	7148.54	15252.78	28958.76
Unallocated liabilities				106.44				195.40
Total liabilities				34532.06				29154.16

Note:

1. Assets and Liabilities wherever directly related to segments have been accordingly allocated to segments and wherever not directly related have been allocated on the basis of segment revenue.

2. The Bank operates only in Domestic Segment.

3. Retail banking includes a sum of Rs.6.02 crore (previous year Rs.5.04 crore) income earned from Para-Banking.

PART B –Geographic Segments

Particulars	Domestic		International		Total	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Revenue	3570.68	3127.42	--	--	3570.68	3127.42
Assets	34532.06	29154.16	--	--	34532.06	29154.16

6.6 Related Party disclosures (AS-18)

The Bank has identified the following person to be the key management person as per AS-18 on Related Party Disclosures:

Thiru. H.S. Upendra Kamath – Managing Director and Chief Executive Officer – 01.04.2015 to 31.03.2016.

A.Emoluments:

Particulars	(Amount in Rs.)	
	01.04.2015 to 31.03.2016	09.07.2014 to 31.03.2015
Salary	42,00,000.00	30,59,677.00
Bank Contribution to Provident Fund	5,04,000.00	3,67,161.00
Other Benefits	1,64,623.00	44,363.00
Total	48,68,623.00	34,71,201.00

Thiru K.B Nagendra Murthy – Managing Director and Chief Executive Officer – 01.04.2014 to 08.07.2014.

A.Emoluments:

	01.04.2014 to 08.07.2014
Salary	11,40,323
Bank Contribution to Provident Fund	1,36,839
PL Encashment	5,83,333
Gratuity	7,00,000
Other Benefits	55,907
Total	26,16,402

B. Others: Nil

C. There is no other transaction with the Managing Director & CEO.

6.7. Earnings Per Share (AS – 20)

Items	Amount	
	2015 – 16	2014 – 15
Net Profit after Tax available for equity share holders (Rs.in Lakhs)	40215.65	37940.18
Average number of shares	2,84,454	2,84,454
Basic and Diluted EPS (in Rs.)	14,138	13,338
Nominal value per share (in Rs.)	10.00	10.00

6.8. Consolidated Financial Statements (AS – 21)

The Bank has no subsidiary and hence the need for consolidation of financial statements does not arise.

6.9. Accounting for Taxes on Income (AS – 22)

In respect of Income Tax, the assessment has been completed up to the Assessment Year 2013-14 (Year ended 31.03.2013). Appeals are pending with appellate authorities for various assessment years. The management does not envisage any liability in respect of the disputed issues.

The bank had recorded the cumulative net Deferred Tax Liability of Rs.62.45 Crore relating to the period up to 31.03.2015 arising out of timing difference. The amount debited to the Profit and Loss account during the year is Rs.7.90 crore and the net Deferred Tax Liability is Rs.70.35 crore as on March 31, 2016.

The major components of deferred tax assets/liabilities as at 31.03.2016 arising out of timing difference are as follows;

(Rs. in Crore)

Particulars	Deferred tax Asset	Deferred tax Liability	Deferred tax Asset	Deferred tax Liability
	2015-16	2015-16	2014-15	2014-15
Depreciation on Fixed Assets		3.66		2.81
Interest accrued on Investments		5.47		3.31
Special Reserve		37.66		25.09
Depreciation on Investments		52.79		59.08
Provisions on retirement benefit etc	17.63		16.33	
Provision for DFV on Restructured Standard Assets	7.72		7.69	
Others	3.88		3.82	
Deferred tax asset/liability	29.23	99.58	27.84	90.29
Net Deferred Tax Liability	70.35		62.45	

6.10. Intangible assets (AS – 26)

Depreciation on software is calculated on straight line method at 33.33% in compliance with RBI guidelines.

6.11 Impairment of Assets (AS – 28)

The fixed assets, mainly immovable properties, furniture fittings, the required indications prescribed in AS 28, not being met with, in the opinion of the management, there is no impairment of any asset of the Bank.

6.12 Contingent Liabilities (AS – 29)

The details of provisions and contingencies, contingent liabilities, the movement of provisions on NPA's and depreciation on investment which are considered material are disclosed elsewhere in the financial statements.

(Rs. in crore)

Particulars	Provisions as at the beginning of the year	Additions During the year	Amount used during the year	Unused Amounts Reversed During the year	Provisions As at the Close of the year	Remarks
A.Provision for Interest sacrifice on restructured accounts(DFV)	25.42	--	--	--	25.42	
B.Provision for Frauds	11.21	--	--	--	11.21	

CONTINGENT LIABILITIES :

(Rs.in Lakh)

As on 31.03.2015	PARTICULARS	As on 31.03.2016
Nil	1. Claims not acknowledged as debt a)Counter suits filed by the borrowers against the Bank has initiated legal action.	Nil
23.72	b)Cases filed in Consumer/Civil Courts for deficiency in services	17.67
915.32	c)Any other claims against the bank not acknowledged as debts.	985.23
198148.83	2.Guarantees issued on behalf of constituents	295105.63
85210.33	3.Acceptance, endorsements & other obligations	95514.31
513165.65	4.Other items for which the Bank is contingently liable.	772281.52
797463.85	TOTAL	1163904.36

6.13 Movement of Provisions for Contingent Liabilities

(Amount in Lakhs)

Balance as on 01.04.2015	1121.00
Provided during the year	Nil
Amount used during the year	Nil
Reversed during the year	Nil
Balance as on 31.03.2016	1121.00

6.14 Transfers to Depositor Education and Awareness Fund (DEAF)

(Rs.in lakh)

Particulars	Current Year	Previous Year
Opening balance of amount transferred to DEAF	3704.76	0.00
Add: Amounts transferred to DEAF during the year	919.17	3704.88
Less: Amounts reimbursed by DEAF towards claims	33.49	0.12
Closing Balance of amounts transferred to DEAF	4590.44	3704.76

6.15 Unhedged Foreign Currency Exposure : The bank has a board approved policy dated 26.06.2015 on Unhedged Foreign Currency Exposure.

6.16 Liquidity Coverage Ratio

As Banks are required to disclose information on their LCR in their Annual Financial statements under Notes to Accounts starting with the financial year ended March 31, 2016, the LCR related information based on simple averages of quarterly observations for the year ended March 2016 only is furnished below

LCR Disclosure Template – Year ended March 31, 2016 (Consolidation)			
		(Rs.in Crore)	
Particulars		Total Unweighted⁸ Value (Average)	Total Weighted⁹ Value (Average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)	3477.66	3426.63
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	17277.13	1533.57
(i)	Stable deposits	3882.78	194.13
(ii)	Less stable deposits	13394.35	1339.44
3	Unsecured wholesale funding, of which:	1219.68	659.95
(i)	Operational deposits (all counterparties)	18.11	2.88
(ii)	Non-operational deposits (all counterparties)	1201.57	657.07
(iii)	Unsecured debt	0.00	0.00
4	Secured wholesale funding	603.77	0.57
5	Additional requirements, of which	1094.06	1094.06

(i)	Outflows related to derivative exposures and other collateral requirements	1094.06	1094.06
(ii)	Outflows related to loss of funding on debt products	0.00	0.00
(iii)	Credit and liquidity facilities	0.00	0.00
6	Other contractual funding obligations	3504.05	250.29
7	Other contingent funding obligations	3983.74	808.21
8	TOTAL CASH OUTFLOWS	27682.43	4346.65
Cash Inflows			
9	Secured lending (e.g. reverse repos)	209.60	209.60
10	Inflows from fully performing exposures	774.81	387.40
11	Other cash inflows	1765.94	1466.90
12	TOTAL CASH INFLOWS	2750.35	2063.90
		Total Adjusted ¹⁰ Value	
21	TOTAL HQLA	3426.63	
22	TOTAL NET CASH OUTFLOWS	2282.75	
23	LIQUIDITY COVERAGE RATIO (%)	150.1097%	

⁸ Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows) except where otherwise mentioned in the circular and LCR template.

⁹ Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

¹⁰ Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on Level 2B and Level 2 assets for HQLA and cap on inflows).

B Qualitative disclosure about LCR::

The main drivers of LCR Results:

LCR is computed as a % of stock of HQLA to the net cash outflows over the next 30 calendar days. The LCR promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days.

For all nine months, i.e., April'15 to December'15, Bank's LCR has been more than the minimum regulatory requirement of 60% for 2015 calendar year and for the residual months i.e., from January'16 to March'16 Bank has maintained LCR well above the regulatory threshold i.e 70% for 2016. LCR of the bank for the annual financial year 2015-16 stood at 150.1097%.

The bank is having an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately in private markets into cash to meet liquidity needs for a 30 calendar day liquidity stress scenario.

The net cash outflows for the next 30 days has been arrived at after deducting the cash inflows from the outflows for the period. The inflows and outflows have been arrived at based on RBI prescribed haircuts and run-off factors.

Composition of HQLA

The Level 1 Assets of our bank comprises of Cash in hand & ATM, Excess CRR and SLR, MSF (2% on NDTL) and FALLCR (8% on NDTL). Level 1 asset is the main driver of HQLA, contributing around 97% in the total HQLA of the Bank.

Level 2A and Level 2B assets are well within the cap of 40% and 15% of the stock of HQLA respectively after the required haircut.

Corporate Bonds not issued by a Bank/Financial/NBFC which have been rated AA- or above by an Eligible Credit Rating Agency have been classified under Level 2A assets. Similarly shares not issued by a Bank/FI/NBFC which have been rated not lower than BBB- have been classified under level 2B Assets.

Outflows & Inflows:

Deposits are the main source of funds for the Bank comprising around 85% of total liabilities.

Currency mismatch in LCR::

LCR is expected to be met and reported in a single currency. The bank is not having significant liabilities and HQLAs in any foreign currency.

Description of the degree of centralization of liquidity management and interaction between the group's units:

The Bank does not belong to any group and does not have any associate, subsidiaries, joint venture, etc.

7. The amount of advances for which intangible securities such as charge over rights licences, authority etc., has been taken as collateral security and the value of such collateral security ----- NIL -----

8. The Bank held its 88th to 93rd Annual General Meetings on 29.01.2016 as per the Hon'ble High Court order dated 26.11.2015 passed order to allow the conduct all the pending Annual General Meetings. The bank conducted all the six Annual General Meetings together.

9. In respect of certain branches/offices where additional information was required, the data available at Controlling/Head office was considered.

10. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

11. Figures have been rounded off to the nearest thousand rupees in the Financial Statements.

Sd/-
H.S.Upendra Kamath
Managing Director & CEO

Sd/-
S.Annamalai

Sd/-
S.R.Aravind Kumar

Sd/-
P.C.G.Asok Kumar

Sd/-
B.S.Keshava Murthy

Sd/-
K.Nagarajan

Sd/-
K.N.Rajan

Sd/-
K.V.Rajan

Sd/-
A.Shidambaranathan
Directors

Sd/-
B.Vijayadurai
Directors

Sd/-
V.V.D.N.Vikraman
Directors

Sd/-
P.Yesuthasen
Directors

Sd/-
M.Gunasekaran
General Manager

Sd/-
S.Kandavelu
General Manager

Sd/-
N.Devadas
General Manager

Sd/-
M.A.Nayagam
General Manager

Sd/-
R.Ravindran
General Manager

Vide our report of even date attached
For Maharaj N R Suresh And Co.
FRN No. 01931S

Sd/-
C.S.Deepak
Company Secretary

Sd/-
N.R.Jayadevan
Chartered Accountants
Partner (M.No.23838)

Thoothukudi
09.06.2016

TAMILNAD MERCANTILE BANK LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2016

	Year ended 31.03.2016	Year ended 31.03.2015
Cash profit generated from operations I	Rs. In thousands	
Net profit for the year	4,021,565	3,794,019
<u>Add/Deduct</u>		
Loss/(Profit) on sale of assets	(711)	287
Depreciation on Fixed assets	334,542	337,553
Provisions & Contingencies (incl. Deferred tax adjustments)	3,233,994	2,279,650
Total	7,589,390	6,411,509
Cash flow from operating assets & liabilities II		
<u>Increase/Decrease in liabilities</u>		
Deposits	47,190,027	30,041,792
Other liabilities & Provisions	(1,725,906)	(104,035)
<u>Increase/Decrease in assets</u>		
Advances	(32,417,665)	(21,920,962)
Investments	(11,936,014)	(8,992,147)
Other assets	(8,883,913)	(2,250,089)
Total	(7,773,471)	(3,225,441)
A Net cash flow from operating activities I + II	(184,081)	3,186,068
<u>Cash flow from investing activities</u>		
Sale/disposal of fixed assets	3,076	4,118
Purchase of fixed assets	(627,787)	(446,161)
B Net Cash flow from investing activities	(624,711)	(442,043)
<u>Cash flow from financing activities</u>		
Interim Dividend incl. tax	(479,307)	(307,195)
Borrowings	2,928,230	(2,192,056)
C Net Cash flow from financing activities	2,448,923	(2,499,251)
Total cash flow during the year (A+B+C)	1,640,131	244,774
<u>Cash & Cash equivalents as on 01-04-2015</u>		
Cash & bank balances with RBI	12,716,468	10,339,027
Balances with banks & money at call & short notice	1,632,274	3,764,941
Total	14,348,742	14,103,968
<u>Cash & Cash equivalents as on 31-03-2016</u>		
Cash & bank balances with RBI	13,978,201	12,716,468
Balances with banks & money at call & short notice	2,010,672	1,632,274
Total	15,988,873	14,348,742
Increase or decrease in cash flow	1,640,131	244,774

Sd/-
H.S.Upendra Kamath
Managing Director & CEO

Sd/-
S.Annamalai

Sd/-
S.R.Aravind Kumar

Sd/-
P.C.G.Asok Kumar

Sd/-
B.S.Keshava Murthy

Sd/-
K.Nagarajan

Sd/-
K.N.Rajan

Sd/-
K.V.Rajan

Sd/-
A.Shidambaranathan
Director

Sd/-
B.Vijayadurai
Directors

Sd/-
V.V.D.N.Vikraman
Directors

Sd/-
P.Yesuthasen
Directors

Sd/-
M.Gunasekaran
General Manager

Sd/-
S.Kandavelu
General Manager

Sd/-
N.Devadas
General Manager

Sd/-
M.A.Nayagam
General Manager

Sd/-
R.Ravindran
General Manager

Sd/-
C.S.Deepak
Company Secretary

Vide our report of even date attached
For Maharaj N R Suresh And Co.
FRN No. 01931S

Thoothukudi
09.06.2016

Sd/-
N.R.Jayadevan
Chartered Accountants
Partner (M.No.23838)