

**TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI**

**BALANCE SHEET AS ON 31ST MARCH 2017**

(Rs. in thousands)			
	Schedule	As on 31.03.2017	As on 31.03.2016
<b>CAPITAL &amp; LIABILITIES :</b>			
Capital	1	1425115	2845
Reserves & Surplus	2	30815270	29413940
Deposits	3	321901495	303688650
Borrowings	4	Nil	3331991
Other Liabilities and Provisions	5	15701781	16225698
	TOTAL	369843661	352663124
<b>ASSETS :</b>			
Cash and balances with Reserve Bank of India	6	14582046	13978201
Balances with Banks and Money at Call and Short Notice	7	4875549	2010672
Investments	8	115044766	88647069
Advances	9	219723197	225777127
Fixed Assets	10	1543865	1563924
Other Assets	11	14074238	20686131
	TOTAL	369843661	352663124
Contingent Liabilities	12	117682391	116390436
Bills for Collection		14868838	9733638
Significant Accounting Policies	17		
Notes form part of Accounts	18		
The Schedules referred to above form an integral part of the Balance Sheet			

Sd/-  
S.Annamalai  
**Chairman**

Sd/-  
S.R.Aravind Kumar

Sd/-  
P.C.G.Asok Kumar

Sd/-  
S.Ezhil Jothi

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/-  
M.A.Nayagam  
**General Manager**

Sd/-  
R.Ravindran  
**General Manager**

Sd/-  
P.C.Panda  
**Company Secretary**  
Vide our report of even date attached  
**For Maharaj N R Suresh And Co.**  
FRN No. 01931S

Thoothukudi  
14.06.2017

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

TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI				
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2017				
		( Rs. in thousands)		
			YEAR ENDED	
		Schedule	31.03.2017	31.03.2016
I.	INCOME			
	Interest earned	13	33809605	32521703
	Other Income	14	4305081	3185045
	TOTAL		38114686	35706748
II.	EXPENDITURE			
	Interest Expended	15	22301536	22081555
	Operating Expenses	16	7055700	6369634
	Provisions & Contingencies		5590803	3233994
	TOTAL		34948039	31685183
III.	PROFIT / LOSS			
	Net Profit for the year		3166647	4021565
	Add : Profit brought forward		27063	13866
	TOTAL		3193710	4035431
IV.	APPROPRIATIONS			
	Transfer to statutory reserve		950000	1210000
	Transfer to other reserves		1200000	1900000
	Transfer to capital reserve		192110	
	Transfer to Investment reserve		285	451
	Transfer to Special Reserve 36(1)(viii) Dividend		270000	350000
	Interim Dividend & Dividend tax paid		343047	479307
	Proposed Dividend			57005
	Tax on Dividend			11605
	Balance carried over to Balance Sheet Face value of the equity share is Rs.10/-		238268	27063
	TOTAL		3193710	4035431
	Earning per share (Basic and Diluted) (Rs)		22	28
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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Chartered Accountants  
Partner (M.No.23838)

**TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI**

<b>Schedules to Balance Sheet</b>	<b>(Rs. in Thousands)</b>	
<b>SCHEDULE I - CAPITAL</b>	<b>As on 31.03.2017</b>	<b>As on 31.03.2016</b>
Authorised Equity Capital 50,00,00,000 Equity Shares of Rs.10/- each	5000000	5000000
Issued, Subscribed, Called-up and Paid-up Capital 14,25,11,454 Equity Shares of Rs.10/- each 14,22,27,000 Bonus shares of Rs.10/- each allotted (Previous year : Nil)	2845 1422270	2845
<b>TOTAL</b>	<b>1425115</b>	<b>2845</b>

<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>	<b>As on 31.03.2017</b>	<b>As on 31.03.2016</b>
<b>I. Statutory Reserves</b>		
Opening Balance	9997786	8787786
Additions during the year	950000	1210000
<b>TOTAL</b>	<b>10947786</b>	<b>9997786</b>
<b>II Capital Reserve</b>		
Opening Balance	109273	109273
Additions during the year	192110	Nil
Less: Transfer to Share Capital (Bonus issues)	109273	Nil
<b>TOTAL</b>	<b>192110</b>	<b>109273</b>
<b>III Revenue and Other Reserves</b>		
Opening Balance	18190818	16290367
Additions during the year	1200285	1900451
Less: Transfer to Share Capital (Bonus issues)	1312997	Nil
<b>TOTAL</b>	<b>18078106</b>	<b>18190818</b>
<b>IV Special Reserve U/s.36(1)(viii) of I.T.Act</b>		
Opening Balance	1089000	739000
Additions during the year	270000	350000
Deductions during the year	Nil	Nil
<b>TOTAL</b>	<b>1359000</b>	<b>1089000</b>
<b>V Balance in Profit and Loss Account</b>	<b>238268</b>	<b>27063</b>
<b>TOTAL : (I, II, III, IV &amp; V)</b>	<b>30815270</b>	<b>29413940</b>

<b>SCHEDULE 3 - DEPOSITS</b>	<b>As on 31.03.2017</b>	<b>As on 31.03.2016</b>
<b>A. I. Demand Deposits</b>		
I) From Banks	475	350
ii) From Others	25044727	19895686
<b>II. Savings Bank Deposits</b>	<b>49740216</b>	<b>39020838</b>
<b>III. Term Deposits</b>		
I) From Banks	220000	11790000
ii) From Others	246896077	232981776
<b>TOTAL</b>	<b>321901495</b>	<b>303688650</b>
<b>B. I. Deposits of Branches in India</b>	<b>321901495</b>	<b>303688650</b>
<b>II. Deposits of Branches outside India</b>	<b>Nil</b>	<b>Nil</b>

**TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI**

Schedules to Balance Sheet		(Rs. in Thousands)	
SCHEDULE 4 - BORROWINGS		As on 31.03.2017	As on 31.03.2016
I.	Borrowings in India		
	i. Reserve Bank of India	Nil	3130000
	ii. Other Banks	Nil	Nil
	iii. Other Institutions and Agencies	Nil	201991
II.	Borrowings outside India	Nil	Nil
	TOTAL	Nil	3331991
Secured borrowings included in I and II above		Nil	Nil

SCHEDULE 5-OTHER LIABILITIES AND PROVISIONS		As on 31.03.2017	As on 31.03.2016
I.	Bills Payable	1733885	1251770
II.	Inter Office Adjustments (Net)	Nil	Nil
III.	Interest Accrued	2222548	2008370
IV.	Deferred Tax liability	980312	995820
V.	Others ( Including Provisions )	10765036	11969738
	TOTAL	15701781	16225698

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		As on 31.03.2017	As on 31.03.2016
Cash in hand		1668705	1850986
Balance with Reserve Bank of India in Current Account		12913341	12127215
	TOTAL	14582046	13978201

SCHEDULE 7-BALANCES WITH BANKS & MONEY AT CALL AND SHORT NOTICE		As on 31.03.2017	As on 31.03.2016
I. In India			
	I) Balances with Banks		
	a) In current accounts	192636	210811
	b) In other Deposits	25	500000
	ii) Money at call and short notice		
	a) With Banks	3450000	Nil
	b) With other institutions	Nil	Nil
	TOTAL	3642661	710811
II.	Outside India		
	a) In current accounts	160888	1299861
	b) In other Deposits	1072000	Nil
	TOTAL	1232888	1299861
	GRAND TOTAL	4875549	2010672

**TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI**

Schedules to Balance Sheet		(Rs. in Thousands)	
SCHEDULE 8 - INVESTMENTS		As on 31.03.2017	As on 31.03.2016
I)	Investments in India		
i.	Government securities	94105070	77858135
ii.	Other approved securities	Nil	Nil
iii.	Shares	301878	348870
iv.	Debentures & Bonds	11602669	7818995
v.	Others - Mutual Fund, Commercial Paper	9035149	2621069
	TOTAL	115044766	88647069
	Gross Investments	116067273	88989818
	Less: Depreciation	1022507	342749
	TOTAL	115044766	88647069
II.	Investments outside India	Nil	Nil

SCHEDULE 9 - ADVANCES		As on 31.03.2017	As on 31.03.2016
A. i)	Bills purchased and discounted	5428318	6225602
ii)	Cash credits, overdrafts and loans repayable on demand	138301797	131036829
iii)	Term Loans	75993082	88514696
	TOTAL	219723197	225777127
B. i)	Secured by tangible assets	217070698	224994993
ii)	Covered by Bank / Government Guarantee	1359328	39741
iii)	Unsecured	1293171	742393
	TOTAL	219723197	225777127
C.	Advances in India		
i)	Priority Sector	128136637	118401108
ii)	Public Sector	3897996	7602749
iii)	Banks	Nil	Nil
iv)	Others	87688564	99773270
	TOTAL	219723197	225777127

**TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI**

Schedules to Balance Sheet		(Rs. in Thousands)	
SCHEDULE 10 - FIXED ASSETS		As on 31.03.2017	As on 31.03.2016
I	Premises		
	At cost as on March 31, preceding year	608205	562511
	Additions during the year	72333	45694
	TOTAL *	680538	608205
	Deductions during the year		
		680538	608205
	Depreciation to date	205533	199481
	TOTAL	475005	408724
II	Other Fixed Assets ( including furniture and fixtures)		
	At cost as on March 31, preceding year	3247700	2667972
	Additions during the year	313073	582093
	TOTAL	3560773	3250065
	Deductions during the year	2700	2365
		3558073	3247700
	Depreciation to date	2489213	2092500
	TOTAL	1068860	1155200
	* - Includes building under construction at cost (Rs.in thousands)13596 (Previous year 23778)		
	GRAND TOTAL (I & II)	1543865	1563924

SCHEDULE 11 - OTHER ASSETS		As on 31.03.2017	As on 31.03.2016
I	Inter-Office adjustments (Net)	Nil	Nil
II	Interest accrued	2687527	2380350
III	Tax paid in advance / tax deducted at source	5718423	8116645
IV	Stationery and stamps	10942	11810
V	Non-Banking Assets acquired in satisfaction of claims	Nil	Nil
VI	Deferred Tax Asset	339020	292259
VII	Other Assets	5318326	9885067
	TOTAL	14074238	20686131

**TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI**

<b>Schedules to Balance Sheet</b>		<b>(Rs. in Thousands)</b>	
<b>SCHEDULE 12 - CONTINGENT LIABILITIES</b>		<b>As on 31.03.2017</b>	<b>As on 31.03.2016</b>
I	Claims against the Bank not acknowledged as debts	<b>144934</b>	<b>100290</b>
II	Liability on account of outstanding forward exchange contracts	<b>72563580</b>	<b>76737575</b>
III	Guarantee given on behalf of constituents in India	<b>34140491</b>	<b>29510563</b>
IV	Acceptances, endorsements and other obligations	<b>10295690</b>	<b>9551431</b>
V	Estimated amount of contracts remaining to be executed on capital account not provided for and Liab.under DEAF	<b>537696</b>	<b>490577</b>
<b>TOTAL</b>		<b>117682391</b>	<b>116390436</b>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT**

		<b>For the year ended (Rs. in Thousands)</b>	
<b>SCHEDULE 13 - INTEREST EARNED</b>		<b>31.03.2017</b>	<b>31.03.2016</b>
I	Interest / discount on advances / bills	<b>25160156</b>	<b>24781476</b>
II	Income on investments	<b>7987360</b>	<b>7327895</b>
III	Interest on balances with Reserve Bank of India and other inter-bank funds	<b>316587</b>	<b>134596</b>
IV	Others	<b>345502</b>	<b>277736</b>
<b>TOTAL</b>		<b>33809605</b>	<b>32521703</b>

<b>SCHEDULE 14 - OTHER INCOME</b>		<b>31.03.2017</b>	<b>31.03.2016</b>
I	Commission, exchange and brokerage	<b>1187632</b>	<b>1060690</b>
II	Profit on sale of investments	<b>1457199</b>	<b>443389</b>
	Loss on sale of investments	<b>(40133)</b>	<b>(33023)</b>
III	Profit on revaluation of investments	<b>--</b>	<b>--</b>
IV	Profit on sale of land, building and other assets	<b>2266</b>	<b>1401</b>
	Loss on sale of land, building and other assets	<b>(1163)</b>	<b>(690)</b>
V	Profit on exchange transactions	<b>169796</b>	<b>216346</b>
VI	Miscellaneous income	<b>1529484</b>	<b>1496932</b>
<b>TOTAL</b>		<b>4305081</b>	<b>3185045</b>

**TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI**

Schedules to Profit & Loss Account		For the year ended (Rs. in Thousands)	
SCHEDULE 15 - INTEREST EXPENDED		31.03.2017	31.03.2016
I	Interest on deposits	22122720	21614253
II	Interest on Reserve Bank of India / Inter-Bank borrowings	62513	256004
III	Others	116303	211298
TOTAL		22301536	22081555

SCHEDULE16 - OPERATING EXPENSES		31.03.2017	31.03.2016
I	Payment to and provisions for employees	3778413	3499546
II	Rent, taxes and lightings	710363	620112
III	Printing and stationery	110722	110139
IV	Advertisement and publicity	76365	95151
V	Depreciation on Bank's Property	402765	334542
VI	Directors Fees Allowances & Exp.	17626	15384
VII	Auditors' fees and expenses (including branch auditors)	11229	9774
VIII	Law charges	4250	4211
IX	Postages, telegrams, telephones, etc.	148368	137127
X	Repairs and maintenance	191842	178139
XI	Insurance	290664	252162
XII	Other expenditure	1313093	1113347
TOTAL		7055700	6369634



**TAMILNAD MERCANTILE BANK LIMITED**

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**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> March 2017.**

**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. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

**C. Significant changes in Accounting policies**

**Proposed dividend:**

In terms of Revised Accounting Standard [AS4] Contingencies and events occurring after Balance sheet date as notified by the Ministry of Corporate affairs through amendments to companies (Accounting Standards) amendment rules 2016, dated 30 March 2016, the company has not accounted for proposed dividend as a liability as at 31<sup>st</sup> march 2017. The proposed dividend was however accounted for as a liability as at 31<sup>st</sup> march 2016 in line with the existing accounting standard applicable at that time.

## **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. Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of transaction.
- iv. 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".

Securities that are held principally for resale within 90 days from the date of purchase are classified under the HFT Category. Investments that the company intends to hold till maturity are classified under the HTM category or as per RBI guidelines. Securities which are not classified in the above categories are classified under the AFS category.

- Transfer between the categories – Reclassification of investments from one category to other, if done, is in accordance with RBI guidelines. Transfer of script from AFS/HFT Category to HTM category is made at the lower of book value or market value.
- In case of transfer of securities from HTM to AFS/HFT category, the investments held under HTM at a discount are transferred to AFS/HFT category at the acquisition price and investments placed in the HTM category at a premium are transferred to AFS/HFT at amortized cost.
- Transfer of investments from AFS to HFT or vice versa is done at the book value. Depreciation carried if any on such investments is also transferred from one category to another.

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.

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

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 received in lieu of restructured advances/under SDR scheme are valued in accordance with RBI guidelines.
- v) 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.

D. (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) Sufficient incremental provisioning for Unhedged Foreign currency exposure is made as per RBI guidelines.

Reserve Bank of India has given methodology to arrive at UFCE and for introduction of incremental provision and capital requirements.

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.

f) Accounts are written off in accordance with bank's policies. Recoveries from bad debts written off are recognized in profit and loss account and included under other income.

## 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 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%

- c) Depreciation on additions is pro rata basis, from the date of capitalization.
- d) 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.
- (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 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, S4A, and SDR schemes Income is recognized on realization 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 are accounted 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. LEASES**

Leases where the lessor effectively retains substantially all risks and benefits of ownership are classified as Operating Leases. Operating Lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease term in accordance with AS19 Leases.

## **13. 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 recognizes 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.

S.Annamalai  
**Chairman**

S.R.Aravind Kumar

P.C.G.Asok Kumar

S.Ezhil Jothi

B.S.Keshava Murthy

K.Nagarajan

K.N.Rajan

K.V.Rajan

A.Shidambaranathan  
**Directors**

B.Vijayadurai  
**Directors**

V.V.D.N.Vikraman  
**Directors**

P.Yesuthasen  
**Directors**

M.Gunasekaran  
**General Manager**

M.A.Nayagam  
**General Manager**

R Ravindran  
**General Manager**

P.C.Panda  
**Company Secretary**

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

Thoothukudi  
14.06.2017

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

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

**SCHEDULE – 18:**

**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2017**

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 505 branches have been subjected to statutory audit.
3. Reconciliation of inter branch / office adjustment accounts has been completed up to 31.03.2017
4. (i) In accordance with RBI guidelines, the investments portfolio of the Bank has been classified into three categories as given below:

<b>Category</b>	<b>Book value (Gross) (Rs in crore)</b>	<b>% to total investments</b>
Held to Maturity	6115.24	53.16%
Available for Sale	5029.70	43.72%
Held for Trading	359.54	3.12%
Total	11504.48	100.00%

SLR securities under 'Held to Maturity' category accounted for 18.51% of Bank's Demand and Time Liabilities as on 31.03.2017 as against the ceiling of 20.50% 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. 23.55 crore (previous year Rs. 14.95 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.1072.47 crore (previous year Rs.730.20 crore) and interest paid on purchase of securities Rs. 1111.05 crore (previous year Rs.750.30 crore) have been netted and shown under the head 'Income on Investments'.

(iv) There was shifting of securities to the tune of Rs. 559.03 crore (face value Rs.550.33 crore) from / to HTM category. Previous year there was also shifting of securities to the tune of Rs.264.70 crore (face value Rs.270.65 crore) from / to HTM category and also there was shifting of securities to the tune of Rs. 111.94 Cr (Face value Rs. 110.00 Cr) from HFT to AFS category

(v) ) During the year ended March 31,2017, the bank has sold government securities from Held to Maturity category exceeding 5% of the book value of investments held in HTM category at the beginning of the year. The profit booked out of sale of HTM securities has been transferred to Capital Reserve. As the market value of investment under HTM category as on 31.03.2017 was higher than the book value, the provision thereof is not required to be made

## 5. Additional disclosures

### A. Capital

Items	Current Year		Previous Year	
	Basel II	Basel III	Basel II	Basel III
Common Equity Tier I capital ratio (%)	13.30	13.27	12.18	12.16
Tier I capital (%)	13.30	13.27	12.18	12.16
Tier II Capital (%)	0.75	0.75	0.60	0.59
Total Capital Ratio (CRAR %)	14.05	14.02	12.78	12.76
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; Of which	Nil		Nil	
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 2016-17	Previous Year 2015-16
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	11606.73	8898.98
(b) Outside India,	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	102.25	34.27
(b) Outside India,	Nil	Nil
(iii) Net Value of Investments		
(a) In India	11504.48	8864.71
(b) Outside India.	Nil	Nil
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	34.27	16.54
(ii) Add: Provisions made during the year	68.79	22.18
(iii) Less: Write-off/ write-back of excess provisions during the year	0.81	4.45
(iv) Closing balance	102.25	34.27

**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 31.03.2017
Securities sold under repos				
a) Govt Securities	30.00	1103.00	63.55	---
b) Corporate debt Securities	--	--	--	
Securities sold under MSF				
a) Govt Securities	5.00	350.00	3.89	---
b) Corporate debt Securities	--	--	--	
Securities purchased under reverse repos				
a) Govt Securities	10.00	2087.00	351.44	345.00
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 (6)	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)		(7)
1.	PSUs	160.82	65.00	--	--	2.00
2.	FIs	786.01	151.00	--	--	0.51
3.	Banks	1106.66	96.00	10.00	--	--
4.	Private Corporate	108.02	10.00	--	--	37.98
5.	Subsidiaries/ Joint Venture	--	--	--	--	--
6.	Others	1.78	--	--	--	--
7.	Provision held towards depreciation	69.32	--	--	--	28.27
	TOTAL*	2093.97	322.00	10.00	--	12.22

Note:

(1) \*Total under column 3 should tally with the total of investments included under the following categories in Schedule 8 to the balance sheet:

- a) Shares
- b) Debentures & Bonds
- c) Subsidiaries / joint ventures
- d) Others

(2) Amount reported under columns 4,5,6 and 7 above may not be mutually exclusive

#### **Break up particulars for Non SLR Investments:**

(Rs. in crore)

	31.03.2017	31.03.2016
Shares	30.19	34.89
Debentures and Bonds	1160.27	781.90
Subsidiaries and Joint Ventures	0.00	0.00
Others (CD,CP, MF)	903.51	262.11
Total	2093.97	1078.90

**b) Non performing Non-SLR investments**

(Rs. in crore)

Particulars	Amount
Opening Balance	0
Additions during the year since 1 <sup>st</sup> April 2016	Nil
Reductions during the above period	0
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 (%)	1.74	0.89
(ii) Movement of NPAs (Gross)		
(a) Opening balance	418.94	318.68
(b) Additions during the year	727.94	520.91
(c) Reductions during the year	498.24	420.65
(d) Closing balance	648.64	418.94
(iii) Movement of Net NPAs		
(a) Opening balance	200.74	135.53*
(b) Additions during the year	434.49	370.03
(c) Reductions during the year	253.31	304.82
(d) Closing balance	381.92	200.74*
(iv) Movement of provisions for NPAs		
(excluding provisions on standard assets)		
(a) Opening balance		
(b) Provisions made during the year	218.20	183.15
(c) Write-off/ write-back of excess provisions	293.45	150.88
(d) Closing balance	244.93	115.83
	266.72	218.20

\*Amount received includes claim received from ECGC/CGTMSE/UIIC of Rs.0.84 Crore.

**i.b.** Non- performing Loan Provisioning coverage Ratio is **66.51%**.

**ii. Movement of NPAs**

(Rs in Crore)

Particulars	Amount as on 31.03.2017	Amount as on 31.03.2016
Gross NPAs as on 1 <sup>st</sup> April 2016 (Opening Balance)	418.94	318.68
Additions (Fresh NPAs) during the year	727.94	520.91
Sub-total (A)	1146.88	839.59
Less:-		
(i) Upgradations	189.03	225.95
(ii) Recoveries	65.46	95.43
(iii) Technical/Prudential write-offs	243.75	99.01
(iii) Write-offs	---	0.26
Sub-total (B)	498.24	420.65
Gross NPAs as on 31 <sup>st</sup> March (closing balance) (A-B)	648.64	418.94

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

(Rs. in crore)

Particulars	2016-17	2015-16
Opening balance of Technical/Prudential written-off accounts as at 1 <sup>st</sup> April.	270.68	212.89
Add: Technical/Prudential write-offs during the year	243.75	99.01
Sub-total (A)	514.43	311.90
Less: Recoveries made from previously technical/ prudential written-off accounts during the year	22.71	41.22
Closing balance as at 31st March	491.72	270.68



## (iii) Sector-wise NPAs

(Rs. in Crore)

Sl. No.	Sector*	Current year (Fy 2016-17)			Previous year (Fy 2015-16)		
		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
<b>A</b>	<b>Priority Sector</b>						
1	Agriculture and allied activities	4182.92	63..01	1.50	3764.61	17.23	0.45
2	Industry	2971.13	71.49	2.40	2898.97	82.85	2.85
2a	Of which; Textile	1243.27	34.76	2.79	1200.62	13.62	1.13
3	Services	4605.61	132.33	2.87	4167.22	60.41	1.44
4	Personal loans	1201.09	46.39	3.86	1146.15	35.88	3.13
	Sub-total (A)	12960.75	313.22	2.41	11976.95	196.37	1.63
<b>B</b>	<b>Non Priority Sector</b>						
1	Agriculture and allied activities	0.05	0	0	0	0	0
2	Industry	4389.21	269.12	6.13	5060.28	181.40	3.58
2a	Of which; Textile	1509.87	22.02	1.45	1462.69	0	0
3	Services	2558.43	54.03	2.17	3472.30	28.72	0.82
4	Personal loans	2217.94	12.27	0.55	2016.89	12.45	0.61
5	Food Credit	136.11	0	0	294.90	0	0
	Sub-total (B)	9301.74	335.42	3.65	10844.37	222.57	2.05
	Total (A+B)	22262.49	648.64	2.93	22821.32	418.94	1.83

## (iv) Concentration of NPAs

(Rs. in Crore)

	As on 31.03.2017	As on 31.03.2016
Total Exposure to top four NPA accounts	194.13	182.96

**Disclosure on Divergence in the Asset Classification and Provisioning**

The Reserve bank of India (RBI) VIDE DBR.BP.BC.NO.63/21.04.018/2016-17 dated 18<sup>th</sup> April 2017 has prescribed certain additional disclosure to be made under "Notes to Accounts" for the reference period i.e. FY 2015-16. Neither additional provisioning requirement assessed by RBI nor the additional Gross NPAs identified by RBI exceeds 15% of the published net profit after tax and incremental Gross NPAs of the Bank. Hence, no disclosure is required to be made under DBR.BP.BC.NO.63/21.04.018/2016-17 dated 18<sup>th</sup> April 2017

#### v. Details of Loan assets subjected to Restructuring

(Rs in Crore)

[illegible]

		s																			
		Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		Provision thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	Upgradations to restructured standard category during the FY	No. of borrowers	0	0	0	0	0	0	0	0	0	3	0	0	0	3	3	0	0	0	3
		Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.00	0.00	0.00	0.40	0.00	0.00	0.00	0.00	0.40
		Provision thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.01
			stand	Sub stand	Doubtful	Loss	Total					stand	Sub stand	Doubtful	Loss	Total	stand	Sub stand	Doubtful	Loss	Total
4	Restructured standard advances which cease to attract higher provisioning and/ or additional risk weight	No. of borrowers	1	0	0	0	1	0	0	0	0	73				73	74				74
		Amount outstanding	26.92	0.00	0.00	0.00	26.92	0.00	0.00	0.00	0.00	246.58				246.58	273.50				273.50

	at the end of FY and hence need not be shown as restructured standard advances at the beginning of the next FY	Provision thereon	0.11	0.00	0.00	0.00	0.11	0.00	0.00	0.00	0.00	0.00	0.94				0.94	1.05				1.05
5	Down gradation of restructured accounts during the FY	No. of borrowers	0	0	1	0	1	0	0	0	0	0		7	3	0	10		7	4	0	12
		Amount outstanding	0.00	0.00	68.73	0.00	68.73	0.00	0.00	0.00	0.00	0.00		1.90	9.23	0.00	11.13		1.90	77.96	0.00	79.77
		Provision thereon	0.00	0.00	45.76	0.00	45.76	0.00	0.00	0.00	0.00	0.00		0.55	9.23	0.00	9.78		0.55	55.28	0.00	55.83
6	Write-offs of restructured accounts during the FY	No. of borrowers		0				0	0	0	0	0									3	3
		Amount outstanding		0.00				0.00	0.00	0.00	0.00	0.00									31.25	31.25
7	Restructur	No.	3	0.00	0		3						26	0	0	0	2	29	0	0	0	29

	ed as on March 31 of the FY(closig figure*)	of borr owe rs													6						
		Amo unt outs tand ing	575.0 2	0.00	0.00		575.0 2					171.4 1	0.00	0.00	0. 00	1 71.4 1	746.43	0.00	0.00	0.00	74 6.4 3
		Prov ision ther eon	66.70	0.00	0.00		66.70					8.57	0.00	0.00	0. 00	8. 57	75.27	0.00	0.00	0.00	75. 27

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

Disclosures on Flexible Structuring of Existing Loans:

Period	No. of borrowers taken up for flexible structuring	Amount of loans taken up for flexible structuring		(Amount in INR Crore) Exposure weighted average duration of loans taken up for flexible structuring	
		Classified as Standard	Classified as NPA	Before applying flexible structuring	After applying flexible structuring
Previous Financial Year	1	98.52	-	19 years	19 years
Current Financial Year From April '16 to March '17 )	1	57.89	-	6.98 years	17 years

1. Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

No. of accounts where SDR has been invoked	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		(Amount in INR Crore) Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
3	451.78	62.50	-	62.50	451.78	-

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

Item	2016-17	2015-16
(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	2016-17	2015-16
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	2016-17	2015-16
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	Current year as at 31.03.17	Previous Year as at 31.03.16
Provisions towards Standard Assets	160.13	121.10

**ix. Floating Provisions**

(Rs. in crore)

	Current year as at 31.03.17	Previous Year as at 31.03.16
Opening balance of floating provisions	29.20	25.92
The quantum of floating provisions made during the year	---	3.28
Amount of draw down made during the year	---	0.00
Closing balance	29.20	29.20

**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 \$	9.18%	9.96%
(ii) Non-interest income as a percentage to Working Funds \$	1.17%	0.98%
(iii) Operating Profit as a percentage to Working Funds \$	2.38%	2.22%
(iv) Return on Assets@	0.86%	1.23%
(v) Business (Deposits plus advances) per employee # (Rs. in lakhs)	1234.95	1219.78
(vi) Profit per employee (Rs. in lakhs)	7.22	9.48
(vii) Earnings per share *	22.22	28.32

As per AS 20 of ICAI, if the number of shares outstanding had been changed, EPS of earlier year needs to be restated with the new number of shares outstanding. Since the number of shares outstanding had been increased from 284454 shares to 142511454 shares on 25/05/2016 the EPS of 2015-16 is restated to be Rs. 28.32/share.



\$ 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) interbank deposits is 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	86.57	753.28	3377.48	0	37.31	42.30
2 to 7 days	443.51	349.65	339.52	0	44.17	0.09
8 to 14 days	651.52	383.18	120.60	0	12.15	0.26
15 to 30 days	352.63	925.98	162.80	0	78.46	0.69
31 days to 2 months	1023.91	454.17	454.27	0	64.10	0.89
Over 2 months and up to 3 months	1522.36	492.14	424.32	0	13.51	3.14
Over 3 months and up to 6 months	2429.47	1308.47	707.53	0	20.41	5.24
Over 6 months and up to 1 year	10065.34	2261.01	1847.85	0	0	36.11
Over 1 year and up to 3 years	12437.78	10098.82	2597.17	0	10.21	95.25
Over 3 years and up to 5 years	1696.34	1780.68	548.35	0	7.21	64.34
Over 5 years	1480.72	3164.94	924.58	0	13.19	0
<b>TOTAL</b>	<b>32190.15</b>	<b>21972.32</b>	<b>11504.47</b>	<b>0</b>	<b>300.72</b>	<b>248.31</b>

## 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 <b>of which</b> Individual housing loans eligible for inclusion in priority sector advances	1783.82	1657.53
(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;	1069.75	1018.04
(c) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
a. Residential,	Nil	Nil
b. Commercial Real Estate.	Nil	Nil
II) <i>Indirect Exposure</i>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	12.00	19.14

**ii. Exposure to Capital Market****(Rs in Crore)**

<b>Particulars</b>	<b>Current Year 2016-17</b>	<b>Previous Year 2015-16</b>
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;	99.51	72.70
(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;	3.65	4.88
(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;	11.69	32.00
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	30.78	31.23
(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
<b>Total Exposure to Capital Market</b>	<b>145.63</b>	<b>140.81</b>

**iii. Risk Category wise Country Exposure**

Rs in crore

As the country-wise net funded exposure does not exceed 1% of the Bank's total

<b>Risk Category wise Country Exposure</b>				
<b>Risk Category</b>	<b>Exposure(Gross) as at March 31,2017</b>	<b>Provision held as at March 31,2017</b>	<b>Exposure(Gross) as at March 31,2016</b>	<b>Provision held as at March 31,2016</b>
Insignificant Risk	171.76	NIL	354.16	NIL
Low Risk	194.87	NIL	118.45	NIL
Moderately Low Risk	24.54	NIL	12.87	NIL
Moderate Risk	0.99	NIL	0.34	NIL
Moderately High Risk	0.64	NIL	0.00	NIL
High Risk	0.00	NIL	0.00	NIL
Very High Risk	0.00	NIL	0.00	NIL
<b>Total</b>	<b>392.80</b>	<b>NIL</b>	<b>485.82</b>	<b>NIL</b>

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 during the year;**

Rs. in crore

	<b>Current year</b>	<b>Previous year</b>
Provision for Income Tax	181.90	139.00

**ii. Penalties imposed on the Bank by RBI** : RBI has imposed penalty towards mutilated and FICN notes amounting to Rs.4900/- during the year 2016-17

**iii. Special reserve:** As per section 36(1) (viii) of I.T.Act 1961, the bank has created a special reserve of Rs.27.00 Crore during the year 2016-17.

**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	46.30	17.74
Provision towards NPA	290.37	130.33
Provision towards Standard Asset	39.03	24.96
Floating provision for Advances	--	3.28
Provision made for Taxation	181.90	139.00
Deferred Tax	-6.23	7.90
Provision for un hedged Foreign currency exposure	0.96	0.19
Others :Diminution in fair value - Restructured Advances	6.75	0.00
<b>Total</b>	<b>559.08</b>	<b>323.40</b>

**v. Details of complaints / unimplemented awards of Banking Ombudsman**

<b>A. customer complaints *</b>	
Number of complaints pending at the beginning of the year	--
Number of complaints received during the year	193
Number of complaints redressed during the year	193
Number of complaints pending at the end of the year * - including ATM complaints	--
<b>B. Awards passed by the Banking Ombudsman</b>	
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	31.03.2017	31.03.2016
Letter of comfort issued in earlier years and outstanding as on 01.04.2016	2132.06	1395.30
Add: Letter of comfort issued during the year	7427.98	5987.42
Less: Letter of comfort expired during the year	6916.52	5250.66
Letter of comfort outstanding as on 31.03.2017	2643.52	2132.06

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

(Rs in Lakhs)

<b>Commission on Banc assurance</b>	31-03-2017	31-03-2016
Non – Life Insurance – Net of Service Tax	601.39	470.69
Mutual Fund Products	13.74	5.55
Life Insurance – Net of Service Tax	167.28	105.16

**viii. Concentration of Deposits**

(Rs in Crore)

	31-03-2017	31-03-2016
Total Deposits of twenty largest depositors	4971.56	5665.17
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	15.44%	18.65%

**ix. Concentration of Advances**

(Rs. in Crore)

	31-03-2017	31-03-2016
Total Advances to twenty largest borrowers	2365.06	2698.25
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	10.55%	11.82%

**x. Concentration of Exposures**

(Rs. in Crore)

	31-03-2017	31-03-2016
Total Exposure to twenty largest borrowers/customers	3165.54	3546.44
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	10.68%	10.82%

**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 Accounting Standard -15: Employee Benefits

(Rs.in crore)

	2016-17		2015-16	
	Gratuity	Pension	Gratuity	Pension
<b>(i) Principal actuarial assumption used</b>				
Discount Rate	7.20%	7.20%	7.93%	7.93%
Rate of return on Plan Assets	8.40%	6.50%	8.50%	7.00%
Salary Escalation	6.50%	6.50%	6.50%	6.50%
<b>(ii) Change in Benefit Obligation:</b>				
Liability at the beginning of the year	115.89	433.98	113.44	357.91
Interest Cost	7.92	29.48	8.53	26.15
Current Service Cost	9.03	27.92	7.75	46.47
Benefit paid	-11.89	-49.17	-11.72	-56.24
Actuarial (gain) / loss on obligation	15.27	28.63	-2.11	59.69
Liability at the end of the year	136.22	470.84	115.89	433.98
<b>(iii) Fair value of Plan Assets:</b>				
Fair value of Plan Assets at the beginning of the year	114.90	434.63	97.28	294.86
Expected return on Plan Assets	10.44	29.36	9.02	25.53
Contributions	21.47	52.40	16.16	156.74
Benefit paid	-11.89	-49.17	-11.72	-56.24
Actuarial Gain / (loss) on Plan Assets	-1.36	1.39	4.16	13.74
Fair value of Plan Assets at the End of the year	133.56	468.61	114.90	434.63
<b>(iv) Actual return on Plan Assets:</b>				
Expected Return on Plan Assets	10.44	29.36	9.02	25.53
Actuarial gain / (loss) on Plan Assets	-1.36	1.39	4.16	13.74
Actual return on Plan Assets	9.08	30.75	13.18	39.27
<b>(v) Amount recognized in the Balance Sheet:</b>				
Liability at the end of the year	136.22	470.81	115.89	433.98
Fair value of Plan Assets at the End of the year	133.56	468.61	114.90	434.63
Amount Recognized in the Balance Sheet	2.66	2.23	0.99	-0.65
<b>(vi) Expenses recognized in The Income Statement:</b>				
Current Service Cost	9.03	27.92	7.75	46.47
Interest Cost	7.92	29.48	8.53	26.15
Expected Return on Plan Assets	-10.44	-29.36	-9.02	-25.53
Actuarial Gain or Loss	16.63	27.24	-6.27	45.95
Expenses Recognized in P & L	23.14	55.28	0.99	93.04

Details of Provisions made for Other Long term Employee Benefits:

S.no.	Other Long Term Benefits	(Rs in crore)	
		2016-17	2015-16
1	Leave Encashment	10.43	2.91
2	Sick Leave	2.40	2.13

**6.4 Accounting Standard-17: Segment Reporting****PART A: Operational Segments:**

(Rs. in crore)

Particulars	For the year ended 31.03.2017				For the year ended 31.03.2016			
	Treasury	Corporate/Wholesale Banking	Retail Banking	Total	Treasury	Corporate/Wholesale Banking	Retail Banking	Total
Revenue	1006.06	1033.29	1772.12	3811.47	814.92	1002.81	1752.95	3570.68
Result (Profit+)/Loss(-))	247.14	90.83	155.78	493.75	185.45	133.78	233.85	553.08
Unallocated income /Expenses				-4.82				11.93
Operating Profit				498.57				541.15
Income Tax				181.90				139.00
Extraordinary Profit								
Net Profit				316.67				402.15
Other Information	As at 31.03.2017				As at 31.03.2016			
Segment assets	12413.04	9321.16	14644.34	36378.54	9963.37	10562.17	13899.81	34425.35
Unallocated assets				81.14				106.71
Total assets				36459.68				34532.06
Segment Liabilities	10525.05	9466.95	16236.12	36228.12	8685.63	9366.70	16373.29	34425.62
Unallocated liabilities				231.57				106.44
Total liabilities				36459.69				34532.06

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.

**PART B –Geographic Segments**

Particulars	Domestic		International		Total	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Revenue	3811.47	3570.68	--	--	3811.47	3570.68
Assets	36459.69	34532.06	--	--	36459.69	34532.06



### 6.5 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 – 01.04.2016 to 31.03.2017.

#### A. Emoluments:

Particulars	(Amount in Rs.)	
	01.04.2016 to 31.03.2017	01.04.2015 to 31.03.2016
Salary	50,00,000.00	42,00,000.00
Bank Contribution to Provident Fund	6,00,000.00	5,04,000.00
Other Benefits	1,22,532.40	1,64,623.00
Total	57,22,532.40	48,68,623.00

#### B. Others: Nil

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

### 6.6. Earnings Per Share (AS – 20)

Items	Amount	
	2016 – 17	2015 – 16
Net Profit after Tax available for equity share holders (Rs.in Lakhs)	31666.47	40215.65
Average number of shares	142511454	2,84,454
Basic and Diluted EPS (in Rs.)	22.22	28.32
Nominal value per share (in Rs.)	10.00	10.00

As per AS 20 of ICAI, if the number of shares outstanding had been changed, EPS of earlier year needs to be restated with the new number of shares outstanding. Since the number of shares outstanding had been increased from 284454 shares to 142511454 shares on 25/05/2016 the EPS of 2015-16 is restated to be Rs. 28.32 per share

### 6.7. Consolidated Financial Statements (AS – 21)

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

### 6.8. Accounting for Taxes on Income (AS – 22)

In respect of Income Tax, the assessment has been completed up to the Assessment Year 2014-15 (Year ended 31.03.2014) 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. 70.35 Crore relating to the period up to 31.03.2016 arising out of timing difference. The amount credited to the Profit and Loss account during the year is Rs. 6.22 crore and the net Deferred Tax Liability is Rs.64.13 crore as on March 31, 2017.

The major components of deferred tax assets/liabilities as at 31.03.2017 arising out of timing difference are as follows;

(Rs. in Crore)

Particulars	Deferred tax Asset	Deferred tax Liability	Deferred tax Asset	Deferred tax Liability
	2016-17	2016-17	2015-16	2015-16
Depreciation on Fixed Assets		1.78		3.66
Interest accrued on Investments		9.62		5.47
Special Reserve		47.01		37.66
Depreciation on Investments		39.62		52.79
Provisions on retirement benefit etc	21.56		17.63	
Provision for DFV on Restructured Standard Assets	8.22		7.72	
Others	4.12		3.88	
<b>Deferred tax asset/liability</b>	<b>33.90</b>	<b>98.03</b>	<b>29.23</b>	<b>99.58</b>
<b>Net Deferred Tax Liability</b>	<b>64.13</b>		<b>70.35</b>	

### 6.9. Intangible assets (AS – 26)

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

### 6.10 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.

### 6.11 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	6.74	--	5.63	26.53	
B.Provision for Frauds	11.21	3.67	0.017	2.973	11.89	

## CONTINGENT LIABILITIES:

(Rs in Lakh)

As on 31.03.2016	PARTICULARS	As on 31.03.2017
Nil	1. Claims not acknowledged as debt a)Counter suits filed by the borrowers against the Bank has initiated legal action.	Nil
17.67	b)Cases filed in Consumer/Civil Courts for deficiency in services	10.68
985.23	c)Any other claims against the bank not acknowledged as debts.	1438.66
6463.07	d)Income tax and service tax disputes	10012.86
295105.63	2.Guarantees issued on behalf of constituents	341404.91
95514.31	3.Acceptance, endorsements & other obligations	102956.90
772281.52	4. Other items for which the Bank is contingently liable.	731012.76
<b>1170367.43</b>	<b>TOTAL</b>	<b>1186836.77</b>

**6.12 Movement of Provisions for Contingent Liabilities**

(Amount in Lakhs)

Balance as on 01.04.2016	1121.00
Provided during the year	367.00
Amount used during the year	1.72
Reversed during the year	297.28
Balance as on 31.03.2017	1189.00

### **Dues to Micro and Small Enterprises**

Under MSMED Act 2006 certain disclosures are required to be made relating to micro small and medium enterprises. There have been not reported cases of interest payments due to delays in such payments to micro small and medium enterprises. Auditors have relied upon the above management assertion.

### **6.13 Transfers to Depositor Education and Awareness Fund (DEAF)**

(Rs in lakh)

Particulars	Current Year	Previous Year
Opening balance of amount transferred to DEAF	4590.44	3704.76
Add: Amounts transferred to DEAF during the year	717.11	919.17
Less: Amounts reimbursed by DEAF towards claims	24.88	33.49
Closing Balance of amounts transferred to DEAF	5282.67	4590.44

**6.14 Un hedged Foreign Currency Exposure:** The bank has a board approved policy dated 11.05.2016 on Un hedged Foreign Currency Exposure.

### **Disclosure on Specified Bank Notes (SBN)**

Ministry of Corporate Affairs has issued a notification dated March 30 2017 regarding amendment in schedule III to companies Act 2013 wherein every company shall disclose the details of SBN held and transacted during the period from November 8 2016 to December 30 2016 in their financial statements ending March 31 2017. In terms of Section 129(1) of the companies act 2013 the provisions in Schedule III are not applicable to the banks and the same has been clarified by RBI that the disclosure is not applicable for banks.

### **Proposed dividend:**

In terms of Revised Accounting Standard [AS4] Contingencies and events occurring after Balance sheet date as notified by the Ministry of Corporate affairs through amendments 0to companies (Accounting Standards) amendment rules 2016, dated 30 March 2016, the company has not accounted for proposed dividend as a liability as at 31st march 2017. The proposed dividend was however accounted for as a liability as at 31<sup>st</sup> march 2016 in line with the existing accounting standard applicable at that time.

### **6.15 Liquidity Coverage Ratio**

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, 2017. The disclosure should cover LCR of all the four quarters of the relevant financial year. Data must be presented as simple averages of monthly observations over the previous quarter (i.e the average is calculated over a period of 90 days). Banks must publish the number of data points used in calculating the average figures in the template with effect from the January 01, 2017; the simple average should be calculated on daily observations over the previous quarter. The LCR related information based on simple averages of quarterly observations for the year ended March 2017 is furnished below

LCR Disclosure Template – Final Year ended March 31, 2017 Audited (Consolidation)			
		(Rs.in Crore)	
Particulars		Total Unweighted <sup>8</sup> Value (Average)	Total Weighted <sup>9</sup> Value (Average)
<b>High Quality Liquid Assets</b>			
1	Total High Quality Liquid Assets (HQLA)	6025.54	5817.90
<b>Cash Outflows</b>			
2	Retail deposits and deposits from small business customers, of which:	<b>20107.21</b>	<b>1801.35</b>
(i)	Stable deposits	4187.39	209.37
(ii)	Less stable deposits	15919.82	1591.98
3	Unsecured wholesale funding, of which:	<b>1235.08</b>	<b>752.74</b>
(i)	Operational deposits (all counterparties)	15.84	2.15
(ii)	Non-operational deposits (all counterparties)	1219.24	750.59
(iii)	Unsecured debt	0.00	0.00
4	Secured wholesale funding	<b>194.24</b>	<b>0.00</b>
5	Additional requirements, of which	<b>1815.35</b>	<b>1815.35</b>
(i)	Outflows related to derivative exposures and other collateral requirements	1815.35	1815.35
(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	4213.57	299.17
7	Other contingent funding obligations	4098.78	210.51
8	<b>TOTAL CASH OUTFLOWS</b>	<b>31664.23</b>	<b>4879.12</b>
<b>Cash Inflows</b>			
9	Secured lending (e.g. reverse repos)	345.83	116.65
10	Inflows from fully performing exposures	944.38	492.50
11	Other cash inflows	1856.86	1856.86
12	<b>TOTAL CASH INFLOWS</b>	<b>3147.07</b>	<b>2466.01</b>
		Total Adjusted <sup>10</sup> Value	
21	<b>TOTAL HQLA</b>	<b>5817.90</b>	
22	<b>TOTAL NET CASH OUTFLOWS</b>	<b>2413.11</b>	
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>241.0955%</b>	

<sup>8</sup> 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.

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

<sup>10</sup> 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'16 to December'16, Bank's LCR has been more than the minimum regulatory requirement of 70% for 2016 calendar year and for the residual months i.e., from January'17 to March'17 Bank has maintained LCR well above the regulatory threshold i.e. 80% for 2017. LCR of the bank for the annual financial year 2016-17 stood at 241.0955%.

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 have 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 (9% 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 licenses, authority etc., has been taken as collateral security and the value of such collateral security ----- NIL -----

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

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

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

Sd/-  
S.Annamalai  
**Chairman**

Sd/-  
S.R.Aravind Kumar

Sd/-  
P.C.G.Asok Kumar

Sd/-  
S.Ezhil Jothi

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/-  
M.A.Nayagam  
**General Manager**

Sd/-  
R Ravindran  
**General Manager**

Sd/-  
P.C.Panda  
**Company Secretary**

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

Thoothukudi  
14.06.2017

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

**TAMILNAD MERCANTILE BANK LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2017**

	Year ended 31.03.2017	Year ended 31.03.2016
	Rs. in thousands	
<b>Cash profit generated from operations I</b>		
Net profit for the year	316 66 47	402 15 65
<u>Add/Deduct</u>		
Loss/(Profit) on sale of assets	( 11 03)	( 7 11)
Depreciation on Fixed assets	40 27 65	33 45 42
Provisions & Contingencies (incl. Deferred tax adjustments)	559 08 03	323 39 94
<b>Total</b>	<b>915 91 12</b>	<b>758 93 90</b>
<b>Cash flow from operating assets &amp; liabilities II</b>		
<u>Increase/Decrease in liabilities</u>		
Deposits	1821 28 45	4719 00 27
Other liabilities & Provisions	(611 47 20)	(172 59 06)
<u>Increase/Decrease in assets</u>		
Advances	605 39 30	(3241 76 65)
Investments	(2639 76 97)	(1193 60 14)
Other assets	661 18 93	(888 39 13)
<b>Total</b>	<b>(163 37 49)</b>	<b>(777 34 71)</b>
<b>A Net cash flow from operating activities I + II</b>	<b>752 53 63</b>	<b>(18 40 81)</b>
<u>Cash flow from investing activities</u>		
Sale/disposal of fixed assets	38 03	30 76
Purchase of fixed assets	(38 54 06)	(62 77 87)
<b>B Net Cash flow from investing activities</b>	<b>(38 16 03)</b>	<b>(62 47 11)</b>
<u>Cash flow from financing activities</u>		
Interim Dividend incl. tax	(34 30 47)	(47 93 07)
Borrowings	(333 19 91)	292 82 30
<b>C Net Cash flow from financing activities</b>	<b>(367 50 38)</b>	<b>244 89 23</b>
<b>Total cash flow during the year (A+B+C)</b>	<b>346 87 22</b>	<b>164 01 31</b>
<u>Cash &amp; Cash equivalents as on 01-04-2016</u>		
Cash & bank balances with RBI	1397 82 01	1271 64 68
Balances with banks & money at call & short notice	201 06 72	163 22 74
<b>Total</b>	<b>1598 88 73</b>	<b>1434 87 42</b>
<u>Cash &amp; Cash equivalents as on 31-03-2017</u>		
Cash & bank balances with RBI	1458 20 46	1397 82 01
Balances with banks & money at call & short notice	487 55 49	201 06 72
<b>Total</b>	<b>1945 75 95</b>	<b>1598 88 73</b>
<b>Increase or decrease in cash flow</b>	<b>346 87 22</b>	<b>164 01 31</b>

Sd/-  
S.Annamalai  
**Chairman**

Sd/-  
S.R.Aravind Kumar

Sd/-  
P.C.G.Asok Kumar

Sd/-  
S.Ezhil Jothi

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/-  
M.A.Nayagam  
**General Manager**

Sd/-  
R.Ravindran  
**General Manager**

Sd/-  
P.C.Panda  
**Company Secretary**

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

Thoothukudi  
14.06.2017

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



BALANCE SHEET ABSTRACT AND COMPANY’S GENERAL BUSINESS PROFILE

Registration Details

Registration No.

1

9

0

8

State Code

1

8

Balance Sheet Date

3

1

0

3

2

0

1

7

(Rupees in Thousands)

Capital raised during the Year

Public Issue

N

I

L

Bonus Issue

N

I

L

(Rupees in Thousands)

Rights Issue

N

I

L

Private Placement

N

I

L

Position of mobilisation and Deployment of funds

Total Liabilities

3

6

9

8

4

3

6

6

1

Total Assets

3

6

9

8

4

3

6

6

1

Sources of funds

Paid-up Capital

1

4

2

5

1

1

5

Secured Loans

N

I

L

Reserves and Surplus

3

0

8

1

5

2

7

0

Unsecured Loans

3

2

1

9

0

1

4

9

5

Application of funds

Net Fixed Assets

1

5

4

3

8

6

5

Net Current Assets

2

3

7

5

5

3

2

4

9

Accumulated Losses

N

I

L

Investments

1

1

5

0

4

4

7

6

6

Miscellaneous Expenditure

N

I

L

L

Performance of Company

Turnover

3

8

1

1

4

6

8

6

Total Expenditure

3

3

1

2

9

0

3

9

Profit/(Loss) Before Tax

4

9

8

5

6

4

7

Profit/(Loss) After Tax

3

1

6

6

6

4

7

Earning per share in Rs.

2

2

Dividend Rate %

2

0

+

+

Generic names of three principal products / services of the Company (as per monetary terms)

Item Code No. : NOT APPLICABLE  
Product Description : Banking Company

Sd\-\nS.R.Aravind Kumar

Sd\-\nP.C.G.Asok Kumar

Sd\-\nS.Ezhil Jothi

Sd\-\nB.S.Keshava Murthy

Sd\-\nK.Nagarajan

Sd\-\nK.N.Rajan

Sd\-\nK.V.Rajan

Sd\-\nA.Shidambaranathan  
Directors

Sd\-\nB.Vijayadurai  
Directors

Sd\-\nV.V.D.N.Vikraman  
Directors

Sd\-\nP.Yesuthasen  
Directors

Sd\-\nM.Gunasekaran  
General Manager

Sd\-\nM.A.Nayagam  
General Manager

Sd\-\nR.Ravindran  
General Manager

Sd\-\nP.C.Panda  
Company Secretary

Thoothukudi  
14.06.2017

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

Sd\-\nN.R Jayadevan  
Chartered Accountants  
Partner (M.No.23838)



## **INDEPENDENT AUDITORS' REPORT**

**To the Members of  
TAMILNAD MERCANTILE BANK LIMITED**

### **Report on the Financial Statements**

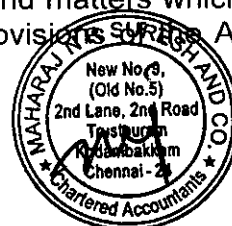
We have audited the accompanying financial statements of the TAMILNAD MERCANTILE BANK LIMITED (the "Bank"), which comprise the Balance Sheet as at March 31, 2017 and the Profit and Loss account and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information in which are Incorporated in these financial statements are the returns of 14 branches audited by us and 491 branches audited by branch auditors .

### **Management's Responsibilities for the Financial Statements**

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 and provision of sec 29 of the Banking Regulation Act 1949 and circulars and guidelines/Disclosures issued by the Reserve Bank of India(RBI) from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provision of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder.



We conducted our audit of the bank including its branches in accordance with the standards on Auditing('the standards') specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the bank's directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

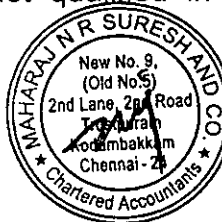
### **Opinion**

In our opinion and to the best of our information and according to the explanation given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for the banking companies and give a true and fair view in conformity with accounting principles generally accepted in India of the state of affairs of the Bank as at 31<sup>st</sup> March 2017, and its profits and cash flows for the year then ended.

- i. In the case of the Financial statement, of the state of affairs of the Bank as at March 31, 2017
- ii. In the case of the Profit and Loss Account of the Profit for the year ended on that date, and
- iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### **Emphasis of Matter**

- i. We draw attention to Note 6.8 to the financial statements, regarding deferred tax assets of Rs.6.22 Crores on the diminution in the fair value of Standard restructured accounts, as the realisability of the same is considered certain. Our opinion is not qualified in respect of this matter.



## Report on Other Legal and Regulatory Matters

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules 2014.
2. As required sub section 3 of Section 30 of the Banking Regulation Act 1949 we report that:
  - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
  - b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank
  - c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
3. Further as required by Section 143(3) of the Companies Act, 2013 we further report that:

We have sought and obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

- a) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from branches not visited by us.
- b) The reports on the accounts of the branches audited by branch auditors of the bank under section 143(8) of the companies act 2013 have been sent to us and have been dealt with in preparing our report.
- c) The Balance Sheet and Profit and Loss Account and cash flow statement dealt with by us in the report are in agreement with the books of account and with the audited returns from the branches.
- d) In our opinion the aforesaid financial statements comply with the accounting standards specified under Section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI



- e) On the basis of the written representation received from the directors as on 31/03/2017 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With Respect to the adequacy of the Internal Financial Controls over financial reporting of the bank and the operating effectiveness of such controls referred to our separate report to our **annexure-1**
- g) With respect to the other matters to be include in the Auditor's report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanation given to us
- i. The bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 6.11
- ii. The Bank has made provision as required under the applicable law or accounting standards for material foreseeable losses, if any, on long term contracts including derivative contracts.
- iii. There has been no delay in transferring amounts, required to be transferred, to the investor Education and Protection Fund by the Bank.
- iv. The disclosure requirement as envisaged in Notification G.S.R 308€ dated 30<sup>th</sup> March 2017 is not applicable to the company.
4. Being a Banking Company, the Company (Auditor's Report) Order, 2015 issued by the Central Government of India in terms of Sub-section (11) of Section 143 of the Act, is not applicable.

For **MAHARAJ N R SURESH AND CO.,**  
Chartered Accountants  
FRN No. : 01931S



**N. R. JAYADEVAN**  
PARTNER  
Membership No.023838  
14/06/2017  
Tuticorin





**ANNEXURE - 1 TO INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS  
OF TAMILNADU MERCANTILE BANK LIMITED, TUTICORIN FOR THE YEAR  
ENDED 31<sup>ST</sup> MARCH 2017**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of  
Section 143 of the Companies Act, 2013 ("the Act")**

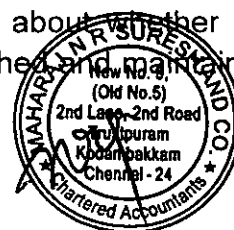
We have audited the internal financial controls over financial reporting of **TAMILNADU MERCANTILE BANK LIMITED, TUTICORIN** ("the Bank") as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Bank's management is responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under Companies Act 2013 ("the Act")

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, ('the standards') both issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.



Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the bank's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting**

A bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial control over financial reporting includes those policies and procedures that;

- I. pertain to the maintenance of records, that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;
- II. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorisations of management and directors of the bank; and
- III. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.



## **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

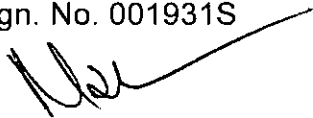
### **Opinion**

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on internal control over financial reporting criteria established by the bank considering the essential components of internal control stated in the guidance note issued by the ICAI

- i. existing policies and procedures adopted by the Bank for ensuring orderly and efficient conduct of business.
- ii. continuous adherence to Bank's policies.
- iii. existing procedures in relation to safeguarding of Bank's fixed assets, investments, inventories, receivables, loans and advances made and cash and bank balances.
- iv. existing system to prevent and detect fraud and errors.
- v. accuracy and completeness of Bank's accounting records; and
- vi. existing capacity to prepare timely and reliable financial information

**For Maharaj N R Suresh And Co**

Chartered Accountants  
Firm Regn. No. 001931S



**N R Jayadevan**

Membership No. 023838

Partner

**Date : 14/06/2017**

**Place: Tuticorin**