

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

SCHEDULE – 18:

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st 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:

Category	Book value (Gross) (Rs in crore)	% to total investments
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;	Nil		Nil	
Of which				
Debt capital instrument:	Nil		Nil	
Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares/ Redeemable Non-Cumulative Preference Shares/ Redeemable Cumulative Preference Shares]				

B. i. Investments

(Rs in crore)

Items	Current Year 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)	(6)	(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 st 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 st 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 st 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 st 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
A	Priority Sector						
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	Non Priority Sector						
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 18th 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 18th April 2017

		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	Doub	Lo	Tot					stand	Sub	Doub	Lo	T	standa	Sub	Doub	Loss	Tot
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
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(closing figure*)	of bor- rowe- rs												6						
	Amount out- stand- 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
	Provi- sion there- on	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:

(Amount in INR Crore)

Period	No. of borrowers taken up for flexible structuring	Amount of loans taken up for flexible structuring		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)

(Amount in INR Crore)

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 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
TOTAL	32190.15	21972.32	11504.47	0	300.72	248.31

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 of which 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)

Particulars	Current Year	Previous Year
	2016-17	2015-16
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
Total Exposure to Capital Market	145.63	140.81

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

Risk Category wise Country Exposure				
Risk Category	Exposure(Gross) as at March 31,2017	Provision held as at March 31,2017	Exposure(Gross) as at March 31,2016	Provision held as at March 31,2016
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
Total	392.80	NIL	485.82	NIL

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

	Current year	Previous year
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
Total	559.08	323.40

v. Details of complaints / unimplemented awards of Banking Ombudsman

A. customer complaints *	
Number of complaints pending at the beginning of the year	--
Number of complaints received during the year	193
Number of complaints redressed during the year	193
Number of complaints pending at the end of the year	--
* - including ATM complaints	
B. Awards passed by the Banking Ombudsman	
Number of Unimplemented awards at the beginning of the year	--
Number of awards passed by the Banking Ombudsman during the year	--
Number of awards implemented during the year	--
Number of unimplemented awards pending at the end of the year	--

vi. Letter of Comfort disclosure

(Rs in crore)

Particulars	31.03.2017	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)

Commission on Banc assurance	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
(i) Principal actuarial assumption used				
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%
(ii) Change in Benefit Obligation:				
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
(iii) Fair value of Plan Assets:				
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
(iv) Actual return on Plan Assets:				
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
(v) Amount recognized in the Balance Sheet:				
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
(vi) Expenses recognized in The Income Statement:				
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:

(Rs in crore)			
S.no.	Other Long Term Benefits	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	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	
Deferred tax asset/liability	33.90	98.03	29.23	99.58
Net Deferred Tax Liability	64.13		70.35	

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
1170367.43	TOTAL	1186836.77

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 31st 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 Unweighted⁸ Value (Average)	Total Weighted⁹ Value (Average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)	6025.54	5817.90
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	20107.21	1801.35
(i)	Stable deposits	4187.39	209.37
(ii)	Less stable deposits	15919.82	1591.98
3	Unsecured wholesale funding, of which:	1235.08	752.74
(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	194.24	0.00
5	Additional requirements, of which	1815.35	1815.35
(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	TOTAL CASH OUTFLOWS	31664.23	4879.12
Cash Inflows			
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	TOTAL CASH INFLOWS	3147.07	2466.01
		Total Adjusted ¹⁰ Value	
21	TOTAL HQLA	5817.90	
22	TOTAL NET CASH OUTFLOWS	2413.11	
23	LIQUIDITY COVERAGE RATIO (%)	241.0955%	

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

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

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

B Qualitative disclosure about LCR::

The main drivers of LCR Results:

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

For all nine months, i.e., April'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)