

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

SCHEDULE – 18:

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2019

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 509 branches have been subjected to statutory audit.
3. Reconciliation of inter branch / office adjustment accounts has been completed up to 31.03.2019
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) (₹ in crore) | % to total investments |
|--------------------|--|-------------------------------|
| Held to Maturity | 5872.52 | 63.88% |
| Available for Sale | 3066.41 | 33.36% |
| Held for Trading | 253.52 | 2.76% |
| Total | 9192.45 | 100.00% |

SLR securities under 'Held to Maturity' category accounted for 17.19% of Bank's Net Demand and Time Liabilities as on 31.03.2019 as against the ceiling of 19.50% 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 ₹29.37 crore (previous year ₹30.80 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 ₹261.14 crore (previous year ₹247.47 crore) and interest paid on purchase of securities ₹241.88 crore (previous year ₹263.95 crore) have been netted and shown under the head 'Income on Investments'.

(iv) There was shifting of securities to the tune of ₹2318.16 crore (face value ₹2322.51 crore) from/to HTM category. Previous year, there was shifting of securities to the tune of ₹3123.31 crore (face value ₹3015.00 crore) from/to HTM category.

(v) As per RBI circular Ref.No.RBI/2017-18/200 DBR.No.BP.BC.113/21/21.04.048/2017-18 dated 15.06.2018, we have utilized the option to spread provisioning for the mark to market (MTM) losses on all investments held in AFS and HFT for the quarter ending 30.06.2018 as under:-

(₹ in crore)

| Category | MTM Loss as on 30.06.2018 | Provision made on 30.06.2018 | Provision staggered | | |
|-------------------|---------------------------|------------------------------|---------------------|---------------|--------------|
| | | | September 2018 | December 2018 | March 2019 |
| SLR – AFS | 28.62 | 7.16 | 7.16 | 7.15 | 7.15 |
| Non SLR Bonds AFS | 21.52 | 5.38 | 5.38 | 5.38 | 5.38 |
| TOTAL | 50.14 | 12.54 | 12.54 | 12.53 | 12.53 |

The provisions were made as per the above schedule in the subsequent quarters as well. On 31.03.2019, we have reversed the entire provision on AFS category of SLR and Non SLR Bonds made during the year as the MTM loss on AFS category of SLR and Non SLR bonds was NIL by the year ending 31st March 2019.

(vi) During the year ended March 31,2019, the value of sale of securities from HTM category (excluding one-time transfer of securities permitted to be undertaken by banks at the beginning of the year, sales to RBI under OMO auctions, repurchased of government securities by Government of India and sale/transfer of securities consequent to reduction of ceiling on SLR securities under HTM) did not exceed 5% of the book value of investments held in HTM category at the beginning of the year.

vii) As per RBI circular Ref.No.RBI/2017-18/147 DBR.No.BP.BL.102/21.04.048/2017-2018 dated 02.04.2018, we have created an Investment Fluctuation Reserve (IFR) for an amount of ₹29.16 crore.

5. Additional disclosures

A. Capital

| Items | Current Year | | Previous Year | |
|---|--------------|-----------|---------------|-----------|
| | Basel II | Basel III | Basel II | Basel III |
| Common Equity Tier I capital ratio (%) | 15.55 | 15.52 | 14.35 | 14.31 |
| Tier I capital (%) | 15.55 | 15.52 | 14.35 | 14.31 |
| Tier II Capital (%) | 0.65 | 0.65 | 0.51 | 0.52 |
| Total Capital Ratio (CRAR %) | 16.20 | 16.17 | 14.86 | 14.83 |
| 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

(₹ in crore)

| Items | Current Year 2018-19 | Previous Year 2017-18 |
|--|-------------------------|--------------------------|
| (1) Value of Investments | | |
| (i) Gross Value of Investments | | |
| (a) In India | 9192.45 | 10453.53 |
| (b) Outside India, | Nil | Nil |
| (ii) Provisions for Depreciation | | |
| (a) In India | 85.86 | 89.92 |
| (b) Outside India, | Nil | Nil |
| (iii) Net Value of Investments | | |
| (a) In India | 9106.59 | 10363.62 |
| (b) Outside India. | Nil | Nil |
| (2) Movement of provisions held towards depreciation on investments. | | |
| (i) Opening balance | 89.92 | 102.25 |
| (ii) Add: Provisions made during the year | 142.98 | 41.39 |
| (iii) Less: Write-off/ write-back of excess provisions during the year | 147.04 | 53.72 |
| (iv) Closing balance | 85.86 | 89.92 |

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 31.03.2019 |
|-----------------------------------|-------------------------------------|-------------------------------------|---|------------------------------|
| Securities sold under Repos | | | | |
| a) Govt Securities | 24.00 | 800.00 | 161.52 | --- |
| b) Corporate debt Securities | -- | -- | -- | |
| Securities sold under MSF | | | | |
| a) Govt Securities | 16.00 | 250.00 | 3.23 | --- |
| b) Corporate debt Securities | -- | -- | -- | |
| Securities sold under TREPS | | | | |
| a) Govt Securities | 18.00 | 1110.60 | 169.64 | --- |
| b) Corporate debt Securities | -- | -- | -- | |
| Securities sold under Market Repo | | | | |
| a) Govt Securities | 2.98 | 143.75 | 2.14 | --- |
| b) Corporate debt Securities | -- | -- | -- | |

| | | | | |
|---|-------|--------|-------|--------|
| Securities purchased under Reverse Repos | | | | |
| a) Govt Securities | 10.00 | 970.00 | 48.82 | 575.00 |
| b) Corporate debt Securities | -- | -- | -- | -- |
| Securities purchased under Market Reverse Repos | | | | |
| a) Govt Securities | 4.81 | 10.07 | 0.57 | --- |
| b) Corporate debt Securities | -- | -- | -- | -- |
| Securities purchased under TREPS | | | | |
| a) Govt Securities | 5.00 | 158.00 | 1.72 | --- |
| b) Corporate debt Securities | -- | -- | -- | -- |

iii. Non-SLR Investment Portfolio

a) Issuer composition of Non SLR investments

(₹ 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 | 530.99 | 97.00 | -- | -- | 2.00 |
| 2. | FIs | 698.51 | 131.04 | 5.00 | -- | 1.04 |
| 3. | Banks | 475.08 | 71.00 | 5.00 | -- | -- |
| 4. | Private Corporate | 102.49 | --- | -- | -- | 37.98 |
| 5. | Subsidiaries/ Joint Venture | -- | -- | -- | -- | -- |
| 6. | Others | 1.00 | -- | -- | -- | -- |
| 7. | Provision held towards depreciation | (85.86) | -- | -- | -- | (37.98) |
| | TOTAL* | 1722.21 | 299.04 | 10.00 | -- | 3.04 |

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:

(₹ in crore)

| | 31.03.2019 | 31.03.2018 |
|---------------------------------|----------------|----------------|
| Shares | 16.82 | 33.14 |
| Debentures and Bonds | 1455.96 | 1478.75 |
| Subsidiaries and Joint Ventures | 0 | 0 |
| Others (CD,CP, MF) | 249.43 | 118.10 |
| Total | 1722.21 | 1629.99 |

b) Non performing Non-SLR investments

(₹ in crore)

| Particulars | Amount |
|------------------------------|--------------|
| Opening Balance | 28.51 |
| Additions during the year | 51.31 |
| Reductions during the year | 0 |
| Closing balance | 79.82 |
| Total provisions held | 79.82 |

Break up for NPI

| Category | Nature of Investment | Name of the Issuer | Amount (₹ in Cr) |
|---------------------------------------|----------------------|---------------------------------------|------------------|
| Non SLR Investment under AFS Category | Equity Shares | M/s BRG Iron & Steel P Ltd. | 28.51 |
| Non SLR Investment under AFS Category | Equity Shares | M/s IVRCL Infrastructure Ltd. | 38.18 |
| Non SLR Investment under AFS Category | Equity Shares | M/s IVRCL Indore Gujarat Tollways Ltd | 9.47 |
| Non SLR Investment under AFS Category | Equity Shares | M/s Gujarat NRE Coke Ltd. | 3.66 |
| | | Total | 79.82 |

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**

(₹ in crore)

| Items | Current Year | Previous Year |
|---|--------------|---------------|
| (i) Net NPAs to Net Advances (%) | 2.40% | 2.16% |
| (ii) Movement of NPAs (Gross) | | |
| (a) Opening balance | 868.28 | 648.64 |
| (b) Additions during the year | 947.23 | 1242.16 |
| (c) Reductions during the year | 647.40 | 1022.52 |
| (d) Closing balance | 1168.11 | 868.28 |
| (iii) Movement of Net NPAs | | |
| (a) Opening balance | 513.29 | 381.92 |
| (b) Additions during the year | 492.73 | 553.68 |
| (c) Reductions during the year | 369.51 | 422.31 |
| (d) Closing balance | 636.51 | 513.29 |
| (iv) Movement of provisions for NPAs (excluding provisions on standard assets) | | |
| (a) Opening balance | 354.99 | 266.72 |
| (b) Provisions made during the year | 444.68 | 688.48 |
| (c) Write-off/ write-back of excess provisions | 268.07 | 600.21 |
| (d) Closing balance | 531.60 | 354.99 |

i.b. Non-performing Loan Provisioning coverage Ratio is 73.61%**ii. Movement of NPAs**

(₹ in Crore)

| Particulars | Amount as on 31.03.2019 | Amount as on 31.03.2018 |
|---|-------------------------|-------------------------|
| Gross NPAs as on 1 st April 2018 (Opening Balance) | 868.28 | 648.64 |
| Additions (Fresh NPAs) during the year | 947.23 | 1242.16 |
| Sub-total (A) | 1815.51 | 1890.80 |
| Less:- | | |
| (i) Upgradations | 237.32 | 267.39 |
| (ii) Recoveries | 146.31 | 161.18 |
| (iii) Technical/Prudential write-offs | 263.77 | 593.96 |
| (iii) Write-offs | --- | --- |
| Sub-total (B) | 647.40 | 1022.52 |
| Gross NPAs as on 31 st March 2019 (closing balance) (A-B) | 1168.11 | 868.28 |

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

(₹ in crore)

| Particulars | 2018-19 | 2017-18 |
|---|---------|---------|
| Opening balance of Technical/Prudential written-off accounts as at 1 st April 2018 | 1012.52 | 491.72 |
| Add: Technical/Prudential write-offs during the year | 263.77 | 593.96 |
| Sub-total (A) | 1276.29 | 1085.68 |
| Less: Recoveries made from previously technical/prudential written-off accounts during the year | 32.47 | 73.16 |
| Closing balance as at 31st March 2019 | 1243.82 | 1012.52 |

(iii) Sector-wise NPAs

(₹ in Crore)

| Sl. No. | Sector* | Current year (Fy 2018-19) | | | Previous year (Fy 2017-18) | | |
|----------|-----------------------------------|----------------------------|------------|---|----------------------------|------------|---|
| | | 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 | 6076.64 | 51.17 | 0.84 | 5153.40 | 58.85 | 1.14 |
| 2 | Industry | 3640.37 | 72.99 | 2.00 | 3140.80 | 87.91 | 2.80 |
| 2a | Of which; Textile | 1482.08 | 33.50 | 2.26 | 1306.63 | 45.68 | 3.50 |
| 3 | Services | 5910.10 | 140.27 | 2.37 | 5126.80 | 167.76 | 3.27 |
| 4 | Personal loans | 1296.79 | 36.99 | 2.85 | 1230.53 | 48.13 | 3.91 |
| | Sub-total (A) | 16923.90 | 301.42 | 1.78 | 14651.54 | 362.64 | 2.48 |
| B | Non Priority Sector | | | | | | |
| 1 | Agriculture and allied activities | 0.70 | 0 | 0 | 0.34 | 0 | 0 |
| 2 | Industry | 3385.06 | 617.69 | 18.24 | 3728.70 | 415.49 | 11.14 |
| 2a | Of which; Textile | 1440.03 | 89.71 | 6.22 | 1520.34 | 37.99 | 2.50 |
| 3 | Services | 2718.00 | 234.53 | 8.62 | 2953.26 | 76.98 | 2.60 |
| 4 | Personal loans | 3921.53 | 14.47 | 0.36 | 2727.66 | 13.17 | 0.48 |
| 5 | Food Credit | 69.47 | 0 | 0 | 71.79 | 0 | 0 |
| | Sub-total (B) | 10094.76 | 866.69 | 8.64 | 9481.75 | 505.64 | 5.37 |
| | Total (A+B) | 27018.66 | 1168.11 | 4.33 | 24133.29 | 868.28 | 3.60 |

(iv) Concentration of NPAs

(₹ in Crore)

| | As on 31.03.2019 | As on 31.03.2018 |
|---|------------------|------------------|
| Total Exposure to top four NPA accounts | 370.76 | 314.23 |

(v) Disclosure on Divergence in the Asset Classification and Provisioning

The Reserve Bank of India additional disclosures vide DBR.BP.BC.NO.63/21.04.018/ 2016-17 dated 18th April 2017 are not applicable to the bank for the reference period (FY 2017-18)

(vi) Provisioning pertaining to Fraud Accounts

As per RBI circular DBR.No.BP.BC.92/21.04.048/2015-16 dated 18.04.2016, where the bank chooses to provide for the fraud over two to four quarters and this results in the full provisioning being made in more than one financial year, banks should debit "other reserves" [i.e., reserves other than the one created in terms of section 17(2) of the Banking Regulation Act 1949] by the amount remaining un-provided at the end of the financial year by credit to provisions. However banks should proportionately reverse the debits to "other reserves" and complete the provisioning by debiting profit and loss account, in the subsequent quarters of the next financial year.

To comply with the above instructions of Reserve Bank of India, unamortized provision for NPA has been made by debiting the other reserves for the following fraud accounts.

(₹ in Lakh)

| S.No | Name of the Borrower | Amount Involved | Provision made during the year | Unamortised Provision debited from other reserves |
|------|--|-----------------|--------------------------------|---|
| 1 | One world Industries P Ltd, Mumbai Chembur | 2000.00 | 1000.00 | 1000.00 |
| 2 | Angel Motors, Marthandam | 150.64 | 75.32 | 75.32 |
| | Total | 2150.64 | 1075.32 | 1075.32 |

(vii) Change in Accounting Policy :

The bank has followed the same significant accounting policies in the preparation of financial statements as those followed in the annual financial statements for the year ended 31.3.2018 except that for expenditure like electricity, water, rent, property taxes, telephone, insurance, annual maintenance contracts, law charges, advertisement & publicity which were accounted not on accrual basis till 31.3.2018, with effect from current year 2018-19, the same are accounted on accrual basis. This change has the impact on increasing the operating expenses on "Rent, taxes and lighting", "Printing and stationery", "Postage, telegram, telephone etc" in the current year with consequent increase of "Total Expenditure" and decrease of "Net Profit" for the current year, but however, the amount involved is not material.

| | | | | | | | | | | | | | | | | | | | | | | |
|---|--|-----------------------------------|---|---|------------|------------|-----------|---|---|---|-----------|------|---|---|---|------|-----------|---|------------|---|------------|---|
| | | Provi sion there on | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 | Write-offs of restructure d accounts during the FY | No. of borro wers | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | |
| | | Amo unt outst andin g | 0 | 0 | 120. 85 | 120. 85 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 120. 85 | 0 | 120.8 5 | |
| 7 | Restructure d as on March 31 of the FY(closing figure*) | No. of borro wers | 0 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 3 | 1 | 0 | 0 | 0 | 1 | 4 | 0 | 0 | 0 | 4 | |
| | | Amo unt outst andin g | 0 | 0 | 0 | 0 | 25.1 5 | 0 | 0 | 0 | 25. 15 | 0.02 | 0 | 0 | 0 | 0.02 | 25.1 7 | 0 | 0 | 0 | 25.17 | |
| | | Provi sion there on | 0 | 0 | 0 | 0 | 1.32 | 0 | 0 | 0 | 1.3 2 | 0 | 0 | 0 | 0 | 0 | 1.32 | 0 | 0 | 0 | 1.32 | |
| | | | | | | | | | | | | | | | | | | | | | | |

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

1. Disclosures on Flexible Structuring of Existing Loans:

(₹ in 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 | NIL | NIL | NIL | Not Applicable | Not Applicable |
| Current Financial Year From April to March 18) | NIL | NIL | NIL | Not Applicable | Not Applicable |

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

(₹ in 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 |
| -- | NIL | - | NIL | NIL | NIL | - |

3. Disclosures on the Scheme for Sustainable Structuring of Stressed Assets as on 31.03.2019

(₹ in Crore)

| No. of accounts where S4A has been applied | Aggregate amount outstanding | Amount outstanding | | Provision Held |
|--|------------------------------|--------------------|-----------|----------------|
| | | In Part A | In Part B | |
| Classified as Standard | NIL | NIL | NIL | Not Applicable |
| Classified as NPA | NIL | NIL | NIL | Not Applicable |

4. Disclosures on Change in Ownership of Projects Under Implementation
(accounts which are currently under the stand-still period)

| No. of project loan accounts where banks have decided to effect change in ownership | Amount outstanding as on the reporting date | | |
|---|---|-------------------------------------|-------------------|
| | Classified as standard | Classified as standard restructured | Classified as NPA |
| | NIL | NIL | NIL |
| | NIL | NIL | NIL |

viii) Details of financial assets sold to Securitization / Reconstruction Company for Asset Reconstruction (₹ in crore)

| Item | 2018-19 | 2017-18 |
|--|---------|---------|
| (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 |

ix). Details of non performing financial assets purchased/sold

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

| Particulars | 2018-19 | 2017-18 |
|---|---------|---------|
| 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: (₹ in crore)

| Particulars | 2018-19 | 2017-18 |
|-------------------------------------|---------|---------|
| 1. No of accounts sold | Nil | Nil |
| 2. Aggregate outstanding | Nil | Nil |
| 3. Aggregate consideration received | Nil | Nil |

x) Provisions on Standard Asset

(₹ in crore)

| Item | Current year as at 31.03.19 | Previous Year as at 31.03.18 |
|---|-----------------------------|------------------------------|
| Provisions towards Standard Assets | 84.98 | 78.45 |
| Provisions towards Restructured Standard Assets | 2.22 | 19.10 |
| Total | 87.20 | 97.55 |

xi) Floating Provisions

(₹ in crore)

| | Current year as at 31.03.19 | Previous Year as at 31.03.18 |
|--|-----------------------------|------------------------------|
| Opening balance of floating provisions | 31.56 | 29.20 |
| Floating provisions made during the year | 2.88 | 2.36 |
| Amount of draw down made during the year | -- | --- |
| Closing balance | 34.44 | 31.56 |

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 \$ | 8.45% | 8.64% |
| (ii) Non-interest income as a percentage to Working Funds \$ | 1.09% | 1.35% |
| (iii) Operating Profit as a percentage to Working Funds \$ | 2.32% | 2.67% |
| (iv) Return on Assets@ | 0.68% | 0.59% |
| (v) Business (Deposits plus advances) per employee # (₹ in lakhs) | 1436.94 | 1309.04 |
| (vi) Profit per employee (₹ in lakhs) | 6.07 | 5.16 |
| (vii) Earnings per share (in ₹) | 18.14 | 15.57 |

\$ Working funds is reckoned as an 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:

(₹ in crore)

| | Deposits | Advances | Investments | Borrowings | Foreign Currency assets | Foreign Currency liabilities |
|----------------------------------|-----------------|-----------------|----------------|------------|-------------------------|------------------------------|
| 1 day | 259.11 | 1940.69 | 1545.85 | 0 | 622.89 | 47.96 |
| 2 to 7 days | 1232.23 | 462.16 | 227.20 | 0 | 13.48 | 1.07 |
| 8 to 14 days | 623.69 | 402.07 | 188.44 | 0 | 12.17 | 1.14 |
| 15 to 30 days | 729.17 | 716.66 | 279.84 | 0 | 40.65 | 1.28 |
| 31 days to 2 months | 1008.96 | 882.01 | 259.47 | 0 | 82.42 | 6.39 |
| Over 2 months and up to 3 months | 1432.96 | 766.85 | 220.30 | 0 | 43.66 | 11.90 |
| Over 3 months and up to 6 months | 2412.76 | 1567.97 | 417.08 | 0 | 54.79 | 22.65 |
| Over 6 months and up to 1 year | 10207.81 | 3275.35 | 1756.64 | 0 | 4.89 | 98.96 |
| Over 1 year and up to 3 years | 13367.19 | 11112.99 | 2644.95 | 0 | 10.36 | 156.95 |
| Over 3 years and up to 5 years | 2227.59 | 1703.33 | 527.48 | 0 | 12.08 | 165.68 |
| Over 5 years | 1634.78 | 3657.86 | 1039.34 | 0 | 46.49 | 0 |
| TOTAL | 35136.25 | 26487.94 | 9106.59 | 0 | 943.88 | 513.98 |

H. Lending to Sensitive Sector

i. Exposure to Real Estate Sector

(₹ in crore)

| Category | Current Year Exposure | Previous Year Exposure |
|---|---|---|
| <p>I) <i>Direct exposure</i></p> <p>(a) Residential Mortgages –</p> <p>Lending fully secured by Mortgages on residential properties that are or will be occupied by the borrower or that is rented of which</p> <p>Individual housing loans eligible for inclusion in priority sector advances</p> <p>(b) Commercial Real Estate –</p> <p>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;</p> <p>(c) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –</p> <p>a. Residential,</p> <p>b. Commercial Real Estate.</p> <p>II) <i>Indirect Exposure</i></p> <p>Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).</p> | <p>2470.10</p> <p>1226.51</p> <p>225.57</p> <p>Nil</p> <p>Nil</p> <p>6.00</p> | <p>1984.14</p> <p>1135.20</p> <p>244.42</p> <p>Nil</p> <p>Nil</p> <p>9.00</p> |
| Total Exposure to Real Estate Sector | 2698.67 | 2049.53 |

ii. Exposure to Capital Market

(₹ in Crore)

| Particulars | Current Year | Previous Year |
|--|---------------|---------------|
| | 2018-19 | 2017-18 |
| 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; | 102.69 | 110.66 |
| (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; | 2.47 | 3.57 |
| (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; | 0.69 | 1.67 |
| (v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers; | 24.42 | 31.86 |
| (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 | 130.27 | 147.77 |

iii. Risk Category wise Country Exposure

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

(₹ in crore)

| Risk Category wise Country Exposure | | | | |
|--|--|---|--|---|
| Risk Category | Exposure(Gross) as at March 31,2019 | Provision held as at March 31,2019 | Exposure(Gross) as at March 31,2018 | Provision held as at March 31,2018 |
| Insignificant Risk | 833.90 | NIL | 169.34 | NIL |
| Low Risk | 204.93 | NIL | 121.08 | NIL |
| Moderately Low Risk | 12.70 | NIL | 7.52 | NIL |
| Moderate Risk | 3.85 | NIL | 13.56 | NIL |
| Moderately High Risk | 4.96 | NIL | 5.33 | NIL |
| High Risk | 0.00 | NIL | 0.00 | NIL |
| Very High Risk | 0.00 | NIL | 0.00 | NIL |
| Total | 1060.34 | NIL | 316.83 | NIL |

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;

(₹ in crore)

| | Current year | Previous year |
|---|---------------------|----------------------|
| Provision for Income Tax – Current Year | 135.60 | 85.00 |
| Earlier years | -- | 62.00 |
| Total Provision for Income Tax | 135.60 | 147.00 |

ii. **Penalties imposed on the Bank by RBI** : During the year RBI has imposed penalty on the Bank which was paid (i) ₹6,00,00,000 towards not adherence of the permissions granted under FEMA on issue of bonus shares to non residents ii) ₹1,00,00,000 towards non compliance with various directions issued by RBI on time bound implementation and strengthening of SWIFT related operational controls and iii) ₹28,100 towards mutilated and FICN notes.

iii. **Special reserve:** As per section 36(1) (viii) of I.T.Act 1961, the bank has created a special reserve of ₹ 26.00 Crore during the year 2018-19.

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

(₹ in crore)

| | Current Year | Previous Year |
|--|---------------|---------------|
| Diminution on Investment | 34.25 | 9.37 |
| Provision towards NPA | 440.86 | 683.09 |
| Provision towards Standard Asset | 6.53 | 0.00 |
| Floating provision for Advances | 2.89 | 2.35 |
| Provision made for Taxation | 135.60 | 147.00 |
| Deferred Tax | 2.32 | -59.21 |
| Provision for MSME Advances | 3.24 | 1.47 |
| Others :Diminution in fair value - Restructured Advances | --- | --- |
| Total | 625.69 | 784.07 |

v. Details of complaints / unimplemented awards of Banking Ombudsman

| A. customer complaints * | |
|---|------|
| Number of complaints pending at the beginning of the year as at 01.04.2018 (96 ATM failed transaction claims) | 96 |
| Number of complaints received during the year 2018-19 (Including 9047 ATM failed transaction claims) | 9373 |
| Number of complaints redressed during the year 2018-19 (Including 9019 ATM failed transaction claims) | 9343 |
| Number of complaints pending at the end of the year as at 31.03.2019 (Including 124 ATM failed transaction claims which were settled within 7/4/2019) | 126* |
| *Number of complaints pending at the end of the year as at 31.03.2019 (Other than ATM failed transaction claims) | 2 |

| 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

(₹ in crore)

| Particulars | 31.03.2019 | 31.03.2018 |
|--|------------|------------|
| Letter of comfort issued in earlier years and outstanding as on 01.04.2018 | 1257.90 | 2643.52 |
| Add: Letter of comfort issued during the year | -- | 6445.21 |
| Less: Letter of comfort expired during the year | 1257.90 | 7830.83 |
| Letter of comfort outstanding as on 31.03.2019 | -- | 1257.90 |

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

(₹ in Lakhs)

| Commission on Banc assurance | 31-03-2019 | 31-03-2018 |
|-------------------------------------|------------|------------|
| Non – Life Insurance – Net of GST | 622.87 | 522.60 |
| Mutual Fund Products | 15.64 | 17.40 |
| Life Insurance – Net of GST | 139.32 | 164.67 |

viii. Concentration of Deposits

(₹ in Crore)

| | 31-03-2019 | 31-03-2018 |
|---|------------|------------|
| Total Deposits of twenty largest depositors | 3831.99 | 4335.37 |
| Percentage of Deposits of twenty largest depositors to Total Deposits of the bank | 10.91% | 13.37% |

ix. Concentration of Advances

(₹ in Crore)

| | 31-03-2019 | 31-03-2018 |
|--|------------|------------|
| Total Advances to twenty largest borrowers | 2371.38 | 2583.85 |
| Percentage of Advances to twenty largest borrowers to Total Advances of the bank | 8.78% | 10.71% |

x. Concentration of Exposures

(₹ in Crore)

| | 31-03-2019 | 31-03-2018 |
|--|------------|------------|
| Total Exposure to twenty largest borrowers/customers | 2684.38 | 3270.16 |
| Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers | 7.57% | 10.07% |

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 pertaining to 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 (₹ in crore)

| | 2018-19 | | 2017-18 | |
|--|----------|---------|----------|---------|
| | Gratuity | Pension | Gratuity | Pension |
| (i) Principal actuarial assumption used | | | | |
| Discount Rate | 7.80% | 7.80% | 7.68% | 7.68% |
| Rate of return on Plan Assets | 7.95% | 7.95% | 7.75% | 7.75% |
| Salary Escalation | 6.50% | 6.50% | 6.50% | 6.50% |
| (ii) Change in Benefit Obligation: | | | | |
| Liability at the beginning of the year | 144.25 | 483.40 | 136.22 | 470.84 |
| Interest Cost | 10.68 | 35.00 | 9.92 | 33.77 |
| Current Service Cost | 12.29 | 29.24 | 10.89 | 31.24 |
| Benefit paid | -14.77 | -69.32 | -14.19 | -62.22 |
| Actuarial (gain) / loss on obligation | -4.73 | -5.95 | -9.18 | 9.77 |
| Liability at the end of the year | 147.72 | 472.37 | 144.25 | 483.40 |
| (iii) Fair value of Plan Assets: | | | | |
| Fair value of Plan Assets at the beginning of the year | 135.08 | 478.21 | 133.56 | 468.61 |
| Expected return on Plan Assets | 11.27 | 37.85 | 10.41 | 36.69 |
| Contributions | 17.63 | 29.44 | 5.87 | 38.77 |
| Benefit paid | -14.77 | -69.32 | -14.19 | -62.22 |
| Actuarial Gain / (loss) on Plan Assets | -0.70 | -2.29 | -0.57 | -3.64 |
| Fair value of Plan Assets at the End of the year | 148.51 | 473.89 | 135.08 | 478.21 |
| (iv) Actual return on Plan Assets: | | | | |
| Expected Return on Plan Assets | 11.27 | 37.85 | 10.41 | 36.69 |
| Actuarial gain / (loss) on Plan Assets | -0.70 | -2.29 | -0.57 | -3.64 |
| Actual return on Plan Assets | 10.57 | 35.56 | 9.84 | 33.05 |
| (v) Amount recognized in the Balance Sheet: | | | | |
| Liability at the end of the year | 147.72 | 472.37 | 144.25 | 483.40 |
| Fair value of Plan Assets at the End of the year | -148.51 | -473.89 | 135.08 | 478.21 |
| Amount Recognized in the Balance Sheet | -0.79 | -1.52 | 9.17 | 5.19 |
| (vi) Expenses recognized in The Income Statement: | | | | |
| Current Service Cost | 12.29 | 29.24 | 10.89 | 31.24 |
| Interest Cost | 10.68 | 35.00 | 9.92 | 33.77 |
| Expected Return on Plan Assets | -11.27 | -37.85 | -10.41 | -36.69 |
| Actuarial Gain or Loss | -4.02 | -3.67 | -8.61 | 13.41 |
| Past Service Cost | 0.00 | 0.00 | 10.59 | 0.00 |
| Expenses Recognized in P & L | 7.67 | 22.73 | 12.38 | 41.73 |

Details of Provisions made for Other Long term Employee Benefits:

| (₹ in crore) | | | |
|--------------|--------------------------|---------|---------|
| S.no | Other Long Term Benefits | 2018-19 | 2017-18 |
| 1 | Leave Encashment | 4.85 | 2.95 |
| 2 | Sick Leave | 4.72 | -1.66 |

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

(₹ in crore)

| Particulars | For the year ended 31.03.2019 | | | | For the year ended 31.03.2018 | | | |
|------------------------------|-------------------------------|-----------------------------|----------------|----------|-------------------------------|-----------------------------|----------------|----------|
| | Treasury | Corporate/Wholesale Banking | Retail Banking | Total | Treasury | Corporate/Wholesale Banking | Retail Banking | Total |
| Revenue | 801.88 | 702.56 | 2134.35 | 3638.79 | 975.94 | 901.76 | 1878.91 | 3756.61 |
| Result (Profit+)/Loss(-)) | 167.75 | 62.88 | 191.02 | 421.65 | 241.91 | 22.72 | 47.33 | 311.96 |
| Unallocated income /Expenses | | | | 25.15 | | | | 2.25 |
| Operating Profit | | | | 396.50 | | | | 309.71 |
| Income Tax | | | | 137.92 | | | | 87.79 |
| Extraordinary Profit | | | | | | | | |
| Net Profit | | | | 258.58 | | | | 221.92 |
| Other Information | As at 31.03.2019 | | | | As at 31.03.2018 | | | |
| Segment assets | 10328.04 | 9434.67 | 19905.31 | 39668.02 | 11226.79 | 9357.43 | 16599.55 | 37183.77 |
| Unallocated assets | | | | 59.52 | | | | 52.20 |
| Total assets | | | | 39727.54 | | | | 37235.97 |
| Segment Liabilities | 11253.31 | 6995.03 | 21250.53 | 39498.87 | 12673.91 | 7902.28 | 16465.16 | 37041.35 |
| Unallocated liabilities | | | | 228.67 | | | | 194.62 |
| Total liabilities | | | | 39727.54 | | | | 37235.97 |

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 | |
|-------------|------------|------------|---------------|------------|------------|------------|
| | 31.03.2019 | 31.03.2018 | 31.03.2019 | 31.03.2018 | 31.03.2019 | 31.03.2018 |
| Revenue | 3638.79 | 3756.61 | -- | -- | 3639.30 | 3756.61 |
| Assets | 39727.54 | 37235.97 | -- | -- | 39727.91 | 37235.97 |

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. K.V. Rama Moorthy – Managing Director and Chief Executive Officer –
01.04.2018 to 31.03.2019

A. Emoluments:

| Particulars | (Amount in ₹) | |
|-------------------------------------|-----------------------------|-----------------------------|
| | 01.04.2018 to 31.03.2019 | 04.09.2017 to 31.03.2018 |
| Salary | 45,00,000.00 | 25,87,500.00 |
| Bank Contribution to Provident Fund | 5,40,000.00 | 3,10,500.00 |
| Other Benefits | 2,02,408.40 | 8,17,310.83@ |
| Total | 52,42,408.40 | 37,15,310.83 |

@ includes travelling expenses of ₹7,73,299.35.

Thiru. H.S. Upendra Kamath – Managing Director and Chief Executive Officer –
01.04.2017 to 17.05.2017.

| Particulars | (Amount in ₹) | |
|-------------------------------------|-----------------------------|-----------------------------|
| | 01.04.2018 to 31.03.2019 | 01.04.2017 to 17.05.2017 |
| Salary | --- | 6,45,161.28 |
| Bank Contribution to Provident Fund | --- | 77,419.00 |
| Other Benefits | --- | 4,54,657.61 |
| Total | --- | 11,77,237.89 |

B. Others: Nil

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

D. TMB Foundation Trust (Associate) :- Payment made for CSR expenditure ₹16,02,00,000/- (Previous year :Nil)

6.6. Earnings per Share (AS – 20)

| Items | Amount | |
|---|-----------|-----------|
| | 2018 – 19 | 2017 – 18 |
| Net Profit after Tax available for equity share holders (₹ in Lakhs) | 25858.04 | 22191.62 |
| Average number of shares | 142511454 | 142511454 |
| Basic and Diluted EPS (in ₹) | 18.14 | 15.57 |
| Nominal value per share (in ₹) | 10.00 | 10.00 |

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 2016-17 (Year ended 31.03.2016). Appeals are pending with appellate authorities /High Court for various assessment years. The income tax demand disputed on appeal is ₹122.25 crore (previous year ₹99.17crore). The management does not envisage any liability in respect of the disputed issues, however adequate provision has been made for the same. There were various demands raised by Service Tax Department during 2015 to 2018 amounting to ₹11.64 crore (previous year ₹2.57crore), which the Bank has disputed on appeals. The Bank has been advised a fair chance of their succeeding their appeals and hence no provision has been made for these demands

The bank had recorded the cumulative net Deferred Tax Liability of ₹4.92 crore relating to the period up to 31.03.2018 arising out of timing difference. The amount debited to the Profit and Loss account during the year is ₹ 2.32 crore and the net Deferred Tax Liability is ₹ 7.24 crore as on March 31, 2019.

The major components of deferred tax assets/liabilities as at 31.03.2019 arising out of timing difference are as follows;

(₹ in Crore)

| Particulars | Deferred tax Asset | Deferred tax Liability | Deferred tax Asset | Deferred tax Liability |
|--|--------------------|------------------------|--------------------|------------------------|
| | 2018-19 | 2018-19 | 2017-18 | 2017-18 |
| Depreciation on Fixed Assets | 5.95 | | 2.86 | |
| Provision for NPAs/Bad Debts | 27.88 | | 14.74 | |
| Interest accrued on Investments | -- | | -- | |
| Special Reserve u/s 36 (1) (viii) | -- | 66.68 | -- | 57.04 |
| Depreciation on Investments | -- | | -- | |
| Provisions on retirement benefit, Leave encashment etc | 21.99 | | 23.31 | |
| Provision for DFV on Restructured Standard Assets | -- | | 7.60 | |
| Others | 3.62 | | 3.61 | |
| Deferred tax asset/liability | 59.44 | 66.68 | 52.12 | 57.04 |
| Net Deferred Tax Asset/Liability | | -7.24 | | -4.92 |

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.

(₹ 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 |
|---|--|---------------------------|-----------------------------|---|--|
| A. Provision for Interest sacrifice on restructured accounts(DFV) | 12.60 | --- | --- | 9.60 | 3.00 |
| B.Provision for Frauds | 10.43 | 10.76 | 0.06 | --- | 21.13 |

Contingent Liabilities:

(₹ in Lakhs)

| PARTICULARS | As on 31.03.2019 | As on 31.03.2018 |
|---|------------------|-------------------|
| 1. Claims not acknowledged as debt | | |
| a)Counter suits filed by the borrowers against the Bank has initiated legal action. | Nil | Nil |
| b)Cases filed in Consumer/Civil Courts for deficiency in services | 115.36 | 115.36 |
| c)Any other claims against the bank not Acknowledged as debts. | 1005.32 | 1118.15 |
| 2.Guarantees issued on behalf of constituents | 99208.79 | 209585.28 |
| 3.Acceptance, endorsements & other obligations | 105651.31 | 112676.19 |
| 4. Other items for which the Bank is contingently liable. | 514428.74 | 982253.16 |
| TOTAL | 720409.52 | 1305748.14 |

6.12 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)

(₹ in Lakhs)

| Particulars | Current Year | Previous Year |
|--|--------------|---------------|
| Opening balance of amount transferred to DEAF | 6046.34 | 5282.67 |
| Add: Amounts transferred to DEAF during the year | 906.15 | 826.84 |
| Less: Amounts reimbursed by DEAF towards claims | 55.59 | 63.17 |
| Closing Balance of amounts transferred to DEAF | 6896.90 | 6046.34 |

6.14 Un hedged Foreign Currency Exposure:

The bank has a board approved policy dated 16.04.2019 on Un hedged Foreign Currency Exposure.

6.15 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 31st March 2019. The proposed dividend was however accounted for as a liability up to 31st March 2016 in line with the accounting standard applicable at that time.

6.16 Auditors' fees and expenses under schedule 16 Operating expenses includes prior year statutory branch audit expenditure of ₹82.10 lakh (Previous year: Nil)

6.17 Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is one of the Basel Committee's key reforms to develop a more resilient banking sector. The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately into cash to meet their liquidity needs for a 30 calendar days liquidity stress scenario. The LCR is expected to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. The LCR is calculated by dividing a bank's stock of HQLA by its total net cash outflows over a 30-days stress period. HQLA of bank is in the form of Government Securities and highly marketable and liquid securities / bonds. The Bank has been maintaining HQLA mainly in the form of SLR investments over and above the mandatory requirements.

The guidelines for LCR were effective January 1, 2015, with the minimum requirement at 60%, which would rise in equal annual steps to reach 100% on January 1, 2019. The present requirement, as on March 31, 2019 is 100%. Bank prepares daily Liquidity Coverage Ratio statement to assess the liquidity needs of the Bank on an ongoing basis. A number of data points are used in calculating the average figures in the template since January 01, 2017 and a simple average is calculated on daily observations over the previous quarter. Bank has been publishing information on LCR in annual financial statements under Notes to Accounts. LCR related information based on simple averages of daily observations for the year ended March 2019 is furnished below:

| LCR Disclosure Template (Consolidation) | | | | | |
|---|--|---|---|---|---|
| | | Current Year 2018-19 | | Previous Year 2017-18 | |
| Particulars | | Total Unweighted ⁸ Value (Average) | Total Weighted ⁹ Value (Average) | Total Unweighted ⁸ Value (Average) | Total Weighted ⁹ Value (Average) |
| High Quality Liquid Assets | | | | | |
| 1 | Total High Quality Liquid Assets (HQLA) | 6053.81 | 5954.72 | 7198.74 | 6896.94 |
| Cash Outflows | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 19063.67 | 1524.41 | 21227.19 | 1716.45 |
| (i) | Stable deposits | 7642.16 | 382.26 | 8125.30 | 406.26 |
| (ii) | Less stable deposits | 11421.51 | 1142.15 | 13101.89 | 1310.19 |
| 3 | Unsecured wholesale funding, of which: | 2092.97 | 1149.59 | 1190.80 | 644.92 |
| (i) | Operational deposits (all counterparties) | 36.23 | 7.66 | 13.16 | 1.45 |
| (ii) | Non-operational deposits (all counterparties) | 2056.74 | 1141.93 | 1177.64 | 643.47 |
| (iii) | Unsecured debt | 0.00 | 0.00 | 0.00 | 0.00 |
| 4 | Secured wholesale funding | 648.12 | 0.00 | 146.87 | 0.00 |
| 5 | Additional requirements, of which | 1871.93 | 1871.93 | 2429.26 | 2429.26 |
| (i) | Outflows related to derivative exposures and other collateral requirements | 1871.93 | 1871.93 | 2429.26 | 2429.26 |
| (ii) | Outflows related to loss of funding on debt products | 0.00 | 0.00 | 0.00 | 0.00 |
| (iii) | Credit and liquidity facilities | 0.00 | 0.00 | 0.00 | 0.00 |
| 6 | Other contractual funding obligations | 4639.96 | 316.41 | 4371.88 | 297.64 |
| 7 | Other contingent funding obligations | 2454.19 | 186.44 | 4172.89 | 212.92 |
| 8 | TOTAL CASH OUTFLOWS | 30770.84 | 5048.78 | 33538.89 | 5301.19 |
| Cash Inflows | | | | | |
| 9 | Secured lending (e.g. reverse repos) | 68.90 | 18.13 | 331.27 | 91.55 |
| 10 | Inflows from fully performing exposures | 936.59 | 497.12 | 1142.08 | 666.07 |
| 11 | Other cash inflows | 1879.87 | 1879.87 | 2365.24 | 2365.24 |
| 12 | TOTAL CASH INFLOWS | 2885.36 | 2395.12 | 3838.59 | 3122.86 |
| | | Total Adjusted ¹⁰ Value | | Total Adjusted ¹⁰ Value | |
| 21 | TOTAL HQLA | 5954.72 | | 6896.94 | |
| 22 | TOTAL NET CASH OUTFLOWS | 2653.66 | | 2178.33 | |
| 23 | LIQUIDITY COVERAGE RATIO (%) | 224.3965% | | 316.6159% | |

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

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

The Bank's LCR has been more than the minimum regulatory requirement for all the dates from April'18 to March'19.LCRof the bank for the Annual Financial Year 2018-19stood at 224.3965%.

Composition of HQLA

The Level 1 Assets of our bank comprises of Cash in hand &Cash at ATM, Excess CRR and SLR, MSF (2% on NDTL)and FALLCR (13% on NDTL). Level 1 asset is the main driver of HQLA, contributing around 98.36% in the total HQLA of the Bank.

Level 2A and Level 2B assets are well within the regulatory 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 Agencyhave been classified under Level 2A assets. Similarly Bonds 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.

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. Fixed assets (Land and Building) include property held in Chennai, land (UDS 753.117 sqft ₹10.76 lakh) and building (₹11.10 lakh) purchased during January 1993. While the UDS of land was registered in Bank's name, the building was to be handed over to the Bank after construction, by the corporate debtor, who are in corporate insolvency resolution process, which they failed to do so and the bank had preferred a suit in Madras High Court against them for specific performance and damages which is pending.

8. 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 -----

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

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

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

K.V.Rama Moorthy
Managing Director & CEO

S.Annamalai
Chairman

P.C.G.Asok Kumar
Director

S.R.Ashok
Director

S.Ezhil Jothi
Director

N.Gopal
Director

B.S.Keshava Murthy
Director

K.Nagarajan
Director

D.N.Nirranjan Kani
Director

A.Sivagami
Director

B.Vijayadurai
Director

A.Shidambaranathan
Vice President

S.Senthil Anandan
General Manager

P.Suriaraj
General Manager

D.Inbamani
General Manager

R.Arumugapandi
General Manager

C.Sukumaran
Chief Financial Officer

Vide our report of even date attached
For G Balu Associates LLP
Chartered Accountants
FRN No.000376S /S200073

Thoothukudi
30.05.2019

P.C.Panda
Company Secretary

R.Ravishankar
Partner (M.No.26819)