

POLICY ON RELATED PARTY TRANSACTIONS

Version 6.0

TAMILNAD MERCANTILE BANK LTD
SECRETARIAL SECTION

POLICY ON RELATED PARTY TRANSACTIONS

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TAMILNAD MERCANTILE BANK LTD

SECRETARIAL SECTION

Policy on Related Party Transactions

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POLICY ON RELATED PARTY TRANSACTIONS

1. PREAMBLE

The Board of Directors of the **Tamilnad Mercantile Bank Limited** (“the Bank”) has adopted the Policy on Related Party Transactions (RPT) in accordance with the Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Section 188 of the Companies Act, 2013, **the applicable Regulations of the Banking Regulation Act, 1949**, Directions, Circulars and Notifications issued by the Reserve Bank of India (RBI) as a part of Corporate Governance to all Banks. The policy has been formulated to regulate transactions between the Bank and its Related Parties based on the laws and guidelines applicable to the Bank.

2. OBJECTIVE

The objective of this Policy is to determine the materiality of related party transactions and the dealings with all related party transactions. This Policy intends to ensure proper approval and reporting of transactions between the Bank and its Related Parties. This Policy will ensure that related party transactions of the Bank are carried out in a transparent manner i.e. in ordinary course of business and at arm’s length basis as per the legal provisions. This policy also aims at providing guidance in situations of potential conflict of interest and compliance matters relating to related party transactions.

3. APPLICABILITY

This Policy shall be applicable towards identification, approval and reporting of Related Party Transactions material or otherwise, undertaken by the Bank. This Policy shall remain valid till the next review.

4. DEFINITIONS

- i. **Arm’s Length Transaction:** Arm’s length transaction means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. **It also refers to the free, fair trade or dealing between two unrelated parties.**
- ii. **Audit Committee or Committee** means the Audit Committee of the Board of Directors of the Bank constituted pursuant to the directives of the Reserve Bank of

India, in accordance with the SEBI (LODR) Regulations, 2015 and the Companies Act, 2013.

- iii. **Material Related Party Transaction** means a transaction with a related party, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year as below:

Consolidated Turnover of Listed Entity Threshold	Threshold
Upto Rs.20,000 crore	10% of the annual consolidated turnover of the listed entity
More than Rs.20,000 crore upto Rs.40,000 crore	Rs.2,000 crore + 5% of the annual consolidated turnover of the listed entity above Rs.20,000 crore
More than Rs.40,000 crore	Rs.3,000 crore + 2.5% of the annual consolidated turnover of the listed entity above Rs.40,000 crore or Rs.5,000 crore, whichever is less

- iv. **Material modification** means any change to an existing related Party transactions having variance of 20% of the existing limit approved by the Audit Committee of the Board or the Board or Shareholders as the case may be or such other parameters as may be determined by the Audit Committee of the Board from time to time.
- v. **Ordinary course of business** includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. The ordinary course of business covers the usual transactions, customs and practices related to the business.

The determination of whether a transaction is in the ordinary course of business or not shall be based on considering its specific nature and circumstances.

- vi. **Promoter and Promoter Group** shall have the same meaning as assigned to them respectively in clauses (oo) and (pp) of sub-regulation (1) of Regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- vii. **Related Party** shall have the same meaning as defined under (i) Section 2(76) of the Act (ii) Regulation 2(zb) of SEBI (LODR) Regulations, 2015 and under applicable accounting standards.
- (i) Pursuant to Section 2(76) of the Companies Act, 2013, such person or entity as stated below and includes:
- a) A Director or his relative
 - b) A Key Managerial Personnel or his relative

- c) A firm, in which a director, manager or his relative is a partner
- d) A private company in which a director or manager or his relative is a member or director
- e) A public company in which a director or manager is a director and holds along with his relatives, more than two percent of its paid-up share capital;
- f) Any body corporate whose board of directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager
- g) Any person on whose advice, directions or instructions a director or manager is accustomed to act
Provided that nothing in clause (f) & (g) shall apply to the advice, directions or instructions given in a professional capacity
- h) Any Company which is:
 - a. a holding, subsidiary or an associate company of such company; or
 - b. a subsidiary of a holding company to which it is also a subsidiary or
 - c. an investing company or the venturer of the Bank

Explanation — For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- i) Director other than an independent director or key managerial personnel of the holding company or his relative
- (ii) Pursuant to Regulation 2(zb) of SEBI (LODR) Regulations, 2015 and the rules made thereunder are as follows:

Provided that:

- a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023; in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year;

- viii. **Relative** - A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, as defined under Section 2(77) of the Companies Act read with Rule 4 of Companies (Specification of Definitions Details) Rules, 2014)

- a) Members of a Hindu Undivided Family (HUF)
- b) Spouse
- c) Father (includes step-father).
- d) Mother (includes the step-mother)
- e) Son (includes the step-son)
- f) Son's wife
- g) Daughter
- h) Daughter's husband
- i) Brother (includes the step-brother)
- j) Sister (includes the step-sister)

ix. **Related Party Transaction** shall have the same meaning as defined under the Companies Act, 2013 and under 2(1)(zc) of SEBI (LODR) Regulations, 2015 states any transaction involving a transfer of resources, services or obligations between:

- i. a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- ii. a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023;

regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

Provided that the following shall not be a related party transaction:

- a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
- b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by SEBI from time to time
- d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:
Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon
- e) retail purchases from any listed entity or its subsidiary by the directors **or key managerial personnel of the listed entity / its subsidiary, and relatives of such directors or key managerial personnel, without** establishing a business relationship and at the terms which are uniformly applicable/offered to all

employees, directors, **key managerial personnel and relatives of directors or key managerial personnel.**

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Securities Contract (Regulation) Act, 1956 or any other applicable regulation, as amended.

5. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

The Bank's transactions with related parties can be classified into two broad categories:

- (a) The Bank providing any of its banking product or service to a related party; and
- (b) The Bank procuring any product or service from a related party.

Each Related Party Transaction will be brought to the attention of the Management of the Bank and the Board/Audit Committee of the Board by the Bank's Secretarial Department at least on a Quarterly / Monthly basis.

Every Director and the Key Managerial Personnel will also be responsible towards informing the Company Secretary about any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes. However, the ultimate responsibility of disclosure of interest shall however lie on the interested party.

6. APPROVAL OF RELATED PARTY TRANSACTIONS

A. APPROVAL OF AUDIT COMMITTEE OF THE BOARD

The Audit Committee of the Board, while granting the approval for Related Party Transactions, shall consider the below:-

- a. Every Related Party Transaction shall be subject to the prior approval of the Audit Committee of the Board. Provided that those members of the Audit Committee of the Board, who are independent directors, shall approve the Related Party Transactions. A member of the Committee who has a potential interest in any Related Party Transaction will not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such transaction is considered.
- b. **a related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the Audit Committee of the Board if the value of such transaction, exceeds the lower of the following:**

- (i) ten percent of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or**
- (ii) the threshold [as mentioned in point no.4 (iii)] for material related party transactions of listed entity as specified in Schedule XII of the SEBI (LODR) Regulations, 2015.**

c. In the event of a related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of a listed entity is a party but the listed entity is not a party and such subsidiary does not have audited financial statements for a period of at least one year, prior approval of the Audit Committee of the listed entity shall be obtained if the value of such transaction exceeds the lower of the following:

- (i) ten percent of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or**
- (ii) the threshold for material related party transactions of listed entity as specified in Schedule XII of the SEBI (LODR) Regulations, 2015.**

Provided that the aggregate value of paid-up share capital and securities premium account of the subsidiary shall be taken as on a date, not older than three months prior to the date of seeking approval of the Audit Committee of the Board.

- d. In determining whether to approve a Related Party Transaction, the Audit Committee of the Board shall consider (among other aspects it deems relevant), if there are clearly demonstrable reasons from the Bank's business point of view, to enter into a transaction with a Related Party.**
- e. The Audit Committee of the Board shall take into account all relevant facts and circumstances, including the terms and business purpose of such transaction, the benefits to the Bank and the related party.**
- f. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the same shall be dealt with the provisions of the Regulations governing it.**
- g. Further, any variations against the pre-approved transactions will be placed before the Audit Committee of the Board for review and ratification.**

B. APPROVAL OF THE BOARD

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the

matter, with such modification as may be necessary or appropriate under the circumstances.

C. APPROVAL OF THE SHAREHOLDERS

All Material Related Party Transactions shall require approval of the shareholders through ordinary resolution and no Related Party shall vote to approve such resolutions, whether the entity is a related party to the particular transaction or not.

As defined under Regulation 23 of the SEBI (LODR) regulations, 2015, any transaction(s) to be entered into individually or taken together with the previous transactions during a financial year, exceeds **the thresholds specified in Schedule XII of the SEBI (LODR) Regulations, 2015.**

However, prior approvals of the shareholders shall not be required where transactions entered into between the Bank and its wholly owned subsidiary whose accounts are consolidated with the Bank and are placed before the shareholders at the General Meeting for approval.

The omnibus approval granted by the shareholders for material related party transactions in an annual general meeting shall be valid till the date of the next annual general meeting held within the timelines prescribed under Section 96 of the Companies Act, 2013 or rules, notifications, or circulars issued thereunder from time to time. In case of omnibus approvals for material related party transactions, granted by shareholders in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed one year from the date of such approval.

D. OMNIBUS APPROVAL

The Audit Committee of the Board may grant omnibus approval for the Related Party Transactions proposed to be entered by the Bank which are in ordinary course of business and on arm's length basis with related parties, same being repetitive in nature.

While granting the omnibus approval the Audit Committee of the Board shall satisfy itself for the necessity of such approval and that same is in the interest of the Bank. The Audit Committee of the Board may specify the criteria for granting the omnibus approval which shall specify:

- a. The name(s) of the related party
- b. nature of transaction
- c. period of transaction
- d. maximum amount of transactions that can be entered into, in aggregate and per transaction
- e. The indicative base price / current contracted price and the formula for variation in the price if any

- f. Transactions which cannot be subject to the omnibus approval by the Audit Committee of the Board - Audit Committee of the Board may grant omnibus approval for transactions subject to their value not exceeding rupees one crore per transaction.

The Audit Committee of the Board shall review on a quarterly basis the Related Party Transactions entered into by the Bank pursuant to each of the omnibus approval given. The omnibus approvals of the Audit Committee of the Board shall be valid for a period not exceeding one year and thereafter fresh approval would be obtained on an annual basis.

In all the above approval process, the Bank will ensure that the necessary information is placed before the Committee/Board/Shareholders, as mandate by SEBI from time to time, for approval of Related Party Transactions (RPT) to facilitate informed decision-making.

E. Restrictions on Grant of Loans & Advances

- a. No officer or any Committee comprising, inter alia, an officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to their relative. Such a facility shall ordinarily be sanctioned only by the next higher sanctioning authority. Credit facilities sanctioned to senior officers of the financing bank shall be reported to the Board.
- b. Loans and advances and award of contracts to relatives of senior officers of the bank
Proposals for credit facilities to the relatives of senior officers of the bank sanctioned by the appropriate authority shall be reported to the Board. Further, such transaction shall also be reported to the Board when a credit facility is sanctioned by an authority, other than the Board to –
 - (i) any firm in which any of the relatives of any senior officer of the financing bank holds substantial interest, or is interested as a partner or guarantor; or
 - (ii) any company in which any of the relatives of any senior officer of the financing bank holds substantial interest, or is interested as a director or as a guarantor.
- c. In the case of consortium arrangements, the above norms relating to grant of credit facilities to relatives of senior officers of the bank shall apply to the relatives of senior officers of all the participating banks.

7. RELATED PARTY TRANSACTIONS WITHOUT THE PRIOR APPROVAL UNDER THIS POLICY

Any Related Party Transaction entered into by the Bank and that which has not been approved under this Policy, shall be reviewed by the Audit Committee of the Board in the following manner:

The members of the Audit Committee of the Board, who are independent directors, may ratify related party transactions, which is not previously approved by the Audit Committee of the Board within three months from the date of the transaction or in the immediate next

meeting of the Audit Committee of the Board, whichever is earlier, subject to the following conditions:

- i. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore
- ii. the transaction should not be material in nature
- iii. rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee of the Board at the time of seeking ratification
- iv. the details of ratified transaction(s) shall be disclosed along with the other related party transactions as per the policy
- v. any other condition as specified by the Audit Committee of the Board

The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In case the Bank is not able to take such prior approval from the Audit Committee of the Board, the transaction may be voidable at the option of the Audit Committee of the Board and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Bank against any loss incurred by it.

8. APPROVAL MATRIX

All Related Party Transactions will be subject to the following approval matrix, as may be applicable and as amended from time to time:

Particulars of the Transaction	Threshold Limit	Approval required		
		Audit Committee of the Board	Board of Directors	Shareholders
All Related Party Transactions	If the consolidated turnover is upto Rs.20,000 crore - 10% of the Annual Consolidated turnover of the Bank	✓	For Transactions that are not on arm's length basis and/or in the ordinary course	-
	If the consolidated turnover is more than Rs.20,000 crore to Rs.40,000 crore – Rs.2,000 crore + 5% of the annual consolidated turnover of the listed entity above Rs.20,000 crore	✓	✓	✓
	If the consolidated turnover is more than Rs.40,000 crore – Rs.3,000 crore + 2.5% of the annual consolidated turnover of the listed entity above Rs.40,000 crore or Rs.5,000 crore , whichever is less	✓	✓	✓

9. TRANSACTIONS NOT REQUIRING APPROVAL OF THE AUDIT COMMITTEE OF THE BOARD

Payment of remuneration and sitting fee paid by the Bank or its subsidiary to its, Directors, Key Managerial personnel or Senior Management which is not material under this policy or under applicable act/regulations shall not require prior approval of the Audit Committee of the Board.

10. Monitoring of Loans to Related Parties

- i. The bank shall put in place a suitable mechanism for maintaining and periodically updating the list of all the related persons, and the related parties thereof, as well as the loans sanctioned by the bank to such related persons and related parties.
- ii. Credit facilities sanctioned to 'specified employees' and their relatives shall be reported to the Board on an annual basis.
- iii. Periodic reviews shall be conducted at quarterly or shorter intervals by internal auditors to check, inter alia, whether guidelines and procedures in relation to loans to related parties are being adhered to or not.
- iv. Any deviation from the policy relating to lending to related parties and reasons therefor shall be reported to the Audit Committee of the Board.
- v. Any product, entity or structure formed with the objective of circumventing these Directions through various means, such as reciprocal lending or quid pro quo arrangements, and identified as such by the auditors of the bank or by the supervisory authority and investigating agencies shall always be treated as lending to related party.

11. DISCLOSURES

- a. The Bank shall obtain Declaration/ Disclosure of interest from all the Directors, KMPs and their Relatives in the prescribed forms, by which the potential related parties to the Bank, shall be identified.
- b. Every Director/KMP of the Bank shall provide their notice of interest in any of the transactions to be entered into by the Bank.
- c. The Bank shall maintain a record of all related party transactions duly approved by its Board/committee/shareholders.
- d. Disclosures in the annual financial statements, as required under the Act, Rules or Regulations, as applicable.
- e. Disclosures of Related Party Transactions on a consolidated basis to the stock exchanges, in the format specified, on the same day of date of publication of its half yearly financial results for the half year & publish the same on the website.

- f. Details of all material transactions with Related Parties shall be disclosed in the quarterly Compliance Report on Corporate Governance.
- g. The Policy on Related Party Transactions shall be published on its website and a web-link thereto shall be provided in the Annual Report.
- h. All such disclosures, as is required by the Act and regulations, from time to time.

12. REVIEW OF THE POLICY

This Policy shall be reviewed by the Board on at least once in every year and also as and when any change is to be incorporated in the Policy due to change in applicable law and updated accordingly.

Annexure – I

Format for Related Party Disclosures to be reported in the Notes to Accounts as per the RBI Master Direction on Financial Statements - Presentation and Disclosures dated November 28, 2025:

(Amount in ₹ crore)

Items/Related Party	Parent (as per ownership or control)	Subsidiaries	Associates/ Joint ventures	Key Management Personnel@	Relatives of Key Management Personnel	Total
Borrowings#						
Deposits#						
Placement of deposits#						
Advances#						
Investments#						
Non-funded commitments#						
Leasing / HP arrangements availed#						
Leasing / HP arrangements provided#						
Purchase of fixed assets						
Sale of fixed assets						
Interest paid						
Interest received						
Rendering of services*						
Receiving of services*						
Management contracts*						

Note: The format given above is merely illustrative in nature and is not exhaustive.

@Whole time directors of the Board and CEOs of the branches of foreign banks in India.

#The outstanding at the year end and the maximum during the year are to be disclosed.

*Contract services etc. and not services like remittance facilities, locker facilities, etc.

Annexure - II

Format for Disclosures of Exposures to Related Parties to be reported in the Notes to Accounts as per the RBI Master Direction on Financial Statements - Presentation and Disclosures (Second Amendment) dated January 05, 2026:

(Amount in ₹ crore)			
Sl No	Particulars	Previous Year	Current Year
A. Loans to Related Parties			
1.	Aggregate value of loans sanctioned to related parties during the year		
2.	Aggregate value of outstanding loans to related parties as on 31 st March		
3.	Aggregate value of outstanding loans to related parties as a proportion of total credit exposure as on 31 st March		
4.	Aggregate value of outstanding loans to related parties which are categorized as:		
	(i) Special Mention Accounts as on 31 st March		
	(ii) Non-Performing Assets as on 31 st March		
5.	Amount of provisions held in respect of loans to related parties as on 31 st March		
B. Contracts and Arrangements involving Related Parties			
6.	Aggregate value of contracts and arrangements awarded to related parties during the year		
7.	Aggregate value of outstanding contracts and arrangements involving related parties as on 31 st March		