TMB
Tamilnad Mercantile Bank Ltd

Be a step ahead in life

Transforming with purpose
Delivering Growth with trust

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Investment Thesis Summary…

1. Leadership Inflection

- **Mr. Salee S. Nair** (MD & CEO, Aug '24) - Ex-SBI DMD & Chief Credit Officer
- **Mr. Vincent M D** (ED, Sept '24) - Ex-CGM,SBI
- **Mr. Sanjoy Kumar Goel** (CFO, Mar '25) - Ex-GM & DY CFO,SBI
- **Mr. P.R.Ashokkumar** (EVP-Branch Banking, Oct'19)-Ex-ICICI Bank

2. Growth + Quality Metrics (FY26)

₹61,712 Cr Deposits	**+15%** YoY Growth
₹53,379 Cr Advances	**+20%** YoY Growth
0.73% GNPA	**0.18%** NNPA

3. Profitability Resilience (FY26)

3.98% NIM	**1.93%** ROA	**13.99%** ROE

4. Valuation Gap & Rerating

- **Current P/B:** ~1.15x (as of 04-05-2026) vs peer avg 1.5x
- **Rerating Triggers:** CASA rebuild, MSME acceleration, credit cost control, Digital transformation

5. Mutual Fund Fit

- **Liquidity:** Adequate daily traded value, improving free float
- **Portfolio Fit:** BFSI midcap/SMID quality sleeve
- **Exit Comfort:** Growing institutional ownership

5. Key Catalyst – Branch Expansion

- 44 new branches opened in FY26, 15 in Non-TN
- 60 new branches proposed for FY27
- New Branches since listing contributed 15% to incremental business

Leadership Inflection Point – From Stability to Scalable Growth

Leadership Timeline & Key Milestones

Strategic transformation under ex-SBI leadership

Mr. Salee S. Nair – MD & CEO (Aug 2024)

Background: Ex-SBI DMD (34 years experience)

Aug'24	31-03-2026
Business: ₹89,501 Cr	Business: ₹1,15,091 Cr
GNPA: 1.42%	GNPA: 0.73%
Market Share: 0.238%	Market Share: 0.242%
Market Price ₹451.55	Market Price ₹733 (as of 04-05-2026)

Key Actions: Long term growth strategic vision, Creating Implementing and executing efficiency model across branches, HR Restructuring, Technology implementation, CASA Franchise Push & Enhanced Market Communication

NIM Recovery ↓ -9 bps YoY

3.98%

FY26 (vs 4.07% in FY25)

3.91% (Q4FY25) → 4.18% (Q4FY26)

↑ +27 bps YoY

ROA Improvement ↑ +5 bps YoY

1.93%

FY26 (vs 1.88% in FY25)

CASA Ratio ↑ +170 bps YoY

28.14%

FY26 (vs 26.44% in FY25)

Digital Transactions ↑ +116 bps YoY

96.85%

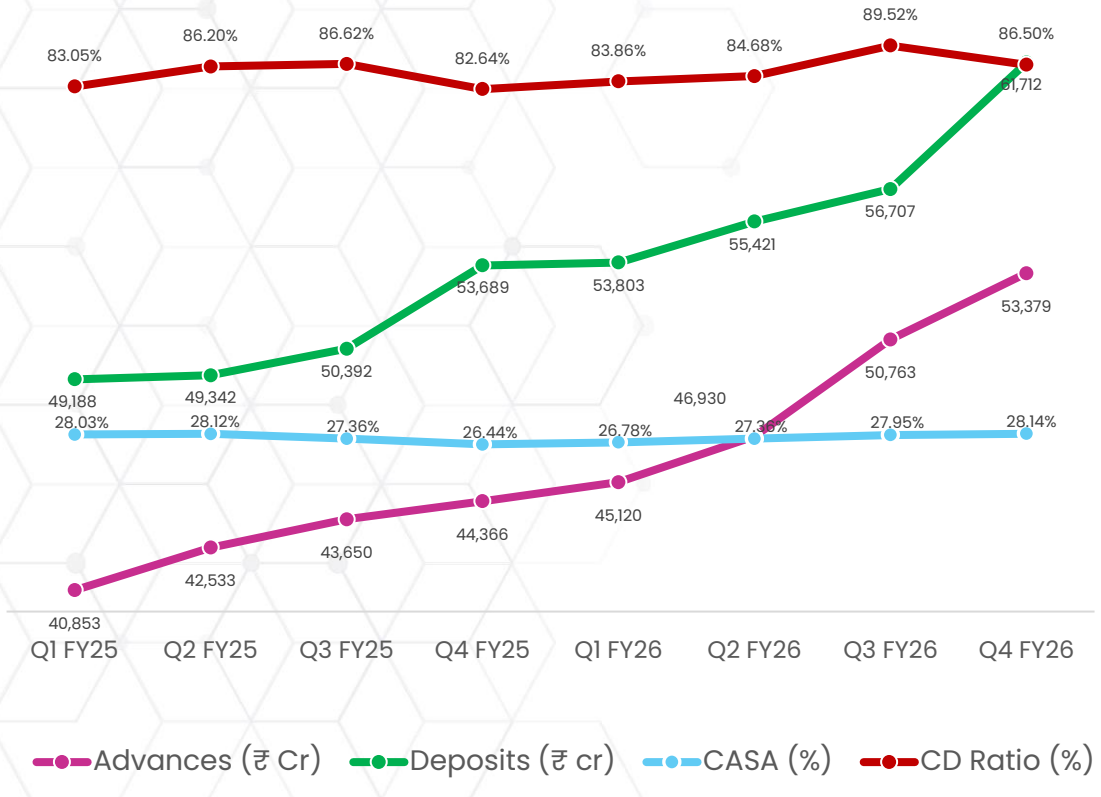
FY26 (vs 95.69% in FY25)

Growth Trend – Q1FY25 to Q4FY26

Growth Metrics Trend

Advances, Deposits, CASA & CD Ratio

Q1 FY25 → Q4 FY26



Advances ₹53,379 Cr

↑ 20.32% YoY

Deposits ₹61,712 Cr

↑ 14.94% YoY

CASA Ratio 28.14%

↑ 19 bps QoQ

CD Ratio 86.50%

↓ 302 bps QoQ

Key Insights

CASA Share decline arrested, and reversed in FY26

Highest Deposit growth recorded in the past 39 quarters

Highest Advances growth recorded in the past 40 quarters

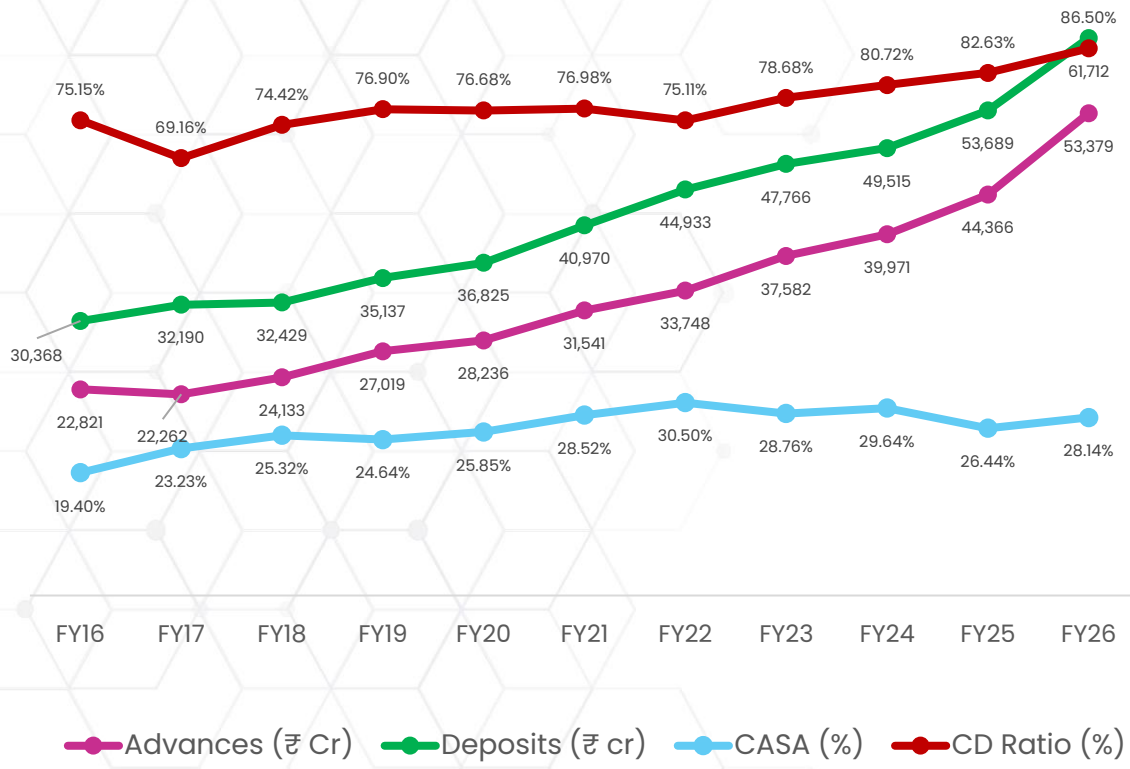
Business growth 9.35% over the last 10-year CAGR

Growth Trend – FY16 to FY26

Growth Metrics Trend

Advances, Deposits, CASA & CD Ratio

FY20 → FY26



Advances ₹53,379 Cr

↑ +20.32% YoY

Deposits ₹61,712 Cr

↑ +14.94% YoY

CASA Ratio 28.14%

↑ +170 bps YoY

CD Ratio 86.50%

↑ +387 bps YoY

Key Insights FY2026

Advances up 22.57% inclusive of ₹1,000 Cr IBPC sold

Deposit growth above the industry

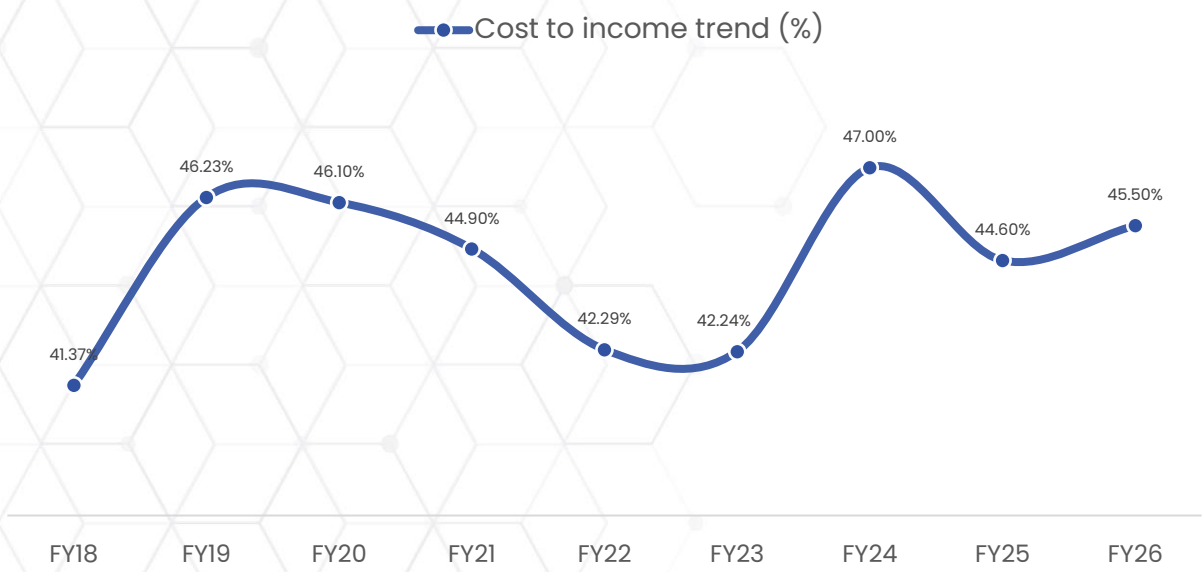
CASA share up 170 bps YoY

CD ratio acceptable,

Balance Sheet supported by 13.43% capital

Operating Efficiency – Scale with Control

Cost-to-Income Ratio Trend (%)



Entire PBI ₹49.80 crore absorbed in FY26, normalized PBI CIR 44.04%.

Branch Productivity

₹5.47 Cr

Revenue per branch (FY26)

↑ 2 bps YoY

Staff Cost Normalization

₹795 Cr

FY26 (vs ₹x726 Cr FY25)

+9.38% (YoY)

Stable post-PBI

Digital Ops Leverage

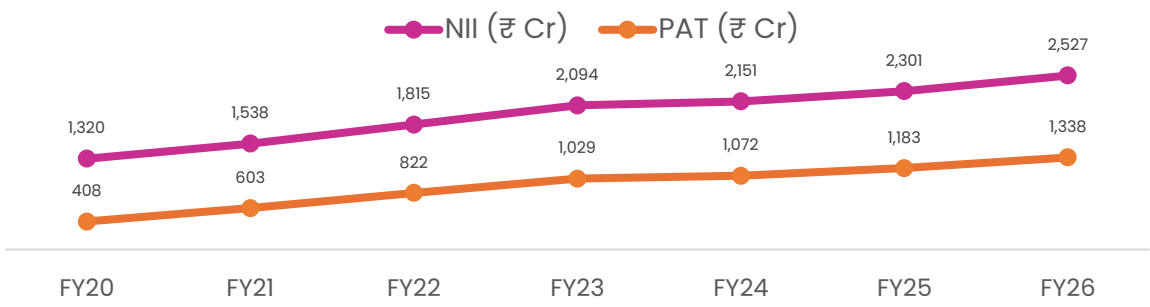
~97%

Digital txn

Profitability Trend

Net Interest Income & PAT Trend

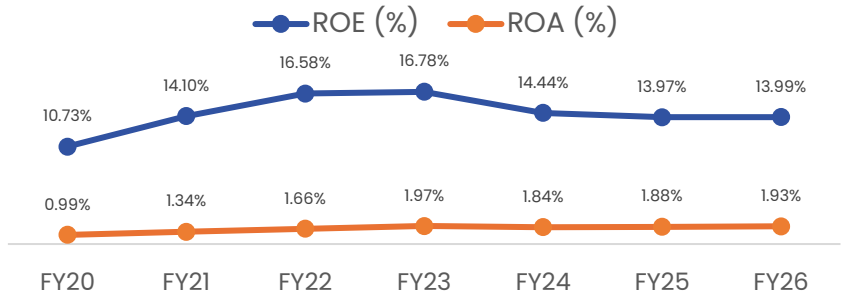
Yearly progression from FY16 to FY26



₹2,527 Cr	₹1,338 Cr	+9.84%	+13.10%
NII FY26	PAT FY26	NII Growth	PAT Growth

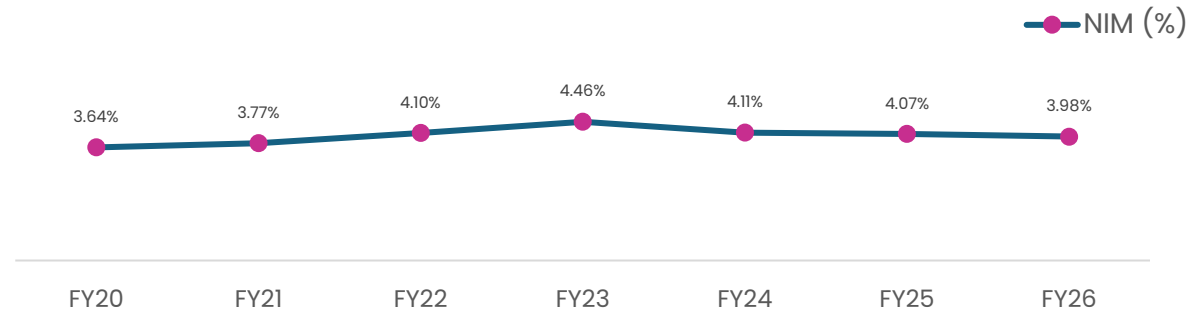
Return Metrics

ROA & ROE performance



1.93%	13.99%
ROA FY26	ROE FY26

Net Interest Margin Trend



Key Insights:

PBI for both FY25 (₹41.27 Cr) and FY26 (₹49.80 Cr) absorbed in FY26

Stability brought to NIM in FY26, Q4FY26 NIM @ 4.18%

Dividend: 125% Recommended for FY2026*

Market Capitalization: Crossed ₹11,600 crores

Book Value: @ ₹638

*Subject to shareholders approval

Growth Quality – Deep Dive

RAM Portfolio Mix & Secured Lending

~95%	0.10%	>100%
RAM Mix	Unsecured	Collateral Coverage (NPA)

Portfolio Composition

- **Retail:** ₹14,912 Cr (27.94% of advances), Collateral Coverage (NPA) ~170%
- **Agriculture:** ₹20,084 Cr (37.63% of advances), Collateral Coverage (NPA) ~165%
- **MSME:** ₹15,532 Cr (29.10% of advances), Collateral Coverage (NPA) ~169%

Security Profile

- **Secured:** 99.90% of book
- **Collateral:** >100% coverage (NPA)

Digital Distribution

~97%	170+
Digital Txn	Services

Key Initiatives

- CX platform
- Human Capital Management Platform
- Vendor Management System
- AI Hub (24/7 support)
- Digital Engagement Hub
- Introduction of Integrated Back office

Gold Loan Engine & MSME Architecture

Gold Loan Portfolio (31-03-2026)

₹24,790 Cr (46.44% of book)

0.01% GNPA

LTV	ROA
53.25%	~2.05%

MSME Architecture redesigned

- **CMCs:** Credit processing separated
- **BRE/LMS:** System-led underwriting
- **TAT:** Reduced turnaround time

Network Expansion

622 Branches

FY26 Status

30% Target outside TN

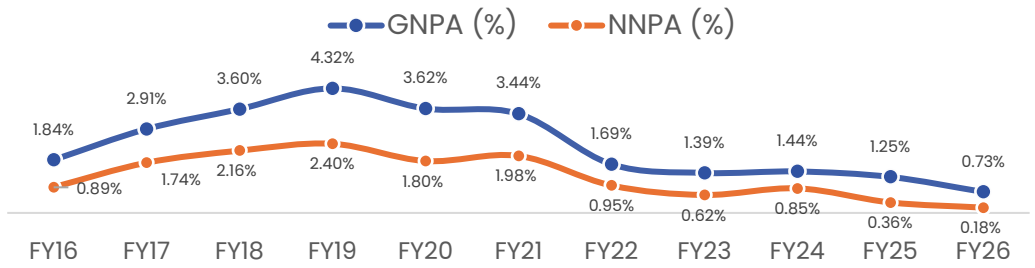
Geographic diversification strategy

Current	Target
27%	30%

Asset Quality Excellence Panel

GNPA & NNPA Trends

0.73%	0.18%	96.14%
GNPA	NNPA	PCR
↓ 52 bps from FY25	↓ 18 bps from FY25	↑ 228 bps from FY25

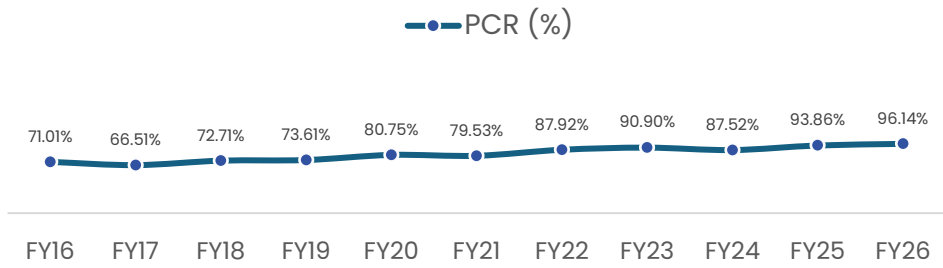


Credit Cost & Slippages

FY26

0.03%	0.19%	1.29%
Credit Cost	Slippage	SMA
↓ 38 bps from FY25	↓ 26 bps from FY25	↓ 126 bps from FY25

Provision Coverage Ratio



On Book PCR 74.89%, (up 3.87% YoY)

Asset Quality & Risk Discipline

- Consistent improvement in GNPA/NNPA, reflecting stronger underwriting and recovery trends
- Stable credit costs and controlled slippages indicate prudent risk management
- Lowest GNPA% in the past 40 quarters, Lowest ever SMA %
- Credit Cost under control
- 127.52% average collateral available for NPA

Quarterly Evolution – Q1FY25 to Q4FY26

Key Performance Metrics & Milestones

	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26
NIM	4.12%	4.25%	4.00%	3.91%	3.84%	3.83%	4.04%	4.18%
RoA	1.88%	1.94%	1.89%	1.81%	1.82%	1.85%	1.97%	2.05%
PAT	287.29 Cr	303.18 Cr	300.24 Cr	291.90 Cr	304.89 Cr	317.51 Cr	341.50 Cr	373.65 Cr
GNPA	1.44%	1.37%	1.32%	1.25%	1.22%	1.01%	0.91%	0.73%
CET1	27.74%	28.12%	27.88%	31.24%	29.99%	29.40%	28.53%	32.27%
DEP	49,188 Cr	49,342 Cr	50,392 Cr	53,689 Cr	53,803 Cr	55,421 Cr	56,707 Cr	61,712 Cr
ADV	40,853 Cr	42,533 Cr	43,650 Cr	44,366 Cr	45,120 Cr	46,930 Cr	50,763 Cr	53,379 Cr
BUSIN	90,041 Cr	91,875 Cr	94,042 Cr	98,055 Cr	98,923 Cr	1,02,351 Cr	1,07,470 Cr	1,15,091 Cr
Br's	562	567	572	578	585	594	606	622

Record Profitability

Highest-ever quarterly PAT of ₹373.65 Cr in Q4 FY26, with 28.01% YoY growth

Asset Quality

GNPA at 10-year low of 0.73%, NNPA at 0.18% with strong PCR coverage

Growth Momentum

Total business reached ₹1,15,092 Cr, 17.37% YoY growth in Q4 FY26

Digital Transformation

96.85% transactions through digital channels, up 1.17% in FY2026

Investment Case & Risk Framework

Catalysts & Growth Drivers

Q1 FY26 - Q4 FY26

CASA Rebuild

Transaction Banking/NRI/Elite programs driving sequential gains

↑ **Target: 15%+**

NIM Expansion

Liability repricing and treasury optimization

↑ **Target: 3.80-3.95%**

MSME Ramp

BRE/LMS stabilization, cross-sell via CX/data

↑ **Target: 15-20% growth**

Geographic Expansion

Branch adds, >33% ex-TN over time

↑ **Target: 60 branches, 20 in Non-TN**

Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26
On Track	On Track	On Track	On Track

Investment Thesis: Overweight-quality regional bank with superior asset metrics (GNPA 0.73%, NNPA 0.18%, PCR 96.14%+), disciplined growth (advances +20.32% YoY), and visible rerating triggers.

Key catalysts: CASA recovery, MSME acceleration, credit cost control, valuation discount to peers.

Key Risks & Mitigants

Gold Price Shock

- Current portfolio LTV 53%
- Portfolio stress tested daily
- Portfolio can absorb reduction of 25% of gold price

CASA Competition

- Focus on transaction banking, payroll management
- Merchant acquisition

ECL/LCR Impact

- ECL requires ₹279 Cr of additional provisions
- Current Covid provision ₹250 Cr largely covers the impact
- Revised guidelines should see LCR 143% at current levels

Strategic Enablers – Secured Lending, Technology & Credit Architecture

Gold (Jewel) Loan Portfolio

₹24,790+ Cr

FY26 Book · >46% of Total Advances

CAGR FY17–FY26	**26.04%**
Avg Portfolio LTV	**~53%**
Gross NPA (Jewel)	**<0.01%**
SMA on Jewel Book	**<0.05%**
Products Offered	**DL / OD**
Gross Weight	**37.38 Ton**
Net Weight	**34.19 Ton**

Asset resolution branches being set up to manage portfolio LTV/Margin calls & Auctions

IT Centers – Dual-City Architecture

Oracle Fusion Cloud

ERP · HCM · CX — Full Suite Live by Mar 2026

Chennai — Primary Hub
Kosmo One, Ambattur IE: Core IT ops, cloud mgmt, ATM cell

Chennai — Digital Hub
Anna Nagar: Internet/Mobile banking, UPI, digital acquisition

Thoothukudi — IT Cell
V.E. Road: Regional support, hardware, admin link

Reliance DC / DR
Finacle CBS + centralised DB — 622+ branches on 100% connect

ISO/IEC 27001:2013 · SOC · SWIFT CSCF Compliant

Credit Management Centers (CMCs)

12 Regional CMCs

Hub-&-Spoke · Fully Operational Q1 FY26

Coverage per CMC	**~50 branches**
Processing	**BRE / LMS (STP)**
Portfolio at Risk	**2.01%**
Gross NPA	**0.73%**
PCR (with TWO)	**96.14%**
RAM Growth YoY	**+22.35%**

Stressed assets ↓ 2.01% (FY25) → 1.14% (FY26) post-CMC rollout

Strategic HR Initiatives Driving Banking Excellence – 1,043 New Hires

Strategic Leadership Expansion

Onboarding of 20 high performing Branch Heads to accelerate regional growth and market penetration.

IT Talent

Upgraded IT capabilities by acquiring 48 specialized technology professionals from global tech majors, including Silicon Valley firms

Senior Customer Service Executives (SCSEs)

Expanded frontline capability outside Tamil Nadu through deployment of 85 trained SCSEs, with 115 more in the active hiring pipeline to ensure service consistency

CASA Growth

Accelerated liability mobilization by engaging 200 experienced Business Development Executives with proven CASA and Term Deposit expertise.

Campus Recruitment Drive

Talent pipeline through recruitment of 172 Assistant Managers and 403 CSEs from premier institutions to sustain long-term growth

Why the position Turned Positive

Strategic Transformation Overview

Since Sep'24...		...As of now	
Strategy	Fragmented	Strategy	Calibrated
Growth	7.97% YoY	Growth	17.37 YoY +7.79%
GNPA	1.37%	GNPA	0.73% -52 bps YoY
NNPA	0.46%	NNPA	0.18% & Improving

Key Result:Higher growth velocity with **superior asset quality** and **credible rerating path** under ex-SBI leadership

Key Transformation Drivers

Leadership

Ex-SBI leadership with process rigor, PPP function, board oversight

IT Focused

BRE+LMS rollout, Oracle Fusion, Digital Engagement Hub

Business Growth Focus

Focus on growing credit, plans to strategic Initiatives for deposit growth

Other Operating Efficiency

CASA recovery, Transaction Banking/NRI programs

Communication

Active IR & PR, broker research, roadshows, visibility

Capital: CRAR 33.73%, LCR ~139%, ECL buffer ₹250cr

Investor Issues Well Taken Care Off

Key concerns...	...Where things Stands
A government agency (ED) served two show cause notices alleging that share transfers in 2007 and bonus shares issued later broke foreign exchange rules.	The first notice has already been adjudicated and is now at the appeal stage. Appellate Tribunal for foreign exchange heard the appeal and reserved for order. The second notice is being challenged in the Madras High Court; the government has agreed not to take any further steps until the court rules.
The proposed fine on the second notice looks very large (over ₹1,037 crore). This has concerned investors.	Lawyers have confirmed that because no money changed hands in the bonus share issuance, the maximum fine under the law is only ₹2 lakh. TMB believes the penalty demand is legally unsound.
About 38% of the bank's shares have been stuck in a dispute since the mid-1990s — these shares cannot be traded, and dividends on them are on hold.	This affects only the ownership structure — not the bank's day-to-day business. Loans, deposits, branches, and profits are completely unaffected. The bank has been listed on the stock exchange since 2022 and continues to operate normally.

Management Has a Track Record of Delivering: Targets Exceeded Across KPIs

Q4FY26 actuals vs. guidance across CASA, Credit quality and Profitability.

KPI	Q4FY26 Guidance	Q4FY26 Actual	Status
CASA Growth	15%+	22.35%	✓ Exceeded
Deposits Growth	13-13.5%	14.94%	✓ Exceeded
Advances Growth	16-17%	20.32%	✓ Exceeded
Total Business Growth	15%	17.37%	✓ Exceeded
NIM %	3.90%-3.95%	4.18%	✓ Exceeded
ROA %	1.85%+	2.05%	✓ Exceeded
ROE %	14%+	15.03%	✓ Exceeded
GNPA %	Less than 1%	0.73%	✓ Exceeded

"At Tamilnad Mercantile Bank, we do not manage quarters. We steward a 104-year institution."

— Salee S. Nair, MD & CEO, Tamilnad Mercantile Bank

100+ Years of Unbroken Trust

Our conservative credit philosophy protected us through every major crisis. It made us resilient. Now, with that strength behind us, it's time to shift gears and grow.

Tech-Led Scalability, Relationship-Powered Growth

We are deploying Oracle, AI, and BRE/LMS not to replace the human touch — but to amplify it. Our bankers will serve more customers, better, while the algorithms handle the routine.

A Clear Runway to Justified Rerating

When our Q4 ROA of 2.05% is recognized at peer-parity multiples, the implied share price appreciation is 18-36%. That rerating is not a hope — it is an arithmetical inevitability as institutional awareness grows.

Investor Relations Contacts

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