Annual Report 2018-19

kotak

Courage
of Conviction.
Constancy
of Change.

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Contents

Courage
of Conviction.
Constancy
of Change.

> **If what you create does not outlive you, then you have failed.**
>
> **- Uday Kotak**

En route to the top, mountaineers must overcome avalanches and ever new challenges faced by a tiring body and mind. When circumstances change, mountaineers are posed with the question of ascending further or acclimatising to the altitude.

The worlds of mountaineering and finance share parallels. It is experience and expertise that help both stay alive.

Kotak Mahindra Group (Kotak) has been consistently pursuing newer heights for the past 33 years. It has taken leaps to cross many milestones by calibrating its steps and practising caution when confronted with winds of change.

Kotak has adapted to new conditions with agility and flexibility; choosing purpose and conviction over consequences; sustainability and prudence over aggression; long-term over short-term; integrity and transparency over growth.

Over time, Kotak has become an adept enterprise – learning and imbibing the art of survival and growth to become bigger, bolder and better.

At Kotak, it isn't just about the destination, the journey to get there is an important element that is laced and driven with the courage to shore up its conviction. Kotak is a "non-stopper" because of its courage of conviction amidst the constancy of change.

For Kotak, the best is always the next.

kotak

An Organisation Powered by Conviction and Driven by Constancy of Change

Kotak Mahindra Group is one of India's leading financial services conglomerates, providing a wide span of solutions across banking (consumer, commercial, corporate), credit and financing, equity broking, wealth and asset management, insurance (general and life), and investment banking.

Catering to the diverse financial needs of individuals and corporates globally, while being focussed on India, Kotak has, over the years, evolved into an organisation, continuously striving to set new benchmarks of excellence.

₹ 3.9 trillion
Institution*

₹ 2.9 trillion
Market Capitalisation**

>60,000
Group Employees

240,000+
Shareholder base

1,500
Bank Branches

2,352
ATMs

₹ 2.7 trillion
Wealth + Priority relationship value

17 million+
Bank active customer base

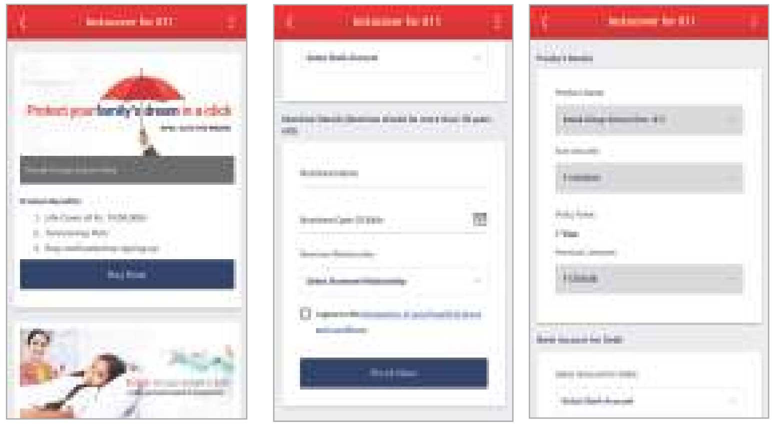
12.4 million
Debit Card holders

2 million
Credit Card holders

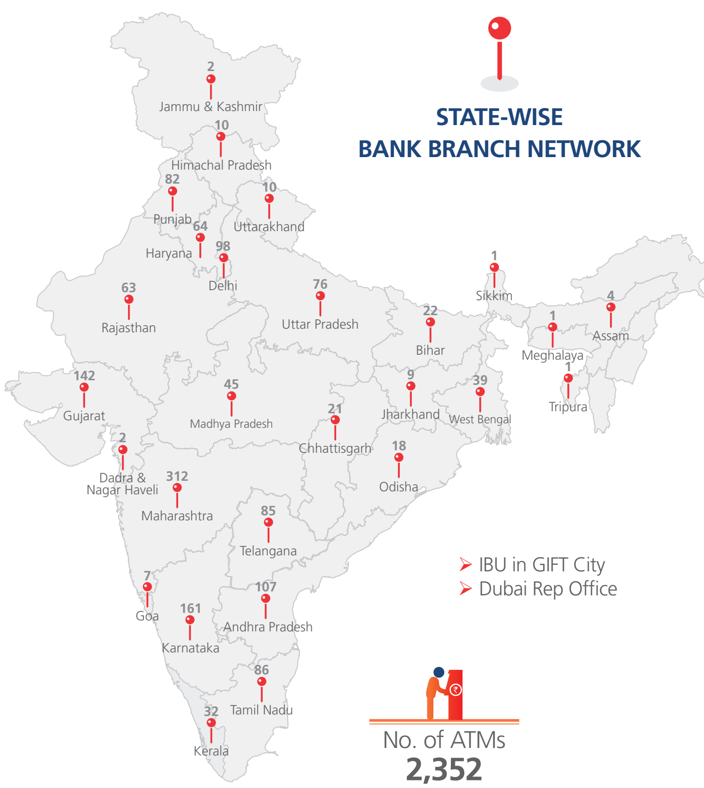
* Consolidated Assets
** as on 31st May, 2019

Multiproduct strategy for higher engagement

When consumers use multiple products and services from the Bank, their engagement increases exponentially driving up loyalty and brand advocacy. Keeping this in mind, we created simplified journeys for over 12 products where the customer can either opt in for the product/service in 3 simple clicks or make a request for the same immediately. For instance, to drive the consumption of one of our insurance products, we introduced personalised push notifications which had customised details on the offering based on customer demographics.



STATE-WISE BANK BRANCH NETWORK

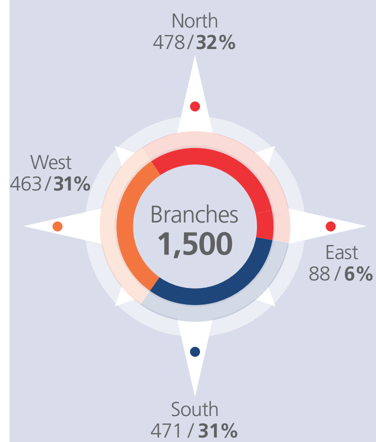


- IBU in GIFT City
- Dubai Rep Office

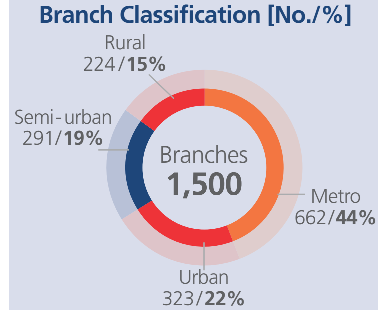
No. of ATMs
2,352

Map not to scale. For illustrative purposes only.

Branches [No./%]

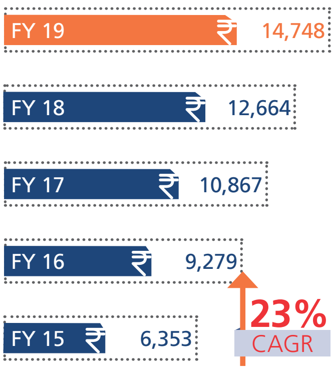


Branch Classification [No./%]

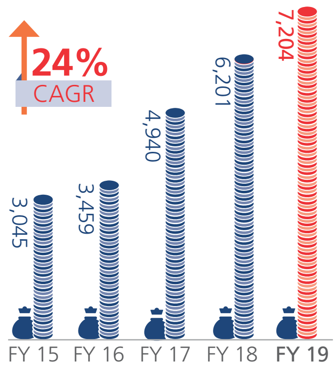


Financial Highlights

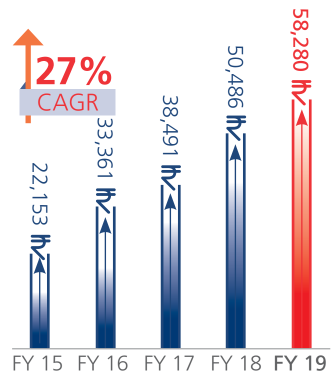
Net Interest Income (₹ in cr.)



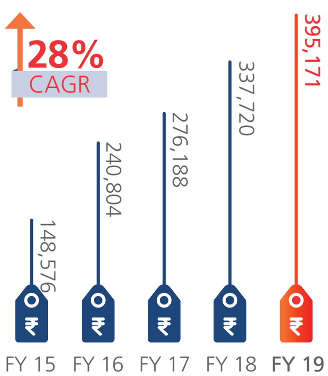
Net Profit (₹ in cr.)



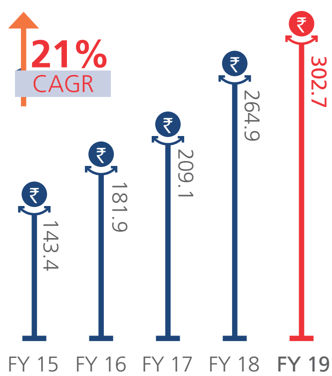
Net Worth (₹ in cr.)



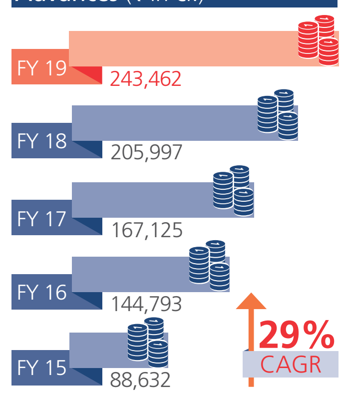
Total Assets (₹ in cr.)



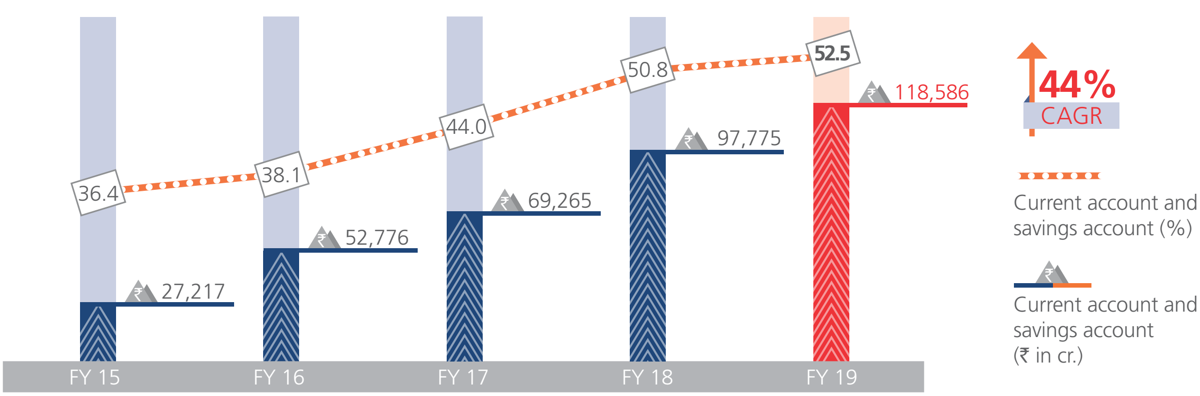
Book Value Per Share# (₹)



Advances (₹ in cr.)



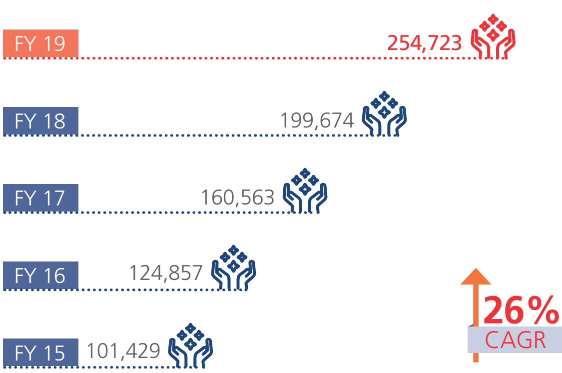
Current Account and Savings Account (CASA) Balances (Bank Standalone)



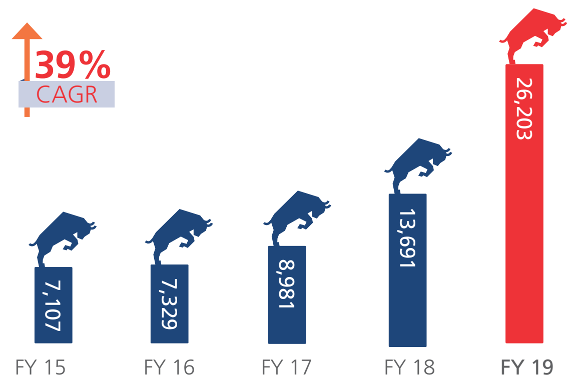
All nos. on a consolidated basis except where stated
Merger of ING Vysya Bank effective April 1, 2015. FY15 numbers not comparable.

Book Value Per Share adjusted for Bonus issuance in July 2015

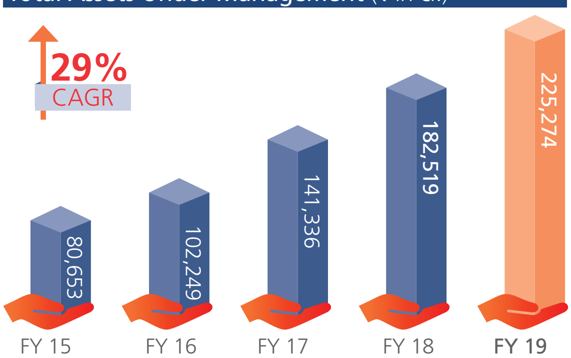
Market Capitalisation (₹ in cr.)



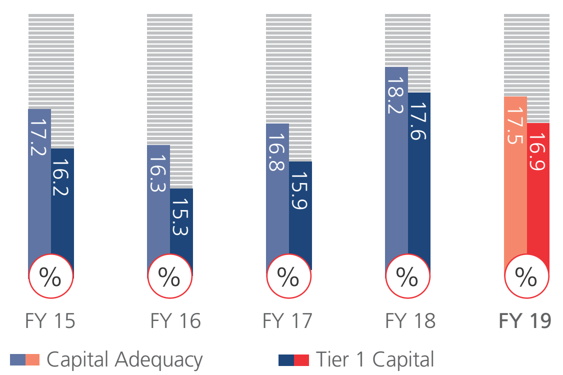
Kotak Securities Average Daily Volume (₹ in cr.)



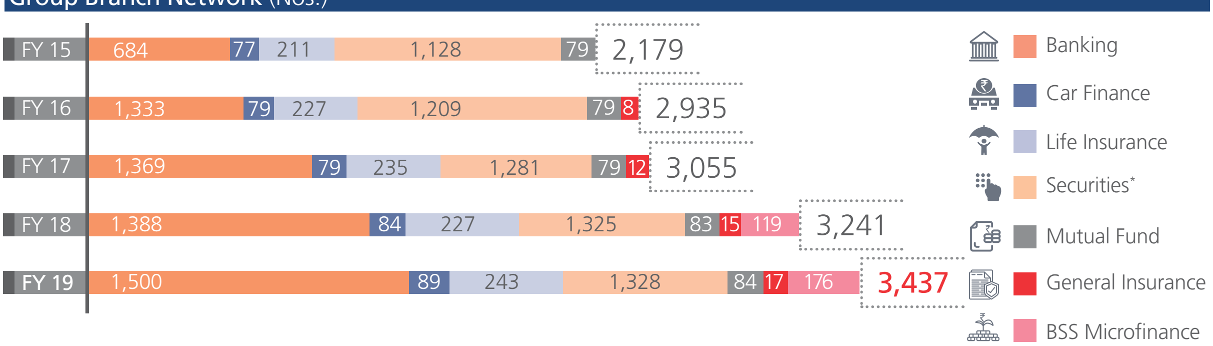
Total Assets Under Management (₹ in cr.)



Bank Capital Adequacy Ratio (CAR) and Tier 1 Capital (%)



Group Branch Network (Nos.)



All nos. on a consolidated basis except where stated
Merger of ING Vysya Bank effective April 1, 2015. FY15 numbers not comparable.

* branches, franchises and referral co-ordinators

Business Overview

Consumer Banking **(Kotak Mahindra Bank Limited)**	• Provides a complete bouquet of deposit and asset products for retail customers, small businesses, NRIs and retail institutions, backed by innovative, digital-first solutions **Differentiators** • With the launch of 811, doubled our customer base to 16 million in 18 months, including 811 digital savings accounts, as per the target set in March 2017 • Digital Payments have grown 4.5 times in FY 2018-19 with continued strong momentum on growth and adoption of Digital Channels, Payments and Products • Strong growth in credit card spends of 56% YoY. Additionally, there has been a 5x increase in digitally acquired home loans by salaried customers and 32% of salaried personal loans were sourced through digital channels
Wholesale Banking **(Kotak Mahindra Bank Limited)**	• Caters to the diverse needs of major Indian corporates, financial institutions, public sector undertakings, multinational companies and mid-market companies **Differentiators** • Continues to clock strong growth without compromising on health of the book • Offers a complete suite of fund and non-fund based products including trade and foreign exchange services
Custodial Services **(Kotak Mahindra Bank Limited)**	• Provides expertise across Custody, Clearing and Fund Accounting solutions to FPIs and Domestic Fund Vehicles **Differentiators** • A one-stop shop covering all services provided in-house for both Domestic as well as International Fund Managers
Commercial Banking **(Kotak Mahindra Bank Limited)**	• Plays a significant role in meeting financial inclusion goals and financing deep into 'Bharat' **Differentiators** • Caters to the diverse needs of rural and urban India with offerings like crop loan, tractor finance, agri-business finance, commercial vehicle finance and infrastructure finance • One of the leading players in tractor finance
Wealth Management **(Kotak Mahindra Bank Limited)**	• One of the oldest and most respected wealth management businesses in India, providing bespoke financial solutions to high net worth families **Differentiators** • Kotak Wealth caters to about 40% of India's top 100 families
Car Loans **(Kotak Mahindra Prime Limited)**	• Offers car finance options in the form of loans and lease for personal cars and multi-utility vehicles • Provides complete financing solutions through a single window to car dealers for their working capital and infrastructure setup requirements in the form of inventory funding and term loans
Lending NBFC **(Kotak Mahindra Investments Limited)**	• Offers comprehensive financial assistance and solutions such as Structured Finance, Sponsor Financing, Construction Finance for Residential and Commercial Real Estate, Lease Rental Discounting (LRD) and Financing against Ready Inventory (LAP) to real estate developers across various asset classes including Residential, Commercial, Retail and IT **Differentiators** • One of the most trusted and dedicated real estate and structured finance platforms in the country with expertise across all key asset classes
Life Insurance **(Kotak Mahindra Life Insurance Company Limited)**	• Balanced product mix (Traditional and ULIPs) and distribution mix (Bancassurance, Agency and Group Businesses) • Digital adoption in business underwriting, customer engagement, sales enablement and operations processes **Differentiators** • FY 2018-19 witnessed superior product mix transition across all sales channels with one of the highest new business margins in the industry • Amongst the best in the industry on business health parameters like persistency, conservation, surrender retention and reduction in customer complaints
General Insurance **(Kotak Mahindra General Insurance Company Limited)**	• One of the fastest growing non-life insurance companies in India registering a 62% growth in premium and close to 200% growth in number of policies sold in FY 2018-19 • Its wide range of protection solutions across motor, health, home and commercial insurance cater to individuals and businesses **Key Differentiators** • Strong customer-centricity, consistently high standard of claims experience with scale • Launched a first-of-its-kind initiative in the industry with its #DriveLikeALady campaign aimed at celebrating women as safer drivers and offering them special rates on their car insurance premium
Mutual Fund **(Kotak Mahindra Asset Management Company Limited)**	• Offers schemes that cater to investors with varying risk-return profiles • Diversified product portfolio across a wide range of equity, debt and exchange traded funds (ETFs) **Differentiators** • First AMC to launch Video KYC module in the existing app and My First MF App for non-KYC verified investors • Launched Prostart Online Training Module, which is used by over 1,400 IFAs with over 20,000 video views • Market share in quarterly average assets under management (QAAUM) has grown to 6.14% in FY 2018-19 from 4.32% in FY 2015-16

Stock Broking **(Kotak Securities Limited)**	• A leading secondary market broking firm, offering services to retail and institutional investors **Differentiators** • Highest market share in mobile trading • Ranked No. 3 in terms of growth in 12-month rolling active trading clients amongst top 10 brokers for FY 2018-19 as per NSE data on active clients
Investment Banking **(Kotak Mahindra Capital Company Limited)**	• A leading full-service investment bank in India, offering integrated solutions and high-quality financial advisory services **Differentiators** • Advised on 14 domestic and cross-border transactions with a cumulative value of about USD 7.8 billion in FY 2018-19 • Led the largest IPO, largest REIT IPO, largest QIP and largest Block of the year, raising a total of ₹ 32,983 crore across 14 transactions
Alternate Assets **(Kotak Investment Advisors Limited)**	• Building its business successfully across six verticals – Private Equity, Realty Fund, Infrastructure Fund, Listed Equity Strategies, Special Situations Credit Fund and Investment Advisory: Private Clients – all led by independent investment teams • In line with the Reserve Bank of India guidelines, effective 20th April, 2019, commenced offering investment advisory services **Differentiators** • Amongst the few Alternative Management firms to have completed full life cycle of three Real Estate Funds in India • Strong partnerships with large marquee investors across multiple strategies • Strong advisory capability for Private Clients across Equities, Fixed Income & Alternates with complete alignment of interest
Infrastructure Financing **(Kotak Infrastructure Debt Fund Limited)**	• Caters to the development and growth of India's infrastructure sector by providing long tenor funding to operational infrastructure projects **Differentiators** • Achieved 65% growth in asset book, while maintaining nil delinquencies • Continued to focus on key social infrastructure sectors like Education and Healthcare, in addition to core infrastructure sectors like Power
Microfinance **(BSS Microfinance Limited)**	• Acts as a business correspondent to the Bank • Sources women-centric credit products to propagate financial inclusion and livelihood development **Differentiators** • Reaching out to the bottom of the pyramid households with a customer base of 4.29 lakh, up by 36% in FY 2018-19 • Majority of loans managed by BSS Microfinance are to women engaged in agriculture and allied activities
International Business **(Kotak Mahindra (UK) Limited, Kotak Mahindra (International) Limited, Kotak Mahindra Inc., Kotak Mahindra Financial Services Limited, Kotak Mahindra Asset Management (Singapore) Pte. Ltd.)**	• Operates in overseas markets through international subsidiaries with a presence in UK, Singapore, UAE, USA and Mauritius; engaged in various activities such as fund management, dealing in securities, advisory services, broker-dealer activities and investments on own account **Differentiators** • The offshore subsidiaries have built a strong distribution network across geographies both in terms of number of distributors and key accounts. The funds have investments from major geographies like Japan, Europe, US and Middle East and continue to make inroads into new geographies
Pension Fund **(Kotak Mahindra Pension Fund Limited)**	• A subsidiary of Kotak Mahindra Asset Management Co. Ltd (KMAMC), appointed as a Pension Fund Manager (PFM) by the Pension Fund Regulatory and Development Authority (PFRDA), in April 2009 • Manages nine diversified schemes across asset classes **Differentiators** • Amongst the fastest growing pension funds on a YoY basis of 71.4% against the industry standard of 34.1%
Asset Recovery **(Kotak Mahindra Bank Limited)**	• Looks at potential turnaround cases basis genuine borrower profile and backed by commensurate cash flows and collaterals **Differentiators** • Only Indian bank providing vital financing required for getting stressed companies back to mainstream banking

Board of Directors

Farida Khambata
Director

Uday Khanna
Director

Uday Kotak
Managing Director & CEO

Uday Shankar
Director

Prakash Apte
Chairman

C. Jayaram
Director

Dipak Gupta
Joint Managing Director

Prof. S. Mahendra Dev
Director

Message from Uday Kotak

Old normal. New normal.

Dear Friends,

India has once again reposed faith in Prime Minister Narendra Modi's vision for a new India. As we undergo a significant structural political transformation of India, it is now time for us to focus on the economic transformation.

52.5%
CASA Ratio

₹7,300 crore
Embedded value of our life insurance business

A strong and stable government is the foundation of this journey. Can this be India's decade?

While there are significant global headwinds, I see two positives which can work in India's favour: softer commodity prices, particularly oil (~USD 62) and low global interest rates as reflected in 10 year US Treasury yields at 2.12%. However, India faces some economic challenges. Slowing GDP growth and limited fiscal space are some of them. In the past years, the challenges of the real sector impacted the financial sector. Now, the reverse is also true.

Despite these challenges, it is an opportune moment to defy gravity of normal economics. We need to take bold steps to reform the financial sector, the real and social infrastructure, remove bottlenecks in different segments and unleash the economy for significant growth in the years to come. We currently stand at around USD 2,000 per capita GDP. China's per capita GDP is now four to five times compared to India's. India needs to move to double digit growth.

History repeats itself?

Now, for a moment let me step back and recapitulate the events that marred the global financial markets over the past two decades. I notice a ten year cyclical pattern.

In 1998, the South East Asian crisis brought down the tiger economies like a pack of cards. The hitherto view that the Indian economy was fairly insulated from global events as the Indian currency was not convertible on the capital account was belied. From a universe of about 4,000 non-banking financial companies (NBFCs) in India, barely 20 survived then.

Fast forward to 2008, we witnessed the Global Financial Crisis – the financial market events in the Mecca of capital markets, USA, severely shook the foundations of all economies. India too did not escape, which again establishes the point that India cannot remain insulated from events impacting global economies.

2018 witnessed tremors once again in the Indian financial sector. I see 2019 and 2020 as years to cleanse, repair and nurture Indian financial institutions. We have work cut out for both practitioners and policy makers.

The financial sector has issues of its own

The major issue talked about is liquidity. However, I see it as the price of liquidity. Concerns on solvency in some cases are also weighing on the markets. I do not at this stage see this as a systemic risk and am confident that the policy makers and regulators will take steps to manage the situation. As regards the price of money, we need to bring down deposit rates of banks for

Through turbulent times, a well-capitalised balance sheet, constant sniffing between risk and returns and early recognition of problems are our financial and cultural compasses.

better transmission. However, high rates on government savings schemes, distortion in yields due to differential tax treatment on debt instruments, are the challenges in the reduction of deposit rates. Further, multiple levels of taxation on equity are leading to a high cost of equity. Time has come for Indian entrepreneurship to get back some of its animal spirits. At the same time, this is a new India where governance and transparency will be the pillars of progress.

Courage of Conviction. Constancy of Change.

Our current annual report's theme – 'Courage of Conviction. Constancy of Change', captures our core ethos and values, which have held us in good stead.

We navigate through the challenges of the financial sector with a sense of optimism for the future. Basic tenets of our philosophy continue to revolve around:-

1) Low cost and stable liabilities
2) Lower financial risk but high franchise value businesses
3) Growing the risk book without diluting risk adjusted returns
4) Embracing the new world of digital, analytics, AI and technology
5) Keeping the entire spectrum of customers at the centre of our world
6) Culture of prudence, simplicity and humility continuing to reflect on our values

Report card

I am happy to report to you that as of 31st March, 2019, our CASA ratio reached 52.5%. We are not obsessed with a number. We would like to see it continue to grow. We are also glad to report that our focus on retail deposits, particularly, deposits below ₹ 1 crore, continues. These deposits have grown by more than 30%, reflecting our core philosophy.

Through turbulent times, a well-capitalised balance sheet, constant sniffing between risk and returns and early recognition of problems are our financial and cultural compasses. We are also seeing a continuing opportunity to gain market share. Moreover, we are seeing an ability to get better pricing for risks we are taking, which reflects in our growth in loan book as well as in our net interest margins. We are equally committed to the broader financial services business, including our life insurance and asset management businesses.

I am happy to report a very significant growth in embedded value of our life insurance business from ₹ 5,800 crore to ₹ 7,300 crore. And our margin on new business at 37% is probably the highest in the life insurance industry. We have seen a very good growth in our mutual fund business. At the same time, our relentless focus on pure banking at the heart of financial services continues.

I conclude by saying that we see a sustained growth opportunity for our range of financial services businesses and are constantly exploring new opportunities.

I thank all our investors and stakeholders for their continued belief in our story as we move forward on a challenging and exciting path ahead.

With warm regards,

Mumbai
5th June, 2019

TAKING THE LEAP... With the courage of conviction

There comes a moment during every mountaineer's ascent, when they are faced with challenges and they must decide either to head back, change course or head on with courage, conviction and confidence.

Kotak's journey much like a mountaineer's climb has been marked by many such challenging moments, necessitating bold decisions, underlined by a powerful conviction that moving forward is the only way to go and that every goal is achievable if one continues the climb. It is never easy to take the big leap needed to scale new heights, but courage coupled with the right capabilities helped us in achieving some path-breaking initiatives in order to seize new opportunities of growth.

Courage to pioneer

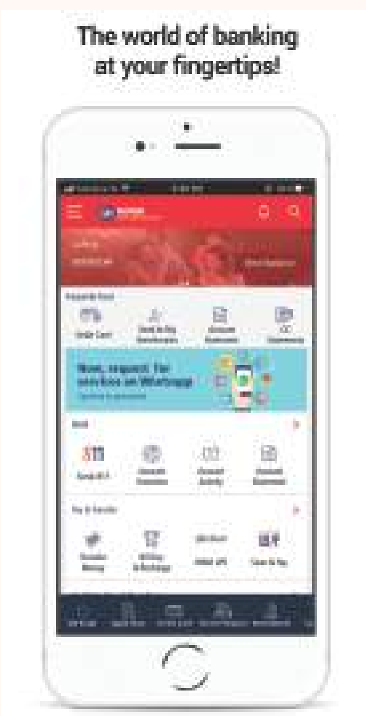
Surging forward in the face of adversity requires the ability to navigate through the tough terrain, with all its deep crevices. The announcement of demonetisation by the Government of India in November 2016 forced millions of Indians to rely on cashless transactions and adopt digital platforms for their financial needs. Kotak was amongst the first few companies to tap the opportunities created with the advent of a cashless economy by launching 811 - India's first downloadable digital bank account, in March 2017. This enabled customers to seamlessly open a zero-balance savings account anytime, anywhere and transact digitally at no cost. The name 811 was inspired by the date of the announcement of demonetisation. This pioneering initiative powered the Company's customer acquisition strategy, while supporting the Government's vision of a cashless economy. 811 also created a huge opportunity to cross sell products to a young customer base.

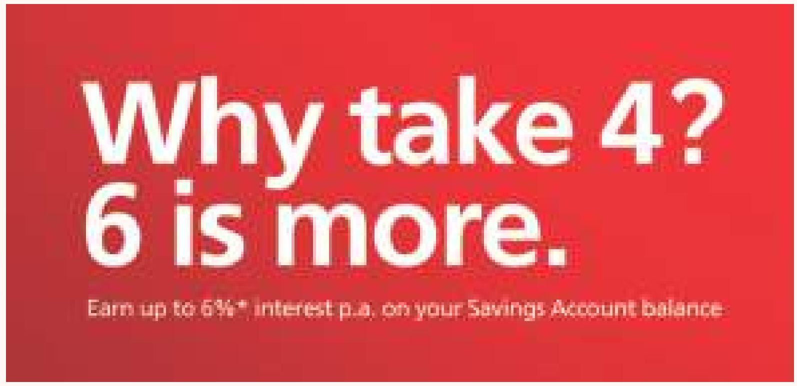
Pushing through barriers with 811

811 set new records in customer acquisition speed, enabling Kotak to acquire 8 million customers within 18 months of launch thereby doubling its customer base while ensuring the quality of sourcing.

Of the total customers acquired in FY 2018-19 through 811, 44% are salaried employees, 73% are aged 18-35 years, and 62% are from the top 20 cities.

In the run-up to the genesis of the digital age in 2010, Kotak seized the opportunity to take a digital leap. Kotak targeted non-residents for NRE/NRO accounts, understanding that they were better digitally prepared. This scaled online CASA acquisitions. Kotak also launched several revolutionary digital products, which changed how Indians interacted with their banks at a time when social media started gaining prominence. One such product was Jifi, a zero-balance account, offering the convenience of Twitter updates (Hashtag banking) and rewards for financial and social media actions. This was recognised as the 'Most disruptive product' at the EFMA European Summit. 'Kotak Now', was another such product that was powered by contemporary German technology and set a precedent in mobile-based account opening with the advantage of online KYC verification.





Courage to stay true to the spirit of being Indian

A strong believer in the Indian growth story, Kotak has always endeavoured to be one of the finest Indian financial services institutions. Like a mountaineer who does not give up on his ambitions, Kotak has always led from the front in aligning itself to the spirit of Indian-ness and delivering consistent value to its shareholders. Its decision, in 2005, to buy out its international partner, Ford Credit (a subsidiary of Ford Motors), in its car finance business, was a courageous move that helped it scale new levels of growth. In 2006, it bought out its joint venture partner Goldman Sachs from its investment banking and securities businesses. Then, in 2017, it acquired the stake of its JV partner Old Mutual in its life insurance business thereby making Kotak Life Insurance the only private sector company among the top private sector insurers to be fully owned by a domestic company.

Today, all subsidiaries of Kotak Mahindra Bank are 100% beneficially held by the Bank.

Courage to think out of the box

Deposit funding can be one big conundrum for most banks. When Kotak was relatively new in the banking business, attracting savings account customers seemed like a daunting task. However, RBI's interest rate deregulation in 2011 presented an opportunity to create a differentiated acquisition strategy. The Bank moved quickly and leveraged this opportunity by increasing its savings bank interest rates to 6% for balances above ₹ 1 lakh and 5.5%* for others – a move that translated into significant growth in savings accounts.

Within 2 years of RBI's interest rate deregulation, Kotak more than doubled its savings account book from ₹ 3,330 crore as on 31st March, 2011 to ₹ 7,268 crore as on 31st March, 2013, posting a CAGR of 48%. The SA book stands at ₹ 79,685 crore as on 31st March, 2019 and has grown at a CAGR of 39% in the last 3 years.

*Interest on savings account balance: 6% p.a. over ₹ 1 lakh and up to ₹ 1 cr. | 4.5% p.a. up to ₹ 1 lakh | 5.5% p.a. above ₹ 1 cr. (w.e.f. 15th April, 2019)

Courage to differentiate

With the Indian economy booming during the 2000s, corporate banking grew rapidly as companies went on an expansionary mode. But Kotak unlike others, adopted a prudent and cautious approach, targeting only high-rated customers and sectors. It avoided riskier longer-term project finance in favour of shorter duration loans and secured working capital loans given its conviction of taking only lenders' risk and not equity type risks for lending returns. This allowed it to build scale in its corporate banking business in a healthy manner. When the cycle turned and banks started going slow on corporate lending given stress in their books, Kotak sensed an opportunity and started targeting market share to ramp up its corporate book.

Over the past few years, corporate assets have consistently grown by over 20% and its proportion to the overall advances has increased to 39%. Kotak continues to differentiate itself in its strong understanding of risk, helping it to deliver healthy and profitable growth. Use of Risk-Adjusted Return on Capital models have assisted pricing optimisation and helped to better judge the risk-return metrics. Risk Weighted Assets as a percentage of total assets have consistently declined and the book enjoys industry-low NPAs.

Kotak's Corporate Banking book stood at ₹ 61,889 crore as on 31st March, 2019; CAGR of 21% over 3 years.

Courage to multiply through change

In its endeavour to scale up the business and multiply competencies, Kotak executed one of the largest financial services mergers of ING Vysya Bank with itself. This led to the expansion of its network pan-India, with significant competencies getting added to its business, eventually translating into benefits for all stakeholders.

The integration was completed in 15 months and the merger created a ₹ 200,000 crore institution, making Kotak India's fourth-largest private bank at the time of the merger. Additionally, the significant synergies between the two entities translated into enhanced presence, offerings and cost efficiencies, thereby strengthening Kotak's business model of 'Concentrated India, Diversified Financial Services' – the goal that it continues to surge towards, in its journey of achieving many milestones.

Kotak Standalone Merger Impact

Particulars	31/03/2015	30/06/2015	31/03/2019
Branches (Nos.)	684	1,260	1,500
Advances	₹ 66,161 cr.	₹ 103,614 cr.	₹ 205,695 cr.
Deposits	₹ 74,860 cr.	₹ 116,812 cr.	₹ 225,880 cr.
Assets	₹ 106,012 cr.	₹ 166,874 cr.	₹ 312,172 cr.

Region-wise branches (%)

	Pre-Merger		At Merger
Branches	ING Vysya	Kotak	Kotak (Merged)
West	13	46	31
North	22	33	28
South	61	15	36
East	4	6	5

Courage to take risks

Faced with the Asian crisis, several companies in India ended up defaulting, triggering a liquidity crisis for NBFCs, including some of the established ones. Over 3,000 NBFCs were impacted, and many collapsed.

Kotak's extreme prudence and conservatism, as an NBFC back then, not only helped it sail through the crisis but placed it in the enviable position of having other NBFCs approach it for their recoveries. Kotak saw this as an opportunity to pioneer the purchase of NPA portfolios. Starting with an MNC bank, it bought many portfolios from private and public banks and along the way the SARFAESI Act, 2002 catalysed business momentum. Kotak's bold conviction, driven by its uncanny long-term vision, resulted in big business, generating high IRRs, commensurate with the risks taken.

CHARTING NEW PATHS...
With the Courage of Conviction

Mountaineers usually set forth on a dedicated path in an expedition. Yet there are some who are passionate and are driven by their force of conviction to explore the unexplored and chart their own path.

Kotak has always had the courage to break new ground, explore uncharted territories and reinvigorate the industry.

Courage to set benchmarks

In its quest to reach the goal, it is as important to create new milestones on the way.

With its industry-defining initiatives, Kotak Mahindra Capital Company (KMCC) harnessed its unrivalled product enhancement expertise to take bold and pioneering initiatives in the capital markets at a time when the company was just finding its feet. Along with the stock exchanges, it set a precedent in the book building IPO process, curating an IPO as per international pricing norms of book building.

KMCC's efforts in price discovery mechanisms, retail participation through the 'cut off' concept and addition of the provision of 'Red Herring Prospectus' in the Companies Act have contributed significantly in strengthening India's capital markets. Working closely with the regulator, KMCC also assisted with the T+6 post issue process, revision of the abridged prospectus in IPOs or in the IPO application forms and disclosures, and the framework for anchor investors in public issues, amongst others. In FY 2018-19, KMCC led the largest IPO, largest REIT IPO, largest QIP and largest Block of the year, raising a total of ₹ 32,983 crore across 14 transactions.

The many firsts in India

- First QIP of Compulsorily Convertible Debentures
- Led India's first-ever QIP of NCDs with Warrants as a stapled product
- First-ever French Auction in Asia
- First IDR Issue
- First-ever Bonds listing for a port trust company
- First IPO with no identifiable promoter
- First IPO with unlimited FII participation
- First IPO with a 10% dilution

Courage to compete

At a time when the custody market space was dominated by a few large foreign banks, Kotak took the bold decision of breaking through by creating its niche with differentiated offerings. Providing better technology and customised services in addition to the regular advisory on markets and regulations, it captured market share to become one of India's largest domestic custodians. Its assets under custody reached upwards of USD 30 billion and clientele included marquee investors and foreign portfolio investors.

With its comprehensive portfolio of Custody, Clearing, Fund Accounting and Treasury Solutions – all served by dedicated in-house teams, Kotak continues to spread its wings globally. A strong focus on new initiatives has led to its emergence as the first bank custodian to offer PCM Services on Gift City's INDIA INX exchange, with an aim to become a one-stop destination for local and overseas investment requirements of fund managers.

Kotak is one of India's largest domestic custodians with assets under custody of upwards of USD 30 billion.

Courage to be contrarian

Becoming a leader often requires one to take a contrarian approach, moving in a different direction from the rest of the pack. The Bank's maxim that 'return of capital' is more important than 'return on capital' has manifested itself many times in its history and one such example is our Commercial Vehicle/Construction Equipment (CV/CE) loan book. When the CV/CE financing business was going very strong, the Bank foresaw the danger of over-heating in the market and that the industry was prone to over capacity. Kotak had its ears to the ground and chose to be contrarian by consciously reducing its exposure to CV/CE financing from December 2012. As a result, Kotak's CV/CE book came down to ~ ₹ 5,000 crore in December 2014 from its high of ~ ₹ 8,000 crore in September 2012. During that period, the Bank reduced its monthly disbursement by 80% and largely catered to its existing good customers. The CV/CE book came down but there was no shutting down of branches and Kotak chose to take the operating expenditure pain rather than capital pain – a strategy that proved to be beneficial amid the peaking NPAs and defaults in the industry. By September 2015, however, on regaining comfort in the segment, the Bank again started increasing disbursements, bringing its book back to ~ ₹ 8,000 crore in June 2016.

Kotak's CV/CE book stands at ~₹ 19,000 crore as on 31st March, 2019; CAGR of 38% over 3 years.

Courage to make strategic shifts

The mountaineer often needs to change her/his strategy while climbing difficult peaks. Kotak Securities (Ksec) revolutionised the industry in its formative years when the securities business in India operated on the sub-broker business model where the sub-brokers issued contract notes to clients and were also responsible for settlement of payment which was fraught with risk of sub-brokers defaulting to customers. Keeping investor interest and protection in mind, Ksec decided to revamp its strategy. It issued contract notes and made payout of funds to the client directly and the sub-broker's role was limited to only coordinating with the client for dealing purposes. This approach later became a directive, when SEBI in August 2004 issued a circular introducing a model tripartite agreement whereby the sub-brokers were not allowed to issue contract notes to clients and the brokers had to issue them directly. This was a major step towards investor protection that ensured direct movement of funds and securities between the broker and the investor.

Courage to take on global firms

A fall or two does not stop a mountaineer from getting up and starting all over again. That is what Kotak Institutional Equities (KIE) had to do after it ended its JV with Goldman Sachs, leaving it to survive without its global parentage. It first invested in building its research abilities and then went on to enhance its sales and execution skills by infusing new talent. Providing top-notch services to clients, it garnered wallet share from FIIs to succeed in the institutional equities business. It also, early on, focussed on servicing domestic institutions as well given its conviction on India's financial savings potential and Indian asset managers becoming meaningful players in the Indian investment industry.
KIE today is ranked among India's leading domestic brokerage and research houses, winning several prestigious awards.

KIE has over 200 stocks with a market capitalisation of over USD 1,600 billion under its research coverage.

Courage to outperform

Kotak Life Insurance (KLI), a fully-owned domestic company, is one of the leading private insurance companies in the country. The company is known for its balanced distribution mix & product mix, superior business quality, compliance and customer-centricity. It acted out its conviction to achieve a balanced portfolio mix by bringing down ULIPs to 25% and it also has one of the highest VNB margins of 36.9% in the industry.

To boost growth, KLI transformed its agency business by revamping agent selection criteria, improving the value proposition for agents, realigning the role of its frontline employees, in addition to superior execution framework and governance mechanisms.

	FY2018-19
Indian Embedded Value (IEV)*	₹ 7,306 crore
Product mix of ULIP – FY 2018-19^	25%
VNB Margin	36.90%
13^{th} Month persistency	87.33%

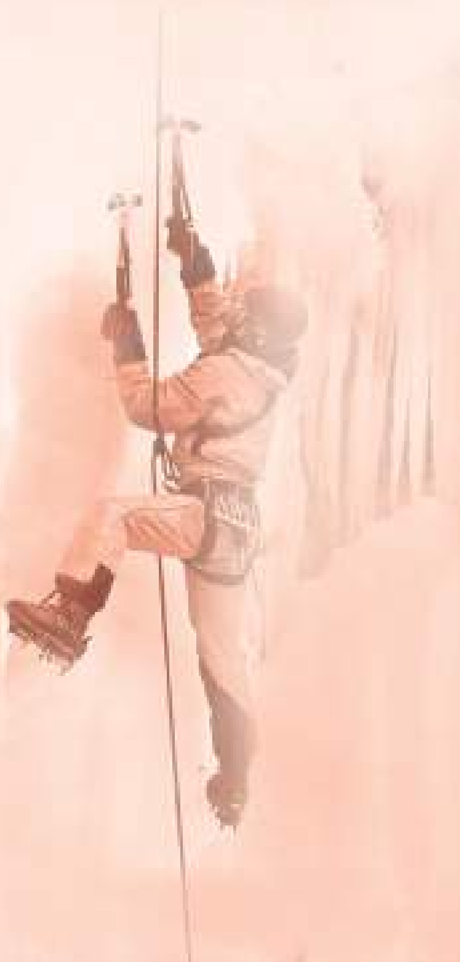
* Computed based on the principles prescribed by APS10. The methodology, assumptions and results have been reviewed by Willis Towers Watson Actuarial Advisory LLP
^ ULIP mix is on Individual APE business

KLI's agency is one of the highest recruiters of new advisors. The company's advisor licensing has been consistently among the top two in the private industry with market share of over 15%.

ZINDAGI KE HAR MOD PEY,
KOI HAI HAMESHA.

STAYING STABLE IN A CHANGING WORLD…

Unexpected changes are part of every mountaineering expedition, requiring a mountaineer to stay adequately prepared to deal with them at all times.



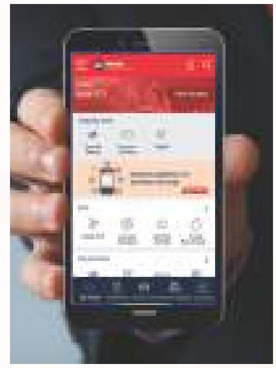
Amid the rapid digitalisation of India's financial sector, Kotak has readied itself for disruption by undertaking game-changing digital initiatives. Every department is inspired by the spiralling benefits of state-of-the-art technologies, which are leveraged to deliver superior customer experience, drive business efficiency and assist business collaborations.

Kotak Mahindra Bank

Going high-tech

Taking a digital leap forward, Kotak has upgraded net banking and its mobile banking app by adding new features and enhancing its user-friendliness. Its website was acknowledged as "Best-in-class brand for mobile experience" in the Finance category by Google's 'Masters of Mobile' report.

Kotak's mobile app continues to be the highest rated, with a rating of 4.8 on Apple App Store.



Promoting conversational banking

Kotak, with its new channels of Keya Chatbot and WhatsApp Banking, is engaging with its customer through conversational banking. While Keya Chatbot, enables all digital channels to handle various product-related queries and service requests, WhatsApp Banking (first by an Indian bank) provides a range of banking services to customers on WhatsApp.

Opening new digital payment gateways

Kotak provides multiple digital, cashless payment channels to banking customers like consumers, merchants, corporates, fintechs and billers. New products like AEPS (Aadhaar Enabled Payment System) and Aadhaar Pay enabled last-mile payments for business correspondent agents, while allowing customers of any bank to access cash withdrawal and payments services. KayMall, on the mobile banking app, encompassing multiple e-commerce categories, allows secure and seamless purchases without third-party application.

Kotak ranks amongst the Top 5 Banks in MeitY's 'Digital Payments Achievement Dashboard' (based on a point-scoring methodology).

Digitising SME focus

Kotak has launched digital initiatives for instantly disbursing business loans to its existing SME customers. It became the first bank to take co-lending LIVE with Capital Float and is the first private sector bank to join the platform - www.psbloansin59minutes.com

Transforming the digiscape

With focus on business efficiency, customer experience and risk reduction via automated solutions, Kotak has completed over 2 lakh transactions across multiple processes through Robotic Process Automation and now intends to scale to Cognitive Machine Reading to automate routine tasks. 100+ partners have been onboarded on an Open Banking platform to enable API-based lending and payment, with more than half going live. Ripple for International remittances has been made live, enabling faster partner onboarding and geographical forays. A non-Aadhaar (scanned physical image-based KYC with OTP authentication) full KYC platform has replaced the biometric-based onboarding.

Kotak AMC

Digital for investors

Kotak Mutual Fund's incessant quest to keep simplifying an individual's investment journey resulted in an industry-first digital solution, 'Video KYC.' This innovative feature of the Kotak Mutual Fund app lets anyone complete her/his mutual fund KYC verification in a smart, quick, and efficient manner.

Kotak Mutual Fund introduced the feature of Insta Redeem, using which any investor can instantly redeem money up to ₹ 50,000 or 90% of invested amount, whichever is lower, from her/his Liquid Fund 24/7 in a matter of seconds.

A few other facilities aimed at enhancing the investors' convenience are SIP Renewal Alert, Activation Alert, and Incomplete Cart Alert.

Kotak Life Insurance

In FY 2018-19, KLI strengthened its Genie platform, a mobile-based solution for sales fulfilment and handling new business transactions. It introduced new payment modes to enable faster cheque clearances. The launch of Kotak Authentication Review Mechanism (KARM) to automate pre-login verification steps, is helping minimal intervention at the processing stage. System integration with web aggregators, along with Smart-Sell – a pre-sale marketing, engagement and productivity app, to inform and engage prospects and policy holders – are some other highlights of KLI's digital journey.

Kotak Securities

Leveraging technology to smoothen business experience, Ksec launched Free Intraday Trading, a simple and competitive price structure product to enable self-trades on the digital platform. An education platform is boosting self-learning on financial topics, thus powering the Company's brand and supporting marketing activities. Automation and digital tools are helping personalise the campaign for customers.

ESG Practices

A Responsible Corporate Citizen in Action

Kotak Mahindra Bank (Kotak) organised several workshops across businesses to embed the Bank's Business Responsibility (BR) agenda in FY 2018-19. The Bank continues to work on a long-term approach to create value for its stakeholders and enhance its overall sustainability performance.

In an effort to encourage sustainable environmental practices, various energy saving initiatives were implemented in FY 2018-19, enabling Kotak to save more than 1,200 MWh of electricity from being consumed. Plastic waste management has been one of the major focus areas of the Bank. In FY 2018-19, several offices of Kotak replaced single-use plastic water bottles with glass water dispensers. In FY 2018-19, Kotak recycled, 1,547 kg of used PET bottles, which earned the Bank recognition from Bisleri as the highest contributor to their 'Bottles for Change' initiative. Further, Kotak distributed over 1.25 lakh cotton cloth bags to inculcate the habit of "carry your own bag" among citizens pan India.

Kotak's Code of Conduct puts utmost importance on conducting its operations in an ethical and responsible manner. Kotak acknowledges that the core ingredient of its success and growth are its employees. Several initiatives have been undertaken to nurture the values of integrity, transparency and accountability as well as to enhance skills, engagement and satisfaction amongst employees. Stakeholders such as employees, customers and community members have benefited from the diverse initiatives implemented by Kotak in FY 2018-19.

'Customer Experience' through Net Promoter Score (NPS) – one of Kotak's stakeholder engagement initiatives has helped the Bank in undertaking timely interventions and identifying areas that require product and service improvements.

Inclusive growth continues to be a key agenda for the Bank. Kotak's digital-first organic growth strategy – fuelled by the deeper penetration of India Stack coupled with formalisation of the Indian economy (GST) and financial savings (less-cash digital India), has contributed immensely towards its financial inclusion programme, thus enabling the Bank to take banking to unbanked and under-banked regions.

While implementing CSR activities as prescribed in Schedule VII read with Section 135 of the Companies Act, 2013, the Bank increased its footprint in its key CSR focus areas which include education, livelihood & skill development, healthcare and sports.

Key highlights:

Paper saving of
40.93 million
A4-size sheets

2,735.63 tCO_2e
(Greenhouse Gases) emissions avoided

1,235.67 MWh
of energy saved from conservation initiatives across large offices

CSR Spend for FY 2018-19
₹3,655 lakh

Since its inception in 1999, BVV Sangha Kotak Mahindra Bank Rural Self Employment Training Institute (RSETI), has created employment opportunities, including self-employment for
35,000+
people from Bagalkot District, Karnataka

Environmental, Social and Governance (ESG)

Awards and Accolades

USIBC Global Leadership Award

Uday Kotak, Managing Director & CEO accepts the USIBC Global Leadership award from Vijay Advani, CEO, Nuveen (left) and Nisha Biswal, President, USIBC at the event

CFO India Hall of Fame Honouree

CFO India recognises Jaimin Bhatt, President & Group CFO, Kotak Mahindra Bank as a Hall of Fame 2019 honouree

Magna Awards 2019

Virat Diwanji, President - Retail Liabilities & Branch Banking, Kotak Mahindra Bank receives the award for Best Mid-Size Bank and Fastest Growing Mid-Size Bank at Magna Awards 2019 by Businessworld

CEO of the Year

G Murlidhar, CEO & Managing Director, Kotak Mahindra Life Insurance Company, recognised as CEO of the Year – Life Category by FICCI Insurance

IDC Digital Transformation Awards

Puneet Kapoor, Senior Executive Vice President, Kotak Mahindra Bank, receives the award from Robert Parker, Group Vice President, IDC at the Digital Transformation Awards 2018

Most Powerful Women

Shanti Ekambaram, President – Consumer Banking, Kotak Mahindra Bank recognised as one of the Most Powerful Women in Business 2018 by Fortune India

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Kotak Mahindra Bank

- Uday Kotak: "CEO of the Year Award" at CNBC-Awaaz CEO Awards 2018
- Uday Kotak: Life Time Achievement Award at Magna Awards 2019 by Businessworld
- The Tata Mumbai Marathon 2019 Philanthropy Awards Nite recognises:
    - KVS Manian, President - Corporate, Institutional and Investment Banking as a TMM Legend
    - Shanti Ekambaram, President - Consumer Banking as a Change Icon
    - Manish Kothari, Senior Executive Vice President & Business Head - Corporate Banking as a Change Champion
- IR Magazine Forum and Awards:
    - Kotak IR team: Runner Up, Best Investor Relations Team (Large Cap)
    - Nimesh Kampani, Senior Vice President & Head - Investor Relations: Runner Up, Best Investor Relations Officer
- Bhargesh Ojha, Senior Executive Vice President - General Counsel, recognised at the General Counsel Summit 2018 for his valuable contribution to the legal industry
- Pawan Mahajan, Vice President - Legal: Rising Star Under 40 at the 3rd Annual 40 under 40 Rising Star Awards 2018
- Shekhar Bhandari: Transaction Banker of the Year in Asia Pacific 2019 by The Asian Banker Transaction Awards 2019
- Euromoney Awards for Excellence 2018: India's Best Bank
- Euromoney Awards for Excellence 2018: Best Bank in the Emerging Markets in the Euromoney Regional Awards
- Asiamoney Best Bank Awards 2019: Best Domestic Bank, India
- The Asset Triple A Country Awards 2018:
    - Best Bank, Domestic - India
    - Best Acquisition Finance - Torrent Pharmaceuticals' ₹ 36 billion non-convertible debentures
- The Asian Banker Financial Technology Innovation Award: Best Innovation Centre by a Financial Institution in India
- The Asian Banker - Banker's Choice Awards:

CFO100 2019 Roll of Honour

R. Anantha Raman, Senior Executive Vice President, Kotak Mahindra Bank receives the CFO100 2019 Roll of Honour in the Internal Audit & Control category at The 9th Annual CFO100 Programme by CFO India

CFO100 2019 Roll of Honour

Himanshu Vasa, Senior Executive Vice President, Kotak Mahindra Bank receives the CFO100 2019 Roll of Honour in the Technology category at The 9th Annual CFO100 Programme by CFO India

CFO100 2019 Roll of Honour

Gobind Jain, Executive Vice President, Kotak Mahindra Bank receives the CFO100 2019 Roll of Honour in the Risk Management category at The 9th Annual CFO100 Programme by CFO India

NextGen Digital Leader

Deepak Sharma, Chief Digital Officer, Kotak Mahindra recognised as 'NextGen Digital Leader' for the year 2019 at the Dataquest Technology Innovation Summit & Awards

Banker's Choice Awards

Kotak Mahindra Bank recognised as the Best Cash Management Bank in India at the Banker's Choice Awards by The Asian Banker

Highest Fund Raising Corporate

Kotak Mahindra Bank recognised as the highest Fund Raising Corporate at the Tata Mumbai Marathon

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  - Best Cash Management Bank in India
  - Best Supplier Relationship Management in India
  - Best E-commerce Initiative, Application or Programme: "Kotak ALLPAY"
- Business Today-Money Today Financial Awards 2018-2019: Best Mid-Sized Bank Award
- Aadhaar Excellence Awards 2018:
  - Kalyan (W), Thane, Maharashtra: Best Performing Branch in terms of Aadhaar Generation & Update
  - 3rd Best Performing Private Bank in terms of Total Aadhaar Generation & Update
- 2nd Annual Economic Times Iconic Brand Summit 2018: Icon of Indigenous Excellence Award
- India Banking Summit and Awards 2018:
  - Technology Innovator of the Year for innovative use of Data Storage Devices
  - Customer Service Provider of the Year - Private Bank
- IDC Digital Transformation Awards 2018:
  - Omni-experience innovator - Improve customer experience and automate operations
  - DX Leader - Keya - AI-led Voice Bot
- Voice Bot (Keya) selected as one of the Best 50 Innovative Applications in AI at the NASSCOM AI Game Changer Awards 2018
- Best Data Science Project award at Cypher 2018 for Interact, the real time omni-channel recommendation engine for the consumer bank
- The Asset Triple A Digital Awards 2018: Most Innovative Emerging Digital Technologies Project for WhatsApp Business API
- Financial Express India's Best Banks Awards 2018: Best Savings Bank Product award for 6% interest p.a.
- IAMAI 9th India Digital Awards: Open Banking initiative selected as the runner up under the Best Digital API category
- BFSI Digital Innovation Award 2019 under the category "Enterprise Mobility" for successfully executing and supporting the Enterprise Network - LAN
- NetApp Innovation Awards 2018 under the Enterprise Mobility category for Kotak 811

Kotak Securities

- Machine Conference 2018: "Early adopter of Analytics" for using Analytics extensively in client management
- The Asset Triple A Country Awards 2018: Best Brokerage, India under the Best Advisors South Asia category
- IAMAI 9th India Digital Awards: Bronze for Best Omni-Channel Campaign Management & Marketing Automation
- Best Retail IPO Bidding Member, 2018 by NSE
- 2019 FinanceAsia Country Awards: Best Broker

Kotak Wealth

- Ranked #1 in the 2019 Euromoney Private Banking and Wealth Management Survey for:
  - Best Private Banking Services Overall
  - Net-worth-specific services: Ultra High Net Worth clients (Greater than US$ 30 million)
  - Net-worth-specific services: High Net Worth clients (US$ 5 million to US$ 30 million)
  - Net-worth-specific services: Super affluent clients (US$ 1 million to US$ 5 million)
  - Family Office Services
  - Research and Asset Allocation Advice
  - Philanthropic Advice
- India Wealth Awards 2018 by AIWMI: TOP report wins "Wealth Management Publication"
- Professional Wealth Management / The Banker Private Banking Awards 2018: Best Performing Private Bank
- Ranked #1 in Asian Private Banker's India 2018 Onshore AUM league table
- Ranked #1 in Asian Private Banker's India 2017 AUM league table
- Asian Private Banker 2018 Awards for Distinction: Best Private Bank

Kotak Mahindra Capital Company

- The Asset Triple A Country Awards 2018: Best M&A India for Tata Chemicals US$400 million sale of the urea business to Yara International
- 2019 FinanceAsia Country Awards:
  - Best Investment Bank
  - Best ECM House

Kotak Mahindra Asset Management Company

- Business Today-Money Today Financial Awards 2018-2019: Best Value Creator Fund Debt for Kotak Corporate Bond Fund
- 2018 DMAI Asia Echo: Silver for Best Use Of Direct Mail Diwali – Beejbox Wali
- CNBC TV18 Mutual Fund Awards 2018:
  - Best Mutual Fund House of the Year 2018
  - Best Debt Mutual Fund House of the Year 2018
  - Best Corporate Bond of the Year 2018
  - Best ETF of the Year 2018
  - Best Arbitrage Fund of the Year 2018

Kotak Institutional Equities

- Asiamoney Brokers Poll 2018, India:
  - Best Local Brokerage
  - Best Overall Country Research
  - Best Strategist: Sanjeev Prasad
  - Best Economist: Suvodeep Rakshit
  - Best Analyst for Banks: M.B. Mahesh
  - Best Analyst for Automobiles & Components: Hitesh Goel
  - Best Analyst for Diversified Financials: Nischint Chawathe
  - Best Analyst for Energy: Tarun Lakhotia
  - Best Analyst for Materials: Abhishek Poddar
  - Best Analyst for Telecommunication Services: Rohit Chordia

Kotak Mahindra Life Insurance Company

- The Asset Triple A Digital Awards 2018: Most Innovative Insurance Analytics Project for Smart Sell Digital Insurer of the Year

Annual Report 2016-17

- Certificate of Merit under the Private Sector Banks (including Co-operative Banks) category by SAFA Best Presented Annual Report Awards 2017
- Silver Winner, Worldwide: League of American Communications Professionals (LACP) 2017 Vision Awards

Annual Report 2017-18

- Silver Winner, Worldwide: League of American Communications Professionals (LACP) 2018 Spotlight Awards Global Communications Competition

Financial Statements and Statutory Reports

Consolidated Financial Highlights 2018-2019

(₹ in crore)

FINANCIAL HIGHLIGHTS	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Advances	88,632	144,793	167,125	205,997	243,462
Investments*$	31,910	55,304	49,974	68,741	76,858
Total Assets	148,576	240,804	276,188	337,720	395,171
Net Profit	3,045	3,459	4,940	6,201	7,204
KEY FINANCIAL INDICATORS					
Net Interest Margin (NIM)	4.9%	4.4%	4.5%	4.3%	4.3%
Return on Average Assets (RoAA)	2.3%	1.6%	2.0%	2.0%	2.0%
Book Value Per Share (₹)	143	182	209	265	303
Earnings Per Share (EPS) Face Value ₹ 5 per share^	19.7	18.9	26.9	32.7	37.7
Return on Equity (RoE)	14.8%	11.0%	13.8%	13.5%	13.3%
Capital Adequacy Ratio	17.6%	17.0%	17.2%	18.4%	17.9%
Gross NPA (₹ crore)	1,392	3,017	3,804	4,071	4,789
Net NPA (₹ crore)	697	1,353	1,814	1,769	1,696
Gross NPA Ratio	1.6%	2.1%	2.2%	2.0%	1.9%
Net NPA Ratio	0.8%	0.9%	1.1%	0.9%	0.7%

* *Excludes Policyholders' investments*

$ *Deposits placed with NABARD, SIDBI and NHB on account of shortfall in lending to priority sector reclassified to "Other Assets"from "Investments" pursuant to RBI guidelines. Accordingly, numbers for FY2015 have been regrouped.*

^ *FY2015 have been adjusted for 1:1 bonus done in July, 2015.*

MARKET RELATED RATIOS	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Market Price (₹) #	657	681	872	1,048	1,335
Market Capitalisation (₹ crore)	101,429	124,857	160,563	199,674	254,723
Price to Book Ratio	4.6	3.7	4.2	4.0	4.4
Price to Earnings Ratio	33.3	36.1	32.5	32.1	35.4

FY2015 have been adjusted for 1:1 bonus done in July, 2015.

Standalone Financial Highlights 2018-2019

(₹ in crore)

FINANCIAL HIGHLIGHTS	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Deposits	74,860	138,643	157,426	192,643	225,880
Advances	66,161	118,665	136,082	169,718	205,695
Investments	28,659	51,260	45,074	64,562	71,189
Total Assets	106,012	192,260	214,590	264,933	312,172
Net Interest Income	4,224	6,900	8,126	9,532	11,259
Fee Income	1,226	1,764	2,121	2,765	3,391
Other Non Interest Income	802	848	1,356	1,288	1,213
Operating profit	2,997	4,041	5,985	7,158	8,348
Provisions and Contingencies	164	917	837	940	962
Tax Provision	967	1,034	1,737	2,134	2,520
Net Profit	1,866	2,090	3,411	4,084	4,865
KEY FINANCIAL INDICATORS					
Net Interest Margins	4.9%	4.4%	4.5%	4.4%	4.3%
Cost to Income Ratio	52%	58%	48%	47%	47%
Return on Average Assets	2.0%	1.2%	1.7%	1.7%	1.7%
Fee / NII Plus other Income	19.6%	18.5%	18.3%	20.4%	21.4%
NII / NII Plus other Income	67.6%	72.5%	70.0%	70.2%	71.0%
Capital Adequacy Ratio	17.2%	16.3%	16.8%	18.2%	17.5%
Tier I	16.2%	15.3%	15.9%	17.6%	16.9%
Gross NPA Ratio	1.9%	2.4%	2.6%	2.2%	2.1%
Net NPA Ratio	0.9%	1.1%	1.3%	1.0%	0.8%

Consolidation at a Glance

(₹ in crore)

FINANCIAL HIGHLIGHTS	2018-2019		2017-2018		March 31, 2019	March 31, 2018
	Profit before Tax	Profit after Tax	Profit before Tax	Profit after Tax	Networth	Networth
Kotak Mahindra Bank Limited	7,385.79	4,865.33	6,218.22	4,084.30	42,898.38	37,481.66
Subsidiaries						
Kotak Mahindra Prime Limited	905.07	599.35	901.88	589.62	5,415.52	4,816.44
Kotak Securities Limited	680.39	451.86	795.97	530.95	3,978.76	3,526.90
Kotak Mahindra Capital Company Limited	92.93	63.12	101.54	65.29	571.93	558.52
Kotak Mahindra Life Insurance Company Limited	590.80	507.24	471.23	413.41	2,745.36	2,238.13
Kotak Mahindra General Insurance Company Limited	(34.90)	(34.90)	(32.55)	(32.55)	107.83	97.73
Kotak Mahindra Investments Limited	315.56	206.99	366.64	244.97	1,589.51	1,382.52
Kotak Mahindra Asset Management Company Limited	337.12	218.06	124.45	81.21	445.41	227.35
Kotak Mahindra Trustee Company Limited	50.53	36.48	45.39	33.79	137.45	105.49
Kotak Mahindra (International) Limited	63.60	59.59	67.74	62.01	623.03	532.00
Kotak Mahindra (UK) Limited	48.34	38.81	26.08	19.05	273.90	222.15
Kotak Mahindra, Inc.	(2.38)	(2.44)	(2.84)	(2.87)	7.05	8.91
Kotak Investment Advisors Limited	17.10	17.41	10.81	10.88	355.14	337.74
Kotak Mahindra Trusteeship Services Limited	3.31	2.39	2.39	1.73	18.35	15.97
Kotak Infrastructure Debt Fund Limited	25.65	25.65	14.38	14.38	349.20	323.62
Kotak Mahindra Pension Fund Limited	0.07	0.07	(0.05)	(0.05)	25.36	25.29
Kotak Mahindra Financial Services Limited	0.12	0.12	3.35	3.35	8.41	7.82
Kotak Mahindra Asset Management (Singapore) Pte. Limited	60.59	52.16	39.39	32.81	96.38	42.22
IVY Product Intermediaries Limited	0.33	0.24	0.26	0.16	5.59	5.35
BSS Microfinance Limited	79.22	55.68	27.15	17.91	164.18	108.50
Total	**10,619.24**	**7,163.21**	**9,181.43**	**6,170.35**	**59,816.74**	**52,064.31**
Add: Associates		84.43		110.51	942.35	857.92
Less: Dividend, Minority interest, Inter company and Other adjustment		43.51		79.89	2,478.59	2,436.17
Consolidated Profit after Tax/Networth		**7,204.13**		**6,200.97**	**58,280.50**	**50,486.06**
Consolidated Earnings Per Share (₹)		37.74		32.66		
Consolidated Book Value Per Share (₹)					302.71	264.93

Independent Auditor's Report

To the Members of Kotak Mahindra Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kotak Mahindra Bank Limited (hereinafter referred to as "the Bank") and its subsidiaries (the Bank and its subsidiaries together referred to as "the Group") and its associates comprising of the consolidated Balance Sheet as at March 31, 2019, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries and associates, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associates as at March 31, 2019, their consolidated profit and their consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their reports furnished to us by the management, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matter
Identification of and provisioning for Non-performing advances (Refer Schedule 17 - Note 2H to the consolidated financial statements):	
Advances constitute a significant portion of the Group's assets and the quality of these advances is measured in terms of ratio of Non-Performing Advances ("NPA") to the gross advances of the Group. The Group's net advances constitute 62% of the total assets as at March 31, 2019. The Reserve Bank of India's ("RBI") guidelines on Income recognition and asset classification ("IRAC") prescribe the prudential norms for identification and classification of NPAs and the minimum provision required for such assets. The Bank and the non banking financial companies in the Group are also required to apply its judgement to determine the identification and provision required against NPAs by applying quantitative as well as qualitative factors. The risk of identification of NPAs is affected by factors like stress and liquidity concerns in certain sectors.	The audit procedures performed, among others, included: - Considering the Group's policies for NPA identification and provisioning and assessing compliance with the IRAC norms. - Understanding, evaluating and testing the design and operating effectiveness of key controls (including application controls) around identification of impaired accounts based on the extant guidelines on IRAC. - Performing other procedures including substantive audit procedures covering the identification of NPAs. These procedures included: - Testing of the exception reports generated from the application systems where the advances have been recorded.

Key audit matters	How our audit addressed the key audit matter
The provisioning for identified NPAs is estimated based on ageing and classification of NPAs, value of security and other qualitative factors and is subject to the minimum provisioning norms specified by RBI. Since the identification of NPAs and provisioning for advances require significant level of estimation and given its significance to the overall audit, we have ascertained identification and provisioning for NPAs as a key audit matter.	- Reading the accounts reported by the Bank and other banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress. - Reading account statements and other related information of the borrowers selected based on quantitative and qualitative risk factors. - Performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which need to be considered as NPA. Examining the early warning reports generated by the Bank to identify stressed loan accounts. - Holding specific discussions with the management of the Bank on sectors where there is perceived credit risk and the steps taken to mitigate the risks to identified sectors. With respect to provisioning of advances, we performed the following procedures: - Gained an understanding of the Group's process for provisioning of advances. - Tested on a sample basis the realizable value of assets provided as security against loans classified as non-performing for determining the provision. - Tested on a sample basis the calculation performed by the management for compliance with RBI regulations and internally laid down policies for provisioning.
Information Technology ("IT") Systems and controls	
The reliability and security of IT systems plays a key role in the business operations of the Bank. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These systems also play a key role in the financial accounting and reporting process of the Bank. Due to the pervasive nature and complexity of the IT environment we have ascertained IT systems and controls as a key audit matter.	- We included specialized IT auditors as part of the audit team for testing IT General Controls (logical access, change management and aspects of IT operations controls), application controls and IT dependent manual controls implemented by the Bank, and testing the information produced by the Bank. - Tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. - Tested the Bank's periodic review of access rights. We inspected requests of changes to systems for approval and authorisation. - Considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit. - Tested key application controls to evaluate their operating effectiveness. - Where deficiencies were identified, we tested compensating controls or performed alternate procedures.
Compliance with regulations impacting financial statements	
The Bank operates in a highly regulated environment. In addition to the Banking Regulation Act, 1949, RBI provides directives and guidelines in the form of circulars from time to time. Given the pervasive nature of the regulations, failure to comply with them could have a material financial impact on the operations of the Bank.	- Understood the relevant legal and regulatory framework within which the Bank operates and assessed the design and operation of its key controls over this framework. - Assessed the compliance structure of the Bank with regard to adherences to various regulations. We understood the process followed by the Bank's compliance team to obtain and disseminate updates regarding new circulars/notifications/press releases. - Reviewed the RBI Annual Financial Inspection report and other communication with regulators. - Reviewed the minutes of meeting of board level committees, risk management committee, credit and NPA review committees and internal audit reports for any recorded instances of potential non-compliance, and maintained a high level of vigilance when carrying out our other audit procedures for indications of non-compliance. - Enquired about penalties levied on the Bank for any assessed non-compliance with regulatory requirements.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Basel III - Pillar 3 disclosures but does not include the financial statements and our auditor's reports thereon which we obtained prior to the date of this auditor's report, and other elements of the Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether such other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other elements of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Those Charged with Governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Bank's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Group and the guidelines issued by the Reserve Bank of India.

The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are also responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance of the Bank and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

(a) The accompanying consolidated financial statements include total assets of ₹ 859,807,539 (thousands) as at March 31, 2019, and total revenues and net cash inflows of ₹ 173,569,490 (thousands) and ₹ 15,823,037 (thousands) for the year ended on that date, in respect of 18 subsidiaries, which have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. The consolidated financial statements also include the Bank's share of net profit of ₹ 331,885 (thousands) for the year ended March 31, 2019, as considered in the consolidated financial statements, in respect of 1 associate, whose financial statements, other financial information have been audited by other auditors. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associates, is based solely on the reports of such other auditors.

(b) The accompanying consolidated financial statements also include the Bank's share of net profit of ₹ 12,548 (thousands) for the year ended March 31, 2019, as considered in the consolidated financial statements, in respect of 2 associates, whose financial statements, other financial information have not been audited and whose unaudited financial statements, other unaudited financial information have been furnished to us by the Management. Our opinion, in so far as it relates amounts and disclosures included in respect of these subsidiaries, and associates, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid associates, is based solely on such unaudited financial statement and other unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements and other financial information are not material to the Group.

(c) The auditors of Kotak Mahindra Life Insurance Company Limited ("the Company") have reported in their audit opinion "The actuarial valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists as at March 31, 2019 is the responsibility of the Company's Appointed Actuary (the "Appointed Actuary"). The actuarial valuation of these liabilities for life policies in force and for policies in respect of which the premium has been discontinued but liability exists as at March 31, 2019 has been duly certified by the Appointed Actuary and in his opinion, the assumptions for such valuations are in accordance with the guidelines and norms issued by the IRDAI and the Institute of Actuaries of India in concurrence with the IRDAI. We have relied upon the Appointed Actuary's certificate in this regard for forming our opinion on the valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists on standalone financial statements of the Company".

(d) The auditors of Kotak Mahindra General Insurance Company Limited ("KGIL") have reported in their audit opinion "The actuarial valuation of liabilities in respect of Incurred But Not Reported ("IBNR") and Incurred But Not Enough Reported ("IBNER") claims is the responsibility of the Company's Appointed Actuary ('the Appointed Actuary'). The estimate of claims Incurred But Not Reported ("IBNR") and Incurred But Not Enough Reported ("IBNER"), included under Claims Outstanding as at March 31, 2019 has been duly certified by the Company's Appointed Actuary, and in his opinion, the assumptions for such valuation in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India ("IRDAI"/ "Authority") and the Institute of Actuaries of India in concurrence with the IRDAI. We have relied upon the Appointed Actuary's certificate in this regard for forming our opinion on the financial statements of KGIL".

Our opinion on the consolidated financial statements for the year ended March 31, 2019 and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries and associate, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

(a) We/the other auditors whose report we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

(c) The Consolidated Balance Sheet, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Accounts) Rules, 2014;

(e) On the basis of the written representations received from the directors of the Bank as on March 31, 2019 taken on record by the Board of Directors of the Bank and the reports of the statutory auditors who are appointed under Section 139 of the Act and of its subsidiary companies and associate companies, none of the directors of the Bank, its subsidiaries and associate companies is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated financial statements of the Bank and its subsidiary companies, refer to our separate Report in "Annexure 1" to this report;

(g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Bank for the year ended March 31, 2019. However, the remuneration to whole-time directors of the Bank during the year ended March 31, 2019 has been paid by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act, 1949. Based on the consideration of reports of the statutory auditors of two subsidiaries, Kotak Mahindra Life Insurance Company Limited and Kotak Mahindra General Insurance Company Limited, the remuneration paid to their directors during the year ended March 31, 2019 was in accordance with the provision of section 197 of the Act, read with section 34A of the Insurance Act, 1938 and based on the consideration of reports of the statutory auditors of four subsidiaries, Kotak Securities Limited, Kotak Mahindra Trusteeship Services Limited, BSS Microfinance Limited and IVY Products Intermediaries Limited, the remuneration paid to their directors during the year ended March 31, 2019 was in accordance with the provision of section 197 of the Act. The other Indian subsidiaries and associates of the Bank are in the process of transitioning to Indian Accounting Standards in accordance with Companies (Indian Accounting Standards) Rules 2015 with effect from April 1, 2018 and have submitted audited/ unaudited special purpose financial statements prepared in accordance with Indian GAAP for the purpose of preparation of consolidated financial statements by the Bank. Accordingly, our reporting on the compliance of the provisions of section 197, read with Schedule V of the Act, for the year ended March 31, 2019 for the Group is based on the related information, to the extent available, from the statutory auditors of such subsidiaries and associates;

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and associate, as noted in the 'Other matter' paragraph:

   i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group in its consolidated financial statements – Refer Schedule 12.1, Schedule 17 - Note 2W, and Schedule 17 Note – 11 to the consolidated financial statements;

   ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Schedule 17 - Note 2W and Schedule 17 - Note 11 to the consolidated financial statements in respect of such items as it relates to the Group and its associates;

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank, its subsidiaries and associates during the year ended March 31, 2019.

For S. R. BATLIBOI & CO. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749
Place: Mumbai
Date: 30 April 2019

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF KOTAK MAHINDRA BANK LIMTED

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

To the Members of Kotak Mahindra Bank Limited

In conjunction with our audit of the consolidated financial statements of Kotak Mahindra Bank Limited as of and for the year ended March 31, 2019, we have audited the internal financial controls over financial reporting of Kotak Mahindra Bank Limited (hereinafter referred to as the "Bank"), its subsidiary companies and its associate companies, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Bank, its subsidiary companies and its associate companies, which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

a) Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Bank, insofar as it relates to these 13 subsidiary companies and 1 associate company, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiary and associates incorporated in India.

b) The accompanying consolidated financial statements also include 2 associates incorporated in India, whose financial statements, other financial information including internal financial control over financial reporting have not been audited and is based on management certified financial statements. Our opinion, in so far as it relates internal financial control over financial reporting in respect of these associates, and our report in terms of clause (i) of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid associates, is based solely on such management certified unaudited financial statement and other unaudited financial information including internal financial control over financial reporting. In our opinion and according to the information and explanations given to us by the Management, these financial statements and other financial information including internal financial control over financial reporting are not material to the Group.

c) The auditors of the Group's life insurance subsidiary Kotak Mahindra Life Insurance Company Limited have reported, "The actuarial valuation of liabilities for life policies in force and policies where premium is discontinued is required to be certified by the Appointed Actuary as per the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002 (the "IRDA Financial Statements Regulations"), and has been relied upon by us, as mentioned in "Other Matter" para of our audit report on the financial statements of the Company as at and for the year ended March 31, 2019. Accordingly, the internal financial controls over financial reporting in respect of the valuation and accuracy of the aforesaid actuarial valuation is also certified by the Appointed Actuary and has been relied upon by us". Accordingly, our opinion on the internal financial controls over financial reporting does not include reporting on the adequacy and operating effectiveness of the internal controls over the valuation and accuracy of the aforesaid actuarial liabilities.

d) The auditors of Kotak Mahindra General Insurance Company Limited ("KGIL") have reported in their audit opinion "The actuarial valuation of liabilities in respect of Incurred But Not Reported ("IBNR") and Incurred But Not Enough Reported ("IBNER") claims is the responsibility of the Company's Appointed Actuary ('the Appointed Actuary'). The estimate of claims Incurred But Not Reported ("IBNR") and Incurred But Not Enough Reported ("IBNER"), included under Claims Outstanding as at March 31, 2019 has been duly certified by the Company's Appointed Actuary, and in his opinion, the assumptions for such valuation in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India ("IRDAI"/"Authority") and the Institute of Actuaries of India in concurrence with the IRDAI. We have relied upon the Appointed Actuary's certificate in this regard for forming our opinion on the financial statements of KGIL." Accordingly, our opinion on the internal financial controls over financial reporting does not include reporting on the adequacy and operating effectiveness of the internal controls over the valuation and accuracy of the aforesaid actuarial liabilities.

For S. R. BATLIBOI & CO. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749
Place: Mumbai
Date: 30 April 2019

Consolidated Balance Sheet

as at 31st March, 2019

(₹ in thousands)

	Schedule	As at 31st March, 2019	As at 31st March, 2018
CAPITAL AND LIABILITIES			
Capital	1	14,543,774	9,528,243
Reserves and Surplus	2	568,253,545	495,332,422
Minority Interest	2A	-	-
Employees' Stock Options (Grants) Outstanding		20,728	21,680
Deposits	3	2,248,242,606	1,912,357,994
Borrowings	4	664,389,383	586,039,735
Policyholders' Funds		274,178,120	224,253,361
Other Liabilities and Provisions	5	182,084,325	149,671,302
Total		**3,951,712,481**	**3,377,204,737**
ASSETS			
Cash and Balances with Reserve Bank of India	6	109,109,235	89,335,019
Balances with Banks and Money at Call and Short Notice	7	203,535,378	154,671,304
Investments	8	1,034,870,206	909,766,020
Advances	9	2,434,619,939	2,059,973,244
Fixed Assets	10	18,837,090	17,498,290
Other Assets	11	142,603,103	138,030,254
Goodwill on Consolidation		8,137,530	7,930,606
Total		**3,951,712,481**	**3,377,204,737**
Contingent Liabilities	12	2,178,471,521	2,097,575,442
Bills for Collection		318,522,336	242,553,119
Significant Accounting Policies and Notes to Accounts forming part of the Consolidated Financial Statements	17		

The schedules referred to above form an integral part of this Consolidated Balance Sheet.

As per our report of even date attached.

For S.R. Batliboi & Co. LLP
Chartered Accountants
Firm Registration No. 301003E/E300005

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai
30th April, 2019

For and on behalf of the Board of Directors

Prakash Apte
Chairman

Uday Kotak
Chief Executive Officer and Managing Director

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Jaimin Bhatt
President and Group Chief Financial Officer

Bina Chandarana
Company Secretary

Consolidated Profit and Loss Account

for the year ended 31st March, 2019

(₹ in thousands)

		Schedule	For the year ended 31st March, 2019	For the year ended 31st March, 2018
I.	**INCOME**			
	Interest earned	13	299,347,627	251,310,773
	Other Income	14	160,443,503	136,822,314
	Total		**459,791,130**	**388,133,087**
II.	**EXPENDITURE**			
	Interest expended	15	151,866,056	124,668,478
	Operating expenses	16	191,714,249	161,634,936
	Provisions and Contingencies (Refer Note 9 - Schedule 17)		45,013,854	40,358,318
	Total		**388,594,159**	**326,661,732**
III.	**PROFIT**			
	Net Profit for the year		71,196,971	61,471,355
	Less: Share of Minority Interest		-	566,690
	Add: Share in profit / (loss) of Associates		844,334	1,105,071
	Consolidated Profit for the year attributable to the Group		**72,041,305**	**62,009,736**
	Add : Balance in Profit and Loss Account brought forward from previous year		249,311,308	201,525,609
	Total		**321,352,613**	**263,535,345**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		12,163,400	10,210,800
	Transfer to Special Reserve u/s 45 IC of RBI Act, 1934		1,665,283	1,740,571
	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		400,000	550,000
	Transfer to Capital Redemption Reserve		-	85,000
	Transfer to Capital Reserve		69,900	240,000
	Transfer to General Reserve		17,500	17,500
	Transfer to Fraud Provision		13,971	-
	Transfer to Investment Reserve Account		310,622	-
	Transfer to Investment Fluctuation Reserve Account		708,918	-
	Dividend		1,602,824	1,142,141
	Corporate Dividend Tax		329,784	238,025
	Balance carried over to Balance Sheet		304,070,411	249,311,308
	Total		**321,352,613**	**263,535,345**
V.	**EARNINGS PER SHARE [Refer Note 12 - Schedule 17]**			
	Basic (₹)		37.78	32.70
	Diluted (₹)		37.74	32.66
	Face value per share (₹)		5.00	5.00
Significant Accounting Policies and Notes to Accounts forming part of the Consolidated Financial Statements		17		

The schedules referred to above form an integral part of this Consolidated Profit and Loss Account.

As per our report of even date attached.

For and on behalf of the Board of Directors

For S.R. Batliboi & Co. LLP
Chartered Accountants
Firm Registration No. 301003E/E300005

Prakash Apte
Chairman

Uday Kotak
Chief Executive Officer and Managing Director

per Viren H. Mehta
Partner
Membership No. 048749

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Mumbai
30th April, 2019

Jaimin Bhatt
President and Group Chief Financial Officer

Bina Chandarana
Company Secretary

Consolidated Cash Flow Statement

for the year ended 31st March, 2019

(₹ in thousands)

	For the year ended 31st March, 2019	For the year ended 31st March, 2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit for the year	71,196,971	61,471,355
Add: Provision for tax	34,560,191	30,110,881
Net Profit before taxes	**105,757,162**	**91,582,236**
Adjustments for:-		
Employee Stock Options expense	17,961	17,470
Depreciation on Group's property	4,584,215	3,834,314
Amortisation of Premium on Investments	2,767,131	2,976,319
Diminution / (write back) in the value of investments	(221,386)	2,088,886
(Profit) / Loss on revaluation of investments (net)	(3,362,543)	1,051,100
Profit on sale of Investments (net)	(8,757,588)	(11,203,504)
Provision for Non Performing Assets, Standard Assets and Other Provisions	10,675,049	8,158,551
Profit on sale of fixed assets	(216,146)	(470,002)
	111,243,855	**98,035,370**
Adjustments for :-		
(Increase) / Decrease in investments - Available for Sale, Held for Trading and Stock-in-Trade	(85,977,086)	(180,651,109)
(Increase) in Advances	(383,870,477)	(395,386,785)
(Increase) in Other Assets	(5,375,139)	(5,019,179)
Increase in Deposits	335,884,612	356,958,010
Increase in Policyholders' Funds	49,924,759	36,324,593
Increase in Other Liabilities and Provisions	30,707,914	15,282,785
	(58,705,417)	**(172,491,685)**
Direct Taxes Paid (net of refunds)	**(34,314,608)**	**(29,467,742)**
NET CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES (A)	**18,223,830**	**(103,924,057)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(5,249,629)	(4,258,377)
Proceeds from sale of Fixed assets	339,338	598,270
Proceeds from buy back of Shares in Associates	-	19,753
Purchase consideration paid on acquisition of Subsidiary / Minority Interest	(206,924)	(14,113,271)
(Increase) in Other Investments	(28,708,380)	(38,328,845)
NET CASH FLOW (USED IN) INVESTING ACTIVITIES (B)	**(33,825,595)**	**(56,082,470)**

Consolidated Cash Flow Statement

for the year ended 31st March, 2019

(₹ in thousands)

	For the year ended 31st March, 2019	For the year ended 31st March, 2018
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid including corporate dividend tax	(1,932,608)	(1,376,334)
Money received on issue of Equity Shares / exercise of stock options	2,235,908	59,531,804
Share issue expenses	(7,013)	(287,125)
Money received on issue of Perpetual Non Cumulative Preference Shares	5,000,000	-
Increase / (Decrease) in borrowings	78,349,648	88,925,671
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**83,645,935**	**146,794,016**
Increase in Foreign Currency Translation Reserve (D) [Refer Note 2 (G) (viii) and (xii) - Schedule 17]	594,120	63,518
Net Cash and Cash Equivalent on Acquisition of Subsidiary (E)	-	1,269,826
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D + E)	**68,638,290**	**(11,879,167)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	244,006,323	255,885,490
(Refer Note below)		
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	312,644,613	244,006,323
(Refer Note below)		
Note:		
Balance with banks in India in Other Deposit Accounts (As per Schedule 7 I (i) (b))	52,509,250	36,924,541
Balance with banks in India in Current Account (As per Schedule 7 I (i) (a))	3,236,037	3,706,813
Money at call and short notice in India with Banks (As per Schedule 7 I (ii) (a))	48,751,995	57,637,535
Money at call and short notice in India with Other Agencies (As per Schedule 7 I (ii) (b))	43,000,000	33,550,000
Cash in hand (As per Schedule 6 I)	12,545,048	12,299,782
Balance with RBI in Current Account (As per Schedule 6 II)	96,564,187	77,035,237
Balance with banks Outside India:		
(i) In Current Account (As per Schedule 7 II (i))	7,864,430	6,963,109
(ii) In Other Deposit Accounts (As per Schedule 7 II (ii))	48,173,666	15,889,306
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**312,644,613**	**244,006,323**

As per our report of even date attached.

For and on behalf of the Board of Directors

For S.R. Batliboi & Co. LLP
Chartered Accountants
Firm Registration No. 301003E/E300005

Prakash Apte
Chairman

Uday Kotak
Chief Executive Officer and Managing Director

per Viren H. Mehta
Partner
Membership No. 048749

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Mumbai
30th April, 2019

Jaimin Bhatt
President and Group Chief Financial Officer

Bina Chandarana
Company Secretary

Schedules

Forming part of Consolidated Balance Sheet as at 31st March, 2019

SCHEDULE 1 - CAPITAL

(₹ in thousands)

	As at 31st March, 2019	As at 31st March, 2018
Authorised Capital		
2800,000,000 Equity Shares of ₹ 5/- each (31st March, 2018: 3000,000,000 Equity Shares of ₹ 5/- each)	14,000,000	15,000,000
1000,000,000 Perpetual Non Cumulative Preference Shares of ₹ 5/- each (31st March, 2018: Nil)	5,000,000	-
	19,000,000	15,000,000
Issued, Subscribed and Paid-up Capital		
1908,754,827 Equity Shares of ₹ 5/- each (31st March, 2018: 1905,648,506 Equity Shares of ₹ 5/- each) fully paid-up	9,543,774	9,528,243
1000,000,000 Perpetual Non Cumulative Preference Shares of ₹ 5/- each (31st March, 2018: Nil) fully paid-up [Refer Note 3 - Schedule 17]	5,000,000	-
Total	**14,543,774**	**9,528,243**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
I.	**Statutory Reserve**		
	Opening Balance	55,094,383	44,883,583
	Add: Transfer from Profit and Loss Account	12,163,400	10,210,800
	Total	**67,257,783**	**55,094,383**
II.	**Capital Reserve**		
	Opening Balance	2,063,986	1,823,986
	Add: Transfer from Profit and Loss Account	69,900	240,000
	Total	**2,133,886**	**2,063,986**
III.	**General Reserve**		
	Opening Balance	6,523,437	6,505,937
	Add: Transfer from Profit and Loss Account	17,500	17,500
	Total	**6,540,937**	**6,523,437**
IV.	**Securities Premium Account**		
	Opening Balance	163,168,753	104,233,363
	Add: Received during the year	2,239,290	59,222,515
	Less: Utilised for Share Issue Expenses	7,013	287,125
	Total	**165,401,030**	**163,168,753**
V.	**Special Reserve under Section 45IC of the RBI Act, 1934**		
	Opening Balance	10,446,427	8,705,856
	Add: Transfer from Profit and Loss Account	1,665,283	1,740,571
	Total	**12,111,710**	**10,446,427**

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
VI.	**Capital Reserve on Consolidation**		
	Opening Balance	1,475,671	1,475,671
	Total	**1,475,671**	**1,475,671**
VII.	**Foreign Currency Translation Reserve**		
	(Refer Note 2(G)(viii) and (xii) - Schedule 17)		
	Opening Balance	1,380,111	1,316,593
	Increase during the year	594,120	63,518
	Total	**1,974,231**	**1,380,111**
VIII.	**Investment Reserve Account**		
	Opening Balance	-	-
	Add: Transfer from Profit and Loss Account	310,622	-
	Total	**310,622**	**-**
IX.	**Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961**		
	Opening Balance	4,542,000	3,992,000
	Add: Transfer from Profit and Loss Account	400,000	550,000
	Total	**4,942,000**	**4,542,000**
X	**Investment Fluctuation Reserve**		
	Opening Balance	-	-
	Add: Transfer from Profit and Loss Account	708,918	-
	Total	**708,918**	**-**
XI.	**Capital Redemption Reserve**		
	Opening Balance	101,800	16,800
	Add: Transfer from Profit and Loss Account	-	85,000
	Total	**101,800**	**101,800**
XII.	**Amalgamation Reserve**		
	Opening Balance	1,224,046	1,224,046
	Total	**1,224,046**	**1,224,046**
XIII.	**Investment Allowance (Utilised) Reserve**		
	Opening Balance	500	500
	Total	**500**	**500**
XIV.	**Balance in the Profit and Loss Account**	304,070,411	249,311,308
	Total (I to XIV)	**568,253,545**	**495,332,422**

SCHEDULE 2A - MINORITY INTEREST

(₹ in thousands)

	As at 31st March, 2019	As at 31st March, 2018
Minority Interest at the date on which parent subsidiary relationship came into existence	-	396,700
Subsequent (Decrease) / Increase	-	(396,700)
Total	**-**	**-**

SCHEDULE 3 - DEPOSITS

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
A. I.	**Demand Deposits**		
	i. From Banks	3,685,256	4,031,444
	ii. From Others	379,107,522	313,070,671
	Total	**382,792,778**	**317,102,115**
II.	**Savings Bank Deposits**	796,847,139	655,292,031
III.	**Term Deposits**		
	i. From Banks	630,768	13,446,945
	ii. From Others	1,067,971,921	926,516,903
	Total	**1,068,602,689**	**939,963,848**
	Total Deposits (I to III)	**2,248,242,606**	**1,912,357,994**
B. I.	Deposits of Branches in India	2,246,639,481	1,911,833,224
II.	Deposits of Branches Outside India	1,603,125	524,770
	Total Deposits (I + II)	**2,248,242,606**	**1,912,357,994**

SCHEDULE 4 - BORROWINGS

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
I.	**Borrowings in India**		
	(i) Reserve Bank of India	16,290,000	13,750,000
	(ii) Other Banks	190,147,507	152,452,935
	(iii) Other Institutions and Agencies (Refer Note 14 - Schedule 17)	341,953,934	334,967,758
	Total	**548,391,441**	**501,170,693**
II.	**Borrowings outside India**		
	Banks and Other Institutions (Refer Note 14 - Schedule 17)	115,997,942	84,869,042
	Total	**115,997,942**	**84,869,042**
	Total Borrowings (I + II)	**664,389,383**	**586,039,735**
	Secured Borrowings included in I & II above	**232,136,194**	**208,621,641**

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
I.	Bills Payable	18,481,653	14,851,284
II.	Interest Accrued	18,066,072	14,866,326
III.	Provision for tax (net of advance tax and tax deducted at source)	1,211,813	803,836
IV.	Standard Asset provision	10,363,819	9,081,853
V.	Others (including provisions) (Refer Note 5, 8 and 23 - Schedule 17)	133,960,968	110,068,003
	Total	**182,084,325**	**149,671,302**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
I.	Cash in hand (including foreign currency notes)	12,545,048	12,299,782
II.	Balances with RBI in Current Account	96,564,187	77,035,237
	Total	**109,109,235**	**89,335,019**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
I.	**In India**		
	(i) Balances with Banks [Refer Note 6 - Schedule 17]		
	(a) In Current Accounts	3,236,037	3,706,813
	(b) In Other Deposit Accounts	52,509,250	36,924,541
	Total	**55,745,287**	**40,631,354**
	(ii) Money at Call and Short Notice		
	(a) With Banks	48,751,995	57,637,535
	(b) With Other Agencies	43,000,000	33,550,000
	Total	**91,751,995**	**91,187,535**
	Total (i + ii)	**147,497,282**	**131,818,889**
II.	**Outside India**		
	(i) In Current Accounts	7,864,430	6,963,109
	(ii) In Other Deposit Accounts	48,173,666	15,889,306
	Total (i + ii)	**56,038,096**	**22,852,415**
Total (I + II)		**203,535,378**	**154,671,304**

SCHEDULE 8 - INVESTMENTS

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
I.	**Investments in India in [Refer Note 7 - Schedule 17]**		
	i. Government Securities	692,202,262	623,082,268
	ii. Other approved Securities	-	-
	iii. Shares	105,774,422	99,397,863
	iv. Debentures and Bonds	155,953,680	116,292,690
	v. Associates *	10,921,720	10,077,386
	vi. Others [Units, Certificate of Deposits, Commercial Paper (CP), Security Receipts, Pass Through Certificates (PTC), Alternate Asset and Other similar funds]	66,970,143	57,285,870
	Total	**1,031,822,227**	**906,136,077**
II.	**Investments Outside India in**		
	i. Government Securities	1,705,969	1,296,929
	ii. Shares	16,523	16,533
	iii. Debentures and Bonds	693,882	1,306,304
	iv. Others [Venture, Private Equity and other similar funds]	631,605	1,010,177
	Total	**3,047,979**	**3,629,943**
	Total Investments (I + II)	**1,034,870,206**	**909,766,020**

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
*	**Investment in Associates**		
	Equity Investment in Associates	1,490,269	1,494,886
	Less: Proceeds from Buy-back of shares	-	4,617
	Add: Goodwill on acquisition of Associates	20,856	20,856
	Less: Provision for diminution	7,813	7,813
	Less: Capital reserve on Consolidation (Share of pre-acquisition profits)	5,098	5,098
	Cost of Investment in Associates	**1,498,214**	**1,498,214**
	Add: Post-acquisition profit / (loss) and Reserve of Associates (Equity method)	9,423,506	8,579,172
	Total	**10,921,720**	**10,077,386**

SCHEDULE 9 - ADVANCES

(₹ in thousands)

				As at 31st March, 2019	As at 31st March, 2018
A.	(i)	Bills purchased and discounted #		91,420,925	71,057,817
	(ii)	Cash Credits, Overdrafts and Loans repayable on demand		593,575,229	502,766,238
	(iii)	Term Loans		1,749,623,785	1,486,149,189
	Total			**2,434,619,939**	**2,059,973,244**
	# Bills purchased and discounted is net of bills rediscounted ₹ 491.21 crore (previous year ₹ 1,482.66 crore)				
B.	(i)	Secured by tangible assets *		1,881,549,435	1,619,929,055
	(ii)	Covered by Bank / Government guarantees		20,844,952	19,352,191
	(Iii)	Unsecured		532,225,552	420,691,998
	Total			**2,434,619,939**	**2,059,973,244**
	** including advances secured against book debts*				
C. I	**Advances in India**				
	(i)	Priority Sector		722,728,549	592,840,670
	(ii)	Public Sector		11,687,525	21,786,687
	(iii)	Banks		66	482,031
	(iv)	Others		1,658,779,560	1,417,533,027
II	**Advances outside India**				
	(i)	Due from banks		-	-
	(ii)	Due from others			
		a)	Bills purchased and discounted	-	-
		b)	Syndicated and term loans	41,423,367	27,330,829
		c)	Others	872	-
	Total			**2,434,619,939**	**2,059,973,244**

SCHEDULE 10 - FIXED ASSETS

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
A.	**Premises (Including Land)**		
	Gross Block		
	At cost on 31st March of the preceding year	11,596,466	11,657,512
	Additions during the year	135,794	724
	Deductions during the year	65,483	61,770
	Total	**11,666,777**	**11,596,466**
	Depreciation		
	As at 31st March of the preceding year	1,725,715	1,557,096
	Add: Charge for the year	193,488	192,439
	Deductions during the year	20,889	23,820
	Depreciation to date	**1,898,314**	**1,725,715**
	Net Block	**9,768,463**	**9,870,751**
B.	**Other Fixed Assets (including furniture and fixtures)**		
	Gross Block		
	At cost on 31st March of the preceding year	31,199,439	30,168,904
	Additions during the year (including on acquisition)	5,910,413	3,908,127
	Deductions during the year	6,353,641	2,877,592
	Total	**30,756,211**	**31,199,439**
	Depreciation		
	As at 31st March of the preceding year	23,728,884	22,874,283
	Add: Charge for the year	4,390,727	3,641,875
	Deductions during the year	6,275,043	2,787,274
	Depreciation to date	**21,844,568**	**23,728,884**
	Net Block (Refer Note 24 - Schedule 17)	**8,911,643**	**7,470,555**
C.	**Leased Fixed Assets**		
	Gross Block		
	At cost on 31st March of the preceding year	1,540,585	1,540,585
	Additions during the year	-	-
	Total	**1,540,585**	**1,540,585**
	Depreciation		
	As at 31st March of the preceding year	1,383,601	1,383,601
	Add: Charge for the year	-	-
	Depreciation to date	**1,383,601**	**1,383,601**
	Net Block	**156,984**	**156,984**
Total (A) + (B) + (C)		**18,837,090**	**17,498,290**

SCHEDULE 11 - OTHER ASSETS

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
I.	Interest accrued	32,619,296	28,673,945
II.	Advance tax (net of provision for tax)	248,773	197,455
III.	Stationery and stamps	17,632	18,988
IV.	Cheques in course of collection	-	241,428
V.	Non Banking assets acquired in satisfaction of claims	-	67,824
VI.	Others (Refer Note 5 and 23 - Schedule 17)	109,717,402	108,830,614
	Total	**142,603,103**	**138,030,254**

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
I.	Claims not acknowledged as debts	19,567,389	17,500,473
II.	Liability on account of outstanding forward exchange contracts	1,200,719,737	1,241,775,855
III.	Guarantees on behalf of constituents		
	i) In India	267,992,053	274,243,491
	ii) Outside India	102,414	99,965
IV.	Acceptances, Endorsements and Other Obligations	167,730,488	135,250,530
V.	Other items for which the Group is contingently liable:		
	Liability in respect of interest rate, currency swaps and forward rate agreements	405,612,228	362,285,015
	Liability in respect of other derivative contracts	96,620,268	59,505,355
	Capital commitments not provided	18,280,212	5,256,816
	Unclaimed customer balances*	1,846,732	1,657,942
	Total	**2,178,471,521**	**2,097,575,442**

* *includes amount transferred to RBI DEAF Scheme and IRDAI SCWF*

SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)

		For the year ended 31st March, 2019	For the year ended 31st March, 2018
I.	Interest / discount on advances / bills	222,662,736	183,808,599
II.	Income from investments	64,438,098	52,582,520
III.	Interest on balances with RBI and other inter-bank funds	7,351,727	9,667,997
IV.	Others	4,895,066	5,251,657
	Total	**299,347,627**	**251,310,773**

SCHEDULE 14 - OTHER INCOME

(₹ in thousands)

		For the year ended 31st March, 2019	For the year ended 31st March, 2018
I.	Commission, exchange and brokerage	53,945,269	46,723,615
II.	Profit on sale of Investments (net)	8,757,588	11,203,504
III.	Profit / (Loss) on revaluation of investments of Insurance business	3,362,543	(1,051,100)
IV.	Profit on sale of building and other assets (net)	216,146	470,002
V.	Profit on exchange on transactions (net) (including derivatives)	7,639,891	8,207,087
VI.	Premium on Insurance business	83,091,916	66,670,762
VII.	Profit on recoveries of non-performing assets acquired	1,796,826	2,131,131
VIII.	Miscellaneous Income	1,633,324	2,467,313
	Total	**160,443,503**	**136,822,314**

SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)

		For the year ended 31st March, 2019	For the year ended 31st March, 2018
I.	Interest on Deposits	109,636,733	88,492,271
II.	Interest on RBI / Inter-Bank Borrowings	17,659,445	13,822,038
III.	Others (Refer Note 15 - Schedule 17)	24,569,878	22,354,169
	Total	**151,866,056**	**124,668,478**

SCHEDULE 16 - OPERATING EXPENSES

(₹ in thousands)

		For the year ended 31st March, 2019	For the year ended 31st March, 2018
I.	Payments to and provision for employees (Refer Note 5 and 13 - Schedule 17)	48,509,041	43,808,981
II.	Rent, taxes and lighting (Refer Note 18 - Schedule 17)	7,113,274	6,475,686
III.	Printing and Stationery	1,275,941	1,201,743
IV.	Advertisement, Publicity and Promotion	3,401,404	2,940,964
V.	Depreciation on Group's property	4,584,215	3,834,314
VI.	Directors' fees, allowances and expenses	42,140	35,098
VII.	Auditors' fees and expenses *		
	Statutory Audit fees	87,138	70,046
	Other Matters	12,272	10,134
VIII.	Law Charges	564,128	412,195
IX.	Postage, telephones etc.	2,245,227	1,919,786
X.	Repairs and maintenance	5,111,666	4,841,488
XI.	Insurance	2,016,222	1,633,062
XII.	Travel and Conveyance	1,719,652	1,619,884
XIII.	Professional Charges	8,639,624	7,823,915
XIV.	Brokerage	8,287,478	7,538,670
XV.	Stamping Expenses	1,411,715	1,165,465
XVI.	Policyholders' Reserves	50,817,337	36,801,151
XVII.	Insurance Business Expenses (claims and benefits paid)	30,692,111	28,530,573
XVIII.	Other Expenditure	15,183,664	10,971,781
	Total	**191,714,249**	**161,634,936**

* *The audit fees is aggregate of statutory audit fees of Kotak Mahindra Bank Limited and its subsidiaries. Of the above ₹ 2.65 crore (previous year ₹ 2.31 crore) have been paid to the statutory auditors of the Bank.*

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL:

OVERVIEW

Kotak Mahindra Bank Limited (the Bank or KMBL), together with its subsidiaries (collectively, 'the Group'), is a diversified financial services group providing a wide range of banking and financial services including Retail Banking, Treasury and Corporate Banking, Investment Banking, Stock Broking, Vehicle Finance, Advisory services, Asset Management, Life Insurance and General Insurance. The Bank set up and commenced operations in May 2016, at its International Financial Services Center Banking Unit (IBU) in Gujarat International Finance Tec (GIFT) City, Gujarat.

BASIS OF CONSOLIDATION

The consolidated financial statements of the Group are prepared in accordance with Accounting Standard 21 (AS-21), "Consolidated Financial Statements". Investment in Associates are accounted by the Group under the equity method in accordance with Accounting Standard 23 (AS-23), "Accounting for Investments in Associates in Consolidated Financial Statements" specified under Section 133 and the relevant provisions of the Companies Act, 2013 as amended from time to time. The Bank consolidates entities in which it holds, directly or indirectly through subsidiaries, more than 50% of the voting rights or where it exercises control, on a line by line basis by adding together like items of assets, liabilities, income and expenses in accordance with AS-21. The Goodwill or Capital Reserve on consolidation represents the difference between the Group's share in the networth of the subsidiary and the cost of acquisition at the time of making investment in the subsidiary. Intragroup balances, intragroup transactions and resulting unrealised profits, if any, are eliminated in full. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered. Minority interest representing the part of net results of operations and of the net assets of subsidiary attributable to interests not owned directly or indirectly through subsidiaries is presented separately from liabilities and the equity. Further, the Group accounts for investments in entities where it holds 20% to 50% of the voting rights or exercises significant influence by the equity method of accounting in accordance with AS-23. The financial statements of the subsidiaries and associates used in consolidation are drawn up to the same reporting date as that of the holding Company i.e. 31st March, 2019.

a. The list of subsidiaries are as under:

Name of the Subsidiary	Country of Origin	% Shareholding of Group (31st March, 2019)	% Shareholding of Group (31st March, 2018)
Kotak Mahindra Prime Limited	India	100.00	100.00
Kotak Securities Limited	India	100.00	100.00
Kotak Mahindra Capital Company Limited	India	100.00	100.00
Kotak Mahindra Life Insurance Company Limited	India	100.00	100.00
Kotak Mahindra Investments Limited	India	100.00	100.00
Kotak Mahindra Asset Management Company Limited	India	100.00	100.00
Kotak Mahindra Trustee Company Limited	India	100.00	100.00
Kotak Mahindra (International) Limited	Mauritius	100.00	100.00
Kotak Mahindra (UK) Limited	UK	100.00	100.00
Kotak Mahindra, Inc.	USA	100.00	100.00
Kotak Investment Advisors Limited	India	100.00	100.00
Kotak Mahindra Trusteeship Services Limited	India	100.00	100.00
Kotak Infrastructure Debt Fund Limited	India	100.00	100.00
Kotak Mahindra Pension Fund Limited	India	100.00	100.00
Kotak Mahindra Financial Services Limited	U.A.E	100.00	100.00
Kotak Mahindra Asset Management (Singapore) PTE. Limited	Singapore	100.00	100.00
Kotak Mahindra General Insurance Company Limited	India	100.00	100.00
IVY Product Intermediaries Limited	India	100.00	100.00
BSS Microfinance Limited	India	100.00	100.00

b. As per AS-23, the Consolidated Financial Statements incorporate the audited results of the following associates except as indicated.

Name of the Associate	Country of Origin	% Shareholding of Group (31st March, 2019)	% Shareholding of Group (31st March, 2018)
Infina Finance Private Limited	India	49.99	49.99
Phoenix ARC Private Limited	India	49.90	49.90
ACE Derivatives & Commodity Exchange Limited (ACE) (Unaudited)	India	40.00	40.00
Matrix Business Services India Private Limited (Unaudited)$ #	India	19.77	19.77

$ *Significant influence exercised through Board representation.*

The Group has sold its entire stake in Matrix Business Services India Private Limited on 26th April, 2019 and accordingly it has ceased to be an associate of the Group from that date.

2. SIGNIFICANT ACCOUNTING POLICIES:

A. ACCOUNTING METHODOLOGY

The Financial Statements have been prepared on historical cost basis of accounting. The Group adopts the accrual method of accounting and historical cost convention except derivatives. The Group has prepared these financial statements to comply in all material respects with the Accounting Standards notified under Section 133 and the relevant provision of the Companies Act, 2013, guidelines issued by the Reserve Bank of India (RBI), Insurance Regulatory and Development Authority of India (IRDAI) from time to time as applicable and the generally accepted accounting principles prevailing in India. In case the accounting policies followed by consolidating entities are different from those followed by the Bank, the same have been disclosed separately.

B. USE OF ESTIMATES

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

C. REVENUE RECOGNITION

a. Banking / Investing:

i. Interest income is recognised on accrual basis.

ii. Interest income in respect of retail advances {except for a subsidiary, Kotak Mahindra Prime Limited (KMPL)} is accounted for by using the internal rate of return method on the outstanding on the contract.

iii. Interest income on investments in Pass-Through-Certificates (PTCs) and loans bought out through the direct assignment route is recognised at their effective interest rate.

iv. KMPL accounts for auto finance income (including service charges and incentives) by using the internal rate of return method to provide a constant periodic rate of return after adjustment of brokerage expenses on the net investment outstanding on the contract. The volume-based incentives and brokerage are accounted as and when the said volumes are achieved. Income also includes gains made on termination of contracts.

v. Service charges, fees and commission income are recognised when due except as indicated in para iv above. The guarantee commission and letter of credit commission is recognised over the period of the guarantee and letter of credit respectively. Syndication / arranger fee is recognised as income as per the terms of engagement.

vi. Interest income on discounted instruments is recognised over the tenure of the instruments so as to provide a constant periodic rate of return.

vii. Upon an asset becoming non-performing assets (NPAs) the income accrued gets reversed, and is recognised only on realisation, as per RBI guidelines. Penal interest is recognised as income on realisation other than on running accounts where it is recognised when due.

viii. Gain on account of securitisation of assets is amortised over the life of the securities issued in accordance with the guidelines issued by the RBI. Loss on account of securitisation of assets is recognised immediately in Profit and Loss account.

ix. Gain on account of assignment of assets on bilateral basis is recognised based on the difference between the book value of the assigned assets and sale consideration received.

x. Dividend income is accounted on an accrual basis when the right to receive the dividend is established.

xi. In respect of non-performing assets acquired from other Banks / FIs and NBFCs, collections in excess of the consideration paid at each asset level or portfolio level is treated as income in accordance with RBI guidelines and clarifications.

xii. Fees received on sale of Priority Sector Lending Certificates is considered as Miscellaneous Income, while fees paid for purchase is recognised as expense under other expenses in accordance with the guidelines issued by the RBI.

b. Investment Banking:

i. Issue management fees and placement fees, underwriting commission and financial advisory fees are accounted on completion of milestones specified in the contract.

c. Life Insurance:

i. Premium is recognised as income when it is due from policyholders except on unit linked policies, where the premium is recognised when associated units are created.

ii. In accordance with the terms of insurance policies, uncollected premium on lapsed policies is not recognised as income until revived.

iii. Top Up / Lump sum contributions are accounted as a part of the single premium.

iv. Income from linked policies, which include fund management fees, policy administration charges, mortality charges and other charges, if any, are recovered from the linked fund in accordance with the terms and conditions of the insurance contracts and is accounted for as income when due.

v. Reinsurance premium ceded is accounted on due basis at the time when related premium income is accounted for. Profit commission on reinsurance ceded is accounted as income in the year of final determination of profit. Profit commission on reinsurance ceded is netted off against premium ceded on reinsurance.

d. General Insurance:

i. Interest income is recognised on accrual basis. Accretion of discount and amortisation of premium relating to debt securities is recognised over the maturity period of such securities on a constant yield.

ii. Premium net of indirect tax (including reinsurance accepted and reinstatement premium) is recognised on commencement of the risk and for installment policies it is recognised on installment due dates. Premium earnings are recognised over the period of the policy or period of risk. Any revisions in premium amount are recognised in the year in which they occur and over the remaining period of the policy. Any subsequent cancellations of policies are recognised in the same period in which they occur.

iii. Commission on reinsurance ceded is recognised as income on ceding of reinsurance premium. Profit commission under reinsurance treaties, wherever applicable, is recognised in the year of final determination of the profits and as intimated by the reinsurer.

iv. Proportional Reinsurance premium ceded is accounted on due basis at the time when related premium income is accounted for. Non-proportional reinsurance cost is accounted as per terms of the reinsurance arrangements. Any revisions in reinsurance premium ceded are recognised in the period in which it occur. On cancellation of policies, related reinsurance premium ceded are recognised in the same period in which it occur. Reinsurance inward acceptances are accounted for on the basis of returns, to the extent received, from the insurers.

v. In respect of policies booked where risk inception date is subsequent to the Balance Sheet date, the premium collected is presented in Balance Sheet as premium received in advance.

vi. Premium deficiency is recognised when sum of expected claim cost, related expenses and maintenance cost (related to claims handling) exceed related reserve for unexpired risk. It is recognised on an annual basis and at segment level for the insurance company viz., Fire, Marine and Miscellaneous. Premium Deficiency Reserve is estimated and certified by the Appointed Actuary.

e. Broking:

i. Placement and other fee based income are accounted for on the basis of the progress of the assignment.

ii. Brokerage Income (net of indirect tax):

- On primary market subscription / mobilisation is accounted on receipt of intimation of allotment.
- On secondary market transaction is recognised upon completion of brokerage services to customers.

iii. Depository Fees (net of indirect taxes), is recognised on accrual basis and as per terms agreed with the customers. Other charges recovered from secondary broking customers are recognised upon completion of services.

iv. Portfolio management fees are accounted on accrual basis as follows:

- In case of fees based on fixed percentage of the corpus / fixed amount, income is accrued over the period of the agreement.
- In case of fees based on the returns of the portfolio, income is accounted on the termination of the portfolio agreement / on each anniversary as per the agreement, whichever is earlier.
- In case of upfront non-refundable fee, income is accounted in the year of receipt.

v. Funds received from Portfolio Management Services (PMS) investors and corresponding investments made on their behalf are not forming part of these financial statements.

vi. Securities lending or borrowing fees are recognised on pro-rata basis over the tenure of the contract.

f. Asset Management and Advisory Services:

i. Investment management fees are recognised (net of indirect tax) on an accrual basis after deducting actual and estimated expenses from total expense accruals in scheme books (adjusted for exclusions as required by the Securities and Exchange Board of India (SEBI) guidelines), such that the total expenses, including management fees do not exceed the rates prescribed within the provision of - the 'SEBI (Mutual Fund) Regulations, 1996' on an annual basis.

ii. Management fees (net of indirect tax) from venture funds, private equity funds and other similar funds is recognised on accrual basis at the rates specified in the investment management agreement from the date of initial closing of funds under management. Advisory fees (net of indirect tax) is recognised on accrual basis as per the terms of contract.

iii. Portfolio advisory service fees are recognised (net of indirect tax) on accrual basis in accordance with the terms of agreement.

iv. Income on account of distribution from venture capital funds / Alternate investment fund is recognised on the receipt of the distribution letter or when right to receive is established.

D. FIXED ASSETS (PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE)

Property, Plant and Equipment and Intangible assets have been stated at cost less accumulated depreciation and amortisation and adjusted for impairment, if any. Cost includes cost of purchase inclusive of freight, duties and other incidental expenses and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to put to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets. Gain or losses arising from the retirement or disposal of a Property, Plant and Equipment and Intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognised as income or expense in the Profit and Loss Account. Profit on sale of premises of the Bank, if any, is appropriated to Capital Reserve as per the RBI guidelines.

DEPRECIATION / AMORTISATION:

Depreciation / Amortisation is provided on a pro-rata basis on a Straight Line Method over the estimated useful life of the assets at rates which are equal to or higher than the rates prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the assets. The estimated useful lives of assets based on technical evaluation by management are as follows:

Asset Type	Useful life in years
Premises	58
Improvement to leasehold premises	Over the period of lease subject to a maximum of 6 years
Office equipments (High capacity chillers, Transformers, UPS, DG set, Fire Suppression, HVAC, PAC & Elevators)	10
Office equipments (other than above)	5
Computers	3
Furniture and Fixtures	6
Motor Vehicles	4
ATMs	5
Software (including development) expenditure	3
Goodwill (Other than on consolidation)	5
Membership Card of the Bombay Stock Exchange Limited	20
Asset Management Rights	5

Used assets purchased are depreciated over the residual useful life from the date of purchase.

Assets costing less than ₹ 5,000 are fully depreciated in the year of purchase.

E. EMPLOYEE BENEFITS

i. Defined Benefit Plans:

Gratuity:

The Group provides for Gratuity covering employees in accordance with the Payment of Gratuity Act, 1972, service regulations and service awards as the case may be. The Group's liability is actuarially determined using Projected Unit Credit Method at the Balance Sheet date. The Bank and five of its subsidiaries (Previous Year: four subsidiaries) make contributions to a Gratuity Fund administered by trustees and managed by life insurance companies. In other subsidiaries gratuity obligation is wholly unfunded. The contribution made to the trusts is recognised as planned assets.

Pension:

In respect of pension payable to certain employees of erstwhile ING Vysya Bank Limited (eIVBL) employees under Indian Banks' Association (IBA) structure, the Bank contributes 10% of basic salary to a pension fund and the balance amount is provided based on actuarial valuation conducted by an independent actuary as at the Balance Sheet date. The Pension Fund is managed by a Life Insurance Company. The present value of the Bank's defined obligation is determined using the Projected Unit Credit Method as at the Balance Sheet date.

Employees covered by the pension plan are not eligible for employer's contribution under the provident fund plan.

The contribution made to the pension fund is recognised as planned assets.

The defined benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as reduced by the fair value of the plan assets.

Actuarial gains or losses in respect of all defined benefit plans are recognised immediately in the Profit and Loss Account in the year they are incurred.

ii. Defined Contribution Plans:

Provident Fund:

Contribution as required by the statute made to the government provident fund or to a fund set up by the Bank and administered by a board of trustees is debited to the Profit and Loss Account when an employee renders the related service. The Group has no further obligations.

Superannuation Fund:

The Group makes contributions in respect of eligible employees, subject to a maximum of ₹ 0.01 crore per employee per annum to a Fund administered by trustees and managed by life insurance companies. The Group recognises such contributions as an expense in the year when an employee renders the related service.

New Pension Scheme:

The Group contributes upto 10% of eligible employees' salary per annum, to the New Pension Fund administered by a Pension Fund Regulatory and Development Authority (PFRDA) appointed pension fund manager. The Group recognises such contributions as an expense in the year when an employee renders the related service.

iii. Compensated Absences: Other Long-Term Employee Benefits:

The Group accrues the liability for compensated absences based on the actuarial valuation as at the Balance Sheet date conducted by an independent actuary, which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of the Group's obligation is determined using the Projected Unit Credit Method as at the Balance Sheet date. Actuarial gains or losses are recognised in the Profit and Loss Account in the year in which they arise.

iv. Other Employee Benefits:

As per the Group policy, employees are eligible for an award after completion of a specified number of years of service with the Group. The obligation is measured at the Balance Sheet date on the basis of an actuarial valuation using the Projected Unit Credit Method.

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include performance incentives.

F. INVESTMENTS

For the Bank

1. Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) categories (hereinafter called "categories"). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines at the lower of the acquisition cost or carrying value and market value on the date of the transfer and depreciation, if any, on such transfer is fully provided.

Under each of these categories, investments are further classified under six groups (hereinafter called "groups") - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Associates and Other Investments for the purposes of disclosure in the Balance Sheet.

The Bank follows 'Settlement Date' accounting for recording purchase and sale transactions in securities, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of Classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. As per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities as on that date. Investments which the Bank intends to hold till maturity are classified as HTM securities in accordance with RBI regulations. Investments which are not classified in either of the above two categories are classified under AFS category.

2. Acquisition Cost:

The cost of investments is determined on a weighted average basis. Broken period interest on debt instruments and government securities are considered as a revenue item. The transaction costs including brokerage, commission etc. paid at the time of acquisition of investments are recognised in Profit and Loss Account.

3. Disposal of Investments:

- **Investments classified as HFT or AFS** - Profit or loss on sale or redemption is recognised in the Profit and Loss Account.
- **Investments classified as HTM** - Profit on sale or redemption of investments is recognised in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale or redemption is recognised in the Profit and Loss Account.

4. Valuation:

The valuation of investments is performed in accordance with the RBI guidelines as follows:

a. **Investments classified as HTM–**These are carried at their acquisition cost. Any premium on acquisition of debt instruments / government securities is amortised over the balance maturity of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided.

b. **Investments classified as HFT or AFS–**Investments in these categories are marked to market and the net depreciation, if any, within each group is recognised in the Profit and Loss Account. Net appreciation, if any, is ignored. Further, provision for other than temporary diminution is made at the individual security level. Except in cases where provision for other than temporary diminution is made, the book value of the individual securities is not changed as a result of periodic valuations.

c. The market or fair value of quoted investments included in the 'AFS' and 'HFT' categories is measured with respect to the market price of the scrip as available from the trades or quotes on the stock exchanges, SGL account transactions, price list of RBI or prices declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association of India (FIMMDA) as at the year end.

d. Treasury Bills, Exchange Funded Bills, Commercial Paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.

e. Market value of units of mutual funds is based on the latest net asset value declared by the mutual fund.

f. Market value of investments where current quotations are not available are determined as per the norms prescribed by the RBI as under:

- In case of unquoted bonds, debentures and preference shares where interest / dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to maturity for Government Securities as published by FIMMDA / PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA is adopted for this purpose;
- In case of bonds and debentures (including PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by the RBI. Interest on such securities is not recognised in the Profit and Loss Account until received;
- Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹ 1 per investee company;

- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF. Investment in unquoted VCF made after 23rd August, 2006 are categorised under HTM category for an initial period of three years and valued at cost as per RBI guidelines. Such investments are required to be transferred to AFS thereafter;
- Security receipts are valued as per the NAV obtained from the issuing Asset Reconstruction Company or Securitisation Company or estimated recoverable value, whichever is lower.

g. Non-performing investments are identified and provision is made thereon based on RBI guidelines.

h. **Repurchase and reverse repurchase transactions–**Securities sold under agreements to repurchase (Repos) and securities purchased under agreements to resell (Reverse Repos) are accounted as collateralised borrowing and lending transactions respectively. The difference between the consideration amount of the first leg and the second leg of the repo is recognised as interest income or interest expense over the period of the transaction.

For the Life Insurance Company:

a. Investments are recorded at cost on trade date which includes brokerage, transfer charges, transaction taxes as applicable, etc. but excludes pre-acquisition interest, if any and indirect tax on brokerage where input tax credit is being claimed.

b. Bonus entitlements are recognised as investments on the 'ex-bonus date'. Rights entitlements are recognised as investments on the 'ex-rights date'.

c. Gain / Loss on transfer or sale of securities is the difference between the transfer or sale price and the net amortised cost / carrying value which is computed on a weighted average basis as on the date of transfer or sale. Sale consideration for the purpose of realised gain / loss is net of brokerage and taxes, if any.

Valuation – Shareholders' Investments and non-linked policy-holders' investments

d. All debt securities are considered as "Held To Maturity" for the purpose of valuation and are accordingly recorded at historical cost (excluding interest paid, if any). Debt securities including Government securities are stated at net amortised cost. Money market instruments are valued at historical cost subject to accretion of discount. The premium or discount, if any, on purchase of debt securities is amortised or accreted over the period to maturity on an internal rate of return basis.

e. Listed equity shares as at the Balance Sheet dates are stated at fair value being the quoted closing price on National Stock Exchange Limited (NSE). If an equity share is not listed or traded on NSE, the share price of Bombay Stock Exchange Limited (BSE) is used. Unlisted shares or shares awaiting listing are stated at historical cost subject to provision for diminution, if any. In case of Infrastructure Investment Trusts (InvIT), where market quote is not available for the last 30 days, the Units shall be valued as per the latest NAV (not more than 6 months old) of the Units published by the trust. All redeemable preference shares are considered as held to maturity and stated at historical cost.

   In case of diminution in the value of investment as at the Balance Sheet date which is other than temporary, the amount of such diminution is recognised as an expense in the Profit and Loss Account to the extent of difference between the remeasured fair value of the investment and its acquisition cost as reduced by any previous impairment loss recognised in Profit and Loss Account. Any reversal of impairment loss is recognised in the Profit and Loss Account.

f. Investments in mutual funds are valued at the latest NAV of the funds in which they are invested. Investments in Alternative Investment Funds are valued at the latest NAV.

   The investment in Additional Tier 1 Bonds have been valued at an applicable market yield rates provided by CRISIL on the basis of CRISIL Bond Valuer.

g. Unrealised gains due to change in the fair value of the investments is taken to a fair value change account and is adjusted in the carrying value of investment. The unrealised loss due to change in the fair value of investments, other than due to reversal of the gains recognised in fair value change account, is accounted in the Profit and Loss Account. The profit or loss on sale of investments includes the accumulated changes in the fair value change account.

h. Real estate investment property represents building held for investment purpose to earn rental income or for capital appreciation and is not occupied. Such Investment property is initially valued at cost including any direct attributable cost. Investment in the real estate investment property is valued at historical cost plus revaluation, if any. Revaluation of the investment property is done at least once in three years. Any change in the carrying amount of the investment property is accounted to Revaluation Reserve forming part of "Reserves and Surplus". Impairment loss, if any, exceeding revaluation reserve is recognised as expenses in the Profit and Loss Account.

   Unlisted units of REIT awaiting listing are stated at historical cost subject to provision for diminution, if any. Investment in units of REIT are valued at market value (last Quoted price should not be later than 30 days). Where Market Quote is not available for the last 30 days, the units shall be valued as per the latest NAV (not more than 6 months old) of the units published by the trust.

Valuation – Unit linked Business

i. All Government securities, except treasury bills, held in linked business are valued at prices obtained from Credit Rating Information Service of India Limited (CRISIL). Debt Securities other than Government Securities are valued on the basis of CRISIL Bond valuer. The discount on purchase of treasury bills, certificate of deposit, commercial papers and CBLO / Triparty Repo is accreted over the period to maturity on an internal rate of return basis. Listed equity shares and Exchange Traded Funds (ETF) are valued at fair value, being the last quoted closing price on the NSE (In case of securities not listed on NSE, the last quoted closing price on the BSE is used). Equity shares awaiting listing are stated at historical cost subject to provision for diminution, if any, in the value of such investments. Such diminution is determined separately for each individual investment. Unrealised gains and losses are recognised in the Profit and Loss Account.

j. Mutual Fund Units are valued at the previous day's closing NAV of the fund in which they are invested.

k. All unlisted redeemable preference shares are considered as held to maturity and stated at historical cost.

l. Transfer of investments (other than debt securities) from Shareholders' fund to the Policyholders' fund is at book value or market price, whichever is lower. Transfer of debt securities from Shareholders' to Policyholders' fund is transacted at the lower of net amortised cost or market value. Transfers of Investments between unit-linked funds are done at prevailing market price.

For General Insurance Company

a. Investments are recorded at cost and include brokerage, transfer charges, stamps etc., and exclude pre acquisition interest, if any.

b. Debt securities and non-convertible preference shares are considered as 'Held To Maturity' and stated at historical cost adjusted for amortisation of premium or accretion of discount determined on constant yield to maturity basis over the holding / maturity period.

c. Mutual fund units are stated at their 'Net Asset Value' as at the Balance Sheet date. Any unrealised gain / loss is accounted for under fair value change account and is included in the carrying value of investment.

d. Gain / loss on transfer or sale of securities is the difference between the transfer or sale price and the net amortised cost / carrying value which is computed on a Weighted average cost basis as on the date of transfer or sale. Sale consideration for the purpose of realised gain / loss is net of brokerage and taxes, if any.

e. The realised gain or loss on mutual funds is the difference between sale consideration and carrying cost as on the date of sale, determined on a weighted average cost basis. Any unrealised gain or loss in respect of mutual funds are recognised in 'fair value change account' in Balance Sheet and are included in the carrying value of investment.

For other entities:

Investments, other than stock-in-trade are classified into long term investments and current investments in accordance with Accounting Standard 13 (AS-13) "Accounting for Investments". Investments, which are intended to be held for more than one year from the date, on which the investments are made, are classified as long term investments and investments, which are intended to be held for less than one year from the date, on which the investments are made, are classified as current investments. Long term investments are carried at cost and provision for diminution in value is made to recognise a decline other than temporary in the value of investment, such reduction being determined and made for each investment individually. Current investments are valued at cost (calculated by applying weighted average cost method) or market and fair value whichever is lower. In case of investments in units of a mutual fund, the NAV of units is considered as market or fair value. The Securities acquired with the intention to trade are classified as Stock-in-Trade. Investments classified as "Stock-in-Trade" by some of the subsidiaries and Associates are valued at cost (calculated by applying weighted average cost method) or market price, whichever is lower determined by the category of investments. Brokerage, stamping and additional charges paid are included in the cost of investments. The profit or loss on sale of securities (Stock-in-trade) is recognised on trade date in the Profit and Loss account.

Securities lending and borrowing

a) Initial margin and / or additional margin paid over and above the initial margin, for entering into contracts for equity shares which are released on final settlement / squaring – up of the underlying contracts, are disclosed under Other Assets.

b) On final settlement or squaring – up of contracts for equity shares the realised profit or loss after adjusting the unrealised profit or loss already accounted, if any, is recognised in the Profit and Loss Account.

G. FOREIGN CURRENCY AND DERIVATIVE TRANSACTIONS

For the Bank:

i. Foreign currency monetary assets and liabilities are translated as at the Balance Sheet date at rates notified by the Foreign Exchange Dealers' Association of India (FEDAI) and the resultant gain or loss is accounted in the Profit and Loss Account.

ii. Income and Expenditure items are translated at the rates of exchange prevailing on the date of the transaction except for representative office (which are integral in nature) expenses, which are translated at the monthly average rate of exchange.

iii. Outstanding forward (other than deposit and placement swaps) and spot foreign exchange contracts outstanding at the Balance Sheet date are revalued at rates notified by FEDAI for specified maturities and at the interpolated rates of interim maturities. In case of forward contracts of greater maturities where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The forward profits or losses on the forward contracts are discounted using discount rates and the resulting profits or losses are recognised in the Profit and Loss Account as per the regulations stipulated by the RBI.

iv. Foreign exchange swaps "linked" to foreign currency deposits and placements are translated at the prevailing spot rate at the time of swap. The premium or discount on the swap arising out of the difference in the exchange rate of the swap date and the maturity date of the underlying forward contract is amortised over the period of the swap and the same is recognised in the Profit and Loss Account.

v. Contingent liabilities on account of letters of credit, bank guarantees and acceptances and endorsements outstanding as at the Balance Sheet date denominated in foreign currencies and other foreign exchange contracts are translated at year-end rates notified by FEDAI.

vi. Notional amounts of derivative transactions comprising of forwards, swaps, futures and options are disclosed as off Balance Sheet exposures. The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet. Derivatives are classified as assets when the fair value is positive (positive marked to market) or as liabilities when the fair value is negative (negative marked to market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.

vii. Outstanding derivative transactions designated as "Hedges" are accounted in accordance with hedging instrument on an accrual basis over the life of the underlying instrument. Option premium paid or received is recognised in the Profit and Loss Account on expiry of the option. Option contracts are marked to market on every reporting date.

viii. The financial statements of International Financial Services Center Banking Unit (IBU) which are in the nature of non-integral overseas operations are translated on the following basis: (a) Income and expenses are converted at the average rate of exchange during the year and (b) All assets and liabilities are translated at closing rate as on Balance sheet date. The exchange difference arising out of year end translation is debited or credited as "Foreign Currency Translation Reserve" forming part of "Reserves and Surplus".

For other entities:

ix. On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount exchange rate between the reporting currency and the foreign currency at the date of the transaction.

x. Monetary assets and liabilities denominated in foreign currencies are reported using the closing rate of exchange as on the Balance Sheet date.

xi. Exchange differences arising on settlement of the transaction and on account of restatement of monetary assets and liabilities are recognised in the Profit and Loss Account. In case of items which are covered by forward exchange contracts entered to hedge the foreign currency risk, the difference between the year-end rate and the rate on the date of the contract is recognised as exchange difference in the Profit and Loss Account and the premium paid or received on forward exchange contracts is amortised as expense or income over the life of the contract. Any profit or loss on cancellation or renewal of such a forward exchange contract is recognised as income or expense.

xii. The financial statements of all subsidiaries incorporated outside India which are in the nature of non-integral foreign operations are translated on the following basis: (a) Income and expenses are converted at the average rate of exchange applicable for the year and (b) All assets and liabilities are translated at the closing rate as on the Balance Sheet date. The exchange difference arising out of year end translation is debited or credited as "Foreign Currency Translation Reserve" forming part of "Reserves and Surplus".

On the disposal / partial disposal of a non-integral foreign operation, the cumulative / proportionate amount of the exchange differences which has been accumulated in the foreign currency translation reserve and which relates to that operation are recognised as income or expenses in the same period in which gain or loss on disposal is recognised.

Interest rate / Currency swaps:

xiii. The outstanding swap trades at the Balance Sheet date are disclosed at the contract amount. The swaps which are in the nature of hedges are accounted on an accrual basis; these contracts are not marked to market. Accrued interest is adjusted against the interest cost / income of the underlying liability / asset. The foreign currency balances on account of notional currency swaps outstanding as at the Balance Sheet date are revalued using the closing rate and are disclosed as off Balance Sheet exposures.

Currency options:

xiv. The outstanding option trades, in the nature of hedge, at the Balance Sheet date are disclosed at the contract amount as off Balance Sheet exposure. The premium paid is amortised over the life of the contract.

Equity index / equity futures, equity index / equity options, embedded derivatives / other derivatives:

xv. Outstanding derivative contracts, including embedded derivatives, are measured at fair value as at each Balance Sheet date. Fair value of derivatives is determined using quoted market prices in an actively traded market, for the instrument, wherever available, as the best evidence of fair value. In the absence of quoted market prices in an actively traded market, a valuation technique is used to determine the fair value. In most cases the valuation techniques use observable market data as input parameters in order to ensure reliability of the fair value measure.

xvi. Initial Margin - Derivative Instrument representing the initial margin paid and / or additional margin paid over and above the initial margin, for entering into contracts for equity index / stock futures and equity index / stock options / other derivatives, which are released on final settlement / squaring–up of the underlying contracts, are disclosed under Other Assets. "Deposit for Mark to Market Margin - Derivative Instrument" representing the deposit paid in respect of mark to market margin is disclosed under Other Assets.

xvii. On final settlement or squaring–up of contracts for equity index / stock futures / other derivatives, the realised profit or loss after adjusting the unrealised loss already accounted, if any, is recognised in the Profit and Loss Account and shown as Profit on exchange on transactions (net) (including derivatives).

xviii. On settlement or squaring–up of equity index / stock options / other derivatives before expiry, the premium prevailing in option contracts on that date is recognised in the Profit and Loss Account.

xix. When more than one contract in respect of the relevant series of equity index / stock futures or equity index / stock options / other derivatives contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit or loss on squaring-up.

H. ADVANCES

Classification:

i. Advances are classified as performing and non-performing advances (NPAs) based on the RBI guidelines and are stated net of bills rediscounted, specific provisions, interest in suspense for non-performing advances and claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan and provisions in lieu of diminution in the fair value of restructured assets. Also, NPAs are classified into sub-standard, doubtful and loss as required by RBI guidelines. Interest on NPAs remaining uncollected is transferred to an interest suspense account and not recognised in the Profit and Loss account until received.

ii. Amounts paid for acquiring non-performing assets from other Banks and NBFCs are considered as advances. Actual collections received on such non-performing assets are compared with the cash flows estimated while purchasing the asset to ascertain over dues. If these over dues are in excess of 90 days, the Group classifies such assets into sub-standard, doubtful or loss as required by the RBI guidelines on purchase of non-performing assets.

iii. The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

Provisioning:

For Bank:

iv. Provision for non-performing assets comprising sub-standard, doubtful and loss assets is made in accordance with RBI guidelines. In addition, the Bank considers accelerated specific provisioning that is based on past experience, evaluation of security and other related factors. Specific loan loss provisions in respect of non-performing advances are charged to the Profit and Loss Account. Any recoveries made by the Bank in case of NPAs written off are recognised in the Profit and Loss Account.

v. The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made.

vi. In accordance with RBI guidelines, the Bank creates general provision on standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, and gold at levels stipulated by RBI from time to time - farm credit to agricultural activities, individual housing loan and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances and MSME borrowers registered under GST who have been granted relief from NPA recognition at 5.00%, teaser rate housing loans at 2.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%. Additional 2% standard asset provision is made for overseas step down subsidiaries of Indian corporates. Standard provision is also done at higher than the prescribed rates in respect of advances to stressed sectors as per the framework approved by Board of Directors. In case of frauds, the Bank makes provision for amounts it is liable for in accordance with the guidelines provided by RBI.

vii. Further to provisions required as per the asset classification status, provisions are held for individual country exposure (except for home country) as per the RBI guidelines. Exposure is classified in the seven risk categories as mentioned in the Export Credit Guarantee Corporation of India Limited (ECGC) guidelines and provisioning is done for that country if the net funded exposure is one percent or more of the Bank's total assets based on the rates laid down by the RBI.

viii. Provisions for Unhedged Foreign Currency Exposure of borrowers are made as per the RBI guidelines.

For other entities:

ix. NBFC subsidiaries provide general provision on standard assets at 0.40% in accordance with the RBI guidelines.

x. Life insurance subsidiary provides general provision on standard assets at 0.40% in accordance with the IRDAI guidelines.

I. STRUCTURED LIABILITIES

The Group has issued structured liabilities wherein the return on these liabilities is linked to non-interest benchmarks. Such structured liabilities have an embedded derivative which is the non-interest related return component. The embedded derivative is separated from the host contract and accounted separately {Refer Note 2 (G)(xv)}.

The resultant debt component of such structured liabilities is recognised in the Balance Sheet under borrowings and is measured at amortised cost on a yield to maturity basis.

J. LIABILITY FOR POLICIES

i Provision is made for policy liabilities in respect of all "in force" policies and "lapsed policies" that are likely to be revived in future based on actuarial valuation done by the Appointed Actuary in accordance with generally accepted actuarial practices, requirements of IRDAI and the Institute of Actuaries of India.

ii Liabilities in respect of unit-linked policies which have lapsed and are not likely to be revived, are shown as Policyholders' liabilities until expiry of the revival period.

iii Linked liabilities comprise of unit liability representing the fund value of policies are shown as 'Policyholders' Funds'.

K. ACTUARIAL METHOD – LIFE INSURANCE

i Actuarial method and assumptions: The actuarial liabilities have been calculated by the appointed actuary in accordance with generally accepted actuarial principles, the requirements of the Insurance Act, 1938 as amended by the Insurance Laws (Amendment) Act, 2015, the Insurance Regulatory and Development Authority Act, 1999 and the regulations framed thereunder, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, the Insurance Regulatory and Development Authority of India (Assets, Liabilities and Solvency Margin of Life Insurance Business) Regulations, 2016, and other relevant regulations, orders / directions issued by IRDAI in this regard and the prescribed guidance notes issued by the Institute of Actuaries of India. In respect of unit linked policies, a unit reserve equal to the value of units as on the Balance Sheet date and an additional non-unit reserve calculated on gross premium prospective valuation method is created. The method adopted for par policies (accumulation contracts) is the value of the accumulated fund and an additional non-unit reserve calculated on gross premium prospective valuation method. In respect of individual conventional business / Group business where premiums are guaranteed for more than one year, gross premium prospective method is used. Additional reserve on lapsed unit-linked policies is created and shown as 'Policyholders' Funds'.

ii The assumptions used in the Gross Premium valuation are based on best estimates together with appropriate margins for adverse deviations from experience. The principal assumptions are interest, inflation, return to policyholders' accounts, lapses, expenses, mortality and morbidity.

iii Reserves for group life one year renewable policies are calculated as the risk premium for the unexpired term with an allowance for expenses and a margin for adverse deviations. The actuarial liability for Group fund based / VIP fund is equal to premiums net of deductions accumulated with guaranteed interest plus a non-unit reserve to provide for expenses and mortality benefits.

iv Reserve for freelook cancellation is held to meet any premium refunds from policy freelook cancellations.

L. RESERVE FOR UNEXPIRED RISK – GENERAL INSURANCE

Reserve for unexpired risk is recognised net of reinsurance ceded and represents premium written that is attributable and to be allocated to succeeding accounting periods for risks to be borne by the Group under contractual obligations over a contract period basis or period of risk, whichever is applicable. As per circular vide IRDA/F&A/CIR/CPM/056/03/2016 dated April 4, 2016 such reserves are calculated on a pro-rata basis under 1/365 basis subject to 100% for marine hull business, on all unexpired policies at Balance Sheet date.

M. DISCOUNTED INSTRUMENTS

The liability is recognised at face value at the time of issuance of discounted instruments, less unexpired discount. The discount on the issue is amortised over the tenure of the instrument.

N. ACQUISITION COSTS

Acquisition costs such as commission and medical fees are costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts. Such costs are recognised in the year in which they are incurred.

O. BULLION

The Bank imports bullion including precious metal bars on a consignment basis for selling to its wholesale and retail customers. The difference between the sale price to customers and actual price quoted by supplier is reflected under other income.

The Bank also borrows and lends gold, which is treated as borrowings or lending as the case may be in accordance with the RBI guidelines and the interest paid or received is classified as interest expense or income and is accounted on an accrual basis.

P. TAXES ON INCOME

The Income Tax expense comprises Current Tax and Deferred Tax. Current tax is measured at the amount expected to be paid in India in respect of taxable income for the year in accordance with the Income Tax Act, 1961 enacted in India. Tax expenses relating to overseas subsidiaries are determined in accordance with the tax laws applicable in countries where such subsidiaries are domiciled.

Minimum Alternate Tax (MAT) paid in a year is charged to the Profit and Loss Account as current tax. The Group recognises MAT credit available as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the specified period, i.e. the period over which MAT credit is allowed to be carried forward and is reviewed at each balance sheet date.

Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent period.

Deferred tax assets on account of timing differences are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In case of carry forward losses and unabsorbed depreciation, under tax laws, all the deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date. Changes in deferred tax assets / liabilities on account of changes in enacted tax rates are given effect to in the Profit and Loss Account in the period of the change. The carrying amount of deferred tax assets are reviewed at each Balance Sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

Deferred tax assets and deferred tax liabilities are off set when there is legally enforceable right to set-off assets against liabilities representing current tax and where the deferred tax assets and deferred tax liabilities relate to taxes on income levied by the same governing taxation laws. Deferred tax assets and deferred tax liabilities across various entities are not set off against each other as the Group does not have a legal right to do so.

Q. SEGMENT REPORTING

In accordance with guidelines issued by the RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated 18th April, 2007 and Accounting Standard 17 (AS-17) on "Segment Reporting"; the Group's business has been segregated into the following segments whose principal activities are as under:

Segment	Principal activity
Treasury, BMU and Corporate centre	Dealing in debt, equity, money market, forex market, derivatives and investments and primary dealership of Government securities and Balance Sheet Management unit (BMU) responsible for Asset Liability Management and Corporate Centre which primarily comprises of support functions.
Retail Banking	Includes: (1) Lending Commercial vehicle finance, personal loans, home loans, agriculture finance, other loans / services and exposures which fulfill the four criteria for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (2) Branch Banking Retail borrowings covering savings, current and term deposit accounts and Branch Banking network and services including distribution of financial products. (3) Credit cards Receivables / loans relating to credit card business.

Segment	Principal activity
Corporate / Wholesale Banking	Wholesale borrowings and lendings and other related services to the corporate sector which are not included in Retail Banking.
Vehicle Financing	Retail vehicle finance and wholesale trade finance to auto dealers.
Other Lending Activities	Financing against securities, securitisation and other loans / services not included under Retail Banking and Corporate / Wholesale Banking.
Broking	Brokerage income on market transactions done on behalf of clients, interest on delayed payments, distribution of financial products and forex broking.
Advisory and Transactional Services	Providing financial advisory and transactional services such as mergers and acquisition advice and equity / debt issue management services.
Asset Management	Management of funds and investments on behalf of clients and funds.
Insurance	Life insurance and General Insurance

A transfer pricing mechanism between segments has been established by Asset Liability Committee (ALCO) for allocation of interest cost to its segments based on borrowing costs, maturity profile of assets / liabilities etc. and which is disclosed as part of segment revenue.

Segment revenues consist of earnings from external customers and inter-segment revenue as stated above. Segment expenses consist of interest expenses including those allocated, operating expenses and provisions.

Segment results are net of segment revenue and segment expenses.

Segment assets include assets related to segments and exclude tax related assets. Segment liabilities include liabilities related to the segment excluding net worth, minority interest and employees' stock option (grants outstanding), proposed dividend and dividend tax thereon.

Since the business operations of the Group are primarily concentrated in India, the Group is considered to operate only in the domestic segment.

R. EMPLOYEE SHARE BASED PAYMENTS

Equity-settled:

The Employee Stock Option Schemes (ESOSs) of the Bank are in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The Schemes provide for grant of options to employees of the Group to acquire the equity shares of the Bank that vest in cliff vesting or in a graded manner and that are to be exercised within a specified period.

In accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on "Accounting for Employee Share-based payments" issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the intrinsic value method. The intrinsic value being the excess, if any, of the fair market price of the share under ESOSs over the exercise price of the option is recognised as deferred employee compensation with a credit to Employee's Stock Option (Grant) Outstanding account. The deferred employee compensation cost is amortised on a straight-line basis over the vesting period of the option. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of equity instruments that are outstanding.

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense in "Payment to and provision for employee", equal to the amortised portion of the cost of lapsed option and credit to deferred employee compensation equal to the unamortised portion. In respect of the options which expire unexercised the balance standing to the credit of Employee's Stock Option (Grant) Outstanding account is transferred to General Reserve. The fair market price is the latest available closing price, preceding the date of grant of the option, on the stock exchange on which the shares of the Bank are listed.

Where the terms of an equity–settled award are modified, the minimum expense recognised in 'Payments to and provision for employees' is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total intrinsic value of the share–based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Cash-settled:

The cost of cash-settled transactions, stock appreciation rights (SARs) is measured initially using intrinsic value method at the grant date taking into account the terms and conditions upon which the instruments were granted. This intrinsic value is amortised on a straight-line basis over the vesting period with a recognition of corresponding liability. This liability is remeasured at each Balance Sheet date up to and including the vesting date with changes in intrinsic value recognised in the Profit and Loss Account in 'Payments to and provision for employees'.

The SARs that do not vest because of failure to satisfy vesting conditions are reversed by a credit to employee compensation expense, equal to the amortised cost in respect of the lapsed portion.

S. CLAIMS / BENEFITS

In respect of life insurance subsidiary, benefits paid comprise of policy death benefit, maturity, surrenders, survival benefits, discontinuance and other policy related claims and and change in the outstanding provision for claims at the year end. Claims by death and Surrender are accounted when intimated. Survival benefits are accounted when due. Maturity claims are accounted on the date of maturity. Amounts recoverable from reinsurers are accounted for in the same period as the related claim. Repudiated claims disputed before judicial authorities are provided for, based on the best judgment of the Management considering the facts and evidence in respect of each such claim. Withdrawals under unit-linked policies are accounted in respective schemes when the associated units are cancelled. Death claim benefit includes specific claim settlement costs wherever applicable.

In respect of general insurance subsidiary, claims incurred includes claims paid net of reinsurance recovery and salvage value retained by the insured, change in loss reserve during the period, change in claims incurred but not reported (IBNR) & change in claims incurred but not enough reported (IBNER). Claims incurred also include survey fees, legal fees and other expenses directly attributable to claim cost. Claims will be recognised as and when intimation of it is received and provision is determined (net of reinsurance recovery) by the management on the best estimate of claims likely to be paid based on survey reports, based on information received from various sources and from past experience.

Any subsequent information may result in revision of likely amount of final claim payment and accordingly provision for outstanding claims gets restated.

Estimated liability for IBNR and IBNER has been estimated by the Appointed Actuary in compliance with the relevant regulations and guidelines issued by IRDAI and the same is duly certified by the Appointed Actuary.

T. LOSS ON SALE OF ADVANCES TO ASSET RECONSTRUCTION COMPANY

Loss on sale of Advances sold to Asset Reconstruction Company is recognised immediately in the Profit and Loss Account.

U. SECURITISATION

The Group enters into arrangements for sale of loans through Special Purpose Vehicles (SPVs). In most cases, post securitisation, the Group continues to service the loans transferred to the SPV. The Group also provides credit enhancement in the form of cash collaterals and / or by subordination of cash flows to Senior PTCs holders. In respect of credit enhancements provided or recourse obligations (projected delinquencies, future servicing etc.) accepted by the Group, appropriate provision / disclosure is made at the time of sale in accordance with Accounting Standard 29, (AS-29) "Provisions, Contingent Liabilities and Contingent Assets".

In accordance with the RBI guidelines, the profit or premium on account of securitisation of assets at the time of sale is computed as the difference between the sale consideration and the book value of the securitised asset and is amortised over the tenure of the securities issued. The loss on account of securitisation is recognised immediately in the Profit and Loss Account.

The Group invests in PTCs of other SPVs which are accounted for at the deal value and are classified under Investments.

V. LEASES

As Lessee

Leases where all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

As Lessor

Where the group has substantially retained all the risks and rewards of ownership are classified as operating leases and included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

Initial direct costs in respect of operating leases such as legal costs, brokerage costs, etc. are recognised as expense immediately in the Profit and Loss Account.

The Group leases certain tangible assets and such leases where the Group has substantially transferred all the risks and rewards incidental to legal ownership are classified as finance leases. Such assets are recognised as a receivable at an amount equal to the net investment in the lease. The lease payment is apportioned between finance income and the repayment of principle i.e. the net investment in the lease.

W. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group has assessed its obligations arising in the normal course of business, including pending litigations, proceedings pending with tax authorities and other contracts including derivative and long term contracts. In accordance with Accounting Standard - 29 on 'Provisions, Contingent Liabilities and Contingent Assets', the Group recognises a provision for material foreseeable losses when it has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are measured based on best estimate of the expenditure required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made as contingent liabilities in the financial statements. The Group does not expect the outcome of these contingencies to have a materially adverse effect on its financial results. Contingent assets are neither recognised nor disclosed in the financial statements.

The Bank estimates the liability for credit card reward points and cost per point using actuarial valuation conducted by an independent actuary, which includes assumptions such as mortality, redemption and spends.

X. SCHEME EXPENSES

Annual recurring expenses relating to schemes of Kotak Mahindra Mutual Fund which the schemes are unable to bear are borne by the Group. Further, scheme expenses also include new fund offer expenses, and other expenses relating to the schemes which do not fall under regulation 52(4) of the SEBI (Mutual Funds) Regulations, 1996. With effect from October 22, 2018, no scheme expenses are to be borne by the Group.

Y. CONTRIBUTION TO TERRORISM POOL

In accordance with the requirements of IRDAI, the general insurance subsidiary, together with other insurance companies, participated in the Terrorism Pool. This Pool is managed by General Insurance Corporation of India (GIC). In accordance with the terms of the agreement, GIC retro cedes, to the Group, terrorism premium to the extent of shares agreed to be borne by the Group in the risk which is recorded as reinsurance accepted. Such Insurance accepted is recorded based on quarterly confirmation received from GIC. Reinsurance accepted on account of Terrorism Pool has been recorded based on statement received from GIC.

The entire amount of reinsurance accepted for the current year on this account, net of claims and expenses up to the above date, has been carried forward to the subsequent accounting period as Changes in unearned premium for subsequent risks, if any, to be borne by the Group.

Z. CONTRIBUTION TO SOLATIUM FUND

As per the requirements of IRDA, the general insurance subsidiary provides for contribution to solatium fund at 0.10% on the gross direct premium of motor third party policies.

AA. SHARE ISSUE EXPENSES

Share issue expenses are adjusted from Securities Premium Account as permitted by Section 52 of the Companies Act, 2013.

AB. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue and stock split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year.

AC. IMPAIRMENT

The carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. Impairment loss, if any, is provided in the Profit and Loss Account to the extent carrying amount of assets exceeds their estimated recoverable amount.

AD. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the Balance Sheet comprise Cash in hand, Balances with Reserve Bank of India and Balances with Banks and Money at Call and Short Notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

Notes to Accounts

3. CAPITAL ISSUANCE

The Bank has allotted 8.10% Perpetual Non-Convertible Preference Shares (PNCPS) on 2nd August, 2018 to eligible investors at an issue price of ₹ 5 per PNCPS aggregating to ₹ 500 crore, resulting in increase in paid-up capital of the Bank.

4. ACQUISITION

During the year, the Group has paid ₹ 20.69 crore contingent consideration to erstwhile shareholders of BSS Microfinance Limited on fulfilment of conditions agreed at the time of acquisition. The same has been accounted as Goodwill.

5. EMPLOYEE BENEFITS

a. The Group has recognised the following amounts in the Profit and Loss Account towards contributions to Provident Fund and Other Funds.

Provident Fund	₹ 160.52 crore (Previous Year ₹ 141.84 crore)
Superannuation Fund	₹ 1.86 crore (Previous Year ₹ 2.14 crore)
New Pension Fund	₹ 6.08 crore (Previous Year ₹ 5.22 crore)

b. The gratuity plan provides a lumpsum payment to vested employees at retirement or on termination of employment based on respective employee's salary and years of employment with the Group subject to a maximum of ₹ 0.20 crore. There is no ceiling on gratuity payable to directors and certain categories of employees subject to service regulations and service awards.

c. Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity benefits is given below.

(₹ in crore)

	As on 31st March, 2019		As on 31st March, 2018	
	Funded	**Unfunded**	**Funded**	**Unfunded**
Change in benefit obligations				
Liability as at the beginning of the year	434.10	16.02	327.61	8.23
Transfer from Unfunded to Funded	2.95	(2.95)	-	-
Current Service cost	46.73	1.65	40.39	1.32
Interest cost	33.92	1.06	25.19	0.72
Actuarial (gain) / loss on obligations	31.56	1.24	6.72	1.77
Past Service cost	-	-	90.00	3.06
Liabilities assumed on acquisition / (settled on divestiture)	(0.15)	0.19	(0.02)	2.45
Benefits paid	(75.66)	(1.55)	(55.79)	(1.53)
Liability as at the end of the year	**473.45**	**15.66**	**434.10**	**16.02**
Change in plan assets				
Fair value of plan assets as at the beginning of the year	342.00	-	344.32	-
Expected return on plan assets	27.80	-	26.42	-
Actuarial Gain / (loss)	11.25	-	(0.90)	-
Benefits paid	(75.66)	(1.55)	(55.79)	(1.53)
Employer contributions	165.02	1.55	27.95	1.53
Fair value of plan assets as at the end of the year	**470.41**	**-**	**342.00**	**-**

Reconciliation of present value of the obligation and the fair value of the plan Assets

(₹ in crore)

	As on 31st March, 2019		As on 31st March, 2018	
	Funded	**Unfunded**	**Funded**	**Unfunded**
Fair value of plan assets as at the end of the year	470.41	-	342.00	-
Liability at the end of the year	473.45	15.66	434.10	16.02
Net Asset / (Liabilities) included in "Others" under "Other Assets" or "Other Liabilities"	**(3.04)**	**(15.66)**	**(92.10)**	**(16.02)**
Expenses recognised for the year				
Current service cost	46.73	1.65	40.39	1.32
Interest cost	33.92	1.06	25.19	0.72
Expected return on plan assets	(27.80)	-	(26.42)	-
Actuarial (gain) / loss	20.31	1.24	7.62	1.77
Past Service Cost	-	-	90.00	3.06
Effect of the limit in Para 59(b)	-	-	-	-
Net gratuity expense included in "[payments to and provision for employees]" under "Operating Expenses" [Schedule 16.I]	**73.16**	**3.95**	**136.78**	**6.87**
Actual return on plan assets	**39.05**	**-**	**25.52**	**-**

Reconciliation of the Liability recognised in the Balance Sheet

(₹ in crore)

	As on 31st March, 2019		As on 31st March, 2018	
	Funded	Unfunded	Funded	Unfunded
Net (Asset) / Liability as at the beginning of the year	92.10	16.02	(16.71)	8.23
Transfer from Unfunded to Funded	2.95	(2.95)	-	-
Expense recognized	73.16	3.95	136.78	6.87
Liabilities assumed on acquisition / (settled on divestiture)	(0.15)	0.19	(0.02)	2.45
Employer contributions	(165.02)	(1.55)	(27.95)	(1.53)
Effect of the limit in Para 59(b)	-	-	-	-
Net (Asset) / Liability included in "Others" under "Other Assets" or "Other Liabilities"	**3.04**	**15.66**	**92.10**	**16.02**

Investment details of plan assets

The plan assets are invested in insurer managed funds. Major categories of plan assets as a percentage of fair value of total plan assets:

	As on 31st March, 2019 %	As on 31st March, 2018 %
LIC managed funds#	9.37	22.14
Government securities	28.27	35.12
Bonds, debentures and other fixed income instruments	20.78	14.19
Money market instruments	3.61	1.75
Equity shares and other current assets	37.97	26.80
Total	**100.00**	**100.00**

The plan assets are invested in a fund managed by Life Insurance Corporation of India. In the absence of detailed information regarding plan assets of the fund, the composition of each major category of plan assets, the percentage or amount for each category of the fair value of plan assets has not been disclosed.

Actuarial assumptions used

	As on 31st March, 2019	As on 31st March, 2018
Discount rate	6.95 - 7.64% p.a.	7.35 - 7.90% p.a.
Salary escalation rate	5.50% (IBA) and 7.00-8.00% (others) p.a.	5.50% (IBA) and 7.00-9.00% (others) p.a.
Expected rate of return on plan assets	6.95 - 8.00% p.a.	7.50 - 8.00% p.a.

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

Expected rate of return on plan assets is based on expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

Experience adjustments

Amounts for the current and previous four years are as follows:

(₹ in crore)

Gratuity	Year ended 31st March,				
	2019	2018	2017	2016	2015
Defined benefit obligation	489.11	450.12	335.84	328.14	131.50
Plan assets	470.41	342.00	344.32	295.10	120.56
Surplus / (Deficit)	(18.70)	(108.12)	8.48	(33.04)	(10.94)
Experience adjustments on plan liabilities	20.25	13.28	4.18	42.28	4.25
Experience adjustments on plan assets	11.25	(0.90)	14.74	(8.14)	20.30

The Group expects to contribute ₹ 67.27 crores to gratuity fund in financial year 2019-20.

The above information is as certified by the actuary and relied upon by the auditors.

Pension
Pension liability relates to employees of eIVBL.

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for pension benefits is given below.

(₹ in crore)

	As on 31st March, 2019	As on 31st March, 2018
	Funded	Funded
Change in benefit obligations		
Liability as at the beginning of the year	1,057.85	950.14
Current Service cost	35.13	29.19
Interest cost	74.82	67.99
Actuarial (gain) / loss on obligations	145.66	147.03
Past Service cost	-	-
Benefits paid	(157.12)	(136.50)
Liability as at the end of the year	**1,156.34**	**1,057.85**
Change in plan assets		
Fair value of plan assets as at the beginning of the year	1,063.69	924.91
Expected return on plan assets	88.91	79.54
Actuarial Gain / (loss)	(6.46)	(0.72)
Benefits paid	(157.12)	(136.50)
Employer contributions	170.14	196.46
Fair value of plan assets as at the end of the year	**1,159.16**	**1,063.69**

Reconciliation of present value of the obligation and the fair value of the plan Assets

(₹ in crore)

	As on 31st March, 2019	As on 31st March, 2018
	Funded	Funded
Fair value of plan assets at the end of the year	1,159.16	1,063.69
Liability at the end of the year	1,156.33	1,057.85
Net Asset/ (Liability) included in "Others" under "Other Assets" or "Other Liabilities"	**2.83**	**5.84**
Expenses recognised for the year		
Current service cost	35.13	29.19
Interest cost	74.82	67.99
Expected return on plan assets	(88.91)	(79.54)
Actuarial (gain) / loss	152.11	147.75
Effect of the limit in Para 59(b)	-	-
Net pension expense included in "[payments to and provision for employees]" under "Operating Expenses" [Schedule 16.I]	**173.15**	**165.39**
Actual return on plan assets	**82.45**	**78.82**

Reconciliation of the Liability recognised in the Balance Sheet

(₹ in crore)

	As on 31st March, 2019 Funded	As on 31st March, 2018 Funded
Net (Asset) / Liability at the beginning of the year	(5.84)	25.23
Expense recognised	173.15	165.39
Employer contributions	(170.14)	(196.46)
Effect of the limit in Para 59(b)	-	-
Net (Asset)/ Liability included in "Others" under "Other Assets" or "Other Liabilities"	**(2.83)**	**(5.84)**

Investment details of plan assets

The plan assets are invested in a fund managed by Life Insurance Corporation of India. In the absence of detailed information regarding plan assets of the fund, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

Actuarial assumptions used

	As on 31st March, 2019	As on 31st March, 2018
Discount rate	7.64% p.a.	7.71% p.a.
Salary escalation rate	5.50% p.a.	5.50% p.a.
Expected rate of return on plan assets	8.00% p.a.	8.00% p.a.
Inflation	8.00% p.a.	8.00% p.a.

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

Expected rate of return on plan assets is based on expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

Experience adjustments

Amounts for the current year and previous year are as follows:

(₹ in crore)

Pension	Year ended 31st March, 2019	Year ended 31st March, 2018	Year ended 31st March, 2017	Year ended 31st March, 2016
Defined benefit obligation	1,156.33	1,057.85	950.14	782.02
Plan assets	1,159.16	1,063.69	924.91	747.24
Surplus / (deficit)	2.83	5.84	(25.23)	(34.78)
Experience adjustments on plan liabilities	102.64	208.24	178.79	344.62
Experience adjustments on plan assets	(6.46)	(0.72)	(7.02)	(15.35)

The pension liability was assumed on eIVBL amalgamation with the Bank effective 1st April, 2015 and hence the data from the date of amalgamation has been provided.

The Bank expects to contribute ₹ 8.01 crore to pension fund in financial year 2019-2020.

Compensated Absences

The actuarially determined liability for compensated absences (accumulated leave) of the employees of the Group is given below:

(₹ in crore)

	As on 31st March, 2019	As on 31st March, 2018
Total actuarial liability	234.05	211.57
Assumptions:		
Discount rate	6.95% - 7.64% p.a.	7.35% - 7.90% p.a.
Salary escalation rate	5.5% (IBA) and 7.00%-8.00% (others) p.a.	5.5% (IBA) and 7.00%-9.00% (others) p.a.

Long Service Award

The actuarially determined liability in respect of Long Service Award of the employees of the Group is given below:

(₹ in crore)

	As on 31st March, 2019	As on 31st March, 2018
Total actuarial liability	14.82	13.02
Assumptions:		
Discount rate	7.15-7.64% p.a.	7.71%-7.90% p.a.

6. DEPOSIT UNDER LIEN:

Balance with Banks in other deposit accounts include ₹ 3,476.35 crore (previous year ₹ 3,133.02 crore) which are under lien.

7. SECURITIES PLEDGED AND ENCUMBERED:

(a) Investments include Government Securities with face value of ₹ 7,684.71 crore (previous year ₹ 3,246.48 crore) pledged and encumbered for availment of fund transfer facility, clearing facility, margin requirements and with RBI for liquidity adjustment facility (LAF).

(b) Stock-in-Trade pledged with National Securities Clearing Corporation Limited towards Exposure in Derivatives Segment as on 31st March, 2019 ₹ 726.31 crore (previous year ₹ 544.52 crore).

8. "Others" in Other Liabilities and Provisions (Schedule 5) include the following items shown as "Provision for Contingencies", which have been recognised in the accounts in respect of obligations arising from past event, the settlement of which is expected to result in an outflow embodying economic benefits.

Provision for Contingencies: -

(₹ in crore)

Description	Balance as on 1st April, 2018	Addition during the year	Reversed/ paid during the year	Balance as on 31st March, 2019
Customer claims with respect to repossessed vehicles	0.17	-	0.07	0.10
Total	**0.17**	**-**	**0.07**	**0.10**
Previous year	3.43	-	3.26	0.17

9. PROVISIONS AND CONTINGENCIES:

Breakup of "Provisions and Contingencies" shown under the head Expenditure in Profit and Loss Account

(₹ in crore)

Year ended 31st March,	2019	2018
Provision for taxation (Refer Note 10 below)	3,456.02	3,011.09
Provision for Non-performing Assets and Contingencies (including write-offs and net of recoveries)	922.38	667.21
Provision for Standard Assets	122.45	148.32
Provision for Unhedged Foreign Currency Exposure	6.17	(0.30)
Provision for Diminution in value of Investments	(22.14)	208.89
Provision Others	16.51	0.62
Total	**4,501.39**	**4,035.83**

10. PROVISION MADE FOR TAXES DURING THE YEAR:

(₹ in crore)

Year ended 31st March,	2019	2018
Current tax	3,467.14	2,985.64
Deferred tax	(11.12)	25.45
Total	3,456.02	3,011.09

11. DESCRIPTION OF CONTINGENT LIABILITIES:

Sr. No.	Contingent Liability*	Brief Description
1.	Claims not acknowledged as debts	This includes liability on account of income tax, sales tax, lease tax demands, property tax demands and legal cases filed against the Group. The Group is a party to various legal proceedings in the normal course of business. The Group does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, result of operations or cash flows. In respect of appeals filed by the Income Tax department with higher authorities, where the matter was settled in favour of the Group at the first appellate stage, and where in view of the Management, it gives rise to an item of timing difference, no contingent liability is envisaged by the Group.
2.	Liability on account of outstanding forward exchange contracts	The Group enters into foreign exchange contracts with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.
3.	Guarantees on behalf of constituents in and outside India	Primarily as part of its banking activities, the Group issues guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Group will make payments in the event of customer failing to fulfill its financial or performance obligations.
4.	Acceptances, endorsements and other obligations	These include: • Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Group • Bills re-discounted by the Group and cash collateral provided by the Group on assets which have been securitised. • Underwriting commitments in respect of Debt Syndication

Sr. No.	Contingent Liability*	Brief Description
5.	Other items for which the Group is contingently liable	These include: • Liabilities in respect of interest rate swaps, currency swaps, forward rate agreements, futures, options and other derivative contracts. The Group enters into these transactions on its own account and for customers. Currency Swaps are commitments to exchange cash flows by way of interest or principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are amounts used as a benchmark for the calculation of interest component of the contracts. • Liability in respect of capital commitments relating to fixed assets and undrawn commitments in respect of investments. • Amount Transferred to RBI under the Depositor Education and Awareness Fund ('DEAF') and amount transferred to Senior Citizens Welfare Fund ('SCWF') net of claims paid in respect of amounts transferred earlier as directed by IRDAI.

* *Also refer Schedule 12 – Contingent Liabilities*

With regard to a recent Supreme Court judgement on PF there are various interpretative issues including applicability. The Group has based on a legal opinion taken the view that the judgement will be applicable from March 2019.

12. EARNINGS PER EQUITY SHARE:

Particulars	As on 31st March, 2019	As on 31st March, 2018
Reconciliation between weighted shares used in the computation of basic and diluted earnings per share:		
Weighted average number of equity shares used in computation of basic earnings per share	1,906,844,174	1,896,049,700
Effect of potential equity shares for stock options outstanding	2,263,269	2,572,354
Weighted average number of equity shares used in computation of diluted earnings per share	1,909,107,443	1,898,622,054
Following is the reconciliation between basic and diluted earnings per share:		
Nominal value per share (₹)	5.00	5.00
Basic earnings per share (₹)	37.78	32.70
Effect of potential equity shares for stock options (₹)	0.04	0.04
Diluted earnings per share (₹)	37.74	32.66
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	7,204.13	6,200.97

13. EMPLOYEE SHARE BASED PAYMENTS:

At the General Meetings, the shareholders of the Bank had unanimously passed Special Resolutions on 28th July, 2000, 26th July, 2004, 26th July, 2005, 5th July, 2007, 21st August, 2007 and 29th June, 2015, to grant options to the eligible employees of the Bank and its subsidiaries and associate companies. Pursuant to these resolutions, the following Employees Stock Option Schemes had been formulated and adopted:

(a) Kotak Mahindra Equity Option Scheme 2001-02;

(b) Kotak Mahindra Equity Option Scheme 2002-03;

(c) Kotak Mahindra Equity Option Scheme 2005;

(d) Kotak Mahindra Equity Option Scheme 2007; and

(e) Kotak Mahindra Equity Option Scheme 2015

Further, pursuant to the Scheme of Amalgamation of ING Vysya Bank Limited with the Bank, the Bank has renamed and adopted the ESOP Schemes of the eIVBL, as given below:

- Kotak Mahindra Bank Limited (IVBL) Employees Stock Option Scheme 2005;
- Kotak Mahindra Bank Limited (IVBL) Employees Stock Option Scheme 2007;
- Kotak Mahindra Bank Limited (IVBL) Employee Stock Option Scheme 2010; and
- Kotak Mahindra Bank Limited (IVBL) Employees Stock Option Scheme 2013

Consequent to the above, the Bank has granted stock options to the employees of the Group. The Bank under its various plan / schemes, has granted in aggregate 152,525,793 options (including options issued in exchange on amalgamation) as on 31st March, 2019 (Previous year 148,401,294).

In aggregate 10,046,188 options are outstanding as on 31st March, 2019 (Previous year 9,475,005) under the aforesaid schemes.

Equity-settled options

The Bank has granted options to employees of the Group vide various employee stock option schemes. During the year ended 31st March, 2019, the following schemes were in operation:

	Plan 2007	Plan 2015
Date of grant	Various Dates	Various Dates
Date of Board Approval	Various Dates	Various Dates
Date of Shareholder's approval	5th July, 2007 as amended on 21st August, 2007	29th June, 2015
Number of options granted	68,873,000	12,212,139
Method of Settlement (Cash / Equity)	Equity	Equity
Vesting Period	1.00 – 4.14 years	1.00 – 4.02 years
Exercise Period	0.30 – 1.08 years	0.21 – 0.50 years
Vesting Conditions	Graded / Cliff vesting	Graded / Cliff vesting

	KMBL(IVBL) Plan 2007	KMBL (IVBL) Plan 2010	KMBL (IVBL) Plan 2013
Number of options granted (addition on amalgamation)	1,245,010	5,773,046	4,642,198
Method of Settlement (Cash / Equity)	Equity	Equity	Equity

The details of activity under Plan 2007 have been summarised below:

	Year ended 31st March, 2019		Year ended 31st March, 2018	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	1,320,788	614.14	3,228,236	572.03
Granted during the year	-	-	-	-
Forfeited during the year	35,880	665.00	149,740	640.29
Exercised during the year	947,069	595.88	1,741,978	533.47
Expired during the year	8,153	657.12	15,730	657.33
Outstanding at the end of the year	329,686	660.00	1,320,788	614.14
Out of the above exercisable at the end of the year	329,686	660.00	231,244	396.02
Weighted average remaining contractual life (in years)		0.24		0.87
Weighted average fair value of options granted		-		-

The details of activity under Plan 2015 have been summarised below:

	Year ended 31st March, 2019		Year ended 31st March, 2018	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	6,873,434	855.14	3,778,230	721.10
Granted during the year	4,124,499	1,265.43	4,191,170	952.24
Forfeited during the year	379,029	955.68	453,894	849.09
Exercised during the year	1,873,709	847.35	631,975	704.46
Expired during the year	23,933	867.88	10,097	710.00
Outstanding at the end of the year	8,721,262	1,046.44	6,873,434	855.14
Out of the above exercisable at the end of the year	49,513	901.99	103,630	710.00
Weighted average remaining contractual life (in years)		1.69		1.94
Weighted average fair value of options granted during the year		350.19		232.34

The details of activity under KMBL (IVBL) Plan 2007 have been summarised below:

	Year ended 31st March, 2019		Year ended 31st March, 2018	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	150,802	416.00	156,022	408.82
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	5,220	201.50
Expired during the year	-	-	-	-
Outstanding at the end of the year	150,802	416.00	150,802	416.00
Out of the above exercisable at the end of the year	150,802	416.00	150,802	416.00
Weighted average remaining contractual life (in years)		0.70		1.70

The details of activity under KMBL (IVBL) Plan 2010 have been summarised below:

	Year ended 31st March, 2019		Year ended 31st March, 2018	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	552,406	285.62	716,978	280.53
Forfeited during the year	-	-	-	-
Exercised during the year	212,614	258.00	164,572	263.45
Expired during the year	-	-	-	-
Outstanding at the end of the year	339,792	302.90	552,406	285.62
Out of the above exercisable at the end of the year	339,792	302.90	552,406	285.62
Weighted average remaining contractual life (in years)		0.70		1.31

The details of activity under KMBL (IVBL) Plan 2013 have been summarised below:

	Year ended 31st March, 2019		Year ended 31st March, 2018	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	577,575	386.53	784,459	387.72
Forfeited during the year	-	-	-	-
Exercised during the year	72,929	398.00	206,884	391.05
Expired during the year	-	-	-	-
Outstanding at the end of the year	504,646	384.87	577,575	386.53
Out of the above exercisable at the end of the year	504,646	384.87	577,575	386.53
Weighted average remaining contractual life (in years)	-	1.04	-	2.04

The weighted average share price at the date of exercise for stock options exercised during the year was ₹1,266.32 (Previous year ₹ 1,008.92).

The details of exercise price for stock options outstanding at the end of the year are:

31st March, 2019

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
201-300	226,830	0.66	246.58
301-400	430,347	1.08	379.50
401-500	348,063	0.74	418.41
501-600	28,572	0.88	550.00
601-700	371,185	0.42	669.76
701-800	1,965,284	1.07	735.48
801-900	58,820	2.08	900.00
901-1000	2,607,868	1.58	955.10
1001-1100	46,800	1.71	1,076.10
1201-1300	3,962,419	2.08	1,270.71

31st March, 2018

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
201-300	442,958	1.14	247.70
301-400	469,656	2.08	379.50
401-500	629,573	1.21	416.89
501-600	50,001	1.43	550.00
601-700	1,134,954	1.07	667.27
701-800	2,877,113	1.71	728.13
901-1000	3,823,950	2.10	955.07
1001-1100	46,800	2.71	1,076.10

Stock appreciation rights

At the General Meeting on 29th June, 2015, the shareholders of the Bank had passed Special Resolution to grant SARs to the eligible employees of the Bank, its subsidiaries and associate companies. Pursuant to this resolution, Kotak Mahindra Stock Appreciation Rights Scheme 2015 has been formulated and adopted. Subsequently, the SARs have been granted under this scheme and the existing SARs will continue.

The SARs are settled in cash and vest on the respective due dates in a graded manner as per the terms and conditions of grant. The contractual life of the SARs outstanding range from 1.10 to 4.24 years.

Detail of activity under SARs is summarised below:

	Year Ended 31st March, 2019	Year Ended 31st March, 2018
Outstanding at the beginning of the year	2,322,378	2,346,585
Granted during the year	1,160,802	1,186,758
Settled during the year	1,036,729	1,028,499
Lapsed during the year	124,266	182,466
Outstanding at the end of the year	2,322,185	2,322,378

Fair value of Employee stock options

The fair value of the equity-settled and cash-settled options is estimated on the date of grant using Black-Scholes options pricing model taking into account the terms and conditions upon which the options were granted. The fair value of the cash-settled options is remeasured at each Balance Sheet date. The following table lists the inputs to the model used for equity-settled and cash-settled options:

	2019		2018	
Year ended 31st March,	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Exercise Price ₹	900-1271	0-1271	700-1,084	0-955
Weighted Average Share Price ₹	1,268.97	1,085.04	957.63	939.80
Expected Volatility	18.68%-32.95%	19.74%-28.06%	18.12%-39.37%	16.74%-22.56%
Historical Volatility	18.68%-32.95%	19.74%-28.06%	18.12%-39.37%	16.74%-22.56%
Life of the options granted (Vesting and exercise period)				
- At the grant date	1.10-3.87		1.19-3.88	
- As at 31st March		0.06-3.38		0.08-3.59
Risk-free interest rate	6.97%-7.99%	6.17%-6.84%	6.30%-7.42%	6.01%-7.33%
Expected dividend rate	0.06%	0.05%	0.06%	0.06%

The expected volatility was determined based on historical volatility data and the Bank expects the volatility of its share price may reduce as it matures. The measure of volatility used in the Black-Scholes options pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. For calculating volatility, the daily volatility of the stock prices on the National Stock Exchange, over a period prior to the date of grant, corresponding with the expected life of the options has been considered.

Effect of the employee share-based payment plans on the Profit and Loss Account and on the financial position:

(₹ in crore)

Year ended 31st March,	2019	2018
Total Employee compensation cost pertaining to share-based payment plans	143.54	112.01
Compensation cost pertaining to equity-settled employee share-based payment plan included above	1.80	1.75
Liability for employee stock options outstanding as at year end	4.09	4.41
Deferred Compensation Cost	2.02	2.24
Closing balance of liability for cash-settled options	145.50	118.76
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	109.70	91.32

Had the Group recorded the compensation cost computed on the basis of Fair Valuation method instead of intrinsic value method, employee compensation cost would have been higher by ₹ 100.17 crore (Previous year ₹ 63.80 crore) and the profit after tax would have been lower by ₹ 67.74 crore (Previous year ₹ 43.50 crore). Consequently the basic and diluted EPS would have been ₹ 37.43 (Previous year ₹ 32.48) and ₹ 37.38 (Previous year ₹ 32.43) respectively.

14. TIER II BONDS

a. Lower Tier II Bonds outstanding as on 31st March, 2019 ₹ 561.60 crore (previous year ₹ 887.60 crore).

b. Upper Tier II Bonds outstanding as on 31st March, 2019 ₹ Nil (previous year ₹ 225.10 crore) of which bonds issued outside India ₹ Nil (previous year ₹ 225.10 crore).

15. Interest Expended-Others {Schedule 15.III} includes interest on subordinated debt (Lower and Upper Tier II) ₹ 72.76 crore (previous year ₹ 92.79 crore).

16. The Group charges off to the Profit and Loss Account all expenses related to acquisition costs of advances in the year in which they are incurred. Kotak Mahindra Prime Limited, a subsidiary of the Bank, charges off such costs based on the Internal Rate of Return of a contract. On account of this difference in accounting policy, unamortised brokerage amounting to ₹ 95.17 crore (previous year ₹ 103.44 crore) is carried forward in the Balance Sheet under "Other Assets".

17. SEGMENT REPORTING

The Summary of the operating segments of the Group for the year ended 31st March, 2019 are as given below:

(₹ in crore)

31st March,	2019	2018
Segment Revenues:		
Treasury, BMU and Corporate Centre	6,333.84	6,157.90
Retail Banking	13,885.48	11,437.61
Corporate / Wholesale Banking	11,392.66	9,061.32
Vehicle Financing	2,407.69	2,302.91
Other Lending Activities	1,839.75	1,702.97
Broking	1,428.26	1,383.79
Advisory and Transactional Services	300.71	214.29
Asset Management	1,106.03	933.77
Insurance	10,711.88	8,613.55
Sub-total	**49,406.30**	**41,808.11**
Add: Unallocated Income	-	-
Less: inter-segment revenues	(3,427.19)	(2,994.80)
Total Income	**45,979.11**	**38,813.31**
Segment Results:		
Treasury, BMU and Corporate Centre	2,382.40	2,126.69
Retail Banking	1,988.39	1,510.71
Corporate / Wholesale Banking	3,287.57	2,984.45
Vehicle Financing	524.79	532.83
Other Lending Activities	649.37	588.78
Broking	475.14	566.63
Advisory and Transactional Services	141.12	90.62
Asset Management	571.11	318.99
Insurance	555.84	438.53
Sub-total	**10,575.73**	**9,158.23**
Add: Unallocated Income / (Expense)	-	-
Total Profit before tax, minority interest and associates	10,575.73	9,158.23
Provision for tax	3,456.03	3,011.09
Net Profit before share of Associates and Minority	**7,119.70**	**6,147.14**
Segment Assets:		
Treasury, BMU and Corporate Centre	103,728.34	92,958.91
Retail Banking	174,501.61	143,303.89
Corporate / Wholesale Banking	134,695.27	100,506.20
Vehicle Financing	21,661.53	21,800.01
Other Lending Activities	19,562.02	16,931.85
Broking	4,973.38	4,747.27
Advisory and Transactional Services	272.04	166.58
Asset Management	2,919.14	2,160.35
Insurance	31,721.42	26,058.32
Sub-total	**494,034.75**	**408,633.38**
Less: inter-segment assets	(99,880.27)	(72,044.14)
Total	**394,154.48**	**336,589.24**
Add: Unallocated Assets	1,016.77	1,131.23
Total Assets as per Balance Sheet	**395,171.25**	**337,720.47**

(₹ in crore)

31st March,	2019	2018
Segment Liabilities:		
Treasury, BMU and Corporate Centre	94,807.25	83,916.49
Retail Banking	160,851.80	132,725.09
Corporate / Wholesale Banking	122,068.09	88,984.44
Vehicle Financing	17,819.58	17,736.92
Other Lending Activities	6,952.50	6,996.12
Broking	4,080.72	4,180.14
Advisory and Transactional Services	70.14	85.95
Asset Management	1,060.32	769.98
Insurance	28,938.13	23,800.76
Sub-total	**436,648.53**	**359,195.89**
Less: inter-segment liabilities	(99,880.27)	(72,044.14)
Total	**336,768.26**	**287,151.75**
Add: Unallocated liabilities	123.25	82.66
Add: Share Capital, Reserves and Surplus and Minority Interest	58,279.74	50,486.06
Total Capital and Liabilities as per Balance Sheet	**395,171.25**	**337,720.47**
Capital Expenditure		
Treasury, BMU and Corporate Centre	83.41	44.22
Retail Banking	364.75	237.94
Corporate / Wholesale Banking	53.64	20.71
Vehicle Financing	5.30	4.79
Other Lending Activities	2.13	1.03
Broking	21.89	28.03
Advisory and Transactional Services	7.81	0.81
Asset Management	8.42	10.65
Insurance	57.27	37.46
Total	**604.62**	**385.64**
Depreciation / Amortisation		
Treasury, BMU and Corporate Centre	108.67	102.51
Retail Banking	234.24	184.92
Corporate / Wholesale Banking	25.21	16.47
Vehicle Financing	4.38	3.27
Other Lending Activities	0.99	0.68
Broking	21.86	22.55
Advisory and Transactional Services	3.21	3.37
Asset Management	11.50	10.97
Insurance	48.36	38.69
Total	**458.42**	**383.43**

Segment information is provided as per the MIS available for internal reporting purposes.

18. ASSETS TAKEN ON LEASE

(i) The Group has taken various premises and equipment under operating lease. The lease payments recognised in the Profit and Loss Account are ₹ 554.28 crore (previous year ₹ 495.72 crore).

(ii) The future minimum lease payments under non-cancelable operating lease not later than one year is ₹ 490.94 crore (previous year ₹ 445.26 crore), later than one year but not later than five years is ₹ 1,506.87 crore (previous year ₹ 1,395.15 crore) and later than five years ₹ 1,129.02 crore (previous year ₹ 1,116.25 crore).

The lease terms include renewal option after expiry of primary lease period. There are no restrictions imposed by lease arrangements. There are escalation clauses in the lease agreements.

19. ASSETS GIVEN ON LEASE

The lease income recognised in the Profit and Loss Account in respect of premises and equipment under operating lease is ₹ 0.70 crore (previous year ₹ 0.70 crore).

The future minimum lease payments expected to be received under non-cancelable operating lease – not later than one year is ₹ 0.73 crore (previous year ₹ 0.66 crore), later than one year but not later than five years is ₹ 2.65 crore (previous year ₹ 3.09 crore) and later than five years ₹ Nil crore (previous year ₹ 0.29 crore).

Details of gross investments, unearned finance income and present value of rentals in respect of assets given under finance lease are as under:

(₹ in crore)

As on 31st March,	2019	2018
Gross Investments (A):		
(i) Not later than 1 year	70.82	66.86
(ii) Between 1-5 years	110.14	110.40
Total	**180.96**	**177.26**
Unearned Finance Income (B):		
(i) Not later than 1 year	15.51	15.44
(ii) Between 1-5 years	15.51	15.00
Total	**31.02**	**30.44**
Present Value of Rentals (A-B):		
(i) Not later than 1 year	55.31	51.41
(ii) Between 1-5 years	94.72	95.40
Total	**150.03**	**146.81**
Accumulated provision on the Gross Investments	**1.52**	**1.74**

20. In accordance with the IRDAI Regulations, 2002 (Preparation of Financial Statements and Auditor's Report of Insurance Companies), the Life Insurance subsidiary has revalued its investment property at the market value being the lower of valuation performed by two independent valuers as at 31st March, 2019. The cost of the investment properties, which were purchased post 31st March, 2015 are considered as market value as at 31st March, 2019. The real estate investment property is accordingly valued at ₹ 192.65 crore at 31st March, 2019 (previous year ₹ 192.65 crore). The historical cost of the property is ₹ 158.28 crore (previous year ₹ 158.28 crore). The revaluation gains have been included in policyholders' funds.

21. The Group enters into various types of derivative contracts such as interest rate swaps, cross currency interest rate swaps, foreign currency swaps, forwards, index / equity futures and options. The details of such derivatives for subsidiaries (other than bank) are as under:

Derivative instrument outstanding as on 31st March, 2019

As on 31st March, Particulars of Derivatives	2019 Quantity	2018 Quantity	Purpose
Futures			
S&P CNX Nifty Futures Long	-	525	Trading
S&P CNX Nifty Futures Short	2,850	5,250	Trading
Bank Nifty Futures Long	-	8,760	Trading
Stock Futures Long	7,202,797	3,534,700	Trading
Stock Futures Short	49,924,331	17,656,632	Trading
USD-INR Long	-	1,335,000	Trading
Options			
S&P CNX Nifty Options Long	574,800	1,453,875	Trading
S&P CNX Nifty Options Short	379,200	769,125	Trading

As on 31st March, Particulars of Derivatives	2019 Quantity	2018 Quantity	Purpose
Stock Options Long	116,700	-	Trading
Stock Options Short	86,450	-	Trading
Bank Nifty Options Long	-	8,880	Trading
Bank Nifty Options Short	-	640	Trading
USD-INR Long	-	15,255,000	Trading
USD-INR Short	-	9,755,000	Trading
Forward Exchange Contracts			
USD-INR Long	USD 4,000,000	USD 13,000,000	Hedging
Interest Rate Swap	USD 52,000,000	USD 58,000,000	Hedging
Total Return Swap	USD 25,128,219	USD 2,667,993	Trading

Unhedged forex exposure outstanding as on the Balance Sheet date

(₹ in crore)

Particulars	As on 31st March, 2019	As on 31st March, 2018
Amount Receivable in foreign currency	1.68 (USD 243,276) 0.25 (EURO 32,222) 0.23 (GBP 25,933) 0.41 (JPY 6,555,556)	6.08 (USD 943,256) 0.40 (EURO 50,000) 0.44 (GBP 47,397)
Amount Payable in foreign currency	2.32 (USD 335,677) 0.01 (SGD 1,419)	0.66 (USD 106,260)

22. Additional information to consolidated accounts at 31st March, 2019, (Pursuant to Schedule III of the Companies Act, 2013)

(₹ in crore)

	Net Assets*				Share in Profit or Loss			
	2018 - 2019		2017 - 2018		2018 – 2019		2017 - 2018	
Name of the Subsidiary	As % of Consolidated Net Assets	Amount	As % of Consolidated Net Assets	Amount	As % of Consolidated Profit or Loss	Amount	As % of Consolidated Profit or Loss	Amount
Kotak Mahindra Bank Limited	73.61%	42,898.38	74.24%	37,481.66	67.54%	4,865.33	65.87%	4,084.30
Indian Subsidiaries:								
Kotak Mahindra Prime Limited	9.29%	5,415.52	9.54%	4,816.44	8.32%	599.35	9.51%	589.62
Kotak Securities Limited	6.83%	3,978.76	6.99%	3,526.90	6.27%	451.86	8.56%	530.95
Kotak Mahindra Capital Company Limited	0.98%	571.93	1.11%	558.52	0.88%	63.12	1.05%	65.29
Kotak Mahindra Life Insurance Company Limited	4.71%	2,745.36	4.43%	2,238.13	7.04%	507.24	6.67%	413.41
Kotak Mahindra General Insurance Company Limited	0.19%	107.83	0.19%	97.73	(0.48%)	(34.90)	(0.52%)	(32.55)
Kotak Mahindra Investments Limited	2.73%	1,589.51	2.74%	1,382.52	2.87%	206.99	3.95%	244.97
Kotak Mahindra Asset Management Company Limited	0.76%	445.41	0.45%	227.35	3.03%	218.06	1.31%	81.21
Kotak Mahindra Trustee Company Limited	0.24%	137.45	0.21%	105.49	0.51%	36.48	0.54%	33.79
Kotak Investment Advisors Limited	0.61%	355.14	0.67%	337.74	0.24%	17.41	0.18%	10.88
Kotak Mahindra Trusteeship Services Limited	0.03%	18.35	0.03%	15.97	0.03%	2.39	0.03%	1.73
Kotak Infrastructure Debt Fund Limited	0.60%	349.20	0.64%	323.62	0.36%	25.65	0.23%	14.38

Name of the Subsidiary	Net Assets*				Share in Profit or Loss			
	2018 - 2019		2017 - 2018		2018 – 2019		2017 - 2018	
	As % of Consolidated Net Assets	Amount	As % of Consolidated Net Assets	Amount	As % of Consolidated Profit or Loss	Amount	As % of Consolidated Profit or Loss	Amount
Kotak Mahindra Pension Fund Limited	0.04%	25.36	0.05%	25.29	0.00%	0.07	0.00%	(0.05)
IVY Product Intermediaries Limited	0.01%	5.59	0.01%	5.35	0.00%	0.24	0.00%	0.16
BSS Microfinance Limited	0.28%	164.18	0.21%	108.50	0.77%	55.68	0.29%	17.91
Foreign Subsidiaries:								
Kotak Mahindra (International) Limited	1.07%	623.03	1.05%	532.00	0.83%	59.59	1.00%	62.01
Kotak Mahindra (UK) Limited	0.47%	273.90	0.44%	222.15	0.54%	38.81	0.31%	19.05
Kotak Mahindra, Inc.	0.01%	7.05	0.02%	8.91	(0.03%)	(2.44)	(0.05%)	(2.87)
Kotak Mahindra Financial Services Limited	0.01%	8.41	0.02%	7.82	0.00%	0.12	0.05%	3.35
Kotak Mahindra Asset Management (Singapore) Pte. Limited	0.17%	96.38	0.08%	42.22	0.72%	52.16	0.53%	32.81
Minority Interests in subsidiary	0.00%	-	0.00%	-	0.00%	-	(0.91%)	(56.67)
Associates:								
Infina Finance Private Limited	-	-	-	-	0.46%	33.19	1.53%	94.83
Phoenix ARC Private Limited	-	-	-	-	0.69%	49.99	0.23%	14.36
ACE Derivatives & Commodity Exchange Limited (ACE)	-	-	-	-	0.00%	0.13	0.00%	0.31
Matrix Business Services India Private Limited	-	-	-	-	0.02%	1.12	0.02%	1.01
Inter-company and Other adjustments	(2.64%)	(1,536.24)	(3.12%)	(1,578.25)	(0.61%)	(43.51)	(0.38%)	(23.22)
Total	100.00%	58,280.50	100.00%	50,486.06	100.00%	7,204.13	100.00%	6,200.97

* *Total assets minus total liabilities*

23. "Others – Other Liabilities and Provisions" - (Schedule 5.V) includes Deferred Tax Liability and "Others – Other Assets"(Schedule 11.VI) includes Deferred Tax Assets as follows:

(₹ in crore)

Particulars	Year ended 31st March, 2019	Year ended 31st March, 2018
Deferred Tax Assets		
Provision for non-performing and doubtful debts, standard advances and contingencies	268.81	282.45
Depreciation on assets	81.37	57.74
Provision for investments	3.97	4.18
Unamortised Income	2.90	0.98
Expenditure allowed on payment basis and others	171.29	156.63
Total Deferred Tax Assets	**528.34**	**501.98**
Deferred Tax Liabilities		
Deferred expenses	35.93	39.49
Depreciation on assets	2.20	2.07
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	160.59	143.28
Others	7.01	5.64
Total Deferred Tax Liabilities	**205.73**	**190.48**
Net Deferred Tax Assets / (Liabilities)	**322.61**	**311.50**

24. FIXED ASSETS

Fixed Assets as per Schedule 10 include intangible assets, details of which are as follows:

(₹ in crore)

Particulars	Year ended 31st March, 2019	Year ended 31st March, 2018
PURCHASED SOFTWARE AND SYSTEM DEVELOPMENT EXPENDITURE		
Gross Block		
At cost on 31st March of the preceding year	709.01	701.42
Additions during the year (including on acquisition)	199.56	91.92
Deductions during the year	151.82	84.33
Total	**756.75**	**709.01**
Amortisation		
As on 31st March of the preceding year	581.63	576.97
Charge for the year	127.87	88.99
Deductions during the year	148.12	84.33
Amortisation to date	**561.38**	**581.63**
Net Block	**195.37**	**127.38**
MEMBERSHIP CARDS OF STOCK EXCHANGE		
Gross Block		
At cost on 31st March of the preceding year	4.66	4.66
Total	**4.66**	**4.66**
Amortisation		
As on 31st March of the preceding year	4.43	4.32
Charge for the year	0.12	0.11
Amortisation to date	**4.55**	**4.43**
Net Block	**0.11**	**0.23**
GOODWILL		
Gross Block		
At cost on 31st March of the preceding year	-	1.88
Deductions during the year	-	1.88
Total	-	-
Amortisation		
As on 31st March of the preceding year	-	1.88
Charge for the year	-	-
Deductions during the year	-	1.88
Amortisation to date	**-**	**-**
Net Block	**-**	**-**
ASSET MANAGEMENT RIGHTS		
Gross Block		
At cost on 31st March of the preceding year	15.90	15.90
Total	**15.90**	**15.90**
Amortisation		
As on 31st March of the preceding year	10.06	6.88
Charge for the year	3.18	3.18
Amortisation to date	**13.24**	**10.06**
Net Block	**2.66**	**5.84**

25. RELATED PARTY DISCLOSURES:

	Nature of Relationship	Name of Related Party
A	**Individual having significant influence over the enterprise**	Mr. Uday S. Kotak along with relatives and enterprises in which he has beneficial interest holds 29.99% of the equity share capital and 19.68% of the paid-up share capital of Kotak Mahindra Bank Limited as on 31st March, 2019.
B	**Other Related Parties:**	
	Associates /Others	ACE Derivatives and Commodity Exchange Limited Infina Finance Private Limited Phoenix ARC Private Limited Matrix Business Services India Private Limited Kotak Education Foundation ING Vysya Foundation
	Investing Party of the subsidiaries	Old Mutual Plc. (upto 12th October, 2017) Old Mutual Life Assurance Company (South Africa) Limited (upto 12th October, 2017)
	Enterprises over which KMP / relatives of KMP have control / significant influence	Aero Agencies Limited Asian Machinery & Equipment Private Limited Allied Auto Accessories Private Limited Cumulus Trading Company Private Limited Business Standard Private Limited Business Standard Online Private Limited Harisiddha Trading and Finance Private Limited Insurekot Sports Private Limited Kotak and Company Private Limited Kotak Commodity Services Private Limited Kotak Commodity International FZE Komaf Financial Services Private Limited Kotak Trustee Company Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Private Limited Palko Properties Private Limited Puma Properties Private Limited Kotak Family Foundation (w.e.f 2nd May, 2017) Helena Realty Private Limited (w.e.f. 2nd February, 2018) Doreen Realty Private Limited (w.e.f. 15th February, 2018) Renato Realty Private Limited (w.e.f. 15th February, 2018) Pine Tree Estates Private Limited (w.e.f. 20th March, 2018) Meluha Developers Private Limited (w.e.f. 20th March, 2018) Quantyco Realty Private Limited (w.e.f. 16th March, 2018) Xanadu Properties Private Limited (w.e.f. 20th March, 2018) USK Benefit Trust II Uday S Kotak HUF Suresh A Kotak HUF
	Key Management Personnel	Mr. Uday S. Kotak, Managing Director and CEO - KMBL Mr. Dipak Gupta – Joint Managing Director – KMBL
	Relatives of Key Management Personnel	Ms. Pallavi Kotak Mr. Suresh Kotak Ms. Indira Kotak Mr. Jay Kotak Mr. Dhawal Kotak Ms. Aarti Chandaria Ms. Anita Gupta Ms. Urmila Gupta Mr. Arnav Gupta Mr. Parthav Gupta Mr. Prabhat Gupta Ms. Jyoti Banga

Details of related party transactions:

(₹ in crore)

Items/Related Party		Associates/ Others	Investing Party of the subsidiaries	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel
I.	**Liabilities**					
	Other Liabilities	0.32	-	0.02	-	#
		(0.03)	(-)	(0.35)	(-)	(-)
	Deposits	125.00	-	144.77	632.99	143.55
		(57.75)	(-)	(134.54)	(128.35)	(1.99)
	Interest Payable	0.39	-	1.72	5.56	0.41
		(0.05)	(-)	(1.37)	(0.95)	(0.01)
II.	**Assets**					
	Investments -Gross	226.76	-	#	-	-
		(151.76)	(-)	(#)	(-)	(-)
	Diminution on Investments	0.78	-	#	-	-
		(0.78)	(-)	(#)	(-)	(-)
	Others	0.08	-	0.30	#	#
		(0.05)	(-)	(0.14)	(-)	(-)
III.	**Expenses**					
	Salaries / fees (Include ESOP cost)*	-	-	-	8.84	0.24
		(-)	(-)	(-)	(8.06)	(0.10)
	Interest Paid	7.31	-	11.66	36.10	1.09
		(38.23)	(-)	(15.38)	(12.02)	(0.31)
	Others	20.63	-	7.68	0.08	-
		(24.86)	(-)	(5.66)	(0.08)	(-)
IV.	**Income**					
	Others	3.07	-	4.52	-	-
		(4.96)	(-)	(3.48)	(1.69)	(0.05)
V.	**Other Transactions**					
	Dividend paid	-	-	0.05	39.78	0.26
		(-)	(-)	(0.04)	(34.10)	(0.22)
	Reimbursement to companies	0.01	-	0.04	-	-
		(-)	(-)	(1.45)	(-)	(-)
	Reimbursement from companies	0.20	-	1.82	-	-
		(0.11)	(1.04)	(1.81)	(-)	(-)
	Buyback of Shares	-	-	-	-	-
		(1.98)	(-)	(-)	(-)	(-)
	Deposits taken during the year	-	-	-	-	-
		(0.00)	(-)	(0.01)	(-)	(-)
	Deposits repaid during the year	-	-	0.09	-	-
		(-)	(-)	(0.01)	(-)	(-)
	Swaps/Forwards/Options Contracts	-	-	-	-	1.88
		(-)	(-)	(-)	(-)	(-)
	Guarantees / Lines of credit	-	-	-	-	-
		(0.05)	(-)	(-)	(-)	(-)

Material transactions with related parties:

(₹ in crore)

Items / Related Party		Associates / Others	Investing Party of the subsidiary	Enterprises over which KMP / relatives of KMP have control /significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
I.	**Liabilities:**						
	Other liabilities						
	Aero Agencies Limited			0.01			0.01
				(0.32)			(0.32)
	Matrix Business Services India Private Limited	0.03					0.03
		(0.03)					(0.03)
	Kotak Commodity Services Limited			#			#
				-			-
	Infina Finance Private Limited	0.29					0.29
		-					-
	Others	-	-	#	-	#	#
		(-)	(-)	(0.03)	(-)	(-)	(0.03)
II.	**Assets:**						
	Investments						
	ACE Derivatives and Commodity Exchange Limited	47.62					47.62
		(47.62)					(47.62)
	Phoenix ARC Private Limited	176.18					176.18
		(101.18)					(101.18)
	Others	2.96		#			2.96
		(2.96)		(#)			(2.96)
	Diminution on Investments						
	ACE Derivatives and Commodity Exchange Limited	0.78					0.78
		(0.78)					(0.78)
	Others			#			#
				(#)			(#)
	Others						
	Kotak Commodity Services Private Limited			0.29			0.29
				(0.07)			(0.07)
	Phoenix ARC Private Limited	0.06					0.06
		(-)					(-)
	ACE Derivatives and Commodity Exchange Limited	#					#
		(0.02)					(0.02)
	Infina Finance Private Limited	0.01					0.01
		(0.02)					(0.02)
	Others	#		0.01	#	#	0.01
		(#)		(0.07)	-	-	(0.08)

(₹ in crore)

Items / Related Party		Associates / Others	Investing Party of the subsidiary	Enterprises over which KMP / relatives of KMP have control /significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
III.	**Expenses:**						
	Salaries (Includes ESOP cost)						
	Mr. Uday Kotak*				3.54		3.54
					(3.20)		(3.20)
	Mr. Dipak Gupta*				5.30		5.30
					(4.86)		(4.86)
	Others					0.24	0.24
						(0.10)	(0.10)
	Interest Paid						
	Infina Finance Private Limited	5.42					5.42
		(37.53)					(37.53)
	Phoenix ARC Private Limited	1.09					1.09
		(0.01)					(0.01)
	Kotak Commodity Services Private Limited			5.63			5.63
				(6.71)			(6.71)
	USK Benefit Trust II			3.83			3.83
				(8.16)			(8.16)
	Harisiddha Trading & Finance Private Limited			1.66			1.66
				(0.06)			(0.06)
	Others	0.79		0.54	36.10	1.09	38.53
		(0.69)		(0.45)	(12.02)	(0.31)	(13.47)
	Others						
	Aero Agencies Limited			5.58			5.58
				(5.54)			(5.54)
	Kotak Education Foundation	19.80					19.80
		(24.04)					(24.04)
	Infina Finance Private Limited	#					#
		(-)					(-)
	Kotak Commodity Services Private Limited			2.01			2.01
				(-)			(-)
	Others	0.82		0.08	0.08		0.99
		(0.83)		(0.12)	(0.08)		(1.03)
IV.	**Income:**						
	Others						
	Fee and Other Income						
	Phoenix ARC Private Limited	0.06					0.06
		(-)					(-)

(₹ in crore)

Items / Related Party	Associates / Others	Investing Party of the subsidiary	Enterprises over which KMP / relatives of KMP have control /significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
ACE Derivatives and Commodity Exchange Limited	0.02					0.02
	(0.02)					(0.02)
Kotak Commodity Services Private Limited			3.61			3.61
			(2.57)			(2.57)
USK Benefit Trust II			0.85			0.85
			(0.85)			(0.85)
Infina Finance Private Limited	0.01					0.01
	(0.08)					(0.08)
Others	0.01		#	-	-	0.01
	(#)		(0.01)	(#)	(#)	(0.01)
Premium Income						
Phoenix ARC Private Limited	0.02					0.02
	(0.02)					(0.02)
Infina Finance Private Limited	0.02					0.02
	(0.01)					(0.01)
Kotak Commodity Services Private Limited			0.04			0.04
			(0.02)			(0.02)
Others			-	-	-	-
			(#)	(#)	(0.04)	(0.04)
Brokerage Income						
Infina Finance Private Limited	2.93					2.93
	(4.82)					(4.82)
Kotak Commodity Services Private Limited			0.02			0.02
			(0.02)			(0.02)
Others				-	-	-
				(1.69)	(0.01)	(1.70)
V. Other Transactions:						
Dividend Paid						
Mr. Uday Kotak				39.68		39.68
				(34.02)		(34.02)
Ms. Pallavi Kotak					0.08	0.08
					(0.07)	(0.07)
Ms. Indira Kotak					0.16	0.16
					(0.14)	(0.14)
Suresh A Kotak HUF			0.01			0.01
			(0.01)			(0.01)
USK Benefit Trust II			0.01			0.01
			(0.04)			(0.04)

(₹ in crore)

Items / Related Party	Associates / Others	Investing Party of the subsidiary	Enterprises over which KMP / relatives of KMP have control /significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
Others				0.09	0.02	0.12
				(0.08)	(0.02)	(0.10)
Reimbursements made						
Matrix Business Services India Private Limited	0.01					0.01
	(-)					(-)
Kotak Commodity Services Private Limited			0.04			0.04
			(1.45)			(1.45)
Reimbursements received						
Old Mutual PLC		-				-
		(1.04)				(1.04)
Kotak Commodity Services Private Limited			1.82			1.82
			(1.81)			(1.81)
Infina Finance Private Limited	0.18					0.18
	(0.09)					(0.09)
Phoenix ARC Private Limited	0.02					0.02
	(0.02)					(0.02)
Buyback of Shares						
Matrix Business Services India Private Limited	-					-
	(1.98)					(1.98)
Deposits taken during the year						
Infina Finance Private Limited	0.01					0.01
	(-)					(-)
Kotak Commodity Services Private Limited			-			-
			(0.01)			(0.01)
Others	-					-
	(#)					(#)
Deposits repaid during the year						
Kotak Commodity Services Private Limited			0.09			0.09
			(0.01)			(0.01)
Swaps/Forwards/Options Contracts					1.88	1.88
					(-)	(-)
Guarantees/Lines of credit	-		-			-
	(0.05)		(-)			(0.05)

* *includes incentive paid during the year*

\# *In the above table denotes amounts less than ₹ 50,000*

Maximum balance outstanding

(₹ in crore)

Items/Related Party		Associates/ Others	Investing Party of the Subsidiary	Enterprise over which KMP/relative of KMP have control /significant influence	Key Management Personnel	Relatives of Key Management Personnel
I.	**Liabilities**					
	Deposits	2,174.53		351.93	1,274.95	147.02
		(5,180.30)		(397.28)	(358.56)	(16.37)
	Other Liabilities	0.32	-	0.35	-	-
		(0.03)	(0.60)	(0.35)	(0.01)	(-)
II.	**Assets**					
	Investments-Gross	226.76		#		
		(151.76)		(#)		
	Others	0.05		0.30	#	#
		(0.05)		(0.14)	(-)	(-)

Note: *Figures of previous year are given in bracket.*

26. Additional Disclosure

Additional statutory information disclosed in the separate financial statements of the Bank and Subsidiaries having no material bearing on the true and fair view of the consolidated financial statements and the information pertaining to the items which are not material have not been disclosed in the consolidated financial statement.

Figures for the previous year have been regrouped / reclassified wherever necessary to conform to current years' presentation.

As per our report of even date attached.

For and on behalf of the Board of Directors

For S.R. Batliboi & Co. LLP
Chartered Accountants
Firm Registration No. 301003E/E300005

Prakash Apte
Chairman

Uday Kotak
Chief Executive Officer and Managing Director

per Viren H. Mehta
Partner
Membership No. 048749

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Mumbai
30th April, 2019

Jaimin Bhatt
President and Group Chief Financial Officer

Bina Chandarana
Company Secretary

Form AOC - 1

Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014

Statement containing salient features of the financial statement of subsidiaries / associate companies

PART "A" : Subsidiaries

(₹ in crore)

Particulars	Kotak Mahindra Prime Limited	Kotak Securities Limited	Kotak Mahindra Capital Company Limited	Kotak Mahindra Life Insurance Company Limited	Kotak Mahindra General Insurance Company Limited	Kotak Mahindra Investments Limited	Kotak Mahindra Asset Management Company Limited	Kotak Mahindra Trustee Company Limited	Kotak Mahindra (International) Limited	Kotak Mahindra (UK) Limited	Kotak Mahindra, Inc.	Kotak Investment Advisors Limited	Kotak Mahindra Trusteeship Services Limited	Kotak Infrastructure Debt Fund Limited	Kotak Mahindra Pension Fund Limited	Kotak Mahindra Financial Services Limited	Kotak Mahindra Asset Management (Singapore) Pte. Limited	IVY Product Intermediaries Limited	BSS Microfinance Limited
Share Capital	3.50	1.60	3.44	510.29	220.00	5.62	29.80	0.05	16.16	7.01	0.07	5.44	0.09	310.00	28.00	8.45	9.40	2.21	26.73
Reserves & Surplus	5,412.02	3,977.16	568.49	2,235.07	(112.17)	1,583.89	415.61	137.40	606.87	266.89	6.98	349.70	18.26	39.20	(2.64)	(0.04)	86.98	3.38	137.45
Total Networth	5,415.52	3,978.76	571.93	2,745.36	107.83	1,589.51	445.41	137.45	623.03	273.90	7.05	355.14	18.35	349.20	25.36	8.41	96.38	5.59	164.18
Total Assets	30,886.77	8,446.03	616.13	31,708.66	467.94	10,350.10	533.04	139.86	1,046.16	793.95	9.89	376.27	20.34	769.25	26.10	13.65	114.72	5.63	189.31
Total Liabilites	25,471.25	4,467.27	44.20	28,963.30	360.11	8,760.59	87.63	2.41	423.13	520.05	2.84	21.13	1.99	420.05	0.74	5.24	18.34	0.04	25.13
Investments (excluding investment in subsidiaries)	597.87	1,571.40	174.98	30,218.41	414.29	997.51	398.46	134.87	746.53	-	1.23	193.93	-	291.48	25.73	-	-	-	7.71
Turnover	3,301.70	1,582.43	176.00	10,417.60	225.27	954.33	654.99	51.97	98.04	121.75	24.31	85.34	9.09	63.57	2.88	19.55	83.34	0.37	139.42
Profit before taxation	905.07	680.39	92.93	590.80	(34.90)	315.56	337.12	50.53	63.60	48.34	(2.38)	17.10	3.31	25.65	0.07	0.12	60.59	0.33	79.22
Provision for taxation	305.72	228.53	29.81	83.56	-	108.57	119.06	14.05	4.01	9.53	0.06	(0.31)	0.92	-	-	-	8.43	0.09	23.54
Profit after taxation	599.35	451.86	63.12	507.24	(34.90)	206.99	218.06	36.48	59.59	38.81	(2.44)	17.41	2.39	25.65	0.07	0.12	52.16	0.24	55.68
Proposed Dividend (Equity)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
% of Shareholding	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Note:

(1) Share Capital does not include Preference Share capital.

(2) Total liabilities includes Preference Share Capital and excludes Equity Share Capital and Reserves.

(3) Investments include investments and stock-in-trade reported by the above entities and also include investments held to cover policy holders' liabilities and unit linked liabilities.

(4) Turnover is the total income reported by each of the entities in their financial statements.

(5) As per Accounting Standard 4 "Contingencies and Events Occurring After the Balance Sheet Date" ('AS 4(Revised)'), the Company is not required to create provision for dividend declared after the balance sheet date. The Company has disclosed the same in notes to the financial statements in accordance with AS 4 (Revised).

(6) % of Shareholding includes direct and indirect holding through subsidiaries.

(7) The figures in respect of Kotak Mahindra, Inc., Kotak Mahindra (UK) Limited, Kotak Mahindra (International) Limited, Kotak Mahindra Financial Services Limited and Kotak Mahindra Asset Management (Singapore) Pte. Limited are based on the accounts prepared under Indian Accounting Standards. The reporting currency of these subsidiaries is USD and exchange rate as on the last day of the financial year ending 31st March, 2019 is 1 USD = 69.155 INR

(8) The financial results of the subsidiaries (excluding insurance companies) and associates used for preparation of the consolidated financial results are in accordance with Generally Accepted Accounting Principles in India ('GAAP') specified under Section 133 and relevant provision of Companies Act, 2013. The financial statements of such subsidiaries and associates are being prepared as per Indian Accounting Standards in accordance with the Companies (Indian Accounting Standards) Rules, 2015.

Statement containing salient features of the financial statement of subsidiaries / associate companies (Contd.)

PART "B" : Associates

(₹ in crore)

Particulars	Infina Finance Private Limited	Phoenix ARC Private Limited	ACE Derivatives and Commodities Exchange Limited [1, 4 & 5]	Matrix Business Services India Private Limited [1, 3 & 5]
Latest Audited Balance Sheet date	31-Mar-19	31-Mar-19	31-Mar-18	31-Mar-18
Shares of Associate held by the Group on the year end				
No of Equity Shares	1,100,240	83,832,000	43,795,700	82,680
Amount of Investment in Associates	1.10	100.02	47.62	1.85
Extend of Holding %	49.99%	49.90%	40.00%	19.77%
Description of how there is significance influence	Ownership of 20% or more of the voting power	Ownership of 20% or more of the voting power	Ownership of 20% or more of the voting power	Significant influence through Ownership and Board Representation
Reason why the associate is not consolidated	Ownership of less than 50% of the Voting Power and no control over the Board	Ownership of less than 50% of the Voting Power and no control over the Board	Ownership of less than 50% of the Voting Power and no control over the Board	Ownership of less than 50% of the Voting Power and no control over the Board
Networth attributable to Shareholding as per latest audited Balance Sheet [3 & 4]	858.41	218.67	6.52	7.75
Profit for the year	66.39	100.18	0.32	5.45
i) Considered in the Consolidation	33.19	49.99	0.13	1.12
ii) Not considered in the Consolidation	33.20	50.19	0.19	4.37

Note:

(1) *For the purpose of preparation of consolidated financial statements, the Group has considered unaudited financial statement as of 31st March, 2019.*

(2) *Significant influence has been determined as per Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements".*

(3) *Share of audited Networth based on share holding as on 31st March, 2018 of 19.77% is ₹ 6.67 Crore*

(4) *Share of audited Networth based on share holding as on 31st March, 2018 of 40.00% is ₹ 6.39 Crore*

(5) *Includes adjustments for share of difference between audited and unaudited financial results for the year ended 31st March, 2018*

(6) *# The Group has sold its entire stake in Matrix Business Services India Private Limited on 26th April, 2019 and accordingly it has ceased to be an associate of the Group from that date.*

For and on behalf of the Board of Directors

Prakash Apte Chairman	**Uday Kotak** Chief Executive Officer and Managing Director
Dipak Gupta Joint Managing Director	**Uday Khanna** Director
Jaimin Bhatt President and Group Chief Financial Officer	**Bina Chandarana** Company Secretary

Date : 30th April, 2019

Basel III (Pillar 3) Disclosures (Consolidated) as at 31st March, 2019

RBI circular DBOD.No.BP.BC.1/21.06.201/2015-16 dated 1st July, 2015 on 'Basel III Capital Regulations' read together with the RBI circular DBR.No.BP.BC.80/21.06.201/2014-15 dated 31st March, 2015 on 'Prudential Guidelines on Capital Adequacy and Liquidity Standards-Amendments' requires banks to make applicable Pillar 3 disclosures including leverage ratio and liquidity coverage ratio under the Basel III Framework. These disclosures are available on the Bank's website at the following link: https://www.kotak.com/en/investor-relations/financial-results/regulatory-disclosure.html. These disclosures have not been subjected to audit or limited review.

Directors' Report

To the Members of

KOTAK MAHINDRA BANK LIMITED

The Directors present their Thirty-fourth Annual Report together with the audited accounts of your Bank for the year ended 31st March, 2019.

FINANCIAL HIGHLIGHTS

(A) Kotak Mahindra Bank Limited – Consolidated financial highlights *:

	31st March, 2019 ₹ in crore	31st March, 2018 ₹ in crore
Total income	45,979.11	38,813.31
Total expenditure, excluding provisions and contingencies	34,358.03	28,630.34
Operating Profit	11,621.08	10,182.97
Provisions and contingencies, excluding provision for tax	1,045.36	1,024.74
Profit before tax	10,575.72	9,158.23
Provision for taxes	3,456.02	3,011.09
Profit after tax	7,119.70	6,147.14
Less: Share of minority interest	-	56.68
Add: Share in profit of Associates	84.43	110.51
Consolidated profit for the Group	7,204.13	6,200.97
Earnings per Equity Share:		
Basic (₹)	37.78	32.70
Diluted (₹)	37.74	32.66

(B) Kotak Mahindra Bank Limited – Standalone financial highlights:

	31st March, 2019 ₹ in crore	31st March, 2018 ₹ in crore
Total Income	28,547.24	23,800.70
Total expenditure, excluding provisions and contingencies	20,199.06	16,642.53
Operating Profit	8,348.18	7,158.17
Provisions and contingencies, excluding tax provisions	962.39	939.95
Profit before tax	7,385.79	6,218.22
Provision for taxes	2,520.46	2,133.92
Profit after tax	4,865.33	4,084.30
Add: Surplus brought forward from the previous year	13,604.60	10,756.29
Amount available for appropriation	18,469.93	14,840.59
Appropriations:		
Statutory Reserve under Section 17 of the Banking Regulation Act, 1949	1,216.34	1,021.08
Transfer to Investment Reserve Account	31.06	-
Transfer to Capital Reserve	6.99	24.00
Transfer to Special Reserve	40.00	55.00
Transfer to Investment Fluctuation Reserve Account	70.89	114.21
Transfer to Fraud Provision	1.40	-
Dividend Paid **	160.28	-
Corporate Dividend Tax	23.68	21.70
Surplus carried to Balance Sheet	16,919.29	13,604.60

* *In accordance with the Companies (Indian Accounting Standards (IND AS)) Rules, 2015 the financial statements of the subsidiaries are being prepared in line with notified IND AS with effect from 1st April, 2018. The financial statements of the subsidiaries used for consolidation of the consolidated financial results are special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') specified under Section 133 of the Companies Act, 2013 read with relevant notifications.*

** *The Bank has paid a dividend at rate of ₹ 0.70 per equity share for the year ended 31st March, 2018 (previous year: 0.60 per equity share for the year ended 31st March, 2017) and has paid interim dividend at rate of 8.10% (on pro-rata basis) on preference shares for year ended 31st March, 2019 (previous year: NIL), to all shareholders, whose names appear on the Register of members / beneficial holders list on the book closure date. As per the requirements of revised AS 4 – 'Contingencies and Events Occurring After the Balance Sheet Date', this payout (including dividend distribution tax) has been appropriated from amount available for appropriation in the year of pay-out.*

DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 0.80 per equity share (previous year ₹ 0.70 per equity share) for the year ended 31st March, 2019. This would entail a payout of ₹ 184.10 crore including dividend distribution tax based on the number of shares as at 30th April, 2019. The dividend would be paid to all the shareholders, whose names appear on the Register of members / beneficial holders list on the book closure date.

In March 2019, your Directors declared an interim dividend on Perpetual Non-Cumulative Preference Shares of face value of ₹5 each issued by the Bank, carrying a dividend rate of 8.10%, on pro-rata basis, in respect of the financial year 2018-19, as per the terms of issuance. This entailed a payout of ₹32.37 crore (including dividend distribution tax).

Pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the Bank have adopted a Dividend Distribution Policy which is in line with the parameters prescribed by SEBI for distribution of dividend. The Policy is available on the Bank's website viz. URL:https://www.kotak.com/en/investor-relations/governance/policies.html

CAPITAL

During the year, authorized share capital of the Bank was altered and increased from ₹1500 crore consisting of 300 crore equity shares of ₹5 each to ₹1900 crore divided into 280 crore equity shares of ₹5 each and 100 crore preference shares of ₹5 each.

In August 2018, your Bank has issued and allotted 100 crore 8.10% Perpetual Non-Cumulative Preference Shares (PNCPS) of ₹5 each amounting to ₹500 crore.

During the year, your Bank allotted 31,06,321 equity shares arising out of the exercise of Employees Stock Options granted to the whole time director and employees of your Bank and its subsidiaries.

Post allotment of equity shares as aforesaid, the issued, subscribed and paid-up share capital of the Bank as at 31st March, 2019 stood at ₹14,54,37,74,135 comprising of 1,90,87,54,827 equity shares of ₹5 each and 100,00,00,000 preference shares of ₹5 each.

Your Bank has a Capital Adequacy Ratio ('CAR') under Basel III as at 31st March, 2019 of 17.45% with Tier I being 16.93%.

During the year, your Bank has not issued any capital under Tier II. As on 31st March, 2019, outstanding Unsecured, Redeemable Non-Convertible, Subordinated Debt Bonds were ₹456 crore. The outstanding Unsecured, Non-Convertible, Redeemable Debt Capital Instruments Upper Tier II have matured during the year.

Further, in March 2019, your Bank has issued and allotted 1500 Senior Unsecured Rated Listed Redeemable Long Term Bonds in the nature of Non-Convertible Debentures bearing a face value of ₹10 lakh each aggregating to ₹150 crore.

OPERATIONS

Consumer Banking

Your Bank services a customer base in excess of 16 million customers covering a wide spectrum across domestic individual and households, non-residents, small and medium business segments for a range of products from basic savings & current accounts to term deposits, credit cards, unsecured and secured loans, working capital and investment advisory.

Your Bank continued its strategy of calibrated expansion of its branch network. As of 31st March, 2019, your Bank had 1500 branches and 2352 ATMs, covering 744 locations. Of the 112 new branches commissioned this year, 44 were in metro, 24 were in urban, 15 semi urban & 29 rural branches. Aided partly by 811, your Bank saw fast paced customer acquisition across all core banking products including savings and current accounts, term deposits, overdrafts and non-resident accounts. Bank has also set up 27 e-lobbies to enable convenience banking for customers. Your Bank also relocated 36 branches across metro and semi urban locations to give easier access and higher convenience to its customers.

Your Bank rolled out several initiatives aimed at offering a superior and differentiated customer experience. Strengthened its customer relationship management capability by setting up a new channel for phone based remote engagement, called VRM (Virtual Relationship Management) channel. This led to a wider coverage and enabled your Bank to reach out to more than 6 lakh customers and service them across deposit, lending and investment needs. In the Retail Institutional Business, for segments like housing societies, educational institutions, etc. introduced a range of services like apartment management solution, smart card solution, closed loop payment solutions, etc. This has helped your Bank strengthen its relationship in this segment. Your Bank extended the Silk program for woman customers to cover salaried base and offers distinctive features like cash back on point of sale (POS) based transactions, linked accounts for minors and discount on lockers. Proposition around Image debit cards was further strengthened with introduction of images of Bank's brand ambassador Ranveer Singh and exclusive art works of renowned artist, Seema Kohli for the Silk program. A new current account proposition was launched specifically for constituents of agriculture produce market committee (APMC) markets and will be available across the 2400 markets in the country. For the Arthias segment in Punjab, a customized solution via Arthia Rupay card was launched which would help your Bank to build a significant market share in the state of Punjab.

Your Bank entered into a banking alliance with government procurement agency, Haryana State Co-operative Supply and Marketing Federation Limited (HAFED) in Haryana and National Agency for Export Development (NAFED) at national level for mustard seed procurement. This would give a significant boost to the current account book linked to this line of business. The merchant acquiring line of business which was started in 2017-18, gained significant momentum in 2018-19, with the transaction thru put crossing 2 crore figure. Value added features like EMI facility on point of sale transactions were also offered. For customers desirous of investing in mutual funds, a facility was made available in the form of online investment account. This feature was also made available on netbanking and mobile banking. For the internationally aligned customers, ability to subscribe to forex card online, via net or mobile was made available. In line with the regulatory requirement, all the ATMs of your Bank, have been upgraded to become Europay, Mastercard, Visa (EMV) compliant. As per the Government mandate, your Bank has successfully set up aadhaar enrolment centers in 145 branches and also surpassed the transaction volume mandate given by Unique Identification Authority of India (UIDAI). Your Bank also participated in the Pradhan Mantri Gram Swaraj Abhiyan and achieved 100% of the targets under this program. India's first bilingual voice bot in Banking – Keya that responds to customer's queries in English and Hindi was launched by your Bank. Keya handled 17 lakh calls without human assistance.

Your Bank continued to ramp up 811 acquisition numbers this year as well. In order to drive higher engagement with 811 customers, your Bank, this year, focused on cross selling various bank products to the existing 811 customers.

In line with its commitment to enhance customer experience, your Bank joined Ripple's leading enterprise blockchain network (RippleNet) to provide impetus to its cross-border inward remittances. Ripple's settlement solution, xCurrent, is now used to provide the customers with real-time cross-border transactions in a safe and secure manner. FCNR deposits in Singapore Dollar (SGD) was re-introduced to provide NRI customers in Singapore the facility of placing deposit in India under the FCNR (B) scheme. Your Bank participated in a host of events, ranging from business forums, sports leagues & industry awards, etc. to engage with the Mariner community in India.

The Corporate salary business scaled up significantly in 2018-19 and it now services over 3.5 million customers across more than 25000 corporates. Acquisition and servicing capability has been further streamlined to enable inroads in Tier 2 & 3 markets as well and will be the focus in 2019-20.

The year 2018-19 continued to be strong for your Bank's credit card business. Spend volumes on credit card have grown by 56% driven heavily by e-commerce transactions and higher spends per transaction. Digital/Paperless acquisition of Credit Card customers through Sales App and other digital channels like Mobile and Net Banking saw a growth of 290% versus last year, showcasing a superior on-boarding journey to the customers. The business also introduced a unique solution under its Commercial Cards product line which enables a "Do-it-yourself" payment interface for corporates to streamline their indirect expenses like statutory and other ad-hoc payments.

On the Salaried Personal loans segment, loans on mail and SMS was launched to enhance the bouquet of instant loan offering. These along with other digital channels have enabled Salaried Personal Loans book to grow by 45% year on year.

With a view to enhance customer experience, your Bank introduced multiple self-serve features on Home Loan and Loan against Property on Mobile Banking. This helped the customers view their loan details on the Mobile App itself including details like tax certificate, disbursement and repayment details through a click of a button. The service, which went live in January 2019 has already seen over 1 lakh+ hits on the Mobile Banking App Loan section.

Commercial Banking

Your Bank's Commercial Banking business focuses on meeting the banking and financial needs of various customer segments with deeper coverage that goes beyond metro and urban centers through an expanding network of branches and associates. The business has specialized units which offer financial solutions in the areas of Commercial Vehicles, Construction Equipment, Tractor and Agriculture business. It services the priority sector through providing finance for Tractor, Crop loans, Small Enterprises and Allied agricultural activities thereby helping your Bank meet its financial inclusion goal. In line with growing rural incomes, our Bank's Commercial Bank branches have experienced robust growth across product lines on savings as well as lending side.

Your Bank's Construction Equipment (CE) and Tractor Finance businesses reported significant growth and gained market share in their respective businesses, while Commercial Vehicle (CV) business witnessed a slight drop in market share due to margin pressures & change in load carrying norms. Tractor Finance businesses witnessed double digit volume growth and continued to gain market share. The Government spending in the infrastructure sector has led to a strong demand in the CE and CV industry.

Your Bank's Agriculture Financing business continued its focus on the agriculture value chain funding for various agro processing activities. It has registered good growth despite volatility and uncertainty in the commodities market. Microfinance Institutions (MFI) segment growth remains robust and asset quality remains good.

Branches in semi-urban and rural area comes under the umbrella of Commercial Bank. This network plays a crucial role in meeting the financial inclusion goals and credit demand of 'Bharat'. Branch network has expanded and the Liability book has grown at a healthy pace.

Wholesale Banking

Your Bank's Wholesale Banking business caters to a wide range of corporate customer segments including major Indian corporates, conglomerates, financial institutions, public sector undertakings, multinational companies, mid-market companies, small and medium enterprises and realty businesses. This segment offers a comprehensive portfolio of products and services to these customers including working capital finance, medium term finance, trade finance, foreign exchange services, other transaction banking services, custody services, debt capital markets and treasury services.

The year has witnessed significant disruptions in the corporate banking space driven by high NPAs in the industry and stress in certain industry segments. With more capital from banks, mutual funds and NBFCs chasing the high rated end of the corporate space, this space is witnessing high competition which in turn is pushing down yields for banks. The overall credit offtake in the economy has also been muted over the last few years. Despite these challenges, the Wholesale Banking business has been able to achieve growth in the large corporate space in a healthy and profitable manner. Over the years, the Wholesale Banking business has grown its market share through higher customer acquisition, improved customer service and product innovations.

At the same time, your Bank has remained cautious in its exposure, especially in certain segments, which witnessed increased stress and uncertainty during the year. This year, the Small and Medium Enterprise (SME) business was brought into the Wholesale Banking fold. The last couple of years has witnessed disruptions in the SME space from demonetization and rollout of GST which manifested as stress in the Bank's books as well. This year, a number of initiatives were taken to stabilize the business while integrating it with the rest of the Wholesale Bank. The SME business is well poised to capture the growth opportunities in the market. However, this year, owing to the phase of consolidation, growth in this segment was muted. Your Bank has been cautious on the real estate developer segment given the stress in the sector. Your Bank compensated for this slowdown by ramping up exposure to lower risk businesses such as Lease Rental Discounting; however the spreads were impacted by this mix change. Your Bank has also been cautious on its lending to Non-Banking Financial Institutions and therefore changed mix towards higher rated NBFCs given the challenges that the NBFC sector went through during the year.

Your Bank has remained as focused on adding new customers in a profitable manner as increasing wallet share with existing customers. The last few years have seen a healthy addition of New-to-Bank customers in the large corporate segment, which in turn sets a strong foundation for future growth in the business. Going forward, your Bank will focus on increasing the momentum in New-to-Bank customer acquisition in the SME space too.

Your Bank has an integrated Corporate and Investment Banking (CIB) approach towards certain top conglomerates and large corporates. The CIB model has ramped up well and has helped it to deepen its presence with these clients and gain further market share.

Robust risk management practices are in place and your Bank has achieved growth over the years without compromising the health of the book. At a time when most corporate banks in the industry are facing huge NPAs, your Bank has kept a tight control on asset slippages. Other than SME, the rest of the corporate segment has witnessed minimal additions to the Gross NPA this year. In SME, a number of initiatives have been taken to stabilize the business. Across corporate segments, your Bank has been proactive in rebalancing the portfolios to reflect economic situations and reduction in exposure to situations with heightened risk. Your Bank's focus on risk management has helped the business reduce its Risk Weighted Assets (RWA) as a percentage of assets over the past few years. The use of Risk Adjusted Return on Capital (RaRoC) pricing models has become ingrained in the way the Wholesale Banking division conducts its business and has helped to optimize pricing, better utilize capital and improve return on equity. Economic Value Add (EVA) measurement tools have been implemented that help your Bank monitor the true risk adjusted value being derived from each client. These initiatives ensure greater focus on improving income mix in favour of non-capital intensive income streams.

The strong momentum in the Integrated Global Transaction Banking Services (GTS) continues across its large suite of products. Current Account & Savings Account balances saw significant growth through innovative solutions and focused marketing efforts. Through focused efforts, your Bank has been successful in capturing a higher market share in Cash Management Services (CMS) from identified flagship accounts. Your Bank launched various receivable solutions across C2B and B2B clients which witnessed a growth of more than 300% in flows through client accounts. Products like Smart Collect, Application Program Interface (API) based e-collection offerings, customized value added solutions using National Automated Clearing House (NACH) as clearing system have helped your Bank to acquire as well as increase its wallet share among various key clients. With focus on product development and building new age platforms, your Bank became primary banker to major unicorn companies. Your Bank has also invested in product development for the acquiring business and are now bankers to top aggregators in the e-commerce space. Your Bank was also the largest banking player for Bharat Bill Payment System (BBPS) as a biller onboarding participant during the year. Your Bank believes that, in this dynamic environment, bringing the best of solutions to clients will require engagement with solution providers in the country and your Bank has partnered with fintechs to provide value added solutions. These initiatives have helped increase Current Account balances substantially. On the trade side, the funded and non-funded book continued a strong double digit growth momentum. Strong focus on fee income through trade flows led to a robust growth in fees earned through trade finance and services, with the wholesale business almost doubling this fee income. The strong growth in GTS products has helped your Bank to partly compensate for the fall in spreads in its traditional lending business.

The Custody business continued to witness strong growth despite market uncertainty seen during the second half of this year. Your Bank is today one of India's largest domestic Custodians with Assets Under Custody (AUC) upwards of US$ 30 Bn and is strongly positioned in the India focused offshore funds space. The Custody business added a number of marquee Alternative Investment Funds (AIF) & Portfolio Management Services (PMS) clients in the Domestic segment in addition to having a good market share amongst India based Foreign Portfolio Investments (FPIs). Your Bank also obtained a Professional Clearing Member (PCM) License to offer clearing services on the INDIA INX Exchange in GIFT City becoming the first bank custodian to do so.

Your Bank's dedicated Service Solutions vertical has helped ensure faster customer response and improve customer experience. This vertical is the single point of contact for all service related and documentation issues with personnel present across the country. Your Bank has been successful in significantly reducing Turn-Around-Time (TAT) across various processes including account opening and disbursals. Initiatives such as digitization and workflow automation have helped reduce TAT further.

Strengthening its organizational platform, your Bank continues to target productivity and efficiency improvements. There is greater focus on measuring and improving employee productivity including of its sales force through use of technology and digital tools. Given high focus in this area, costs have been kept well in control further improving profitability of the business.

Your Bank has undertaken a series of digital initiatives primarily focused on improving customer experience. These digital initiatives encompass the entire gamut of transaction banking and include initiatives such as creation of a complete C2B platform for our corporate clients which includes one view for products like BBPS, Unified Payment Interface (UPI) and E-Collections. Corporate mobility platform has been extended for all segments of your Bank and is witnessing good growth in adoption. A number of new product initiatives have been taken in e-commerce - acquiring, issuances, liquidity management, UPI, BBPS, API based solutions, over the counter products, Government based initiatives, aadhaar based initiatives and structured receivable and payable solutions. Bank is investing on NACH and escrow platforms to make onboarding and transaction experience seamless for clients. Furthermore, a few long term initiatives are in various stages of implementation which include an online trade portal, an integrated corporate portal, incorporation of the block chain based technology in foreign and domestic trade products and multiple digital initiatives being undertaken for various Government Bodies.

Wealth Management

Wealth Management, your Bank's private banking arm, acts as advisor to a number of distinguished Indian families and is of the oldest and the most respected Indian wealth management firms. Its customers range from entrepreneurs to business families and professionals.

The business has a strong advisory capability for private clients across equities, fixed income & alternates with complete alignment of interest which makes it the preferred advisor across HNI investors. In addition to comprehensive financial solutions, the business goes beyond investments and includes value added services such as assistance with investment structuring, banking and credit, consolidated reporting, referral for philanthropy services and concierge services. With an in-depth understanding of client requirements and expertise across various asset classes, the business offers the widest range of financial solutions through transaction-based investment approach and asset-advisory based approaches. It has built a formidable suite of products and services for high net worth individuals and offers the same through its Asset-Advisory model. As per the Reserve Bank of India guidelines, advisory activities that were being offered out of your Bank are now offered out of Kotak Investment Advisors Limited, a subsidiary of your Bank with effect from 20th April, 2019.

In addition, your Bank has also built a large Priority Banking business, assisting mass affluent customers with products and solutions developed to meet their financial requirements. The total relationship value across your Bank's Wealth & Priority offerings is ~ ₹2,70,000 crore.

The business has won several accolades & received recognition at various forums and recently, it has been recognized as the Best Private Bank, India two years in a row by Euromoney Private Banking & Wealth Management Survey 2018 & 2019 & Best Private Bank, India Domestic 2018 by Asian Private Banker among others.

International Business

The GIFT City Branch, an International Financial Services Center Banking Unit of your Bank, has helped your Bank to participate in syndication of overseas loans, lending to clients in international markets and providing External Commercial Borrowing to eligible Indian corporates. Client forex and derivative transactions were also undertaken to help offshore clients with management of interest rate and currency risks, in addition to routine investments in offshore bonds.

Asset Reconstruction

Insolvency and Bankruptcy Code (IBC) initiated to resolve bad and stressed loan is settling down and it may take few more years to see the major impact of this landmark legislation.

During FY 2018-19, resolutions of some large NPA's of the country are seen at an advanced stage through the IBC process.

Your Bank which has been an active player in the business for several years has made significant progress in acquiring several NPA's in all the categories like SME, Corporate and Retail Assets. The size of the book through acquisition from other banks largely by auctions, have sizeably increased in the last financial year. Your Bank believes that the market will continue to be robust for acquiring bad loans and it should be able to continue to acquire sizeable loans at a fair price in the coming year, as well.

Treasury

Your Bank's treasury actively contributes to your Bank by way of:

- Proprietary Trading: The various proprietary trading desks actively trade in products such as Fixed Income, Money Markets, Derivatives, Foreign Exchange and Equity. Primary Dealer Desk – part of the proprietary trading desk, actively participates in the primary auctions of government securities, makes market in government securities and engages in retailing of government securities.
- Customer Transactions:
  - Forex & Derivatives: Facilitating customer access to foreign currency markets through cash & derivatives products for remittances, trade transactions and for managing foreign exchange and interest rate risks.
  - Bullion: Under License from Reserve Bank of India (RBI), Bank imports gold and silver to meet needs of customers. The bullion desk provides efficient working capital solutions to domestic Jewellery manufacturers as per prescribed rules of RBI.

- Balance Sheet Management: The Balance Sheet Management Unit (BMU) ensures maintenance of regulatory reserves and adequate liquidity buffers and also manages the Interest rate risk & Liquidity risk within the Risk appetite of the Bank.

Human Resources

FY 2018-19 has been a year of strengthening initiatives in the area of digital adoption, employee engagement, employee wellness and development.

With the talent base of the Bank reaching to over 41,500 employees, more and more millennials being on boarded the average age of the employee base has gone younger by a year at 31 years now. Your Bank has taken various initiatives to engage using digital and technology platforms with employees. It has launched Mobile first app KLAPP for managing onboarding journey of from pre joining to post joining stage to transition from candidate to employee seamlessly. This has helped in engagement, quick assimilation and personalization of the onboarding journey for the new joinee.

Your Bank has also enhanced the focus on future readiness of mid to senior level employees through learning intervention of Digital Blurr, Design Thinking and Digi-Talk. With the renewed rigor on platform launched for on demand learning and byte size learning has enhanced the horizon for learning from behavioral and functional learning to developing skills for future career needs of the employees.

The focus on performance discussion has been enhanced with more through the year focus on "Talk2Do" between managers and their teams for constructive performance discussions.

With the objective to identify, build and nurture leaders across levels to deliver superior business results and address individual career aspirations your Bank continues to invest in spans, structures and assessment tools through various interventions of talent management, succession planning and career management.

Technology & Digitization

Technologies, this year, were leveraged to deliver customer experience, business efficiency, business collaborations and cybersecurity.

Mobile banking app continues to be the highest rated iOS app with 4.8 rating and Android app is at 4.5 rating. App was made more user friendly and saw improved customer experience with home page revamp and payment section revamp. App also became more comprehensive with new features like forex card section, premature withdrawal of fixed/recurring deposits, loan section, online investment account opening etc.

Newer channels, Keya Chatbot and WhatsApp Banking, were launched which use conversational banking approach and Natural Language Processing (NLP) to interact with customers. Keya Chatbot is enabled on all digital channels, viz. Mobile App, www.kotak.com website and Net Banking. Keya Chatbot is able to handle queries about products like Credit Card, Debit Card, Accounts, Fund Transfer, Bill Payment and Personal Loan. Your Bank is the first Indian bank to offer banking services on Whatsapp which allows customers to get services on WhatsApp without installing any app or visiting any webpages. Search and discovery use cases have been enabled on Google Assistant thru voice based interaction.

Kotak Net Banking features were further enhanced with revamped payment experience, online investment account opening, forex card section, buy insurance policies online, refreshed Home page for notifications and revamped Apply Now section.

To make website pages lighter and mobile friendly, which helps in improving SEO (Search Engine Optimization) ranking, 90+ Accelerated Mobile Pages (AMPs) made live on www.kotak.com. These AMP pages are 5 times faster than normal ones. Kotak website has been acknowledged as "Best in class brand for mobile experience" in Finance category - Google 'Masters of mobile' report.

Multiple digital payment methods were introduced for the Bank's customers including Visa Paywave, Samsung Pay, Bharat QR, UPI, BBPS (Bharat Bill Payment System) for Consumers & for Billers, AEPS (Aadhaar Enabled Payment System), AadhaarPay and FASTag – enabling more cashless payments for consumers, merchants, corporates, fintechs, billers etc. and reinforcing Kotak's commitment to the country's Digital India journey. M-store in the Mobile App has been re-branded to KayMall and encompasses multiple commerce categories like Travel (Train, Bus, Flights, Hotels), Shopping (Flipkart, Shopclues) and Subscriptions which the consumer can securely & seamlessly purchase from within the comfort of the Mobile App or Netbanking without having to use a third-party application. Some of the new products launched like Aadhaar Enabled Payment System (AEPS) and AadhaarPay have enabled last-mile payments for Business Correspondent Agents and have also allowed the Bank to service its customers for services like cash withdrawal and payments. For the second consecutive year, your Bank has been ranked amongst the Top 5 Banks in MeitY's 'Digital Payments Achievement Dashboard' (based on a point-scoring methodology) and has overachieved targets set by MeitY for FY 2018-19 on Digital Payments transaction @ ~110% of target achievement.

Your Bank started fulfilling the digitally originated leads for Home loans and scaled up the Super-Fast Home Loan initiative.

There were certain digital initiatives of the Bank which were suspended basis the Supreme Court ruling on Aadhaar viz. credit card product as part of 811 Savings account opening journey by using Aadhaar stack and credit bureau; Project Velocity which aimed at servicing through biometric means was a hit with customers and branches with a high Net Promoter Score (NPS) of 77+ till September due to the immediate fulfilment of their service requests which had to be stopped post the ruling. But later different ways of automation were devised to keep the same experience of near realtime fulfilment; 811 FullKYC biometric based onboarding was suspended through this platform(s) post the ruling last year. However, subsequently, the non Aadhaar (scanned physical image based KYC with OTP authentication) full KYC platform for onboarding was made live.

Robotics Process Automation where more than 2 lakh transactions have been completed across multiple processes and Cognitive Machines Reading are the next scaleup areas which are taking shape in India and are said to bring in a culture of basic routine tasks being automated.

Ecosystem collaborations have been enabled thru the Bank's Open banking platform. The Bank has onboarded lending and payment application program interface (API) products, which have gone live with 57 partners availing those API products.

This year, the Bank focussed on SMEs and launched some initiatives around it. Your Bank is the first bank to take co-lending LIVE with Capital Float and participate in Market Place model of psbloansin59minutes.com. Digital processes have been set up for disbursing Business Loan instantly, for existing customers.

This year, technologies were put in place to provide support for customer lending. Starting with a Lead Management System to accept loan enquires, and track them, to systems to support loan application evaluation and a "business rule engine" that uses analytics to assist in disbursement decisions. The systems will provide a base for processing of a wide spectrum of different types loans from simple personal loans to the more complex housing loans in the coming years.

The foundation for NLP laid down last year to launch 'Keya' the first Artificial Intelligence (AI) powered Voicebot in the banking sector was further leveraged. The use of IVR was replaced by conversational banking, so that the customer's experience on calling the Bank's contact center was simplified and enhanced. A "Virtual Relationship Manager" capability was also introduced, to enable customers to telephonically connect to their personalized service manager.

With increased focus on digital solutions and heightened cybersecurity concerns, there is a need for constant innovation in the information security area. New solutions were implemented to mitigate the risk of APT (Advanced Persistent Threat) attacks. The solution detects and prevents custom malicious code being sent over the network into the Bank's environment.

SUBSIDIARIES & ASSOCIATES

As at 31st March, 2019, your Bank has nineteen (19) subsidiaries as listed below:

Domestic Subsidiaries

Kotak Mahindra Prime Limited

Kotak Mahindra Investments Limited

Kotak Securities Limited

Kotak Mahindra Capital Company Limited

Kotak Mahindra Life Insurance Company Limited

Kotak Mahindra General Insurance Company Limited

Kotak Mahindra Asset Management Company Limited

Kotak Mahindra Trustee Company Limited

Kotak Mahindra Pension Fund Limited

Kotak Investment Advisors Limited

Kotak Mahindra Trusteeship Services Limited

Kotak Infrastructure Debt Fund Limited

IVY Product Intermediaries Limited

BSS Microfinance Limited

International Subsidiaries

Kotak Mahindra (UK) Limited

Kotak Mahindra (International) Limited

Kotak Mahindra Inc.

Kotak Mahindra Financial Services Limited

Kotak Mahindra Asset Management (Singapore) Pte. Limited

The key business segments where the subsidiaries operate include investment banking, stock broking, vehicle finance, advisory services, asset management, life insurance and general insurance.

Kotak Mahindra Life Insurance Company Limited (KLI) has recorded a growth of 23.8% on the gross premium, mainly coming from Individual renewal premium. KLI has solvency ratio of 3.02 against requirement of 1.50.

Capital Markets witnessed a significant slowdown in primary market activity compared to previous fiscal; accordingly, Kotak Securities Limited and Kotak Mahindra Capital Company Limited reported lower profits compared to the previous year.

The growth in the mutual funds industry continued albeit with a relatively modest pace in FY 2019. Kotak Mahindra Asset Management Company (KMAMC), continues to be the 7th largest Fund House in the country in terms of Quarterly Average Asset Under Management (QAAUM). Market share in QAAUM has grown to 6.14% from 4.32% 3 years back. KMAMC has outperformed strong growth in the mutual funds industry.

The NBFC sector experienced liquidity problems in September 2018. This not only resulted in increase in borrowing costs but also Kotak Mahindra Prime Limited and Kotak Mahindra Investments Limited (KMIL) had to maintain surplus liquidity for sometime, which had an impact on their bottomline. The liquidity concern in NBFC sector eased post January 2019. International subsidiaries have performed well and continue to add to the shareholders value.

KMIL on 26th April, 2019 sold off its entire equity stake of 19.77% held in Matrix Business Services India Pvt. Ltd. ('Matrix'), an associate company of KMIL. Accordingly, Matrix ceased to be an associate company of KMIL & consequently of the Bank from that date.

The various activities of the subsidiaries and the performance and financial position of the subsidiaries and associates are outlined in the Management Discussion and Analysis section appended to this Report.

The Bank's Policy for determining material subsidiaries is available on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/governance/policies.html in line with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. KLI is a material subsidiary of the Bank.

As at 31st March, 2019, your Bank has following four (4) Associate companies:

Infina Finance Private Limited

Phoenix ARC Private Limited

Matrix Business Services India Private Limited *

ACE Derivatives & Commodity Exchange Limited

** Ceased to be an Associate Company w.e.f. 26th April, 2019*

The Annual Report which consists of the financial statements of your Bank on standalone basis as well as consolidated financial statements of the group for the year ended 31st March, 2019, is being sent to all the members of your Bank. The financial statements of the subsidiaries used for consolidation of the Bank's consolidated financial results are special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') specified under Section 133 of the Companies Act, 2013 read with relevant notifications. Web link of the Annual Report is sent to all members whose email IDs are registered with the Bank/Depository Participant(s). For members who have not registered their email IDs, physical copies of the Annual Report are sent. It does not contain Annual Reports of your Bank's subsidiary companies. Your Bank will make available full Annual Report (including the Annual Reports of all subsidiaries) either a hard or soft copy depending upon request by any member of your Bank. These Annual Reports will be available on your Bank's website viz. URL: https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html and will also be available for inspection by any member at the Registered Office of your Bank during working hours.

EMPLOYEE STOCK OPTION & STOCK APPRECIATION RIGHTS SCHEMES

The stock options and the stock appreciation rights granted to the employees of the Bank and its subsidiaries currently operate under the following Schemes:

- Kotak Mahindra Equity Option Scheme 2007
- Kotak Mahindra Equity Option Scheme 2015
- Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2007
- Kotak Mahindra Bank Ltd. (IVBL) Employee Stock Option Scheme 2010
- Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2013
- Kotak Mahindra Stock Appreciation Rights Scheme 2015

The disclosures requirements under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, for the aforesaid ESOP & SARs Schemes, in respect of the year ended 31st March, 2019, are disclosed on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html

PROMOTER STAKE DILUTION MATTER

In August 2018, your Bank completed its issuance of Perpetual Non-Convertible Preference Shares (PNCPS) resulting in dilution of promoter stake to 19.70% of the paid-up capital of the Bank. However, the Reserve Bank of India (RBI) communicated to the Bank that the PNCPS issuance does not meet their promoter dilution requirement. The Bank has, by way of abundant caution, in December 2018, filed a writ petition with the Hon'ble Bombay High Court to validate its position. The writ petition is pending.

CORPORATE GOVERNANCE AND BUSINESS RESPONSIBILITY REPORT

Pursuant to Regulation 27 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations), a separate section entitled 'Report on Corporate Governance' has been included in this Annual Report. The Report of Corporate Governance also contains certain disclosures required under the Companies Act, 2013. A Business Responsibility Report containing the requisite details under Regulation 34 of the SEBI LODR Regulations is disclosed on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html

DIRECTORS & KEY MANAGERIAL PERSONNEL

Directors retiring by rotation

Mr. C Jayaram (DIN 00012214) retires by rotation at the Thirty Fourth Annual General Meeting (AGM) of the Bank and is eligible for re-appointment.

Appointment/Re-appointment of Directors

Dr. Shankar Acharya (DIN 00033242) who was Non-Executive Chairman of the Bank since July 2006, did not seek re-appointment as he completed 70 years of age and retired by rotation as a Director at the last Annual General Meeting of the Bank held on 19th July 2018. Mr. Prakash Apte (DIN 00196106), who has been on the Board of the Bank since March 2011 was appointed as part time Chairman of the Bank with effect from 20th July, 2018.

The Board of Directors of the Bank, at its meeting held on 14th/15th March, 2019, based on the recommendation of the Nomination and Remuneration Committee (NRC) and the results of the performance evaluation, re-appointed Mr. Prakash Apte, part-time Chairman of the Bank, as an Independent Director for a second term from 18th March, 2019 to 17th March, 2024, subject to necessary approvals. The Board, based on the recommendation of the NRC, also appointed Mr. Uday Shankar (DIN 01755963) as an Independent Director of the Bank with effect from 16th March, 2019 for a period of five years, subject to necessary approvals. Further, the Board recommended appointment of Mr. K.V.S. Manian (DIN 00031794) & Mr. Gaurang Shah (DIN 00016660) initially as Additional Directors acting as Whole-time Directors of the Bank for a period of three years with effect from the date of approval of the Reserve Bank of India, and subject to necessary approval from the shareholders.

As per Section 10-A(2-A) of the Banking Regulation Act, 1949 (B.R. Act), no director of a banking company, other than its chairman or whole-time director, by whatever name called, shall hold office continuously for a period exceeding eight years. In accordance with Section 10-A(2-A) of the B.R. Act and based on the recommendation of the NRC and the results of the performance evaluation, the Board of Directors of the Bank at its meeting held on 30th April, 2019 re-appointed Ms. Farida Khambata (DIN 06954123) as an Independent Director of the Bank for a second term i.e. the remaining period of three years from 7th September, 2019 to 6th September, 2022, subject to necessary approval from the shareholders.

Accordingly, approval of the shareholders for re-appointment of Mr. Apte & Ms. Khambata through special resolutions and appointment of Mr. Shankar and the Whole-time directors through ordinary resolutions is being sought at the ensuing AGM of the Bank. The details of the Directors being appointed/re-appointed are set out in the Notice of the ensuing AGM of the Bank.

Resignation/Cessation of Directors

Mr. Mark Newman (DIN 03518417), Non-Executive Non-Independent Director, resigned from the Board of the Bank with effect from 22nd February, 2019.

Mr. Amit Desai (DIN 00310510), ceased to be a director of the Bank with effect from 17th March, 2019 on completion of his eight years tenure pursuant to the provisions of Section 10-A(2-A)(i) of the Banking Regulation Act, 1949.

Your Directors place on record their appreciation for the valuable advice and guidance rendered by Mr. Mark Newman and Mr. Amit Desai, during their tenure as Directors of the Bank.

Declaration from Independent Directors

The Board has received declarations from the Independent Directors as per the requirement of Section 149(7) of the Companies Act, 2013 and the Board is satisfied that the Independent Directors meet the criteria of independence and fulfill the conditions as mentioned in Section 149(6) of the Companies Act, 2013 and are independent of the management.

Board Evaluation

The Nomination and Remuneration Committee (NRC) of the Bank's Board has formulated the criteria for performance evaluation of the Directors and the Board as a whole which broadly covers the Board role, Board/Committee membership, practice & procedure and collaboration & style. The performance of the Committees of the Board is evaluated on the criteria viz. composition & quality, process & procedure and the terms of reference.

The NRC of the Bank's Board engaged an external professional services firm to facilitate the self-evaluation process of the Board, its committees, Chairman and individual directors.

A Board effectiveness assessment questionnaire designed for the performance evaluation of the Board, its Committees, Chairman and individual directors (including Independent directors) in accordance with the criteria set and covering various aspects of performance including structure of the board, meetings of the board, functions of the board, role and responsibilities of the board, governance and compliance, evaluation of risks, grievance redressal for investors, conflict of interest, stakeholder value and responsibility, relationship among directors, director competency, board procedures, processes, functioning and effectiveness was circulated to all the directors of the Bank for the annual performance evaluation.

Based on the assessment of the responses received to the questionnaire from the directors on the annual evaluation of the Board, its Committees, the Chairman and the individual directors, the Board Evaluation Report was placed before the meeting of the Independent Directors for consideration. Similarly, the Board at its meeting assessed the performance of the Independent Directors. The Directors noted that the results of the performance evaluation of the Board & its Committees, Chairman and individual directors indicated a high degree of satisfaction amongst the directors. In line with the last year's suggestions of the directors, changing market dynamics & emerging demographic status of the customers, it was felt to actively consider bringing on the Board a director with digital and/or IT expertise to guide the Bank to the next level. Accordingly, the Board has appointed Mr. Uday Shankar, Director who has been driving the digital initiatives of Star India and has expertise in the field especially in understanding the customers' digital needs. Some of the suggestions this year for improving the performance of the Board & Committees were viz. enhanced oversight and opportunities for improvement & functioning of some committees, continuing education of the Board on new developments from governance prospective and Independent directors meeting with the Chairman individually once a year. Accordingly, it is proposed to convene every year a meeting of the Independent Directors with the Chairman individually and also continue to educate the Board on new developments from governance prospective and enhance their understanding of relevant risks, regulatory & industry issues. Further, for improving the functioning of some of the committees, steps have been taken to enhance their scope.

Key Managerial Personnel (KMPs)
The following officials of the Bank continue to be the "Key Managerial Personnel" pursuant to the provisions of Section 203 of the Companies Act, 2013:

- Mr. Uday Kotak, Managing Director & CEO
- Mr. Dipak Gupta, Joint Managing Director
- Mr. Jaimin Bhatt, President & Group Chief Financial Officer
- Ms. Bina Chandarana, Company Secretary

Appointment & Remuneration of Directors & KMPs
The appointment and remuneration of Directors of the Bank is governed by the provisions of Section 35B of the Banking Regulation Act, 1949. The NRC of the Bank's Board has formulated criteria for appointment of Senior Management personnel and the Directors. Based on the criteria set it recommends to the Board the appointment of Directors and Senior Management personnel.

The NRC reviews the range of skills, experience and expertise on the Board and identify its needs. After a detailed search, a master list of candidates is prepared. The NRC then shortlists the candidates from the master list based on the selection criteria viz. qualifications, knowledge, experience, skills, expertise, fit & proper status, positive attributes as per the suitability of the role, independent status and various regulatory/statutory requirements as may be required of the candidate. After detailed discussions and deliberations NRC recommends the candidate to the Board. Recognizing the skill set requirement at the Board, NRC went through the aforesaid process for selection of the new director on the Board this year and recommended the appointment of Mr. Uday Shankar who has been driving the digital initiatives of Star India and has expertise in the field especially in understanding the customers' digital needs.

The Reserve Bank of India ('RBI') vide its circular no.DBOD.No.BC.72/29.67.001/2011-12 dated 13th January 2012 has issued the Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Other Risk Takers of Private Sector Banks on Compensation Policy which *inter alia* cover the following:

- Proper balance between fixed pay and variable pay;
- Variable pay not to exceed 70% (Seventy Per Cent) of the fixed pay in a year;

In accordance with the aforesaid RBI Circular, the Board of the Bank has adopted a Compensation Policy for its Whole-time Directors, Chief Executive Officer of the Bank and other employees which includes issue of stock appreciation rights as a form of variable pay, linked to the Bank's stock price, payable over a period of time. The salient features of the Compensation Policy are as follows:

- Objective is to maintain fair, consistent and equitable compensation practices in alignment with Kotak's core values and strategic business goals.
- Applicable to all employees of the Bank. Employees classified into 3 groups:
    - o Whole-time Directors/Chief Executive Officer

- Risk Control and Compliance Staff
- Other categories of Staff

- Compensation structure broadly divided into Fixed, Variable and ESOPs
  - Fixed Pay – Total cost to the Company i.e. Salary, Retirals and Other Benefits
  - Variable Pay – Linked to assessment of performance and potential based on Balanced Key Result Areas (KRAs), Standards of Performance and achievement of targets with overall linkage to Bank budgets and business objectives. The main form of incentive compensation includes
    - Cash, Deferred Cash/Incentive Plan and Stock Appreciation Rights.
  - ESOPs – Granted on a discretionary basis to employee based on their performance and potential with the objective of retaining the employee.
- Compensation Composition – The ratio of Variable Pay to Fixed Pay and the ratio of Cash v/s Non Cash within Variable pay outlined for each category of employee classification.
- Any variation in the Policy to be with approval of the Nomination & Remuneration Committee.
- Malus and Clawback clauses applicable on Deferred Variable Pay.
- Ensuring no personal hedging strategies by employees which undermine risk alignment effects as part of their remuneration.

The details of the remuneration paid to the Non-Executive Chairman, Executive and Non-Executive Directors of the Bank for the year ended 31st March, 2019 is provided in the Corporate Governance Report annexed to this Report.

The Non-Executive Chairman of the Bank receives a fixed amount of remuneration as recommended by the Board and approved by the shareholders of the Bank and RBI, from time to time. He also receives remuneration by way of sitting fees for attending meetings of the Board or Committees thereof.

RBI vide its circular no. DBR.No.BC.97/29.67.001/2014-15 dated June 1, 2015 has issued guidelines on payment of compensation to the Non-Executive Directors (NEDs) of private sector banks which inter-alia specifies the following:

- The Board of Directors of the Bank (in consultation with the Nomination & Remuneration Committee) needs to formulate and adopt a comprehensive compensation policy for NEDs (other than part-time non-executive Chairman).
- Maximum amount of profit related commission not to exceed ₹ 10 lakh per annum for each director of the Bank.

Accordingly, in line with the aforesaid RBI circular and pursuant to the relevant provisions of the Companies Act, 2013, the Board of the Bank has adopted a compensation policy for the NEDs (excluding the part-time Non-Executive Chairman). The salient features of the Compensation Policy are as follows:

- Compensation structure broadly divided into:
  - Sitting fees
  - Re-imbursement of expenses
  - Commission (profit based)
- Amount of sitting fees and commission to be decided by the Board from time to time, subject to the regulatory limits.
- Overall cap on commission for each director ₹ 10 lakh per annum.
- NEDs not eligible for any stock options of the Bank.

Remuneration paid to the KMPs is in line with the Compensation Policy of the Bank which is based on the RBI Guidelines.

Disclosures pursuant to Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

1. Ratio of the remuneration of each director to the median remuneration of the employees for the financial year:

Directors	Title	Ratio
Mr. Uday Kotak	Managing Director & CEO	54.53x
Mr. Dipak Gupta	Joint Managing Director	54.36x
Dr. Shankar Acharya *	Non-Executive Chairman	-
Mr. Prakash Apte *	Non-Executive Chairman	-

* *Refer Note 3*

2. **Percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:**

Directors/KMP	Title	% increase in remuneration	% increase in remuneration excluding SARs
Mr. Uday Kotak	Managing Director & CEO	10.99	10.99
Mr. Dipak Gupta	Joint Managing Director	12.85	12.85
Dr. Shankar Acharya *	Non-Executive Chairman	-	-
Mr. Prakash Apte *	Non-Executive Chairman	-	-
Mr. Jaimin Bhatt	Group CFO	8.42	7.31
Ms. Bina Chandarana	Company Secretary	1.24	2.90

* *Refer Note 3*

3. **Percentage increase in the median remuneration of employees in the financial year:**

   For employees who were in employment for the whole of FY 2017-18 and FY 2018-19 increase in the median remuneration is 11.19%.

4. **Number of permanent employees on the rolls of Bank at the end of the year:** 41,753

5. **Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:**

   For employees other than managerial personnel who were in employment for the whole of FY 2017-18 and FY 2018-19 the average increase is 11.16% and 10.61% excluding SARs.

   Average increase for managerial personnel is 9.66% and 9.76% excluding SARs.

6. **Affirmation that the remuneration is as per the remuneration policy of the Bank:**

   The Bank is in compliance with its Compensation Policy.

Notes:

1) *Remuneration includes Fixed pay + Variable paid during the year + perquisite value as calculated under the Income Tax Act, 1961. Remuneration does not include value of Stock Options.*

2) *Stock Appreciation Rights (SARs) are awarded as variable pay. These are settled in cash and are linked to the average market price/closing market price of the Bank's stock on specified value dates. Cash paid out during the year is included for the purposes of remuneration.*

3) *Dr. Shankar Acharya retired as a Non-Executive Chairman of the Bank on 19th July, 2018 & Mr. Prakash Apte, a Non-Executive Independent Director of the Bank, was appointed as a Non-Executive Chairman of the Bank with effect from 20th July, 2018. Accordingly, disclosure with respect to their ratio of remuneration/percentage increase in remuneration is not made.*

4) *The Non-Executive Directors of the Bank, other than the Non-Executive Chairman receive remuneration in the form of sitting fees for attending the Board/ Committee meetings and in the form of an annual profit based commission. The Non-Executive Chairman gets sitting fees for attending meetings and gets a remuneration approved by the shareholders and RBI.*

SECRETARIAL AUDITOR

Pursuant to Section 204 of the Companies Act, 2013 ('Act'), your Bank has appointed Ms. Rupal D. Jhaveri, a Company Secretary in Practice, as its Secretarial Auditor. The Secretarial Audit Report for the financial year ended 31st March, 2019 as required under Section 204 of the Act and Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed to this Report. Your Bank is in compliance with the applicable Secretarial Standards issued by The Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Companies Act, 2013 for FY 2018-19.

Kotak Mahindra Life Insurance Company Limited ('KLI'), the Bank's material unlisted subsidiary has got its secretarial audit done and there are no reservations or adverse remarks or disclaimers made in the Secretarial Audit Report for the financial year ended 31st March, 2019. The Secretarial Audit Report of KLI is annexed to this Report.

ANNUAL RETURN

Pursuant to Section 134(3)(a) and Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, the Annual Return of the Bank as on 31st March, 2019 once prepared shall be disclosed on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html

An extract of the Annual Return as on 31st March, 2019 in Form MGT-9 is annexed to this Report.

DEPOSITS

Being a banking company, the disclosures required as per Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014, read with Section 73 and 74 of the Companies Act, 2013 are not applicable to your Bank.

AUDITORS

Messrs S.R. Batliboi & Co. LLP, Chartered Accountants, statutory auditors of your Bank, retire on the conclusion of the Thirty fourth Annual General Meeting of the Bank. They have been auditors of the Bank for last four financial years. Pursuant to the guidelines issued by the Reserve Bank of India (RBI), an audit firm is allowed to continue as the statutory auditor of a bank for a continuous period of four years only. Accordingly, it is proposed to appoint, subject to the regulatory approvals, Messrs Walker Chandiok & Co. LLP, Chartered Accountants (Registration No. 001076N/N500013), as the statutory auditors of the Bank in place of Messrs S.R. Batliboi & Co. LLP, Chartered Accountants, who have completed four years as the statutory auditors. The necessary application has been made to RBI and approval is awaited. The appointment of auditors along with the relevant details is proposed to the members in the Notice of the current i.e. the Thirty fourth Annual General Meeting for a period of two years from the conclusion of the Thirty fourth Annual General Meeting until the conclusion of the Thirty sixth Annual General Meeting of the Bank, subject to the annual approval of RBI.

INTERNAL FINANCIAL CONTROLS

The Board of Directors confirms that your Bank has laid down set of standards, processes and structure which enables to implement internal financial controls across the organization with reference to financial statements and that such controls are adequate and are operating effectively. During the year under review, no material or serious observation has been observed for inefficiency or inadequacy of such controls.

IMPLEMENTATION OF IND AS

The Ministry of Finance, Government of India has vide its press release dated 18th January, 2016 outlined the roadmap for implementation of International Financial Reporting Standards (IFRS) converged Indian Accounting Standards (Ind AS) for Scheduled commercial bank (excluding RRBs), Non-banking Financial Companies and Insurance companies. RBI has advised Banks vide circular no. RBI/2015-16/315DBR.BP.BC. No.76/21.07.001/2015-16 to follow the Ind AS from 1st April, 2018 as notified under the Companies (Indian Accounting Standards) Rules, 2015 subject to any guideline/direction issued in this regard. Subsequently, RBI through its first monetary policy statement for FY 2018-19 on 5th April, 2018, deferred Ind AS implementation for the Scheduled commercial bank (excluding RRBs) by one year i.e. the implementation of Ind AS will begin from 1st April, 2019 onwards. Further, RBI through vide circular no. DBR.BP.BC.No.29/21.07.001/2018-19 dated 22nd March 2019, deferred the implementation of Ind AS for scheduled commercial banks till further notice.

As per Reserve Bank of India (RBI) directions, your Bank has taken following steps so far:

- Submitted Standalone Proforma Ind AS financial statements to RBI on a quarterly basis effective FY 2018-19, as required.
- Formed Steering Committee for Ind AS implementation. The Steering Committee comprises of representatives from Finance, Risk, Operations and Treasury. The Committee oversees the progress of Ind AS implementation in the Bank, and provides guidance on critical aspects of the implementation such as Ind AS technical requirements, systems and processes, business impact, people and project management. The Committee closely review's progress of Ind AS implementation.
- The Bank has identified gaps in IT Systems and the changes required to automate Ind AS. The Bank is in advanced stages for Ind AS implementation.

The Bank will continue to liaise with RBI and industry bodies on various aspects pertaining to Ind AS implementation.

RELATED PARTY TRANSACTIONS

All the Related Party Transactions that were entered into during the financial year were on arm's length basis and were in ordinary course of business.

Pursuant to Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no Related Party Transactions to be reported under Section 188(1) of the Companies Act, 2013, in form AOC-2.

All Related Party Transactions are placed before the Audit Committee for its review and approved on a quarterly basis. An omnibus approval of the Audit Committee is obtained for the Related Party Transactions which are repetitive in nature. Further, all Related Party Transactions are reviewed by the statutory auditors of the Bank. Also, during the year, the Bank had engaged the services of an external auditor for verification of the Related Party Transactions, its disclosure and validation of the process followed by the Bank.

All Related Party Transactions as required under Accounting Standards AS-18 are reported in Note 25 of Schedule 17 – Notes to Accounts of the Consolidated financial statements and Note 7 of Schedule 18B – Notes to Accounts of the Standalone financial statements of your Bank.

The Bank's Policy on dealing with Related Party Transactions is available on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/governance/policies.html

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Pursuant to Section 186(11) of the Companies Act, 2013, loans made, guarantees given, securities provided or acquisition of securities by a banking company in the ordinary course of its business are exempted from the disclosure requirement under Section 134(3)(g) of the Companies Act, 2013.

WHISTLE BLOWER POLICY / VIGIL MECHANISM

Your Bank is committed to its "Vision Statement" of upholding its Global Indian Financial Services Brand creating an ethos of trust across all constituents, developing a culture of empowerment and a spirit of enterprise thereby becoming the most preferred employer in the financial services sector.

Consistent with the Vision Statement, your Bank is committed to maintain and provide to all its employees and directors highest standards of transparency, probity and accountability. The Kotak Group endeavours to develop a culture where it is safe and acceptable for all employees and directors to raise / voice genuine concerns in good faith, and in a responsible as well as effective manner.

A vigil mechanism has been implemented through the adoption of Whistleblower Policy with an objective to enable any employee or director or vendor, raise genuine concern or report evidence of activity by the Bank or its employee or director or vendor that may constitute: Instances of corporate fraud; unethical business conduct; a violation of Central or State laws, rules, regulations and/or any other regulatory or judicial directives; any unlawful act, whether criminal or civil; malpractice; serious irregularities; impropriety, abuse or wrong doing; deliberate breaches and non-compliance with the Bank's policies; questionable accounting/audit matters/financial malpractice. The concerns can be reported online on the website viz. URL: https://cwiportal.com/kotak which is managed by independent third party.

Safeguards to avoid discrimination, retaliation, or harassment, and confidentiality have been incorporated in the policy. All employees and directors have access to the Chairman of the Audit Committee in appropriate and exceptional circumstances. Further, the Chairman of the Audit Committee has access rights to the whistle blower portal.

The Policy has been uploaded on the Bank's intranet as well as website viz. URL: https://www.kotak.com/en/investor-relations/governance/policies.html and regular communication is made for sustained awareness.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Bank has constituted a Board Corporate Social Responsibility Committee (CSR Committee). The CSR Committee presently consists of Prof. S. Mahendra Dev, Mr. C. Jayaram and Mr. Dipak Gupta.

Your Bank's CSR Committee drives the CSR programme of the Bank. Your Bank has a Board approved CSR policy, charting out its CSR approach. This policy articulates the Bank's aim to positively contribute towards economic, environmental and social well-being of communities through its CSR interventions. The core CSR focus areas outlined are:

- Education
- Vocational skills and livelihood
- Preventive healthcare and sanitation
- Reducing inequalities faced by socially and economically backward groups
- Sustainable development
- Relief and rehabilitation
- Clean India
- Sports

The Bank's CSR Policy is available on the Bank's website: https://www.kotak.com/en/about-us/corporate-responsibility.html

Pursuant to the provisions of Section 135, Schedule VII of the Companies Act, 2013 (the Act), read with the Companies (Corporate Social Responsibility) Rules, 2014 the report of the expenditure on CSR by the Bank is as under:

The average net profit u/s 198 of the Bank for the last three financial years preceding 31st March, 2019 is ₹4,813.64 crore.

The prescribed CSR expenditure required u/s 135, of the Act for FY 2018-19 is ₹9,627 lakh.

The CSR expenditure incurred from 1st April, 2018 to 31st March, 2019 u/s 135 of the Companies Act, 2013 amounts to ₹3,655 lakh as against ₹2,640 lakh CSR Expenditure incurred in FY 2017-18. The unspent CSR expenditure amount for FY 2018-19 is ₹ 5,972 lakh.

CSR expenditure of ₹3,655 lakh as a percentage of average net profit u/s 198 of the Bank at ₹4,813.64 crore is 0.76%.

The Bank's CSR programmes and expenditures are approved by the Board CSR Committee and the Board. The Bank's CSR programmes and expenditure are guided by the vision of creating long-term benefits for the society. The Bank has been building its CSR capabilities on a sustainable basis and is committed to gradually increasing its CSR spending in the coming year for its long-term projects. The Bank identifies suitable NGO partners for carrying out its CSR programmes. It undertakes CSR programmes that are scalable, sustainable and have the potential to be replicated across locations and create a sustainable and measurable impact in communities.

Most of the CSR programmes undertaken are in the area of education, healthcare, livelihood, vocational skill development, sports and other areas such as relief and rehabilitation and environmental sustainability etc. The Bank's CSR footprint has been consistently increasing over the years. The Bank is committed to stepping-up its CSR programmes and expenditure in the years ahead.

The Bank's CSR expenditure in FY 2018-19 of ₹3,655 lakh, which is over 38% higher than the previous financial year. In FY 2016-17, the Bank's CSR expenditure was ₹1,733 lakh, which increased to ₹2,640 lakh in FY 2017-18 – an increase of over 52% over the previous financial year.

One of the reasons for Bank CSR expenditure's underspend is the NGOs' inability to utilise large CSR expenditure allocated under the Bank's CSR Programmes.

Your Bank does not consider "administrative overheads" as part of its CSR Expenditure.

The details of CSR Programmes and Expenditure u/s 135 of the Companies Act, 2013, for FY 2018-19, are annexed to this report.

RISK MANAGEMENT POLICY

Your Bank has a Group Enterprise wide Risk Management (ERM) framework supported by appropriate policies and processes for management of Credit Risk, Market Risk, Liquidity Risk, Operational Risk and various other Risks. Details of identification, assessment, mitigations, monitoring and the management of these Risks are mentioned in the Management Discussion and Analysis section appended to this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are not applicable to your Bank.

EMPLOYEES

The employee strength of your Bank, standalone, was over 41,500 and along with its subsidiaries was over 60,000 as of 31st March, 2019.

146 employees employed throughout the year were in receipt of remuneration of ₹102 lakh or more per annum and 40 employees employed for part of the year were in receipt of remuneration of ₹8.5 lakh or more per month.

Culture and values drive have been enhanced through various interactions and employee communication platforms in the organization. Your Bank continued to reiterate this through cross functional meets conducted by senior business leaders for employees at mid management level under the "Meet 5" initiative. It has also enhanced the focus on mental and physical wellbeing of the employees through mobile first platform launched for managing, tracking and facilitative on various health and wellness related requirements of the employees.

Your Bank has continued on the Gender Diversity agenda.

- A differentiated talent acquisition strategy to increase women employee base across various suitable roles has helped us to continue adding 24% women amongst all new hires in the Bank. While continuing with our philosophy of providing equal opportunities, an aggressive push in this area will help us achieve a better balance in gender diversity.
- Prevention of Sexual Harassment (POSH): Bank continues with the belief on zero tolerance towards sexual harassment at workplace and continues to uphold and maintain itself as a safe and non-discriminatory organization. To achieve the same Kotak reinforces the understanding and awareness of Prevention of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Bank has formulated Internal Complaints Committee (ICC) at three regions for reporting any untoward instance. Any complaints pertaining to sexual harassment are diligently reviewed and investigated and treated with great sensitivity. The ICC members have been trained in handling and resolving complaints and have also designed an online e-learning POSH Awareness module which covers the larger employee base.

  Following is a summary of sexual harassment complaints received and disposed off during the year 2018-19:

  - No. of complaints received : 27
  - No. of complaints disposed off * : 26

  * *In respect of one pending case, enquiries were in progress at the close of the year. All the cases pertaining to the previous year which were pending at the beginning have been closed.*

As Bank enters in its next phase of growth and expansion of footprint across urban and rural India, Bank and its subsidiaries continued to carry out several initiatives to attract and retain a pool of highly skilled and motivated employees who are aligned to the firm's vision of becoming the most trusted financial services provider.

In accordance with the provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 the names and other particulars of the employees are set out in the annexure to the Directors' Report. In terms of the proviso to Section 136(1) of the Companies Act, 2013, the Directors' Report is being sent to all shareholders excluding the aforesaid annexure. The annexure is available for inspection at the Registered Office of your Bank. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of your Bank.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, based on the representations received from the operational management, confirm in pursuance of Section 134(5) of the Companies Act, 2013, that:

(i) your Bank has, in the preparation of the annual accounts for the year ended 31st March, 2019, followed the applicable accounting standards along with proper explanations relating to material departures, if any;

(ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Bank as at 31st March, 2019 and of the profit of your Bank for the financial year ended 31st March, 2019;

(iii) they have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Bank and for preventing and detecting fraud and other irregularities;

(iv) the annual accounts have been prepared on a going concern basis;

(v) they have laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and are operating effectively; and

(vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

ANNEXURES

Following statements/reports/certificates are set out as Annexures to the Directors' Report:

- Extract of Annual Return under Section 134(3)(a) of the Companies Act, 2013 read with Rule 12 (1) of Companies (Management & Administration) Rules, 2014.
- Secretarial Audit Report pursuant to Section 204 of the Companies Act, 2013 and Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- Details of CSR activities and spends under Section 135 of the Companies Act, 2013.
- Certificate from the auditors regarding compliance of conditions of corporate governance as stipulated in para E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

ACKNOWLEDGEMENTS

Your Directors would like to place on record their gratitude for the valuable guidance and support received from the Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority and other Government and Regulatory agencies. Your Directors acknowledge the support of the members and also wish to place on record their appreciation of employees for their commendable efforts, teamwork and professionalism.

For and on behalf of the Board of Directors

Prakash Apte
Chairman

Place: Mumbai
Date: 31st May, 2019

ANNEXURE - A

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
AS ON THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2019

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	L65110MH1985PLC038137
ii)	Registration Date	21st November, 1985
iii)	Name of the Company	Kotak Mahindra Bank Ltd.
iv)	Category / Sub-Category of the Company	Banking Company
v)	Address of the Registered office and contact details	27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051 Tel No. : (022) 61660001 Fax No.: (022) 67132403
vi)	Whether listed company Yes / No	Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Karvy Fintech Private Limited Karvy Selenium Tower B, Plot 31-32, Gachibowli Financial District, Nanakramguda, Hyderabad - 500032, Tel : +91 (040) 67161559

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Monetary intermediation of commercial banks, saving banks. postal savings bank and discount Houses	64191	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary / Associate	% of shares held *	Applicable Section
	Domestic Subsidiaries				
1	Kotak Mahindra Prime Limited 27BKC, C 27, G Block Bandra Kurla Complex, Bandra (E), Mumbai – 400051	U67200MH1996PLC097730	Subsidiary	100.00	2(87)
2	Kotak Mahindra Investments Limited 27BKC, C 27, G Block Bandra Kurla Complex, Bandra (E), Mumbai – 400051	U65900MH1988PLC047986	Subsidiary	100.00	2(87)
3	Kotak Securities Limited 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051	U99999MH1994PLC134051	Subsidiary	100.00	2(87)
4	Kotak Mahindra Capital Company Limited 27BKC, Plot No. C-27, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051	U67120MH1995PLC134050	Subsidiary	100.00	2(87)

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary / Associate	% of shares held *	Applicable Section
5	Kotak Mahindra Life Insurance Company Limited 2nd Floor, Plot # C- 12, G- Block, BKC, Bandra (E), Mumbai - 400051	U66030MH2000PLC128503	Subsidiary	100.00	2(87)
6	Kotak Mahindra General Insurance Company Limited 27 BKC, C27, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051	U66000MH2014PLC260291	Subsidiary	100.00	2(87)
7	Kotak Mahindra Asset Management Company Limited 27BKC, C-27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051	U65991MH1994PLC080009	Subsidiary	100.00	2(87)
8	Kotak Mahindra Trustee Company Limited 27BKC, C-27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051	U65990MH1995PLC090279	Subsidiary	100.00	2(87)
9	Kotak Mahindra Pension Fund Limited 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051	U67200MH2009PLC191144	Subsidiary	100.00	2(87)
10	Kotak Investment Advisors Limited 27 BKC, 7th Floor, Plot No. C-27, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051	U65990MH1994PLC077472	Subsidiary	100.00	2(87)
11	Kotak Mahindra Trusteeship Services Limited 27 BKC, 6th Floor, Plot No. C-27, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051	U65991MH2000PLC125008	Subsidiary	100.00	2(87)
12	Kotak Infrastructure Debt Fund Limited 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051	U65910MH1988PLC048450	Subsidiary	100.00	2(87)
13	IVY Product Intermediaries Limited 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051	U85110MH1987PLC294572	Subsidiary	100.00	2(87)
14	BSS Microfinance Limited No.11, 2nd Block, 2nd Stage, Outer Ring Road, Near BDA Complex, Nagarabhavi Layout, Bangalore – 560072	U74899KA1994PLC049746	Subsidiary	100.00	2(87)

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary / Associate	% of shares held *	Applicable Section
		International Subsidiaries			
15	Kotak Mahindra (UK) Limited 55 Baker Street, London, W1U 7EU, UK	-	Subsidiary	100.00	2(87)
16	Kotak Mahindra (International) Limited Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	-	Subsidiary	100.00	2(87)
17	Kotak Mahindra Inc. 251 Little Falls Drive, New Castle County Wilmington, DE 19808 USA	-	Subsidiary	100.00	2(87)
18	Kotak Mahindra Financial Services Limited 7th Floor, 703, Office Tower – 2, Al Fattan Currency House, Dubai International Financial Centre, PO Box 16498, Dubai	-	Subsidiary	100.00	2(87)
19	Kotak Mahindra Asset Management (Singapore) Pte. Limited 16, Raffles Quay, #35-02, Hong Leong Building, Singapore – 048581	-	Subsidiary	100.00	2(87)
		Associate Companies			
20	Infina Finance Private Limited 7th Floor, Dani Corporate Park, 158, C.S.T. Road, Kalina Santacruz (E), Mumbai - 400098.	U67120MH1996PTC098584	Associate	49.99	2(6)
21	Phoenix ARC Private Limited 5th Floor, Dani Corporate Park, 158, CST Road, Kalina, Santacruz (E), Mumbai - 400098	U67190MH2007PTC168303	Associate	49.90	2(6)
22	Matrix Business Services India Private Limited ** Shree Mahamadhi Towers, New No 17, Arulambal Street, T Nagar, Chennai - 600017	U74140TN2003PTC051482	Associate	19.77	2(6)
23	ACE Derivatives & Commodity Exchange Limited 1st Floor, Popular House, Ashram Road, Navrangpura, Ahmedabad, Gujarat - 380009.	U67100GJ1956PLC000597	Associate	40.00	2(6)

** Direct and indirect holdings*

*** Ceased to be an Associate Company w.e.f. 26th April 2019*

IV SHARE HOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

(i) Category-wise Share Holding

Category of Shareholders		No. of Equity shares held at the beginning of the year				No. of Equity shares held at the end of the year				% change during the year
		Demat	Physical	Total	% of Total Equity shares	Demat	Physical	Total	% of Total Equity shares	
A.	**Promoters**									
1)	**Indian**									
a)	Individual / HUF	571,841,408	-	571,841,408	30.01	571,841,408	-	571,841,408	29.96	-0.05
b)	Central Govt	-	-	-	-	-	-	-	-	-
c)	State Govt(s)	-	-	-	-	-	-	-	-	-
d)	Bodies Corp	624,556	-	624,556	0.03	624,556	-	624,556	0.03	0.00
e)	Banks/FI	-	-	-	-	-	-	-	-	-
f)	Any Other	-	-	-	-	-	-	-	-	-
Sub total (A) (1)		**572,465,964**	**-**	**572,465,964**	**30.04**	**572,465,964**	**-**	**572,465,964**	**29.99**	**-0.05**
2)	**Foreign**									
a)	NRIs - Individuals	-	-	-	-	-	-	-	-	-
b)	Other – Individuals	-	-	-	-	-	-	-	-	-
c)	Bodies Corp.	-	-	-	-	-	-	-	-	-
d)	Banks / FI	-	-	-	-	-	-	-	-	-
e)	Any Other….	-	-	-	-	-	-	-	-	-
Sub total (A) (2)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)		**572,465,964**	**-**	**572,465,964**	**30.04**	**572,465,964**	**-**	**572,465,964**	**29.99**	**-0.05**
B.	**Public Shareholding as per classification given by Depository**									
1.	**Institutions**									
a)	Mutual Funds	134,841,280	28,000	134,869,280	7.08	160,168,020	28,000	160,196,020	8.39	1.31
b)	Banks / FI	3,790,240	7,068	3,797,308	0.20	3,421,462	6,634	3,428,096	0.18	-0.02
c)	Central Govt	-	-	-	-	-	-	-	-	-
d)	State Govt(s)	-	-	-	-	-	-	-	-	-
e)	Venture Capital Funds	-	-	-	-	-	-	-	-	-
f)	Alternative Investment Funds	2,255,479	-	2,255,479	0.12	3,846,505	-	3,846,505	0.20	0.08
g)	Insurance Companies	30,173,597	-	30,173,597	1.58	52,349,181	-	52,349,181	2.74	1.16
h)	FIIs	753,862,041	25,600	753,887,641	39.56	768,539,880	25,600	768,565,480	40.27	0.71
i)	Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
j)	Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-		**924,922,637**	**60,668**	**924,983,305**	**48.54**	**988,325,048**	**60,234**	**988,385,282**	**51.78**	**3.24**
2.	**Non-Institutions**									
a)	Bodies Corp.									
i)	Indian	59,396,957	62,012	59,458,969	3.12	63,869,294	57,952	63,927,246	3.35	0.23
ii)	Overseas	-	-	-	-	-	-	-	-	-

Category of Shareholders		No. of Equity shares held at the beginning of the year				No. of Equity shares held at the end of the year				% change during the year
		Demat	Physical	Total	% of Total Equity shares	Demat	Physical	Total	% of Total Equity shares	
b)	Individuals									
i)	Individual shareholders holding nominal share capital upto ₹ 1 lakh	67,307,312	6,980,835	74,288,147	3.90	72,394,064	5,780,455	78,174,519	4.10	0.20
ii)	Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	109,118,228	331,816	109,450,044	5.74	103,965,192	214,992	104,180,184	5.46	-0.29
c)	Others (specify)									
	Non Resident Indians	3,014,992	1,215,448	4,230,440	0.22	4,275,735	991,024	5,266,759	0.28	0.06
	Non Resident Indians Non- Repatriable	2,757,697	-	2,757,697	0.14	2,935,282	-	2,935,282	0.15	0.01
	Overseas Bodies Corporate	8,406,960	-	8,406,960	0.44	8,406,960	-	8,406,960	0.44	0.00
	Foreign Bank	32,800,000	-	32,800,000	1.72	32,800,000	-	32,800,000	1.72	0.00
	Foreign Bodies	97,166,170	-	97,166,170	5.10	25,966,992	-	25,966,992	1.36	-3.74
	Foreign Bodies-DR	34,400	-	34,400	0.00	1,744	-	1,744	0.00	0.00
	Trust	10,253,369	-	10,253,369	0.54	13,137,126	-	13,137,126	0.69	0.15
	HUF	1,996,686	14	1,996,700	0.10	1,968,262	14	1,968,276	0.10	0.00
	IEPF	2,452,525	-	2,452,525	0.13	3,160,801	-	3,160,801	0.17	0.04
	Clearing Members	3,628,987	-	3,628,987	0.19	6,414,483	-	6,414,483	0.34	0.15
	NBFC	1,273,379	-	1,273,379	0.07	1,561,659	-	1,561,659	0.08	0.01
	Foreign National	1,450	-	1,450	0.00	1,550	-	1,550	0.00	0.00
	Sub-total(B)(2):-	**399,609,112**	**8,590,125**	**408,199,237**	**21.42**	**340,859,144**	**7,044,437**	**347,903,581**	**18.23**	**-3.19**
	Total Public Shareholding (B)=(B)(1)+ (B)(2)	**1,324,531,749**	**8,650,793**	**1,333,182,542**	**69.96**	**1,329,184,192**	**7,104,671**	**1,336,288,863**	**70.01**	**0.05**
C.	**Shares held by Custodian for GDRs & ADRs**	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)		**1,896,997,713**	**8,650,793**	**1,905,648,506**	**100.00**	**1,901,650,156**	**7,104,671**	**1,908,754,827**	**100.00**	

Note:

The increase in Equity Share Capital during FY 2018-19 is on account of allotment of equity shares under the various ESOP Schemes of the Bank.

(ii) **Shareholding of Promoters**

Sl no.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Equity shares	% of total Equity shares of the company	% of Equity shares pledged / encumbered to total Equity shares	No. of Equity shares	% of total Equity shares of the company	% of Equity shares pledged / encumbered to total Equity shares	
1	Uday Suresh Kotak	566,927,100	29.75	0.00	566,927,100	29.70	0.00	-0.05
2	Kotak Trustee Company Pvt. Ltd. Beneficial Owner Mr. Uday S Kotak	624,556	0.03	0.00	624,556	0.03	0.00	0.00
3	Indira Suresh Kotak	2,300,000	0.12	0.00	2,300,000	0.12	0.00	0.00
4	Pallavi Kotak	1,111,580	0.06	0.00	1,111,580	0.06	0.00	0.00
5	Dinkarrai Kalidas Desai	793,508	0.04	0.00	0	0.00	0.00	-0.04
6	Kusum Dinkarrai Desai	298,260	0.02	0.00	0	0.00	0.00	-0.02
7	Suresh Amritlal Kotak	200,000	0.01	0.00	200,000	0.01	0.00	0.00
8	Suresh A Kotak (HUF)	110,000	0.01	0.00	110,000	0.01	0.00	0.00
9	Aarti Neal Chandaria	57,360	0.00	0.00	57,360	0.00	0.00	0.00
10	Janak Dinkarrai Desai	43,600	0.00	0.00	11,35,368	0.06	0.00	0.06
	Total	**572,465,964**	**30.04**	**0.00**	**572,465,964**	**29.99**	**0.00**	**0.00**

(iii) **Change in Promoters' Shareholding (please specify, if there is no change)**

Sl. no.			No. of Equity shares	% of total Equity shares of the company	Cumulative Shareholding during the year	
					No. of Equity shares	% of total Equity shares of the company
	At the beginning of the year Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):		572,465,964	30.04	572,465,964	30.04
1	Dinkarrai Kalidas Desai	Gift 19/12/2018	-793,508	-0.04		
2	Kusum Dinkarrai Desa	Gift 19/12/2018	-298,260	-0.02		
3	Janak Dinkarrai Desai	Gift 19/12/2018	1,091,768	0.06	572,465,964	29.99
	At the End of the year				572,465,964	29.99

(iv) Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sl no	Name of the Shareholder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
1	Canada Pension Plan Investment Board	115,163,850	6.04	-	-		31/03/2018	115,163,850	6.04
				-	-		31/03/2019	115,163,850	6.03
2	Europacific Growth Fund	94,161,246	4.94	-	-		31/03/2018	94,161,246	4.94
				1,378,664	-	Market Sale	21/12/2018	92,782,582	4.86
				321,938	-	Market Sale	28/12/2018	92,460,644	4.85
				116,862	-	Market Sale	04/01/2019	92,343,782	4.84
				30,387	-	Market Sale	11/01/2019	92,313,395	4.84
				279,917	-	Market Sale	18/01/2019	92,033,478	4.82
				-	2,850,000	Market Purchase	01/03/2019	94,883,478	4.97
				-	-		31/03/2019	94,883,478	4.97
3	Oppenheimer Developing Markets Fund	57,073,844	2.99	-	-		31/03/2018	57,073,844	2.99
				-	3,422,169	Market Purchase	19/10/2018	60,496,013	3.17
				-	4,467,879	Market Purchase	26/10/2018	64,963,892	3.41
				-	1,088,361	Market Purchase	15/02/2019	66,052,253	3.46
				-	-		31/03/2019	66,052,253	3.46
4	Sumitomo Mitsui Banking Corporation	32,800,000	1.72	-	-		31/03/2018	32,800,000	1.72
				-	-		31/03/2019	32,800,000	1.72
5	SBI Mutual Funds	31,615,462	1.66	-	-		31/03/2018	31,615,462	1.66
				-	128,740	Market Purchase	06/04/2018	31,744,202	1.67
				-	65,355	Market Purchase	13/04/2018	31,809,557	1.67
				-	1,176,481	Market Purchase	20/04/2018	32,986,038	1.73
				-	58,877	Market Purchase	27/04/2018	33,044,915	1.74
				98,465	-	Market Sale	04/05/2018	32,946,450	1.73
				-	129,665	Market Purchase	11/05/2018	33,076,115	1.74
				-	209,418	Market Purchase	18/05/2018	33,285,533	1.75
				-	7,112	Market Purchase	25/05/2018	33,292,645	1.75
				692798	-	Market sale	01/06/2018	32,599,847	1.71

Sl no	Name of the Shareholder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
				-	322,221	Market Purchase	08/06/2018	32,922,068	1.73
				-	187,096	Market Purchase	15/06/2018	33,109,164	1.74
				-	79,040	Market Purchase	22/06/2018	33,188,204	1.74
				275,750	-	Market sale	29/06/2018	32,912,454	1.73
				-	601,510	Market Purchase	06/07/2018	33,513,964	1.76
				1,770	-	Market sale	13/07/2018	33,512,194	1.76
				-	91,766	Market Purchase	20/07/2018	33,603,960	1.76
				21,622	-	Market sale	27/07/2018	33,582,338	1.76
				-	764,996	Market Purchase	03/08/2018	34,347,334	1.80
				-	145,213	Market Purchase	10/08/2018	34,492,547	1.81
				-	42,402	Market Purchase	17/08/2018	34,534,949	1.81
				-	183,403	Market Purchase	24/08/2018	34,718,352	1.82
				-	156,726	Market Purchase	31/08/2018	34,875,078	1.83
				-	1,361,830	Market Purchase	07/09/2018	36,236,908	1.90
				-	267,513	Market Purchase	14/09/2018	36,504,421	1.91
				-	126,795	Market Purchase	21/09/2018	36,631,216	1.92
				54,248	-	Market sale	28/09/2018	36,576,968	1.92
				-	96,838	Market Purchase	05/10/2018	36,673,806	1.92
				162,494	-	Market sale	12/10/2018	36,511,312	1.91
				199,645	-	Market sale	19/10/2018	36,311,667	1.90
				-	50,966	Market Purchase	26/10/2018	36,362,633	1.91
				-	259,413	Market Purchase	02/11/2018	36,622,046	1.92
				-	127,873	Market Purchase	09/11/2018	36,749,919	1.93
				-	345,604	Market Purchase	16/11/2018	37,095,523	1.95

Sl no	Name of the Shareholder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
				-	115,927	Market Purchase	23/11/2018	37,211,450	1.95
				-	91,452	Market Purchase	30/11/2018	37,302,902	1.96
				-	240,252	Market Purchase	07/12/2018	37,543,154	1.97
				-	115,555	Market Purchase	14/12/2018	37,658,709	1.97
				-	135,498	Market Purchase	21/12/2018	37,794,207	1.98
				-	20,261	Market Purchase	28/12/2018	37,814,468	1.98
				-	31,470	Market Purchase	31/12/2018	37,845,938	1.98
				-	188,929	Market Purchase	04/01/2019	38,034,867	1.99
				-	202,088	Market Purchase	11/01/2019	38,236,955	2.00
				-	205,803	Market Purchase	18/01/2019	38,442,758	2.02
				-	414,556	Market Purchase	25/01/2019	38,857,314	2.04
				-	224,299	Market Purchase	01/02/2019	39,081,613	2.05
				-	210,232	Market Purchase	08/02/2019	39,291,845	2.06
				-	39,364	Market Purchase	15/02/2019	39,331,209	2.06
				-	106,110	Market Purchase	22/02/2019	39,437,319	2.07
				-	241,159	Market Purchase	01/03/2019	39,678,478	2.08
				-	82,995	Market Purchase	08/03/2019	39,761,473	2.08
				-	278,883	Market Purchase	15/03/2019	40,040,356	2.10
				-	578,400	Market Purchase	22/03/2019	40,618,756	2.13
				-	52,530	Market Purchase	29/03/2019	40,671,286	2.13
							31/03/2019	40,671,286	2.13

Sl no	Name of the Shareholder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
6	Life Insurance Corporation of India	12,226,354	0.64	-	-		31/03/2018	12,226,354	0.64
				-	340,200	Market Purchase	21/09/2018	12,566,554	0.66
				-	1,594,252	Market Purchase	28/09/2018	14,160,806	0.74
				-	1,240,025	Market Purchase	05/10/2018	15,400,831	0.81
				-	1,392,851	Market Purchase	12/10/2018	16,793,682	0.88
				-	690,074	Market Purchase	19/10/2018	17,483,756	0.92
				-	1,545,454	Market Purchase	26/10/2018	19,029,210	1.00
				-	790,684	Market Purchase	02/11/2018	19,819,894	1.04
				-	839,062	Market Purchase	09/11/2018	20,658,956	1.08
				-	2,060,690	Market Purchase	16/11/2018	22,719,646	1.19
				-	245,418	Market Purchase	23/11/2018	22,965,064	1.20
				-	429,472	Market Purchase	30/11/2018	23,394,536	1.23
				-	66,403	Market Purchase	14/12/2018	23,460,939	1.23
				-	468,032	Market Purchase	21/12/2018	23,928,971	1.25
				-	435,865	Market Purchase	28/12/2018	24,364,836	1.28
				-	144,000	Market Purchase	31/12/2018	24,508,836	1.28
				-	512,090	Market Purchase	04/01/2019	25,020,926	1.31
				-	638,519	Market Purchase	11/01/2019	25,659,445	1.35
				-	798,958	Market Purchase	18/01/2019	26,458,403	1.39
				-	190,463	Market Purchase	25/01/2019	26,648,866	1.40
				-	498,500	Market Purchase	01/02/2019	27,147,366	1.42

Sl no	Name of the Shareholder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
				-	308,757	Market Purchase	08/02/2019	27,456,123	1.44
				-	500,162	Market Purchase	15/02/2019	27,956,285	1.47
				-	525,590	Market Purchase	22/02/2019	28,481,875	1.49
				-	912,503	Market Purchase	01/03/2019	29,394,378	1.54
				-	646,888	Market Purchase	08/03/2019	30,041,266	1.57
				-	598,552	Market Purchase	15/03/2019	30,639,818	1.61
				-	287,000	Market Purchase	22/03/2019	30,926,818	1.62
							31/03/2019	30,926,818	1.62
7	Capital World Growth and Income Fund	28,150,731	1.48	-	-		31/03/2018	28,150,731	1.48
				533,452	-	Market Sale	24/08/2018	27,617,279	1.45
				1,030,000	-	Market Sale	28/09/2018	26,587,279	1.39
				-	2,404,752	Market Purchase	07/12/2018	28,992,031	1.52
				-	513,176	Market Purchase	14/12/2018	29,505,207	1.55
				-	622,072	Market Purchase	01/02/2019	30,127,279	1.58
							31/03/2019	30,127,279	1.58
8	Caladium Investment Pte Ltd	25,966,992	1.36	-	-		31/03/2018	25,966,992	1.36
							31/03/2019	25,966,992	1.36
9	Axis Mutual Fund	15,710,475	0.82	-	-		31/03/2018	15,710,475	0.82
				-	210,351	Market Purchase	06/04/2018	15,920,826	0.84
				-	318,000	Market Purchase	13/04/2018	16,238,826	0.85
				125,200	-	Market Sale	20/04/2018	16,113,626	0.85
				-	328,000	Market Purchase	27/04/2018	16,441,626	0.86
				-	199,830	Market Purchase	11/05/2018	16,641,456	0.87
				206,291	-	Market Sale	01/06/2018	16,435,165	0.86
				-	95,740	Market Purchase	15/06/2018	16,530,905	0.87

Sl no	Name of the Shareholder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
				-	74,000	Market Purchase	29/06/2018	16,604,905	0.87
				-	235,094	Market Purchase	13/07/2018	16,839,999	0.88
				-	78,500	Market Purchase	20/07/2018	16,918,499	0.89
				-	373,250	Market Purchase	27/07/2018	17,291,749	0.91
				-	213,600	Market Purchase	03/08/2018	17,505,349	0.92
				27,000	-	Market Sale	10/08/2018	17,478,349	0.92
				4,800	-	Market Sale	17/08/2018	17,473,549	0.92
				161,800	-	Market Sale	24/08/2018	17,311,749	0.91
				-	281,847	Market Purchase	31/08/2018	17,593,596	0.92
				125,000	-	Market Sale	14/09/2018	17,468,596	0.92
				-	149,430	Market Purchase	21/09/2018	17,618,026	0.92
				-	813,000	Market Purchase	28/09/2018	18,431,026	0.97
				-	243,171	Market Purchase	05/10/2018	18,674,197	0.98
				-	356,335	Market Purchase	12/10/2018	19,030,532	1.00
				-	175,000	Market Purchase	19/10/2018	19,205,532	1.01
				-	1,398,000	Market Purchase	26/10/2018	20,603,532	1.08
				-	140,002	Market Purchase	02/11/2018	20,743,534	1.09
				466,400	-	Market Sale	09/11/2018	20,277,134	1.06
				881,800	-	Market Sale	16/11/2018	19,395,334	1.02
				102,200	-	Market Sale	23/11/2018	19,293,134	1.01
				-	85,000	Market Purchase	30/11/2018	19,378,134	1.02
				356,668	-	Market Sale	07/12/2018	19,021,466	1.00
				-	80,638	Market Purchase	14/12/2018	19,102,104	1.00
				-	215,734	Market Purchase	21/12/2018	19,317,838	1.01
				-	363,700	Market Purchase	04/01/2019	19,681,538	1.03

Sl no	Name of the Shareholder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
				18,226	-	Market Sale	11/01/2019	19,663,312	1.03
				-	109,593	Market Purchase	18/01/2019	19,772,905	1.04
				-	20,800	Market Purchase	25/01/2019	19,793,705	1.04
				-	69,000	Market Purchase	01/02/2019	19,862,705	1.04
				-	125,245	Market Purchase	08/02/2019	19,987,950	1.05
				-	72,000	Market Purchase	15/02/2019	20,059,950	1.05
				-	650,000	Market Purchase	22/02/2019	20,709,950	1.09
				-	1,565,263	Market Purchase	01/03/2019	22,275,213	1.17
				-	393,600	Market Purchase	08/03/2019	22,668,813	1.19
				-	68,351	Market Purchase	22/03/2019	22,737,164	1.19
				-	148,000	Market Purchase	29/03/2019	22,885,164	1.20
							31/03/2019	22,885,164	1.20
10	Caisse De Depot ET Placement DU Quebec	22,344,947	1.17	-	-		31/03/2018	22,344,947	1.17
				-	16,060	Market Purchase	06/04/2018	22,361,007	1.17
				22,586	-	Market Sale	29/06/2018	22,338,421	1.17
				88,388	-	Market Sale	06/07/2018	22,250,033	1.17
				19,724	-	Market Sale	03/08/2018	22,230,309	1.17
				-	93,035	Market Purchase	07/09/2018	22,323,344	1.17
				33,625	-	Market Sale	28/09/2018	22,289,719	1.17
				42,363	-	Market Sale	05/10/2018	22,247,356	1.17
				138,680	-	Market Sale	19/10/2018	22,108,676	1.16
							31/03/2019	22,108,676	1.16

Notes:

1) *Top ten shareholders (on basis of PAN numbers) of the Bank as on 31st March 2019 has been considered for the above disclosure.*

2) *Date of change is the date of shareholding statement i.e. the date on which the beneficiary position is downloaded.*

(v) Shareholding of Directors and Key Managerial Personnel:

Sl no	Name of the Shareholder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the Company
	DIRECTORS #								
1	Dipak Gupta	1,324,405	0.07	-	-		31/03/2018	1,324,405	0.07
				-	21,764	ESOP Allotment	28/06/2018	1,346,169	0.07
				-	4,080	ESOP Allotment	17/08/2018	1,350,249	0.07
				78,000	-	Gift	23/08/2018	1,272,249	0.07
				10,000	-	Market Sale	09/11/2018	1,262,249	0.07
				-	11,000	ESOP Allotment	11/12/2018	1,273,249	0.07
				14,442	-	Market Sale	14/12/2018	1,258,807	0.07
				-	16,429	ESOP Allotment	27/12/2018	1,275,236	0.07
				5,558	-	Market Sale	24/01/2019	1,269,678	0.07
				12,500	-	Market Sale	28/01/2019	1,257,178	0.07
				15,000	-	Market Sale	07/02/2019	1,242,178	0.07
				-	8,571	ESOP Allotment	07/02/2019	1,250,749	0.07
				25,000	-	Gift	20/02/2019	1,225,749	0.07
				-	19,580	ESOP Allotment	26/03/2019	1,245,329	0.07
				-	2,500	ESOP Allotment	30/03/2019	1,247,829	0.07
							31/03/2019	1,247,829	0.07
2	C Jayaram	1,108,040	0.06	-	-		31/03/2018	1,108,040	0.06
							31/03/2019	1,108,040	0.06
3	Uday Shankar *	-	-	-	-		16/03/2019	297	0.00
							31/03/2019	297	0.00
4	Farida Dara Khambata	36,000	0.00	-	-		31/03/2018	36,000	0.00
				-	4,000	Market Purchase	29/06/2018	40,000	0.00
				-	5,000	Market Purchase	17/08/2018	45,000	0.00
				-	4,000	Market Purchase	24/08/2018	49,000	0.00
				-	5,000	Market Purchase	05/10/2018	54,000	0.00
							31/03/2019	54,000	0.00
5	Amit K Desai **	1,548,750	0.08	-	-		31/03/2018	1,548,750	0.08
							17/03/2019	1,548,750	0.08

\# *Shareholding details of Mr. Uday Kotak, Managing Director & CEO has been given in the section on 'Shareholding of Promoters'.*

* *Appointed as an Independent Director w.e.f. 16th March 2019*

** *Ceased to be a Director w.e.f. 17th March 2019*

Sl no	Name of the Shareholder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity Shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
	KEY MANAGERIAL PERSONNEL								
1	Jaimin Mukund Bhatt	1,287,504	0.07	-	-		31/03/2018	1,287,504	0.07
				-	4,932	ESOP Allotment	17/04/2018	1,292,436	0.07
				-	6,000	ESOP Allotment	06/06/2018	1,298,436	0.07
				-	5,052	ESOP Allotment	25/07/2018	1,303,488	0.07
				-	5,000	ESOP Allotment	17/08/2018	1,308,488	0.07
				-	3,552	ESOP Allotment	28/09/2018	1,312,040	0.07
				-	4,000	ESOP Allotment	27/12/2018	1,316,040	0.07
				-	2,500	ESOP Allotment	16/01/2019	1,318,540	0.07
				-	11,621	ESOP Allotment	07/02/2019	1,330,161	0.07
				5,000	-	Market Sale	11/02/2019	1,325,161	0.07
				5,000	-	Market Sale	12/02/2019	1,320,161	0.07
				10,000	-	Market Sale	13/02/2019	1,310,161	0.07
				-	11,052	ESOP Allotment	26/03/2019	1,321,213	0.07
				-	2,500	ESOP Allotment	30/03/2019	1,323,713	0.07
							31/03/2019	1,323,713	0.07
2.	Bina Rameshchandra Chandrana	49,669	0.00	-	-		31/03/2018	49,669	0.00
				-	716	ESOP Allotment	28/06/2018	50,385	0.00
				-	448	ESOP Allotment	25/07/2018	50,833	0.00
				-	720	ESOP Allotment	28/09/2018	51,553	0.00
							31/03/2019	51,553	0.00

IV SHARE HOLDING PATTERN (PREFERENCE SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL PREFERENCE)

(i) Category-wise Share Holding

Category of Shareholders	No. of Preference shares held at the beginning of the year				No. of Preference shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Preference shares	Demat	Physical	Total	% of Total Preference shares	
A. Promoters									
1) Indian									
a) Individual / HUF	-	-	-	-	-	-	-	-	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp	-	-	-	-	-	-	-	-	-
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
Sub total (A) (1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other….	-	-	-	-	-	-	-	-	-
Sub total (A) (2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Public Shareholding as per classification given by Depository									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Alternative Investment Funds	-	-	-	-	-	-	-	-	-
g) Insurance Companies	-	-	-	-	-	-	-	-	-
h) FIIs	-	-	-	-	-	-	-	-	-
i) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
j) Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Category of Shareholders		No. of Preference shares held at the beginning of the year				No. of Preference shares held at the end of the year				% change during the year
		Demat	Physical	Total	% of Total Preference shares	Demat	Physical	Total	% of Total Preference shares	
2.	**Non-Institutions**									
a)	Bodies Corp.									
i)	Indian	898,000,000	-	898,000,000	89.80	889,735,000	-	889,735,000	88.97	-0.83
ii)	Overseas	-	-	-	-	-	-	-	-	-
b)	Individuals									
i)	Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	-	-	-	-	-	-	-	-
ii)	Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	102,000,000	-	102,000,000	10.20	109,065,000	-	109,065,000	10.91	0.71
c)	Others (specify)	-	-	-	-	-	-	-	-	-
	HUF	-	-	-	-	1,200,000	-	1,200,000	0.12	0.12
Sub-total(B)(2):-		**1,000,000,000**	**-**	**1,000,000,000**	**100.00**	**1,000,000,000**	**-**	**1,000,000,000**	**100.00**	**0.00**
Total Public Shareholding (B)=(B)(1)+ (B)(2)		**1,000,000,000**	**-**	**1,000,000,000**	**100.00**	**1,000,000,000**	**-**	**1,000,000,000**	**100.00**	**0.00**
C.	**Shares held by Custodian for GDRs & ADRs**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total (A+B+C)		**1,000,000,000**	**-**	**1,000,000,000**	**100.00**	**1,000,000,000**	**-**	**1,000,000,000**	**100.00**	

(ii) Shareholding (Preference Shares) of Promoters – NIL

(iii) Change in Promoters' Shareholding (Preference Shares) (please specify, if there is no change) - NIL

(iv) Shareholding Pattern of top ten shareholders (Preference Shares) (other than Directors, Promoters and Holders of GDRs and ADRs)

Sl no	Name of the Shareholder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Preference shares	% of total Preference shares of the company	No. of Preference shares - Decrease	No. of Preference shares - Increase	Reason		No. of Preference shares	% of total Preference shares of the company
1	Signet Chemical Corporation Private Limited	-	-	-	80,000,000	Allotment	02/08/2018	80,000,000	8.00
							31/03/2019	80,000,000	8.00
2	Aditya Birla Finance Limited	-	-	-	70,000,000	Allotment	02/08/2018	70,000,000	7.00
							31/03/2019	70,000,000	7.00
3	Tata Capital Financial Services Ltd.	-	-	-	70,000,000	Allotment	02/08/2018	70,000,000	7.00
							31/03/2019	70,000,000	7.00
4	ICICI Lombard General Insurance Company Ltd.	-	-	-	66,000,000	Allotment	02/08/2018	66,000,000	6.60
							31/03/2019	66,000,000	6.60
5	Bajaj Allianz General Insurance Company Limited-Policyholder Fund	-	-	-	66,000,000	Allotment	02/08/2018	66,000,000	6.60
							31/03/2019	66,000,000	6.60
6	L and T Finance Limited	-	-	-	50,000,000	Allotment	02/08/2018	50,000,000	5.00
							31/03/2019	50,000,000	5.00
7	Denali Finance Private Limited	-	-	-	40,000,000	Allotment	02/08/2018	40,000,000	4.00
							31/03/2019	40,000,000	4.00
8	Famy Care Ltd.	-	-	-	30,000,000	Allotment	02/08/2018	30,000,000	3.00
							31/03/2019	30,000,000	3.00
9	Star Line Leasing Ltd.	-	-	-	30,000,000	Allotment	02/08/2018	30,000,000	3.00
							31/03/2019	30,000,000	3.00
10	Pidilite Industries Limited	-	-	-	30,000,000	Allotment	02/08/2018	30,000,000	3.00
							31/03/2019	30,000,000	3.00

Note:

Top ten shareholders (on basis of PAN numbers) of the Bank as on 31st March 2019 has been considered for the above disclosure.

(v) Shareholding (Preference Shares) of Directors and Key Managerial Personnel - NIL

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in crore)

Particulars	Secured Loans excluding deposits	Unsecured Loans @	Deposits @@	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	NIL	25,154.15	1,92,643.27	2,17,797.42
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	157.17	713.83	871.00
Total (i+ii+iii)	**NIL**	**25,311.32**	**1,93,357.10**	**2,18,668.42**
Change in Indebtedness during the financial year				
· Addition				
· Reduction				
Net Change	**NIL**	**7,256.57**	**33,376.42**	**40,632.99**
Indebtedness at the end of the financial year				
i) Principal Amount	NIL	32,248.07	2,25,880.36	2,58,128.44
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	319.82	853.16	1,172.98
Total (i+ii+iii)	**NIL**	**32,567.89**	**2,26,733.52**	**2,59,301.41**

@ *Unsecured Loans represent Borrowings made by the Bank from RBI, banks & other financial institutions (including those raised by way of Infrastructure bonds, Tier II Bonds & Upper Tier II Bonds)*

@@ *Deposits represent Deposits raised by the Bank under the Banking Regulation Act, 1949.*

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹ in lakh)

Sl. no.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount
		Mr. Uday Kotak (MD)	Mr. Dipak Gupta (WTD designated as Joint MD)	
1.	Gross salary *			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	324.55	323.58	648.13
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961 @	0.40	633.61	634.01
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961			
2.	Stock Option	-	Cost included in 1(b) above	
3.	Sweat Equity	-	-	-
4.	Commission	-	-	-
	- as % of profit			
	- Others, specify…			
5.	Others, please specify	-	-	-
	Total (A)	**324.95**	**957.19**	**1282.14**
	Ceiling as per the Act **			

Notes:

@ *The perquisite value towards stock options is the difference between exercise price and market price on the date of exercise. The same is not paid by the Bank, amounted to Nil for Mr. Uday Kotak and ₹ 633.21 lakh for Mr. Dipak Gupta.*

* *Gross salary includes Basic salary, Drivers Allowance, Professional Allowance, Reimbursement of Medical expenses, Leave Travel Allowance and Annual Incentives.*

** *Remuneration of Directors of the Bank is governed by Section 35-B of the Banking Regulation Act, 1949.*

B. Remuneration to other directors

(₹ in Lakh)

Sl. no.	Particulars of Remuneration	Name of Directors						Total Amount
1	**Independent Directors**	**Mr. Amit Desai @**	**Prof. S. Mahendra Dev**	**Mr. Prakash Apte @**	**Ms. Farida Khambata**	**Mr. Uday Khanna**	**Mr. Uday Shankar @**	
	Fee for attending board/ committee meetings	12.00	18.40	19.40	7.40	13.00	-	70.20
	Commission **	8.00	10.00	10.00	8.00	10.00	-	46.00
	Others - Remuneration @@	-	-	17.47	-	-	-	17.47
	Total (1)	**20.00**	**28.40**	**46.87**	**15.40**	**23.00**	**-**	**133.67**
2	**Other Non-Executive Directors**	**Dr. Shankar Acharya @**	**Mr. Mark Newman # @**	**Mr. C. Jayaram @**				
	Fee for attending board/ committee meetings	4.60	-	11.80				16.40
	Commission **	-	-	10.00				10.00
	Others - Remuneration @@	9.03	-	-				9.03
	Total (2)	**13.63**	**-**	**21.80**				**35.43**
	Total (B)=(1+2)							**169.10**
	Total Managerial Remuneration							
	Overall Ceiling as per the Act *							

Notes:

* *Remuneration of Directors of the Bank is governed by Section 35-B of the Banking Regulation Act, 1949.*

** *Commission pertaining to FY 2017-18 paid during FY 2018-19.*

Mr. Mark Newman has waived off the sitting fees & commission payable to him.

@ *Dr. Shankar Acharya, Non-Executive Chairman, retired by rotation as a Director at the last Annual General Meeting of the Bank held on 19th July, 2018 and did not seek re-appointment as he completed 70 years of age.*

Mr. Prakash Apte appointed as a Non-Executive Chairman w.e.f. 20th July, 2018 & re-appointed as an Independent Director w.e.f. 18th March, 2019.

Mr. Mark Newman resigned as a Non-Executive Non-Independent Director w.e.f. 22nd February, 2019.

Mr. Uday Shankar appointed as an Independent Director w.e.f. 16th March, 2019.

Mr. Amit Desai ceased to be a Director w.e.f. 17th March, 2019.

@@ *The Non-Executive Chairman in addition to the sitting fees for attending meetings gets a remuneration approved by the shareholders & Reserve Bank of India.*

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(₹ in Lakh)

Sl. no.	Particulars of Remuneration	Key Managerial Personnel		
		Company Secretary	CFO	Total Amount
1.	Gross salary *			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	97.60	424.81	522.41
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	12.54	273.72	286.26
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961			
2.	Stock Option @	Cost included in 1(b) above		
3.	Sweat Equity			
4.	Commission	-	-	-
	- as % of profit			
	- others, specify…			
5.	Others, please specify	-	-	-
	Total	**110.14**	**698.53**	**808.67**

Notes:

@ *The perquisite value towards stock options is the difference between exercise price and market price on the date of exercise. The same is not paid by the Bank, amounted to ₹12.22 lakh for Company Secretary and ₹273.44 lakh for CFO.*

* *Gross salary includes Basic salary, House Rent Allowance, Professional Allowance, Reimbursement of Medical expenses, Leave Travel Allowance, Annual Incentives and cost towards Stock Appreciation Rights.*

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A. COMPANY			**NIL**		
Penalty					
Punishment					
Compounding					
B. DIRECTORS			**NIL**		
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT			**NIL**		
Penalty					
Punishment					
Compounding					

Secretarial Audit Report

ANNEXURE - B

FORM NO. MR-3

FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2019

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,

The Members,

KOTAK MAHINDRA BANK LIMITED.

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by KOTAK MAHINDRA BANK LIMITED (hereinafter called the "Bank").

Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Bank's books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Bank has, during the audit period covering the financial year ended on 31st March 2019, complied with the statutory provisions listed hereunder and also that the Bank has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Bank for the financial year ended on 31st March 2019, according to the provisions of, as may be applicable:

(i) The Companies Act, 2013 (the Act) and the Rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowing;

(v) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(vi) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(vii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(viii) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable:-

- (a) The Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993;
- (b) The Securities and Exchange Board of India (Bankers to an issue) Regulations, 1994;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ;
- (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (f) The Securities and Exchange Board of India (Registrars to an issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992;
- (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 and The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018;
- (j) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 and SEBI (Depositories and Participants) Regulations, 2018;

(ix) Laws specifically applicable to the industry to which the Company belongs:

(a) The Banking Regulation Act, 1949;

(b) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;

(x) Other laws to the extent applicable to the Company as per the representations made by the Company;

I have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued pursuant to section 118(10) of the Act, by The Institute of Company Secretaries of India.

During the period under review the Bank has complied with the above Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that

The Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is generally given to all directors to schedule the Board and Committee Meetings, agenda and detailed notes on agenda were sent at least 7 days in advance except in one case of Board Meeting and one case each of Nomination & Remuneration Committee Meeting & Corporate Social Responsibility Committee Meeting which were held at a short notice to transact urgent business, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the meetings of the Board of Directors of the Bank were carried out unanimously. There were no dissenting views by any member of the Board of Directors during the period under review.

I further report that there are adequate systems and processes in the Bank commensurate with the size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period:

1. A Special Resolution was passed at the Annual General Meeting of the Bank held on 19th July, 2018 by the Members approving appointment of Mr. Prakash Apte as part time Chairman of the Bank.

2. An Ordinary Resolution was passed at the Annual General Meeting of the Bank held on 19th July, 2018 by the Members pursuant to Section 61 of the Companies Act, 2013 for approval of increase in Authorized Share Capital from the present ₹1500,00,00,000 (Rupees Fifteen Hundred Crore Only) consisting of 300,00,00,000 (Three Hundred Crore) equity shares of ₹5 (Rupees Five Only) each to ₹1900,00,00,000 (Rupees One Thousand Nine Hundred Crore Only) divided into 280,00,00,000 (Two Hundred Eighty Crore) equity shares of ₹5 (Rupees Five Only) each and 100,00,00,000 (One Hundred Crore) preference shares of ₹5 (Rupees Five Only) each.

3. A Special Resolution was passed at the Annual General Meeting of the Bank held on 19th July, 2018 to alter Articles of Association of the Bank.

4. A Special Resolution was passed at the Annual General Meeting of the Bank held on 19th July, 2018 by the Members pursuant to Section 42 of the Companies Act, 2013 for approving issue of unsecured non-convertible debentures/bonds, in Indian/foreign currencies in the domestic and/or overseas markets for an amount up to ₹ 5,000 crore (Rupees Five Thousand Crore Only) on a private placement basis in one or more tranches and series.

5. A Special Resolution was passed at the Annual General Meeting of the Bank held on 19th July, 2018 by the members pursuant to Section 42 of the Companies Act,2013 for approving issue of Non-Convertible Preference Shares (hereinafter referred to as "NCPS") upto ₹500 crore, on a private placement basis in one or more tranches and series.

6. The Bank has filed a writ petition with the Hon'ble Bombay High Court against the Reserve Bank of India (RBI) with respect to their requirement of bringing down the promoter shareholding.

Rupal Dhiren Jhaveri
FCS No.: 5441
Certificate of Practice No.: 4225

Place: Mumbai
Date: 26th April 2019

*This report is to be read with my letter of even date which is annexed as **Annexure A** and forms an integral part of this report.*

To,

The Members,
KOTAK MAHINDRA BANK LIMITED

My report of even date is to be read along with this letter.

Annexure A

1. Maintenance of secretarial record is the responsibility of the management of the Bank. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.
4. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

Rupal Dhiren Jhaveri
FCS No.: 5441
Certificate of Practice No.: 4225

Place : Mumbai
Date : 26th April 2019

Secretarial Audit Report

FORM NO. MR-3

FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2019

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,

KOTAK MAHINDRA LIFE INSURANCE COMPANY LIMITED
(Formerly known as Kotak Mahindra Old Mutual Life Insurance Limited)

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Kotak Mahindra Life Insurance Company Limited, Formerly known as Kotak Mahindra Old Mutual Life Insurance Limited (hereinafter called the "Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2019 ('Audit period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2019 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

(iii) The Depositories Act, 1996 and the Regulations and Bye- Laws framed there under;

(iv) Foreign Exchange Management Act, 1999 ('FEMA') and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, overseas Direct Investment and External Commercial Borrowings: There was no overseas Direct Investment made or External Commercial Borrowings during the year.

(v) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(vi) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(vii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(viii) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 were not applicable to the Company during the Audit Period as the Company is not a listed entity:

   (a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

   (b) The Securities and Exchange Board of India (Share Based Employee Benefit) Regulations, 2014;

   (c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

   (d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

   (e) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;

   (f) The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998 and The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018; and

(ix) The Company, being a Life Insurance Company, has complied with the Insurance Act, 1938 and Regulations, Guidelines and Directions issued by the Insurance Regulatory & Development Authority of India (IRDAI). The company has its own robust compliance system and the Company is also subject to monitoring by and reporting of compliances to IRDAI.

(x) Other laws to the extent applicable to the Company as per the representations made by the Company;

I have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued pursuant to section 118(10) of the Act, by The Institute of Company Secretaries of India.

During the period under review the Company has generally complied with the above mentioned Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board and Committee Meetings, agenda and detailed notes on agenda were sent at least 7 days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period in my opinion, there are no specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules regulations, guidelines, standards, etc. referred to above.

Rupal Dhiren Jhaveri
FCS No.: 5441
Certificate of Practice No.: 4225

Place: Mumbai
Date: 16th April 2019

*This report is to be read with my letter of even date which is annexed as **Annexure A** and forms an integral part of this report.*

To,

The Members,
KOTAK MAHINDRA LIFE INSURANCE COMPANY LIMITED
(Formerly known as Kotak Mahindra Old Mutual Life Insurance Limited)

My report of even date is to be read along with this letter.

Annexure A

1. Maintenance of secretarial record is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on the audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events, etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Rupal Dhiren Jhaveri
FCS No.: 5441
Certificate of Practice No.: 4225

Place : Mumbai
Date : 16th April 2019

ANNEXURE - C

Details of CSR activities and expenditure U/S 135 of The Companies Act, 2013

CSR project/ activity identified	Sector in which the project is covered	Area of project implementation (Name of the District / s, State / s where project / programme was undertaken)	Programme / project wise outlay (budgeted) amount (₹ Lakh)	Programme / project wise actual spend during the year – Direct expenditures (₹ Lakh)	Programme / project wise actual spend during the year – Overheads (₹ Lakh)	Cumulative Expenditure upto reporting period (Since FY 2014-15) (₹ Lakh)	Amount spent: Direct or Through implementing agency (₹ Lakh)
Promoting education	Education	Pan India	2,013.29	1,372.69	175.36	7,697.81 (Out of ₹ 2,013.29 Lakh, the NGOs did not utilise ₹ 465.25 Lakh. This will be utilised for meeting the requirements for FY 2019-20)	Implementing Agencies - 2,013.29
Promoting livelihood	Vocational Skills and Livelihood	Pan India	338.70	177.21	13.80	493.70 (Out of ₹ 338.70 Lakh, the NGOs did not utilise ₹ 147.69 Lakh. This will be utilised for meeting the requirements for FY 2019-20)	Implementing Agencies - 338.70
Promoting healthcare	Healthcare	Pan India	403.57	166.10	15.69	1,265.28 (Out of ₹ 403.57 Lakh, the NGOs did not utilise ₹ 221.78 Lakh. This will be utilised for meeting the requirements for FY 2019-20)	Implementing Agencies - 403.70
Relief and Rehabilitation	Relief and Rehabilitation	Kerala	505.00	504.35	0.65	599.98	Implementing Agencies – 505.00
Promoting Sports	Sports	Pan India	115.00	90.94	0.71	270.00 (Out of ₹ 115.00 Lakh, the NGOs did not utilise ₹ 23.35 Lakh. This will be utilised for meeting the requirements for FY 2019-20)	Implementing Agencies - 115.00
Reducing Economic and Gender Inequality	Reducing Inequalities	Assam, Meghalaya, UP, Gujarat	12.00	11.34	0.66	26.25	Implementing Agency- 12.00
Environment Sustainability	Sustainable Development	Pan India	267.00	243.00	NIL	483.52 (Out of ₹ 267.00 Lakh the NGO did not utilise ₹ 24.00 Lakh. This will be utilised towards meeting the requirements of FY 2019-20)	Implementing Agency - 24.00 Direct Implementation - 243.00
TOTAL CSR SPEND U/S 135 OF THE COMPANIES ACT, 2013, DURING FY 2018-19							**3,654.56**

Though the Bank is eligible to consider upto 5% of the total CSR spend as administrative expenditure towards building its CSR capacities, etc, the Bank has taken a call not to consider it as a part of its CSR spend for FY2018-19.

NGO Partners for Bank's CSR Programme on Education: Kotak Education Foundation, Om Creations Trust, IT for Change, IIMPACT, DEEDS Public Charitable Trust, SOPAN, Action for Ability Development and Inclusion (AADI), VISHWAS Vision For Health Welfare and Special Needs, National Society for Clean Cities – India, Bandhan Konnagar, Haripada Ghosh Foundation, Blind Welfare Organisation Nashik, Pearl Special Needs Foundation, Dayanand Anglo Vedic College Trust And Management Society, National Centre For Performing Arts (NCPA), Sampark Foundation, Sarva Vidyalaya Kelavani Mandal, The Prabhakar Bantwal Foundation, Samarpan Foundation, Ramkrishna Sarada Mission Matri Bhavan, Dharamsinh Desai Foundation

NGO Partners for Bank's CSR Programme on Vocational Skills and Livelihood: Pratham Education Foundation, Bandhan Konnagar, Youth4Jobs Foundation, Head Held High Foundation, N M Sadguru Water and Development Foundation.

NGO Partners for Bank's CSR Programme on Healthcare: Lata Mangeshkar Medical Foundation, Association of Parents of Mentally Retarded Children (APMRC), KARO Trust, Vision Foundation of India, Cankid Kidscan, Tata Memorial Centre, CanSupport, OCA Foundation, Society for the Rehabilitation of Crippled Children, Dayanand Anglo Vedic College Trust And Management Society, Wockhardt Foundation, The Ganga Trust, Cancer Patients Aids Association (CPAA), The Indian Council For Mental Health (ICMH)

NGO Partners for Bank's CSR Programme on Sports: Foundation of Promotion of Sports and Games (Olympic Gold Quest), JSW Foundation, Pullela Gopichand Badminton Foundation

NGO Partners for Bank's CSR Programme on Reducing Inequalities: Mahila Sewa Trust

NGO Partners for Bank's CSR Programme on Relief and Rehabilitation: The Ganga Trust, Chief Minister's Distress Relief Fund - Kerala

NGO Partners for Bank's CSR Programme on Environmental Sustainability: Gram Gaurav Pratishthan

Details of CSR Programmes with our implementing partners is available in the Bank's Business Responsibility Report FY 2018-19.

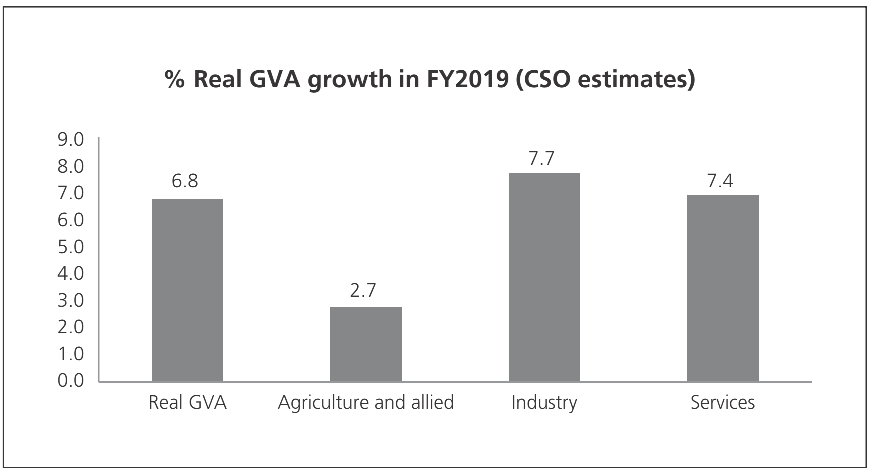
Management's Discussion & Analysis

MACRO-ECONOMIC ENVIRONMENT

India's macro fundamentals witnessed significant swings through FY 2019, with economic slowdown being more pronounced led by adverse currency movements, high commodity prices, weakening demand, farm distress and tight financial conditions aggravated by the non-banking financial crisis. Higher crude oil prices and synchronized global economic slowdown resulted in reassessment of the developed central bank monetary policy stance prompting risk-aversion and sharp capital outflows threatening India's financial stability.

On the macro economic front, the first half of FY 2019 saw India's growth strengthen sharply led by favourable base effect and sequential improvement witnessed after emerging from the impact of demonetisation and teething difficulties from the implementation of GST till FY 2018. The second half of FY 2019, however saw a material deceleration in growth indicators, with a clear distinction in trend visible across consumption and investment. While investment has gradually been picking up pace, private consumption related indicators have been witnessing fatigue in H2FY19.

Real GDP seems to have slowed in FY 2019 from FY 2018. As per the CSO, the second advance estimate of real GDP growth for FY 2019 stands at 7.0% as against 7.2% in FY 2018. On value added basis, real Gross Value Added (GVA) growth estimate for FY 2019 stands at 6.8% as against 6.9% in FY 2018. Industrial sector grew 7.7% in FY 2019 in comparison to 5.9% in FY 2018, while services sector grew 7.4% as against 8.1% in FY 2018. Agriculture and allied activities sector slowed to 2.7% from 5.0% earlier. The expenditure side GDP breakdown depicted that private investment has remained firm at 9.4% as against 10.4% earlier. Continuous improvement in capacity utilization bodes well for private investment. However, twin balance sheet problems of corporates and banks remain the biggest impediment to a sharp revival in private investment.



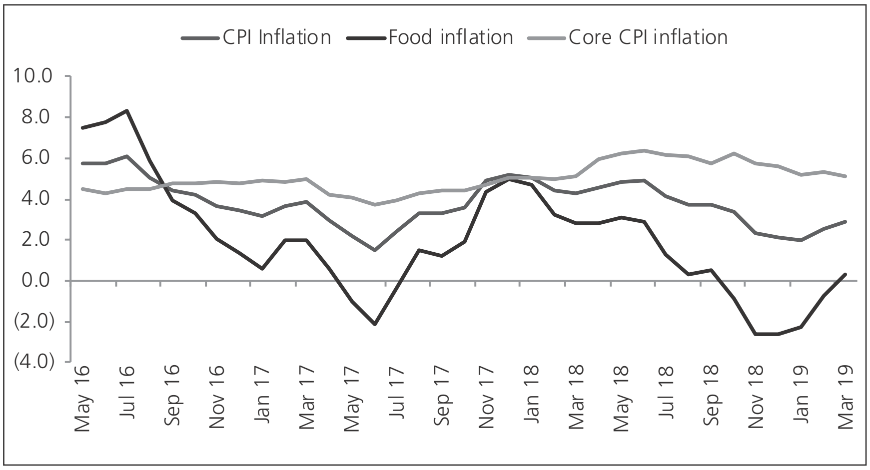
Source: CSO, Kotak Economic Research

DOMESTIC PRICE DYNAMICS

The domestic price pressures have remained broadly under control in FY 2019, with CPI inflation averaging 3.4% in FY 2019 as against 3.6% in FY 2018. Inflation peaked at 4.9% earlier in the year on the back of higher oil prices and elevated core inflation; however, global growth concerns led to a sharp moderation in oil prices and food prices entered into deflation resulting in CPI inflation moderating to a low of 2.0% in January 2019 even as core inflation remained sticky. While food inflation has averaged 0.2% in FY 2019, core inflation has averaged 5.8% in the same period. Oil prices experienced wild swings in FY 2019, collapsing by ~42% in December 2018 from a high of USD 86.74/bbl witnessed in October 2018 but have since recovered to USD68-71/bbl on account of production cuts implemented by the OPEC.

CPI inflation has now remained consistently below the RBI's target of 4% for the last nine months. Continued deflation in food items, a sharp fall in fuel inflation and some edging down of inflation excluding food and fuel contributed to the decline in headline inflation. The MPC, however, continues to remain cautious of upside risks to inflation from food and fuel inflation, volatility in financial markets, monsoons and the impact the union budget would have on disposable incomes.

CPI INFLATION REMAINS WELL UNDER CONTROL LARGELY LED BY FOOD DISINFLATION



Source: CEIC, Kotak Economic Research

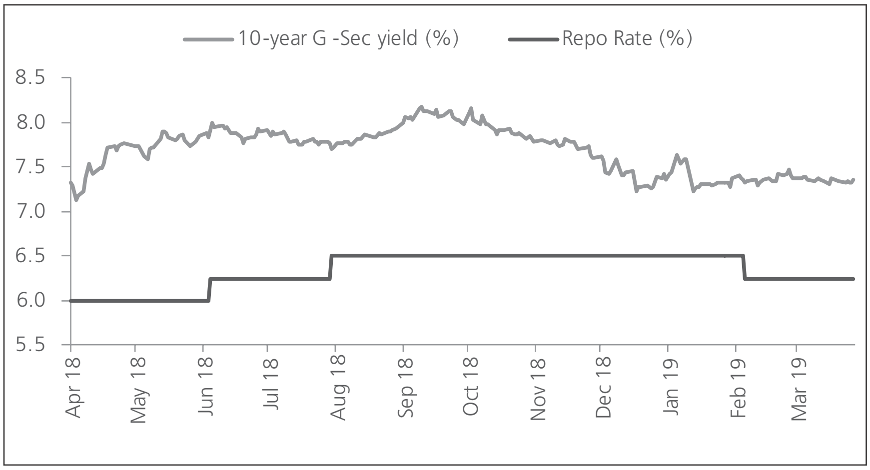
MONETARY POLICY AND INTEREST RATES

The RBI has maintained its vigil on inflation, hiking repo rate twice by 25 bps each in June and August 2018 when inflation had reached 4.9%, thereby exceeding the RBI's target of 4%. Sharp volatility in financial markets along with elevated core inflation later led the MPC to change its stance to 'calibrated tightening' from 'neutral' in October 2018. However, a sharp drop in food inflation along with a steep correction in oil prices, coupled with slowing growth led the MPC to change the stance back to 'neutral' in February 2019 and cut the repo rate by 25 bps.

The MPC acknowledged in its February statement that the short term outlook for food inflation remained benign, despite the adverse base effects. Even inflation across certain fuel components which had remained sticky and elevated had collapsed. The MPC also believed that the sharp rise in prices of education and health, components of the core CPI inflation basket, could be a one-off phenomenon. Taking into consideration these developments and assuming a normal monsoon in 2019, the MPC revised down its path of CPI inflation to 2.8% in Q4FY19, with risks broadly balanced around the central trajectory. The actual Q4FY19 average CPI inflation was lower than RBI's expectations at 2.5%. With inflation well within the RBI's target of 4%, the focus has shifted to addressing growth with the MPC acknowledging that there has been an opening of the output gap.

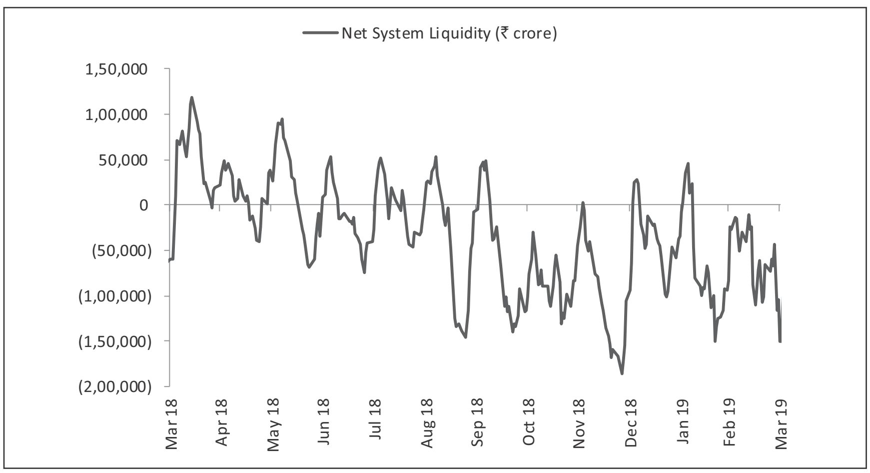
With respect to rates, the bond markets had a volatile FY 2019 led by flip-flops in the crude oil prices, INR and FPI flows and the consequent swings in the monetary policy stance. The benchmark 10-year yield had inched higher by around 110 bps to 8.23% in 1HFY19. However, aggressive OMO purchases in 2HFY19 along with correction in crude oil prices and benign inflation outturns eased the 10-year yield by 90 bps from the highs to end at 7.35%. Notably, increasing probability of rate cuts amid tepid growth-inflation mix along with FPI interest/OMO purchases (up to 5-year bucket) has softened the near end of the yield curve. Meanwhile, the government has announced a record borrowing of ₹ 7.1 trillion for FY 2020 to meet its spending requirements. It has also frontloaded its borrowing program to 62.3% of the total FY 2020 issuance, resulting in excess supply concerns in the far end and thus the steepening of the yield curve.

THE SPREAD BETWEEN REPO RATE AND BENCHMARK G-SEC YIELD REMAINS HIGH DESPITE THE REPO RATE CUT IN FEBRUARY



Source: Bloomberg, Kotak Economic Research

THE SYSTEM LIQUIDITY CONTINUED TO REMAIN IN DEFICIT THROUGH MOST OF H2FY19



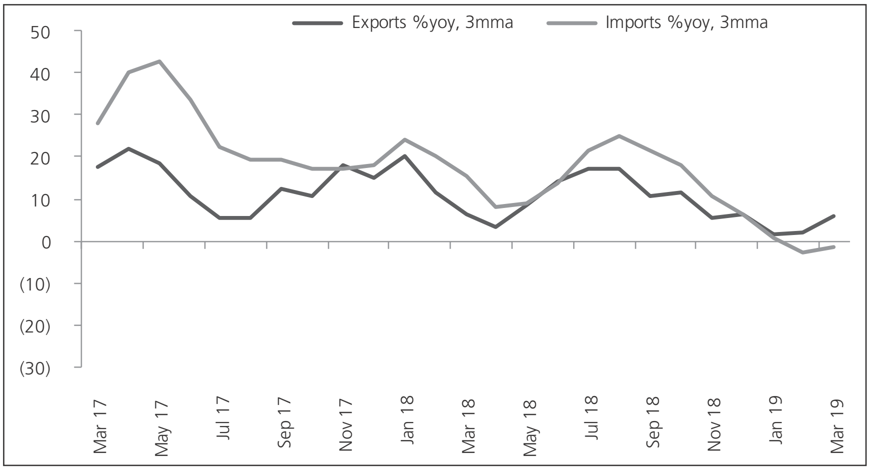
Source: RBI, Kotak Economic Research

EXTERNAL SECTOR DYNAMICS AND THE USD/INR

The current account deficit is expected to widen to 2.5% in FY 2019 as per the Budget 2020 Speech by the Finance Minister as against 1.8% in FY 2018 on the back of higher trade deficit resulting from higher oil prices. The overall external position remains comfortable with the current account deficit well below the 3% of GDP threshold, beyond which vulnerability emerges. As per the official release, for the first nine months of FY 2019, the current account deficit is at 2.6%, with the last official 3QFY19 print reporting a deficit of 2.5%. The capital account surplus came down to 1.8% of GDP in 9MFY19 as against 3.4% in 9MFY18 on account of portfolio outflows. Portfolio flows, however, recorded a sharp reversal in March with net inflows at USD 8.6 billion compared to USD 10.6 billion of outflows in 11MFY19. Meanwhile, net FDI inflows in FY 2019 increased to USD 34.6 billion from USD 30.2 billion in FY 2018. Forex reserves remain comfortable at USD 412 billion.

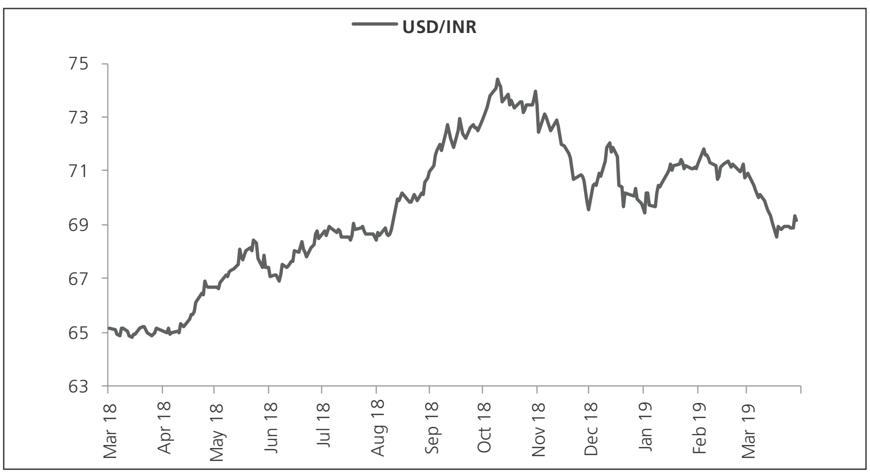
INR had a weak start to FY 2019, depreciating by ~12% to 74.48 on the back of rising oil prices and rising interest rates in the US. The Fed had hiked the rates four times by 25 bps each in 2018 on the back of strong growth and falling unemployment rate, before turning course in 2019 citing global growth concerns. Since India runs a current account deficit, it relies on capital inflows to fund its deficit; however, in the absence of any significant inflows into emerging economies and high crude oil prices, INR was continuously under pressure. However, oil prices started correcting significantly from November which led to a reversal in the rupee. From the lows of 74.48 seen in October 2018, INR gained considerably, reaching a high of 68.35 in mid-March 2019. The improvement in the foreign flows along with stable crude oil prices and expectations of policy continuation after the easing of border tensions have provided the much needed relief on the external balances front. INR averaged 69.89 against the Dollar in FY 2019 - depreciating by ~7.8% from the average seen in FY 2018. The depreciation in INR, however, was witnessed till Q3FY19 (by 6.6%). INR appreciated by 0.9% in Q4FY19.

IMPORTS GROWING FASTER THAN EXPORTS UNTIL OIL PRICES STARTED CORRECTING IN OCTOBER



Source: Bloomberg, Kotak Economic Research

INR GAINS AFTER CORRECTION IN OIL PRICES AND IMPROVED RISK SENTIMENT



Source: Bloomberg, Kotak Economic Research

CONSOLIDATED FINANCIAL PERFORMANCE

The Bank along with its subsidiaries (the Group), offers a comprehensive range of financial products and services to its customers. The key businesses are commercial banking, investment banking, stock broking, vehicle finance, advisory services, asset management, life insurance and general insurance.

The financial results of the subsidiaries (excluding insurance companies) and associates used for preparation of the consolidated financial results are in accordance with Generally Accepted Accounting Principles in India (‘GAAP’) specified under Section 133 and relevant provision of Companies Act, 2013. The financial statements of such subsidiaries and associates have been prepared as per Indian Accounting Standards in accordance with the Companies (Indian Accounting Standards) Rules, 2015.

The Bank and the major entities in the Group continued to be rated “AAA” rating during the year.

The entity wise net worth of the Group is as follows:

(₹ in crore)

	31st March, 2019	31st March, 2018
Kotak Mahindra Bank	42,898.4	37,481.7
Kotak Mahindra Prime	5,415.5	4,816.4
Kotak Mahindra Investments	1,589.5	1,382.5
Kotak Securities	3,978.8	3,526.9
Kotak Mahindra Capital Company	571.9	558.5
Kotak Mahindra Life Insurance	2,745.4	2,238.1
Kotak Mahindra General Insurance	107.8	97.7
Kotak Mahindra AMC & Trustee Co	582.9	332.8
Kotak Infrastructure Debt Fund	349.2	323.6
International Subsidiaries	1,008.8	813.1
Kotak Investment Advisors	355.1	337.7
Other Entities	213.5	155.2
Total	**59,816.8**	**52,064.2**
Add: Share in Affiliates	942.3	857.9
Less: Minority, inter-company and other adjustments	2,479.4	2,436.2
Consolidated Net worth	**58,279.7**	**50,486.1**

The consolidated performance for FY 2019 is as follows:

(₹ in crore)

Particulars	**FY 2019**	**FY 2018**
Total income	45,979.1	38,813.3
Consolidated PAT	7,204.1	6,201.0
Consolidated networth	58,279.7	50,486.1
Key Ratios		
Return on average assets (RoAA) %	1.99%	2.03%
Return on average networth %	13.34%	13.47%
Earnings per equity share (diluted) (₹)	37.7	32.7
Book-value per equity share (₹)	302.7	264.9
Net interest margin (NIM) %	4.27%	4.33%
Gross NPA %	1.94%	1.95%
Net NPA %	0.70%	0.86%
Consolidated Capital Adequacy Ratio (CAR) %*	17.89%	18.38%
Tier I*	17.48%	17.83%

** Capital Adequacy Ratio and Tier I Ratio is computed as per Basel III norms issued by RBI.*

The Group had capital and reserves of ₹ 58,279.7 crore as on 31st March, 2019 (₹50,486.1 crore as on 31st March, 2018) and book value per equity share at ₹ 302.7 (₹ 264.9 as on 31st March, 2018). The Group earned a Return on Average Assets (RoAA) of 1.99% in FY 2019 (2.03% in FY 2018). The Group's return on average networth was 13.34% for FY 2019 compared to 13.47% for FY 2018. One of the key reasons for low ROE of the group is low leverage (debt-to-equity) ratio. The Bank has been conservative and has been maintaining high capital adequacy ratio which results in low return on equity.

The financial results of subsidiaries are explained later in this discussion but a snapshot of the entity-wise Profit before Tax (PBT) and Profit after Tax (PAT) of the Group is as follows:

(₹ in crore)

	FY 2019		FY 2018	
	PBT	PAT	PBT	PAT
Kotak Mahindra Bank	7,385.8	4,865.3	6,218.2	4,084.3
Kotak Mahindra Prime	905.1	599.3	901.9	589.6
Kotak Mahindra Investments	315.6	207.0	366.6	245.0
Kotak Securities	680.4	451.9	796.0	531.0
Kotak Mahindra Capital Company	92.9	63.1	101.5	65.3
Kotak Mahindra Life Insurance	590.8	507.2	471.2	413.4
Kotak Mahindra General Insurance	(34.9)	(34.9)	(32.6)	(32.6)
Kotak Mahindra AMC & Trustee Co	387.6	254.5	169.8	115.0
International Subsidiaries	170.3	148.2	133.7	114.4
Kotak Investment Advisors	17.1	17.4	10.8	10.9
BSS Microfinance	79.2	55.7	27.2	17.9
Others	29.3	28.5	17.1	16.2
Total	**10,619.2**	**7,163.2**	**9,181.4**	**6,170.4**
Add: Share from Affiliates		84.4		110.5
Less: Minority Interest and Others		43.5		79.9
Consolidated PAT		**7,204.1**		**6,201.0**

The contribution of the affiliates to the net profit of the Group is as follows:

(₹ in crore)

Name of the Company	Investment by Kotak Group	% shareholding of the Group	Group's share for FY 2019
ACE Derivatives and Commodity Exchange Ltd	47.6	40.00%	0.1
Infina Finance Pvt Ltd	1.1	49.99%	33.2
Phoenix ARC Pvt Ltd	100.0	49.90%	50.0
Matrix Business Services India Pvt Ltd*	1.9	19.77%	1.1

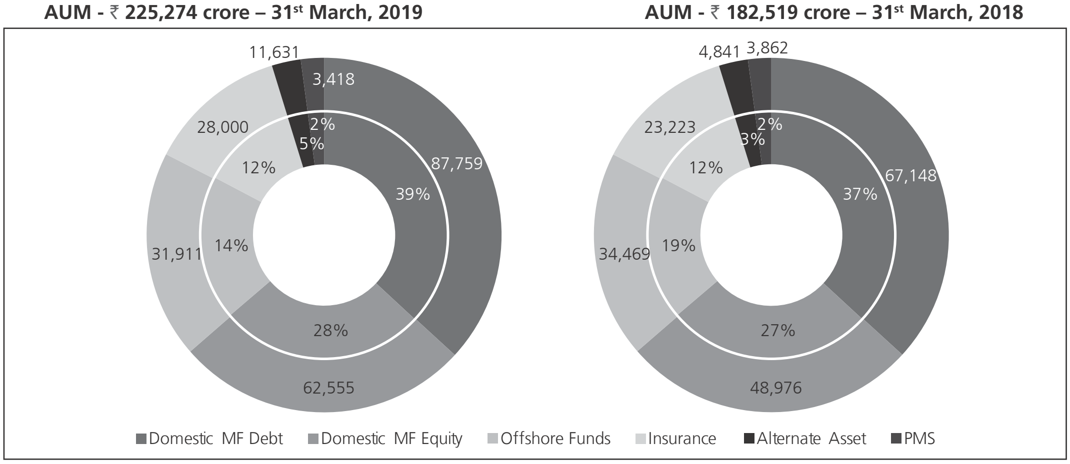
* *The Group has sold its entire stake in Matrix Business Services India Private Limited on 26th April, 2019 and accordingly it has ceased to be an associate of the Group from that date.*

Assets under Management (AUM) as on 31st March, 2019 were ₹ 225,274 crore (₹182,519 crore as on 31st March, 2018), comprising assets managed and advised by the Group.

Relationship value of Wealth and Priority business was ~ ₹ 270,000 crore as on 31st March, 2019 compared to ~ ₹ 225,000 crore as on 31st March, 2018.

The split of the assets under management (AUM) across the group is as follows:

AUM - ₹ 225,274 crore – 31st March, 2019 **AUM - ₹ 182,519 crore – 31st March, 2018**



The Group has a wide distribution network through branches and franchisees across India, an International Business Unit at Gujarat International Finance Tec-City (GIFT city), Gujarat, and international offices in London, New York, Dubai, Abu Dhabi, Mauritius and Singapore. The Group has also received the RBI approval to set up a branch in Dubai International Financial Centre (DIFC).

BANK, ITS SUBSIDIARIES AND ASSOCIATES: FINANCIAL AND OPERATING PERFORMANCE

Bank Highlights

Kotak Mahindra Bank (the Bank) is the flagship company of the Kotak Group. The principal business activities of the Bank are organised into consumer banking, commercial banking, corporate banking, treasury, and other financial services. The consumer, commercial and corporate banking businesses correspond to the key customer segments of the Bank. The treasury offers specialised products and services to these customer segments.

Profit before tax of the Bank for FY 2019 was ₹ 7,385.8 crore as against ₹ 6,218.2 crore for FY 2018. Profit after tax of the Bank was ₹ 4,865.3 crore in FY 2019 compared with ₹ 4,084.3 crore in FY 2018. RoAA for FY 2019 was 1.69%. The Bank's balance sheet crossed ₹ 300,000 crore and loans crossed ₹ 200,000 crore during FY 2019.

PROFIT AND LOSS ACCOUNT

A synopsis of the Profit and Loss Account is presented below:

(₹ in crore)

Particulars	FY 2019	FY 2018
Net interest income	11,259.0	9,531.7
Other income	4,604.0	4,052.2
Net total income	**15,863.0**	**13,583.9**
Employee cost	3,159.4	2,929.8
Other operating expenses	4,355.4	3,495.9
Operating expenditure	**7,514.8**	**6,425.7**
Operating profit	**8,348.2**	**7,158.2**
Provision & contingencies (net)	**962.4**	**940.0**
- Provision on advances (net)	965.0	737.2
- Provision on other receivables	11.1	5.9
- Provision on investments	(13.7)	196.9
PBT	**7,385.8**	**6,218.2**
Provision for tax	2,520.5	2,133.9
PAT	**4,865.3**	**4,084.3**

Net Interest Income:

Net Interest Income (NII) of the Bank for FY 2019 was ₹ 11,259.0 crore compared to ₹ 9,531.7 crore for FY 2018. The Bank had a Net Interest Margin (NIM), excluding dividend income and interest on income-tax refund, of 4.33% for FY 2019 compared to 4.37% for FY 2018. During the year:

- Yield on average earning assets increased from 9.1% in FY 2018 to 9.2% in FY 2019 primarily due to change in asset mix and increase in yield on advances

This was offset, in part, by

- Increase in cost of funds from 5.3% in FY 2018 to 5.5% in FY19 primarily due to increase in average deposits and average borrowings.

Non-Interest Income:
The details of non-interest income is provided in the table below:

(₹ in crore)

Particulars	FY 2019	FY 2018
Commission, exchange and brokerage	3,390.8	2,764.5
Profit on sale of investments	70.9	212.3
Profit on exchange/derivative transactions	738.3	603.9
Profit on recoveries of non-performing assets acquired	179.7	213.1
Income from subsidiaries/associates towards shared services	82.4	82.1
Dividend from subsidiaries	45.1	7.6
Others	96.8	168.7
Total other income	**4,604.0**	**4,052.2**

Non-interest income increased from ₹ 4,052.2crore in FY 2018 to ₹ 4,604.0 crore in FY 2019 primarily due to:

- Increase in commission, exchange and brokerage income primarily on account of increase in direct banking fees and charges, loan processing fees, service charges on loans and credit card fees, offset, in part, by decrease in third party referral fees due to drop in commission on mutual fund distribution mainly on account of change in regulations;
- Profit on sale of investments decreased primarily due to loss on sale of Government Securities;
- Increase in profit on exchange/derivative transactions compared to previous year and
- Decrease in others is primarily due to lower income received from sale of Priority Sector Lending (PSL) certificates

In accordance with RBI communication, provision for mark-to-market depreciation on AFS and HFT investments continues to be presented under Provisions & Contingencies. If the provision for mark-to-market depreciation were treated as part of "Other Income", the adjusted non-interest income for the year would have been ₹ 4,667.7 crore (previous year ₹ 3,932.9 crore) and the cost-to-income ratio would have been 47.2% for FY 2019 and 47.7% for FY 2018.

Employee Cost
Employee cost of the Bank has increased to ₹ 3,159.4 crore for FY 2019 compared to ₹ 2,929.8 crore for FY 2018 primarily due to increase in employee base to ~ 41,900 as on 31st March, 2019 from ~ 35,700 as on 31st March, 2018.

Other Operating Expenses

Particulars	FY 2019	FY 2018
Rent, taxes and lighting	628.1	578.5
Printing and Stationery	91.4	87.1
Advertisement, Publicity and Promotion	119.5	110.5
Depreciation on Bank's property	366.9	302.7
Directors' fees, allowances and expenses	1.6	1.7
Auditors' fees and expenses	2.4	2.1
Law Charges	50.5	34.3
Postage, telephone etc.	168.7	138.9
Repairs and maintenance	399.6	382.9
Insurance	201.2	163.5
Travel and Conveyance	103.9	102.8
Professional Charges	793.6	623.1
Brokerage	280.0	220.1
Stamping Expenses	12.8	10.3
Other Expenditure	1,166.7	833.7
Reimbursement from Group companies	(31.5)	(96.3)
Total	**4,355.4**	**3,495.9**

Other operating expenses were ₹ 4,355.4 crore for FY 2019 compared to ₹ 3,495.9 crore for FY 2018. Increase in operating expenses is also on account of new initiatives taken by the Bank for which the cost was very small in the previous year. While there was increase in expenses on account of such initiatives, there was a corresponding increase in revenue also.

- Increase in premises cost and repairs and maintenance is primarily due to increase in branches and repairs and refurbishment of branches;
- Increase in brokerage and insurance expenses consistent with increased business volumes;
- Increase in professional charges is mainly on account of fees paid to business correspondents which is consistent with increased business volumes and
- Increase in other expenses is primarily on account of:
    - o Increase in credit card expenses mainly due to higher POS expenses, e-Comm acquiring business cost and increase in volume of card transactions;
    - o Increase in recovery expenses to improve collections and recoveries;
    - o Higher GST input credit write-off
    - o Expenses incurred on Consumer Durable business started in Bank from FY 2019

The Bank's Cost to Income ratio was at 47.4% for FY 2019 as compared to 47.3% for FY 2018.

Provisions and Contingencies (excluding tax)

Provisions and contingencies (excluding tax) were ₹ 962.4 crore for FY 2019 compared to ₹ 940.0 crore for FY 2018 primarily due to higher specific provision on loans in FY 2019 by ₹ 227.9 crore, offset, in part by decrease in provision on investments in FY 2019 by ₹ 210.6 crore.

Credit cost on Advances was 47 bps for FY 2019 compared to 43 bps for FY 2018.

BALANCE SHEET

The assets and liabilities composition of the Bank is as follows:

(₹ in crore)

Liabilities	31st March, 2019	31st March, 2018
Networth	42,898.4	37,481.7
Deposits	225,880.4	192,643.3
- Current Account Deposits (CA)	38,901.0	32,245.8
- Savings Account Deposits (SA)	79,684.7	65,529.2
- Term Deposits (TD) Sweeps	14,776.6	11,909.8
- Other TDs	92,518.1	82,958.5
Borrowings	32,248.3	25,154.2
Other Liabilities and Provisions	11,145.0	9,654.2
Total	**312,172.1**	**264,933.4**

(₹ in crore)

Assets	31st March, 2019	31st March, 2018
Cash and Bank Balances	24,675.5	19,620.1
Investments	71,189.1	64,562.4
- Government Securities	58,063.0	51,757.7
- Other Securities	13,126.1	12,804.7
Advances	205,694.8	169,717.9
Fixed Assets and Other Assets	10,612.7	11,033.0
Total	**312,172.1**	**264,933.4**

The Bank's capital adequacy continue to be healthy with overall CRAR at 17.5% (Tier I ratio of 16.9%) as compared to 18.2% (Tier I ratio of 17.6%) as on 31st March, 2018.

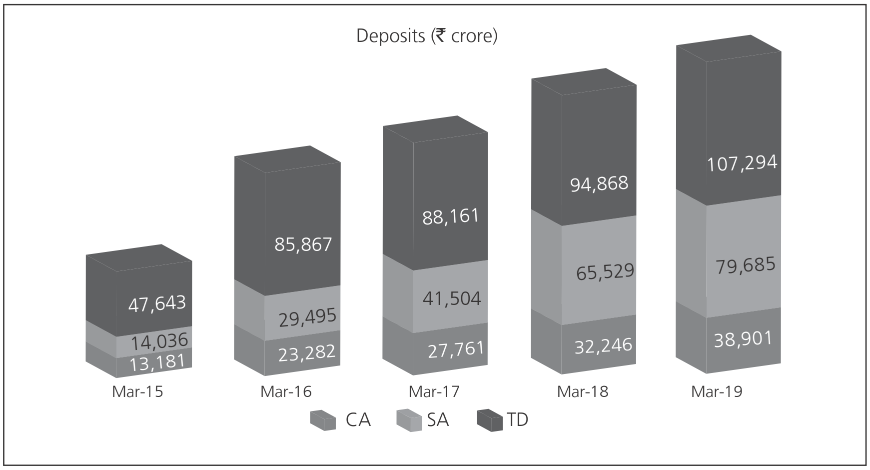
Deposits

The fundamental philosophy of the Bank's strategy is to build low cost and stable liability on which the Bank has been working over the past few years. The Bank's deposits grew to ₹ 225,880.4 crore as on 31st March, 2019 compared to ₹ 192,643.3 crore as on 31st March, 2018. CASA deposits increased to ₹ 118,585.7 crore as on 31st March, 2019 to ₹ 97,775.0 crore as on 31st March, 2018. CASA ratio stood at 52.5% as on 31st March, 2019 compared to 50.8% as on 31st March, 2018.

Savings account grew by 21.6% to ₹ 79,684.7 crore and Current account grew by 20.6% to ₹ 38,901.0 crore. Term Deposits grew by 13.1% to ₹ 107,294.7 crore.

During FY 2019, average SA increased to ₹ 70,990.1 crore compared to ₹ 51,394.9 crore in FY 2018 and average CA increased to ₹ 28,741.5 crore from ₹ 24,009.9 crore in FY 2018. Average CASA increased by 32.3% with and average CASA ratio was at 49.3% for FY 2019.

CASA plus term deposits below ₹ 5 crore, account for 81% of the total deposits.



The numbers for 31st March, 2015 are not comparable due to merger of erstwhile Ing Vysya Bank Limited (eIVBL), effective 1st April, 2015.

Advances

The classification of advances of the Bank is as follows:

(₹ in crore)

	31st March, 2019	31st March, 2018
Corporate Banking	61,888.7	52,133.3
Commercial Vehicles & Construction Equipment (CV/CE)	19,705.8	15,201.7
Agriculture Division	26,991.5	22,915.6
Business Banking	18,215.4	18,269.0
Home Loans and Loan Against Property (LAP)	40,721.6	32,429.4
Small Business, Personal Loans & Credit Cards	33,164.2	25,129.2
Other Loans	5,007.6	3,639.7
Total Advances	**205,694.8**	**169,717.9**

Advances have primarily been driven by growth in:

- Corporate Banking book as a result of the Bank's focus on growing its corporate loan portfolio;
- Commercial Vehicle and Construction Equipment book as a result of the Bank's conscious decision to increase its lending to these category of loans based on its risk assessment of these category of loans and
- Retail advances - Small business, Personal Loans, Home loans, LAP and Credit Cards as a result of a general increase in demand in these markets

The Bank's credit deposit ratio stood at 91.1% as of 31st March, 2019 vs. 88.1% as of 31st March, 2018.

Asset Quality
While there has been some stress in segments such as Agriculture division, Small Business & Personal Loans, Credit cards and Business Banking, the Bank has an overall healthy asset quality.

The position of Gross and Net NPA is as under:

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Gross NPA	4,467.9	3,825.4
Gross NPA %	2.14%	2.22%
Net NPA	1,544.4	1,665.1
Net NPA %	0.75%	0.98%

SMA2 outstanding as on 31st March, 2019 was ₹ 137.6 crore (0.07% of net advances) compared to ₹ 71.7 crore (0.04% of net advances) as on 31st March, 2018.

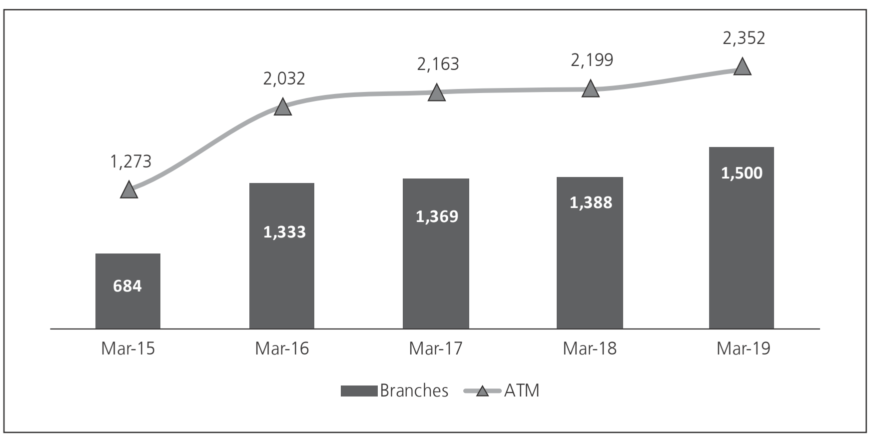
The provision coverage ratio, including technical write off, was 71.9% as of 31st March, 2019 as compared to 65.7% as on 31st March, 2018.

A brief analysis of the performance of various divisions of the Bank is as follows:

CONSUMER BANKING

Branch Banking
The Bank has continued its growth journey powered by a calibrated expansion of its network, increase in deposit base, higher focus on segmental banking and cross dimensional qualitative initiatives.

Network
The Bank had 1,500 branches and 2,352 ATMs as on 31st March, 2019.



The numbers for 31st March, 2015 and prior are not comparable due to merger of eIVBL, effective 1st April, 2015.

KEY INITIATIVES

Some of the key initiatives taken during the year were:

I. Products and Services

The Bank rolled out several initiatives aimed at offering a superior and differentiated customer experience.

- The Bank strengthened its customer relationship management capability by setting up a new channel for phone based remote engagement, called VRM (Virtual Relationship Management) channel. This enables the Bank to carry a reach for wider coverage and helped us actively reach out to more than 6 lacs customers and service them across deposit, lending and investment needs.
- In the Retail Institutional Business, for segments like Housing Societies, Educational Institutes, etc. a range of services were introduced like Apartment management solution, smart card solution, closed loop payment solutions, etc. This has helped the Bank strengthen its relationship with this segment.

- Silk program for woman customers was extended to cover Salaried base and offers distinctive features like cash back on POS based transactions, linked a/cs for minors and discount on lockers.
- Proposition around Image debit cards was further strengthened with introduction of images of the Bank's brand ambassador Ranveer Singh and exclusive art work of renowned artist, Seema Kohli for its Silk program.
- A new current account proposition was launched specifically for constituents of APMC markets and will be available across the 2,400 markets in the country.
- For the Arthias segment in Punjab, a customized solution via Arthia Rupay card was launched and will help the Bank to build a significant market share in the state of Punjab.
- The Bank entered into a banking alliance with Govt procurement agency, HAFED in Haryana and NAFED at national level for mustard seed procurement. This will give a significant boost to the current account book linked to this line of business.
- The merchant acquiring line of business which was started in FY 2018, gained significant momentum in FY 2019, with the transaction thru put crossing 2 crore mark. Value added features like EMI facility on PoS were also offered.
- For customers desirous of investing in mutual funds, a convenient capability was made available in the form of online investment account. This feature can be availed thru netbanking, mobile banking and on the web.
- For the internationally aligned customers, ability to subscribe to forex card online, via net or mobile was made available.
- In line with the regulatory requirement, all the ATMs of the Bank, have been upgraded to become EMV compliant.
- As per the government mandate, the Bank has successfully set up aadhaar enrolment centers in 145 branches and also surpassed the transaction volume mandate given by UIDAI.
- The Bank also participated in the PM Gram Swaraj Abhiyan and achieved 100% of the targets under this program.
- The Bank launched India's first bilingual voice bot in Banking – Keya, that responds to customer's queries in English and Hindi. Keya handled 17 lacs calls without human assistance.
- In line with its commitment to enhance customer experience, the Bank joined Ripple's leading enterprise blockchain network (RippleNet) to provide impetus to its cross-border inward remittances. The Bank now uses Ripple's settlement solution, xCurrent, to provide its customers with real-time cross-border transactions in a safe and secure manner.
- FCNR deposits in Singapore Dollar (SGD) was re-introduced to provide NRI customers in Singapore the facility of placing deposit in India under the FCNR (B) scheme.
- The Bank participated in a host of events, ranging from business forums, sports leagues & industry awards, etc. to engage with the Mariner community in India.
- The Corporate salary business saw significant scale up in 2018-19 and it now services over 3.5 million customers across more than 25,000 corporates. Acquisition and servicing capability has been further streamlined to enable inroads in Tier 2 & 3 markets as well and will be the focus in 2019-20.

811:

- The Bank continued to ramp up its 811 acquisition numbers this year as well.
- This year to drive higher engagement with 811 customers, the Bank focussed on Cross selling its various products to the existing 811 customers.
- The Cross Sell ratio has doubled this year over last year whilst the Average balances have increased by 25%.

II. Customer Convenience

Customer convenience remains the core thread intertwining of the Bank's digital initiatives during the year. Sales force automation, transformation activities, net banking, mobile banking, conversational banking, innovation lab initiatives were targeted towards making banking easier for customers and in the process also enabled to reduce operating cost for the Bank.

Transformation

- The Bank has significantly improved on turnaround time for service requests from 4 hours to immediate fulfilment through biometric and the omnichannel service framework that was implemented across web, mobile, net and branches. There have been 18L Requests processed online with a NPS of more than 50 across all channels and more than additional 30k requests being handled at the branch with an almost real time processing.
- DLMS (Deliverable Management System) has ensured a robust system for tracking deliveries and has helped in reduce 4.2k service requests being raised as well as a lower call handling time due to this platform. This will be now followed with an online channel integration where customer will be able to self-service.

- Robotics Process Automation has (RPA) automated 3.6k hours of manual processing effort creating efficiency and improved customer experience across 67k requests.
- The Bank is the 1st Bank to automate Cash and Vault registers in its branches, which lead to better controls, save time and Go Green. No physical cash registers required to be maintained at its branches
- Loans to pre-approved & Pre qualified customers enabled on Net Banking, Mobile Banking, on Phone, on SMS instantly. Customer can avail personal loan instantly through these channels.
- Implemented Credit Card Instant decisioning and Mobile app for Lead Management System for Personal Loans which is enabled with Business Rule Engine. This empowers the Bank's sales team to confirm sanctions upfront to customers.

Net Banking

- Enabled capability to open Investment account instantly
- New Payment/Transfer section is now live for Retail Individual customers; with new features like: One Time Fund transfer / 'Pay' and 'Repeat' Feature
- Net Banking physical password can be sent to customer's registered email ID as PDF document. The PDF document is PIN protected and PIN is sent to customer's registered mobile number
- Enable capability to apply for Forex Card online

Mobile Banking

- Revamped Home page which has increased feature discoverability as well as customer experience
- Payment Revamp – Revamped entire payment experience and introduced new features
- Enabled capability to open Investment account instantly
- Added tab for Assets where customer can see loan details, raise service requests etc.
- New features added like: Premature withdrawal of FD & RD; Outstanding to EMI & Balance Transfer EMI for Credit Card holders.

Conversational Banking

- On Whatsapp banking, improved user interface and added range of banking services; the top ones are:
    - Account Balance
    - Statement Requests
    - Credit Card Application Status
    - Transaction History
    - Check Book Requests
- Keya chatbot, the Bank's conversational banking platform, is now live 24*7 across Mobile Banking, Net Banking and Website
- Keya is trained to handle 21 types of service requests end-to-end and answer queries regarding products such as Credit/Debit Cards, 811, Accounts, Fixed Deposits/Recurring Deposits, Fund Transfer, Bill Payment and Personal Loan

Innovation Lab

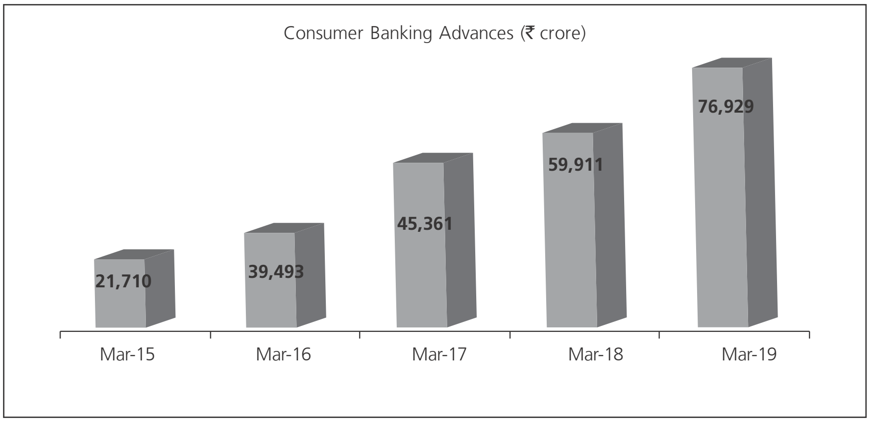
- One of the first banks to launch open banking platform for collaboration with fintech and enterprises Live with 50 + partners
- Launch of international remittance through Ripple
- Launch of Keya on Google Assistant
- Industry first UPI 2.0 hackathon along with NASSCOM and iSprit
- Participated in the World's Largest Hackathon. Smart India Hackathon, 2019 an initiative of government of India

ATM, Debit Cards & Payment Gateway

- In FY 2019, ATM network serviced 9.6 crore transactions
- The Bank upgraded all its ATM machines with Anti – Skimming software and it is amongst the first set of Banks to convert all its ATMs EMV complaint
- In FY 2019, POS spends grew at 55% with over all spends at ₹ 15,600 crore while ecom spends grew at 67% and international spends grown at 84%.
- Contactless payment transactions crossed 1 million and the Bank is featuring in top 3 Banks

Consumer Assets

The Consumer Assets business maintained its growth trajectory across the wide range of products offered by the Bank. Trend of Consumer Bank advances outstanding over the last five years is as below:



The numbers for 31st March, 2015 are not comparable due to merger of eIVBL, effective 1st April, 2015.

Under the Consumer Assets portfolio, the Bank offers a wide range of products. Consumer book increased by 28% in FY 2019.

The Bank continued to focus on building a significant book from active engagement with existing liability customers of the Bank.

PRODUCTS AND SERVICES

The Bank rolled out several initiatives aimed at offering a superior and differentiated customer experience:

- Investment in tools like CRM (which will go live in Q1FY20) will help tracking and monitoring the progress of leads/enquiries more efficiently from customers of the Bank;
- On the Home Loans, with focus on the salaried segment, the Bank launched a 4 hour superfast home loan sanction process;
- Paperless acquisition of Credit Card customers through Sales App and other digital channels like Mobile and Net Banking saw a growth of 290% versus last year thus delivering a superior on-boarding journey to our customers;
- The Bank also started instant pre-approved Credit Card Offering to new 811 customers of the Bank;
- With all product initiatives, the spends for Credit Cards grew by 56%;
- On the Salaried Personal loans segment, loans on Mail and SMS was launched to enhance our bouquet of instant loan offering. Digital channels contributed to 32% of Salaried Personal loans.

CUSTOMER CONVENIENCE

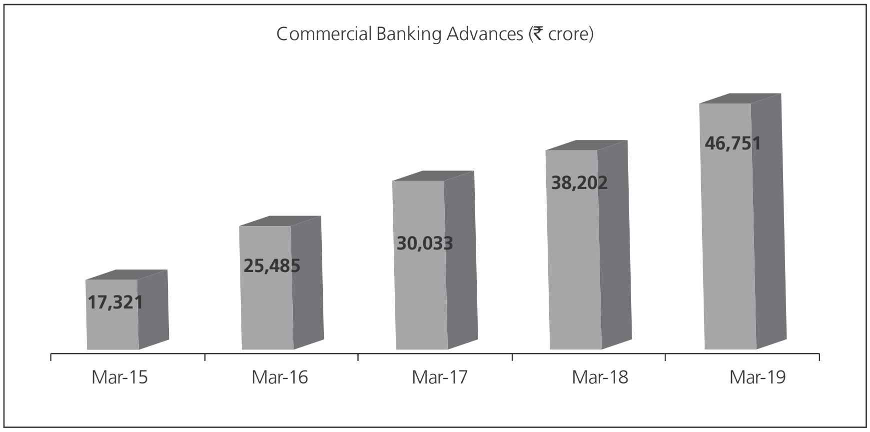
- Multiple self-serve features on Home Loan and Loan against Property on Mobile Banking were launched to help customers view their loan details on the Mobile App itself. This includes Information like tax certificate, disbursement and repayment details through a click of a button. The service, which went live in Jan’19 has already seen over 1 lac hits on the Mobile Banking App Loan section.

Transaction NPS & Relationship NPS are two key customer experience metrics tracked very closely across Retail Assets, and the Bank has seen significant progress on these metrics by end of Mar’19.

COMMERCIAL BANKING

The Commercial Banking business focuses on meeting the banking and financial needs of various segments. The Commercial Bank has specialised units which offer financial solutions in the areas of commercial vehicles, construction equipment, tractor, and agriculture business. It services the priority sector by providing finance for tractor, crop loans, small enterprises and allied agricultural activities. The business plays a significant role in meeting financial inclusion goals and financing deep into ‘Bharat’ through an expanding network of branches and associates.

Trend of commercial advances over the last five years is as below:



The numbers for 31st March, 2015 are not comparable due to merger of eIVBL, effective 1st April, 2015.

The Construction Equipment (CE) business reported significant growth and gained market share. CE business witnessed strong demand due to Government spending in the infrastructure sector, especially road construction & Metro. The YTD overall industry grew by ~25% major contribution is by earthmoving equipment. The rural demand is good and expected to continue so.

Commercial Vehicle (CV) business witnessed a slight drop in market share due to margin pressures. Change in load carrying norms by government also had a negative impact on CV business. Intensive competition is leading to fall in lending rates and increase in origination costs. The overall delinquency percentage of the CE portfolio has reduced, whereas some stress is witnessed in CV book. There was a demand for refinance on account of preference for BHARAT III & IV. Scrappage policy for >20 years old vehicles expected to get implemented from April 2020.

The Agriculture Financing business continued its focus on the agriculture value chain funding for various agro processing activities. It has registered growth despite volatility and uncertainty in the commodities market. The MFI Segment remains robust as asset quality remains good. There was an upward trend expected in commodity prices on account of lower kharif output and higher MSP expectations by farmers. There is pressure on interest rates due to increased demand for PSL Agri assets.

Tractor Financing business witnessed double digit volume growth. Farmer's cash flow improved due to higher MSP and yields. Various state subsidy schemes and DBT helped small and marginal farmers. The overall delinquency percentage of the Tractor Finance portfolios has reduced.

Bank has expanded its Crop Loan business to Western and Central India. Debt waiver announcements in various states had a negative impact on recoveries. The industry was dominated by PSU banks due to their vast branch network.

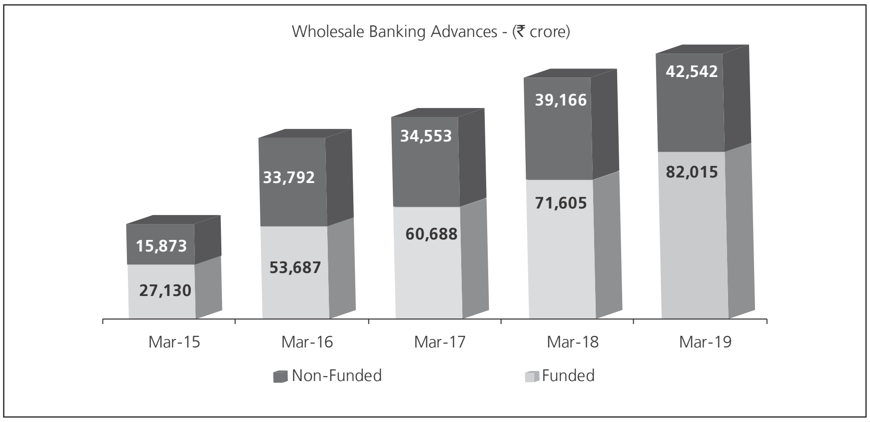
Branches in Semi-urban and Rural area comes under the umbrella of Commercial Bank. This network plays a crucial role in meeting the financial inclusion goals and credit demand of 'Bharat'. Branch network expanded and Liability book has grown at a healthy pace. Discontinuation of biometric sourcing led to downward impact on new account opening.

WHOLESALE BANKING

The Bank's Wholesale Business has a number of business groups catering to various customer and industry segments viz. Conglomerates and Large Corporates, Mid-market Corporates, Small and Medium Enterprises, Financial Institutions, Multinational Corporates and Corporate Real Estate offering a wide range of banking services covering their working capital, medium term finance, trade finance, foreign exchange services, supply chain, cash management & other transaction banking requirements. The focus has been on customised solutions delivered through efficient technology platforms backed by high quality service. The Bank's core focus has been to acquire quality customers on a consistent basis and ensure value add through cross-sell of the varied products and services.

The past few years have witnessed significant disruptions in the wholesale banking space. Overall credit offtake in the industry has remained muted this year as well. Many banks are facing high NPAs in their corporate book. Competition is more intense in the higher rated corporates resulting in significant reduction in spreads for banks in this space. Despite these challenges, the Bank has been able to consistently deliver growth in the large corporate space through gain in market share. There has been equal focus on gaining new customers as well as gaining wallet share in existing customers. Growth in book has however been muted in the Small and Medium Enterprise (SME) space. The SME space had witnessed disruptions over the past couple of years due to Demonetization and rollout of GST and these manifested as stress in the Bank's book as well. During the year, the Bank rolled out a number of initiatives to stabilize the business and integrate it with the rest of the wholesale bank. Sufficient provisioning has been done on the SME book and going forward, the business is well poised to capture the growth opportunities in the market. Growth was also muted in certain other pockets where, the Bank was cautious in lending such as the real estate developer segment given the stress in the sector. The Bank compensated for this slowdown by ramping up exposure to lower risk businesses such as Lease Rental Discounting; however spreads were impacted by this mix change. The Bank was also cautious in its lending to Non-Banking Financial Institutions and changed its mix towards higher rated NBFCs given the challenges that the NBFC sector went through during the year.

The mix between funded and non-funded (Letter of Credit and Bank Guarantees) for last five years is as follows:



The numbers for 31st March, 2015 are not comparable due to merger of eIVBL, effective 1st April, 2015.

During the year, there was significant pressure on spreads especially in the Bank's funded assets business. In the Non Fund business, focused efforts on pricing helped limit the impact of fall in spreads. The Bank compensated for the fall in asset spreads, to some extent, through strong growth in liability and fee based income including from GTS products such as the Current and Savings Accounts, Forex and Cash Management. Focus on productivity and efficiency have helped keep costs under control. Provisioning on some stressed cases, mainly in SME, has however impacted profitability.

Growth in the large corporate space was achieved without compromising on the health of the book. Exposure was confined to segments with credit comfort in terms of better rated exposure and industries with a positive outlook. This year, there was minimal additions to Gross NPA from this segment.

In the mid corporate space, the Bank has been focused on increasing its share by targeting client acquisitions and becoming one of the preferred bankers to these corporates. The year has seen continued strong growth for the Bank from this space. The mid corporate book has held up well since the last few years with low history of defaults.

The Small and Medium Enterprises (SME) segment came into the Wholesale Banking fold this year. During the year, a number of initiatives were taken to stabilize the business and integrate it with the rest of the Wholesale Bank. Sufficient provisions have been made and the business is well poised for future growth.

The Bank has a co-operation agreement with ING Bank globally covering a number of countries which is expected to aid the Bank in targeting greater number of multinational corporates in India. Dedicated marketing efforts have helped the Bank to make significant inroads into identified corridors such as the Korea-India, Italy-India and Germany-India corridors. The Bank continues to extend this focus to other regions as well.

In the financial institutions space, the Bank has added a number of customers across segments including capital market players, insurance companies, mutual funds, private equity players, correspondent banks, NBFCs and others. The Custody business continued to witness strong growth despite market uncertainty seen during the second half of this year. The Bank is today one of India's largest domestic Custodians with AUC upwards of USD 30 billion and is strongly positioned in the India focused offshore funds space. The Custody business added a number of marquee AIF & PMS clients in the Domestic segment in addition to having a good market share amongst India based FPIs. The Bank also obtained a Professional Clearing Member (PCM) license to offer clearing services on the INDIA INX Exchange in GIFT City becoming the first bank custodian to do so. In the Insurance segment, focused marketing efforts have enabled the Bank to make significant progress with some large insurance companies. Other verticals such as the correspondent banking and banking with mutual funds and private equity funds have also ramped up well. Given the challenges that the NBFC sector went through during the year, the Bank was cautious in lending to this segment and changed its mix towards higher rated NBFCs.

The Bank was also cautious in lending to the real estate developer segment given the stress in the sector. The Bank compensated for this slowdown by ramping up presence in lower risk products such as Lease Rental Discounting. Spreads were however impacted due to this mix change.

Transaction Banking Group in the Bank continues to focus on acquiring clients through in-depth understanding of client requirements and ability to deliver tailored solutions in both Trade & Cash Management businesses. Driven by innovation and leveraged on robust technology and specialised product solutions, the Bank has been able to consistently add value to transaction banking clients across Cash Management & Trade Services. This has helped its clients achieve optimised working capital & liquidity management benchmarks. Through the year, there has been a focused effort to capture greater market share in the CMS business from identified flagship accounts. The Bank launched various receivable solutions across C2B and B2B clients which witnessed a growth of more than 300% in flows through client accounts. Products like Smart Collect, API based e-collection offerings, customized value added solutions using NACH as clearing system have helped the Bank to acquire as well as increase its wallet share among various key clients. With focus on product development and building new age platforms, the Bank has been able to transact with major unicorn companies as their primary bankers. The Bank has also invested in product development for the Acquiring business and is now bankers to top aggregators in the E-Com space. The Bank was also the largest banking player for BBPS as a biller onboarding participant during the year. The Bank believe that, in this dynamic environment, bringing the best of solutions to clients will require engagement with solution providers in the country and the Bank has partnered with Fintechs to provide value added solutions. Current Account & Savings Account balances saw significant growth this year due to these innovative solutions and focused marketing efforts. On the Trade side, the funded and non-funded book continued a strong double digit growth momentum. Strong focus on fee income through trade flows led to a robust growth in fees earned through trade finance and services, with the wholesale business almost doubling this fee income. This robust growth has been fueled by a wide suite of products which is continuously being augmented through various digital initiatives and collaborations with various Fintech companies. Income from Forex has also shown significant growth. Income from liability and other GTS products has helped offset the fall in the spreads in the Bank's lending business to some extent.

The Bank has robust risk management systems in place and has ensured that the growth has been achieved in a profitable manner without compromising the health of the book. At a time when most corporate banks in the industry are facing huge NPAs, the Bank has kept a tight control on asset slippages. This year too, there has been very little addition to the Gross NPA from the large corporate space. Risk Weighted Assets as a proportion of the asset book has been reducing over the years. There has been provisioning in the SME book this year. The SME business has been stabilized and is well poised to capture growth opportunities going forward.

Use of pricing models such as the Risk Adjusted Return on Capital have helped optimise pricing and better judge the risk return metrics throughout the Wholesale Bank. It is in part due to the findings from this RaRoC model that the Bank has consciously focused on growing the Fund Based book faster than the Non-Fund Based book. The Bank has in place Economic Value Added (EVA) measurement tools that help understand the true value derived from each client and bring greater focus on non-asset income streams.

The risk appetite of the bank mandates a well-diversified portfolio. The Bank has laid down exposure limits for various industries. These are reviewed periodically based on industry performance. The Bank continually monitors portfolio diversification through tracking of industry, group and company specific exposure limits. The entire portfolio is rated based on internal credit rating tool, which facilitates appropriate credit selection & monitoring. The portfolio continued to show robust characteristics throughout the year.

GIFT CITY

The Bank's branch at the IFSC in Gujarat International Fin-Tech City (GIFT City branch), had commenced operations in FY 2017. The Branch caters to the funding needs and requirements of managing currency & interest rate risks of the Bank's overseas corporate customers. The Branch is also supporting the IFSC infrastructure at GIFT City by providing account and clearing services to the Exchanges and its participants at GIFT.

Loans from the GIFT City branch are also subject to the same rigorous and conservative credit underwriting standards and prudence of the Bank. The loan book of the GIFT City branch grew at a healthy pace in FY 2019, catering to trade (import) & medium term loans across multiple geographies.

TREASURY

From a markets viewpoint, FY 2019 was a year of two halves, a year of volatility emanating from both global and domestic events, business factors and economic parameters.

In the first half, the narrative was dominated by rising crude prices. Brent rose to about USD 86; the INR depreciated from about ₹65/ $ to over ₹74/ $ in October 2018; IN10Yr G-Sec rose from about 7.4% in April 2018 to about 8.2% in September 2018. The Reserve Bank of India increased the policy rates in two tranches of 25bps each in June & August 2018, eventually changing its stance to Calibrated Tightening from Neutral Stance in October 2018.

In the second half, the narrative was largely dominated by scare on global growth and US–China Trade row. Brent fell sharply - to a low of about USD 50 in December 2018, closing flat for the year at around USD 68; IN10Yr G-Sec dipped from about 8.2% in September 2018 to about 7.2%; INR appreciated to about ₹68.4/ $, closing the year at about ₹69.2/ $; the RBI reduced the policy rate by 25bps in February 2019 and changed the stance to Neutral from Calibrated Tightening. Another 25bps was reduced in the RBI policy on April 4th, 2019. Credit issues precipitated by the event of IL&FS Group default and rating downgrade witnessed widening of credit spreads and waning of liquidity in the Non-Banking Financial Institutions [NBFI] debt papers.

System liquidity kept alternating but remained largely in the deficit zone, with the RBI resorting to large purchase under Open Market Operations [OMO] to infuse durable liquidity. The RBI added FX Swap to its arsenal of liquidity infusion towards the end of FY 2019 and infused about ₹ 35,000 cr in a well bid 3year FX swap. This infusion also helped bring down term rate structure in the market towards the end of the year.

The equity markets however remained largely unaffected for FY 2019, except for a brief period coinciding with the initial period of the NBFI precipitation, gaining about 15% for the FY 2019, with the NIFTY closing FY 2019 at about 11623. However, the NIFTY gains for FY 2019 were largely confined to large cap stocks.

The Treasury Fixed Income Trading Desk, with a positive outlook, careful data backed analysis and a cautious approach, anticipated & managed the trading portfolio durations optimally. Duration strategies adopted earlier in the year were replaced by shorter tenor carry strategies. Well thought and composed positions yielded desired outcomes. The Primary Dealer (PD) desk at Treasury, in addition to gainful positioning on the Trading portfolio, also improved upon its capability of distribution and retailing of sovereign securities. The PD desk successfully met its regulatory obligations of bidding and success ratios in primary auctions and trading volumes in the secondary market for Government Securities.

In a market interspersed with events, FX Trading desk, took measured and calibrated positions. Additionally, it facilitated efficient pricing for FX requirements of the Bank's customers. Treasury FX Sales Desk continued efforts to deepen and expand its customer reach with favorable outcome. The desk focused on technological solutions, pricing efficiency, process optimisation and fine-tuning of desk organization to deliver experiential service to its customers, yielding significant increase in flows and revenues.

The Bullion desk continued building the annuity book of Gold Loans – achieving stability and sustained profitability. The equity desk took measured calls on the market, principally focusing on the primary market offerings.

The Balance sheet Management Unit (BMU) maintained a cautious stance while managing the funding and ALM requirements of the Bank. The BMU desk maintained enhanced focus on the emergent market liquidity situation. The desk successfully maintained adequate and appropriate liquidity, as also the various regulatory reserves requirements.

The Technology team within the Treasury contributed by not only maintaining Treasury applications through the year, but also by delivering enhanced technology solutions towards increased efficiency, enhanced computational, monitoring & reporting capabilities.

The Bank's Asset Liability Committee (ALCO), which also functions as the Investment Committee, maintained a cautious approach with a conservative risk appetite in its supervision of Market Risk, Interest Rate and Liquidity Gaps, counterparty and country exposures.

TECHNOLOGY

This year, technologies were leveraged to deliver customer experience, business efficiency, business collaborations and cybersecurity.

The Bank's Mobile banking app continues to be the highest rated iOS app with a 4.8 rating. The App saw improved customer experience the upgrade of the home page and payment section. It also became more comprehensive with new features like Forex card section, Premature withdrawal of FD/RD, Loan section and Online investment account opening.

Newer channels, Keya Chatbot and WhatsApp Banking, were launched, which use conversational banking approach to interact with customers. Keya Chatbot is enabled on all digital channels, viz. Mobile App, kotak.com website and Net Banking. Keya Chatbot is able to handle queries about products like Credit Card, Debit Card, Accounts, Fund Transfer, Bill Payment and Personal Loan. Kotak Bank is the first Indian bank to offer banking services on Whatsapp, which allows customers to get services on WhatsApp without installing any app or visiting any webpages. Search and discovery use cases have been enabled on Google Assistant thru voice based interaction.

The Bank's Net Banking features were also further enhanced with an upgraded payment experience, Online Investment Account opening, Forex Card section, purchase of insurance policies online and refreshed Home page for notifications.

Multiple digital payment methods were introduced for the Bank's customers including Visa Paywave, Samsung Pay, Bharat QR, UPI, BBPS (Bharat Bill Payment System) for Consumers & for Billers, AEPS (Aadhaar Enabled Payment System), AadhaarPay and FASTag – enabling more cashless payments for consumers, merchants, corporates, fintechs, billers etc. and reinforces Kotak's commitment to the country's Digital India journey. Several new products were launched including AEPS and AadhaarPay, which have enabled last-mile payments for Business Correspondent Agents and have also allowed the Bank to service customers of any Bank for services like Cash Withdrawal and Payments. For the second consecutive year, Kotak has been ranked amongst the Top 5 Banks in MeitY's 'Digital Payments Achievement Dashboard' (based on a point-scoring methodology) and has overachieved targets set by MeitY for FY 2019 on Digital Payments transactions.

Robotics Process Automation where the Bank has completed more than 2 lakh transactions across multiple processes and Cognitive Machines Reading are the next scaleup areas which are taking shape in India and are said to bring in a culture of basic routine tasks being automated.

Ecosystem collaborations are enabled through the Bank's Open banking platform. The Bank has enabled lending and payments api products through the platform. The Bank has on boarded about 100+ partners across lending and payment products.

Technologies were put in place to provide support for customer lending. Starting with a Lead Management System to accept loan enquires, and track them, to systems to support loan application evaluation and a "business rule engine" that uses analytics to assist in disbursement decisions. The systems will provide a base for processing of a wide spectrum of different types loans from simple personal loans to the more complex housing loans in the coming years.

The foundation for Natural Language Processing (NLP) laid down last year to launch 'Keya', the first Artificial Intelligence (AI) powered Voicebot in the banking sector was further leveraged. The use of IVR was replaced by conversational banking, so that the customer's experience on calling the Bank's contact center was simplified and enhanced. A "Virtual Relationship Manager" capability was also introduced, to enable customers to telephonically connect to their personalised service manager.

Employee engagement and productivity was emphasized with several technology initiatives. On-boarding new employees became smoother with the introduction of a mobile application called KLAPP to provide all the information needs of new recruits. Employee training and learning received a boost with an analytics based system to provide progress insights and MIS. An artificial Intelligence based Intelligence response system (KAIRA) was launched to assist employees respond to customer.

Regulatory requirements were a major focus area. All the Bank's ATMs were upgraded to eliminate XP based systems, to ensure better virus and malware protection. In keeping with RBI guidelines all the ATMs were made chip and pin card compliant within the required timelines to ensure that customers transactions on the ATMs are have an extra layer of security.

With increased focus on digital solutions and heightened cybersecurity concerns, there is a need for constant innovation in the information security area. New solutions were implemented to mitigate the risk of APT (Advanced Persistent Threat) attacks. The solution detects and prevents custom malicious code being sent over the network into the Bank's environment.

SUBSIDIARIES HIGHLIGHTS

Kotak Mahindra Prime Limited (KMP)

KMP is primarily engaged in vehicle financing; financing of retail customers of passenger cars, Multi-Utility Vehicles (MUVs) and term funding to car dealers. KMP finances new and used cars under retail loan, hire purchase and lease contracts. KMP is also engaged in finance against securities, corporate loans, developer finance, two-wheeler finance and other lending.

Financial Highlights

(₹ in crore)

Particulars	FY 2019	FY 2018
Net Interest Income	1,103.5	1,115.0
Other Income	288.1	255.6
Total Income	**1,391.6**	**1,370.6**
PBT	905.1	901.9
PAT	599.3	589.6

(₹ In crore)

Particulars	31st March, 2019	31st March, 2018
Net Customer Assets	28,267.4	28,017.5
- Car advances	20,270.9	20,103.8
Net NPA %	0.44%	0.37%
RoAA %	2.0%	2.0%

The passenger car market in India grew by 2.8% for FY 2019 compared to 7.7% growth in FY 2018. Total unit sales of cars and MUVs crossed 33.42 lakh units in FY 2019 compared to 32.5 lakh units in FY 2018. KMP added 135,802 contracts in FY 2019 compared to 139,776 in FY 2018.

The NBFC sector experienced liquidity problems in September 2018. This not only resulted in increase in borrowing costs but also KMP had to maintain surplus liquidity for sometime which had impact on the bottomline. The liquidity concerns in NBFC sector eased post January 2019.

PBT for FY 2019 at ₹ 905.1 crore was higher than ₹ 901.9 crore for FY 2018 primarily due to dividend income on preference shares, recoveries in car finance portfolio, offset, in part by, decrease in income on investment in surplus funds and higher specific provisions. NIM for FY 2019 was 4.0% compared to 4.1% for FY 2018.

Gross NPA was ₹ 287.4 crore (1.01% of gross advances) while net NPA was ₹ 124.6 crore (0.44% of net advances) as on 31st March, 2019. Further, the capital adequacy ratio as on 31st March, 2019 was 19.4% (17.7% as of 31st March, 2018).

Kotak Mahindra Investments Limited (KMIL)

KMIL is primarily engaged in finance against securities, corporate loans, developer finance and other activities such as holding long-term strategic investments. KMIL's Real Estate finance team offers one of the most trusted dedicated real estate finance platforms in the country with expertise across all key asset classes. From structuring complex transactions to broadening the access to capital, its comprehensive financing and expert execution have made KMIL a leading choice for real estate developers and investors for over a decade. KMIL is well positioned to harness all opportunities that may be offered in the current economic environment.

Financial Highlights

(₹ in crore)

Particulars	FY 2019	FY 2018
Net Interest Income	292.5	303.9
Other Income	94.2	122.0
Total Income	**386.7**	**425.9**
PBT	315.6	366.6
PAT	207.0	245.0

(₹ In crore)

Particulars	31st March, 2019	31st March, 2018
Net Customer Assets	9,242.3	7,900.1
Net NPA %	0.3%	0.01%
RoAA %	2.3%	3.0%

The customer assets increased to ₹ 9,242.3 crore as on 31st March, 2019 as compared to ₹ 7,900.1 crore as on 31st March, 2018. KMIL reported a decrease of 15.5% in PAT to ₹ 207.0 crore for FY 2019 compared to a growth of 24.7% in PAT to ₹ 245.0 crore for FY 2018 as FY 2018 included capital gains of ~ ₹ 46 crore. Further, there was decrease in interest income due to decrease in yield on advances and lower processing fees in FY 2019. NIM for FY 2019 was 3.5% compared to 4.0% for FY 2018. KMIL also maintained surplus liquidity for sometime post September 2018, due to liquidity concerns for NBFC sector impacting profits of KMIL.

Gross NPA at ₹ 33.8 crore (0.37% of customer assets) while net NPA was ₹ 26.9 crore (0.29% of customer assets) as on 31st March, 2019. Further, the capital adequacy ratio as on 31st March, 2019 was 18.4% (18.9% as of 31st March, 2018).

Kotak Securities Limited (KS)

KS is in securities broking business providing services in Equity cash and derivatives segments, Commodity derivatives, Currency derivatives, depository and primary market distribution services. KS is a member of BSE Limited, National Stock Exchange of India Limited, National Commodity & Derivatives Exchange Limited, Multi Commodity Exchange Limited, and Metropolitan Stock Exchange of India Limited. KS is also a depository participant with National Securities Depository Limited and Central Depository Services Limited and is also registered as a portfolio manager with Securities and Exchange Board of India. Further, KS is registered as Mutual Fund Advisor with Association of Mutual Funds in India and also acts as corporate agent of Kotak Mahindra Life Insurance Company Limited.

Financial Highlights

(₹ in crore)

Particulars	FY 2019	FY 2018
Total Income	1,582.4	1,654.6
PBT	680.4	796.0
PAT	451.9	531.0

The Sensex closed at 38,673 as on 31st March, 2019 compared to 32,968 as on 31st March, 2018, with a high of 38,990 and low of 32,973. Similarly, the benchmark Nifty which closed at 10,113 as on 31st March, 2018 closed at 11,623 as on 31st March, 2019 with a high of 11,760 and low of 10,004.

The financial year FY 2019 saw a flat volume growth in Cash Market where as the equity derivative segment continued its robust growth over FY 2018. Market average daily volumes (ADV) increased to ₹35,180 crore for FY 2019 from ₹ 33,768 crore for FY 2018 for the Cash Segment, and increased to ₹ 958,067 crore for FY 2019 from ₹ 670,670 crore for FY 2018 for Derivatives Segment.

KS Average Daily Volumes increased from ₹ 13,691 crore for FY 2018 to ₹ 26,203 crore for FY 2019. KS continued its focus on Cash Segment which resulted in the increase in its market share to 9.1% from 8.5% in FY 2018. Overall market share of KS increased to 2.6% for FY 2019 compared to 1.9% for FY 2018.

During the year KS launched FIT (Free Intraday Trading), a subscription based product, targeted at online customers. It also launched biometric based account opening process during the year. These resulted in a higher customer acquisition for the year. The FY 2019 show an addition of ~ 2.87 lakh customers with a large part of them being online trading customers. KS also launched commodity brokerage services and direct mutual fund platform during FY 2019.

The mobile trading application provided by KS, with enhanced features and functionality continues to be a leader in the market. Trading volume through mobile app show a growth of more than 150% in cash segment. During the year, KS initiated significant technology projects across campaign, analytics and core platforms. KS continues to invest in Technology to maintain its leadership position and has taken several initiatives to enhance the customer experience across channels.

The total outlets stood at 1,328 at the end of the financial year. The number of registered authorised persons stood at 1,875 for NSE and 1,385 for BSE.

Institutional Equities division further consolidated its leadership position in the market amongst the domestic players. Yields across the client segments continued to be under pressure. Impact of MiFID II regulation, which became applicable from January 2018, unfolded during the year. KS, however, successfully negotiated with the clients and saw a significant improvement in revenues, particularly from European clients. Institutional division executed a number of block trades and distributed a number of IPOs, QIPSs and Open Offers. Further it continued to invest in Technology to upgrade its IT infrastructure with a special focus on developing new algos for the Derivatives segment. Institutional Equities Research continues its leadership position and is well respected within the industry. The Research and Sales teams continued to get higher recognition thru votes received from various clients.

Kotak Mahindra Capital Company Limited (KMCC)

KMCC is a leading, full-service investment bank in India offering integrated solutions encompassing high-quality financial advisory services and financing solutions. The services include Equity Capital Market issuances, M&A Advisory and Private Equity Advisory.

Financial Highlights

(₹ in crore)

Particulars	FY 2019	FY 2018
Total Income	176.0	181.0
PBT	92.9	101.5
PAT	63.1	65.3

Equity Capital Markets

In FY 2019, the Indian Equity Capital Markets witnessed a significant slowdown in primary market activity compared to previous fiscal completing 28 OFS, 14 IPOs and 13 QIPs. A total of ₹ 56,864 crore (vs ₹ 203,057 crore in FY 18) was raised across Initial Public Offerings (IPOs), Qualified Institutional Placements (QIPs), Rights Issues, Offers for Sale (OFS), Block Deals, Infrastructure Investment Trusts (InVITs) and Real Estate Investment Trusts (REITs) (Source: Prime Database).

KMCC successfully completed 14 marquee transactions, including 5 IPOs, 5 Block Deals, 2 QIPs, 1 OFSs and India's First ever Real Estate Investment Trust (REIT) raising a total of ₹ 32,983 crore in FY 2019. Kotak led the largest IPO, largest REIT IPO, largest QIP and largest Block of the year - a unique distinction in a volatile market environment.

Select Top Equity Deals that were concluded by KMCC during the year include:

IPO: HDFC AMC - ₹ 2,800 crore, Varroc Engineering - ₹ 1,955 crore, Indostar Capital Finance - ₹ 1,844 crore, Credit Access Grameen - ₹ 1,131 crore, TCNS Clothing - ₹ 1,125 crore

REIT: Embassy Office Parks - ₹ 4,750 crore

OFS: Coal India Limited - ₹ 5,274 crore

QIP: DLF - ₹ 3,173 crore, Magma Fincorp - ₹ 500 crore

Blocks: Kotak Mahindra in two tranches (₹ 7,161 crore in Feb 2019 and ₹ 1,440 crore in Nov 2018), Mahanagar Gas - ₹ 760 crore, Wipro - ₹ 684 crore, Magma Fincorp - ₹ 385 crore

Mergers & Acquisitions and Private Equity Advisory

The total M&A Advisory deal value in India for FY 2019 stood at USD 138.5 billion vis-à-vis USD 88.2 billion in FY 2018, while deal volumes increased to 1,936 in FY 2019 from 1,831 in FY 2018.(Source: Bloomberg, as on April 16, 2019)

In FY 2019, KMCC was ranked #4 by volume of deals and #15 by value of deals in the M&A league tables (Source: Bloomberg, as on April 16, 2019; amongst investment banks). KMCC advised on a diverse array of nine M&A transactions across a wide range of products and sectors, for a total deal value of USD 5.4 billion (not considering deals where values have not been disclosed):

- Across products, ranging from Acquisitions, Divestments, Mergers, Private Equity investments, Restructuring, Buyback Offers and Open Offers;
- Across sectors, ranging from Financial Services, Consumer, Healthcare, Auto, Technology, Industrials etc.

The uptick in activity in the market in FY 2019 could largely be attributed to a number of factors, including deals in the stressed asset space, consolidation across sectors, increasing activity by sovereign wealth funds and a surge in big-ticket transactions. For FY 2020, traditional M&A drivers, such as consolidation and market penetration along with convergence of various sectors with tech, stronger governance, insolvency cases and increased FDI will increasingly trigger deal activity.

Some of the key Advisory deals that were announced / concluded by KMCC during the year include:

- Financial Advisor to TPG and Shriram Group for 100% sale of stake in Vishal Mega Mart to Partners Group and Kedaara Capital
- Financial Advisor for 100% sale of stake in Comstar to Blackstone
- Financial Advisor to Excel Crop Care for merger with Sumitomo Chemical India – ₹ 3,593 crore
- Financial Advisor to State Bank of India for sale of 4% stake in SBI General Insurance to Axis AIF and PremjiInvest – ₹ 482 crore
- Financial Advisor for restructuring of healthcare business of Max India and Radiant Life - ₹ 7,242 crore
- Financial Advisor to Prabhat for sale of its dairy business to Lactalis - ₹ 1,700 crore
- Financial Advisor for sale of stake in Star Health to Westbridge AIF, Rakesh Jhunjhunwala & Madison Capital
- Manager to Buyback offer of Infosys (₹ 8,260 crore), Tech Mahindra (₹ 1,956 crore), Smartlink Holdings (₹ 67 crore)
- Manager to the Open Offer for acquisition of 26% stake in Next Mediaworks Limited by HT Media Limited - ₹ 47 crore
- Fairness Opinion to Bandhan Bank for merger of Bandhan Bank and GRUH Finance

Kotak Mahindra Life Insurance Company Limited (KLI)

Kotak Mahindra Life Insurance Company Limited (KLI), a 100% subsidiary of Kotak Bank is in the business of Life Insurance, annuity and providing employee benefit products to its individual and group clientele. KLI has developed a multi-channel distribution network to cater to its customers and markets through agency, alternate group and online channels on a pan-India basis.

Network

KLI has 243 life insurance outlets across 150 locations. KLI has 124,500 life advisors, 33 Bancassurance partners and 157 brokers and corporate agency tie-ups.

Financial Highlights

The financial performance of KLI is given below:

(₹ in crore)

Particulars	FY 2019	FY 2018
Gross Premium	8,168.3	6,598.7
First Year Premium (incl. Group and Single)	3,977.1	3,404.2
PBT – Shareholders' Account	590.8	471.2
PAT – Shareholders' Account	507.2	413.4
Solvency Ratio	3.02	3.05

The Indian Embedded Value (IEV) was ₹ 7,306 crore (31st March, 2018: ₹ 5,824 crore) as on 31st March, 2019. This is computed based on the principles prescribed by APS10. The methodology, assumptions and results have been reviewed by Willis Towers Watson Actuarial Advisory LLP.

The Value of New Business (VNB) for FY 2019 was ₹ 799 crore and the VNB margin was 36.9%.

The networth of KLI increased by 22.6% to ₹ 2,745.4 crore as on 31st March, 2019 from ₹ 2,238.1 crore as on 31st March, 2018. KLI has solvency ratio of 3.02 against a requirement of 1.50.

Revenue Performance

KLI has recorded a growth of 23.8% on the gross premiums. The summary of premiums is as under:

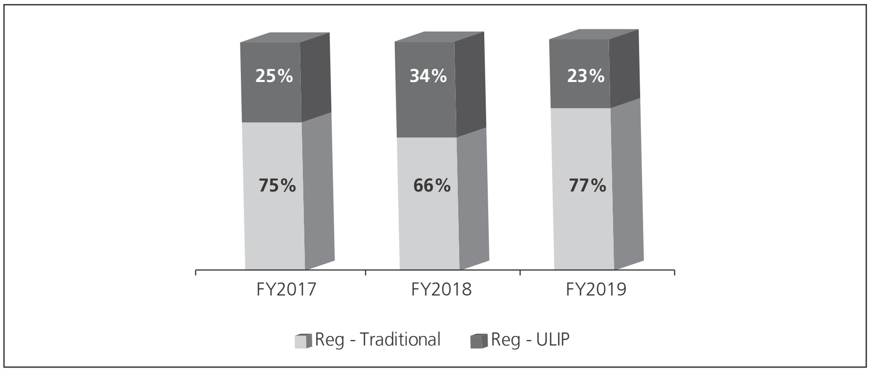
(₹ in crore)

Particulars	FY 2019	FY 2018
Individual Regular Premium	1,616.2	1,530.4
Individual Single Premium	515.4	441.5
Group Premium	1,845.5	1,432.4
Total New Business Premium	**3,977.1**	**3,404.2**
Renewal Premium	4,191.2	3,194.5
Gross Premium	**8,168.3**	**6,598.7**

Distribution Mix (Individual business APE (Single 1/10)

The distribution mix for Individual business APE (Single 1/10), is 48% for the Bancassurance channel and 52% for Agency & other channels.

Individual Regular Product Mix



Product mix of KLI for FY 2019 in individual regular premium is 77% traditional business and 23% ULIP.

The share of Risk Premium was 26.2% in the Total New Business Premium. Sum assured increased by 23.7% YoY basis.

Conservation & Persistency

Conservation ratio is 86.9% in FY 2019 compared to 87.1% in FY 2018. In FY 2019 the persistency is 87.1% (13th month), 77.0% (25th month), 67.8% (37th month), 65.8% (49th month) and 60.0% (61st month).

Industry comparison

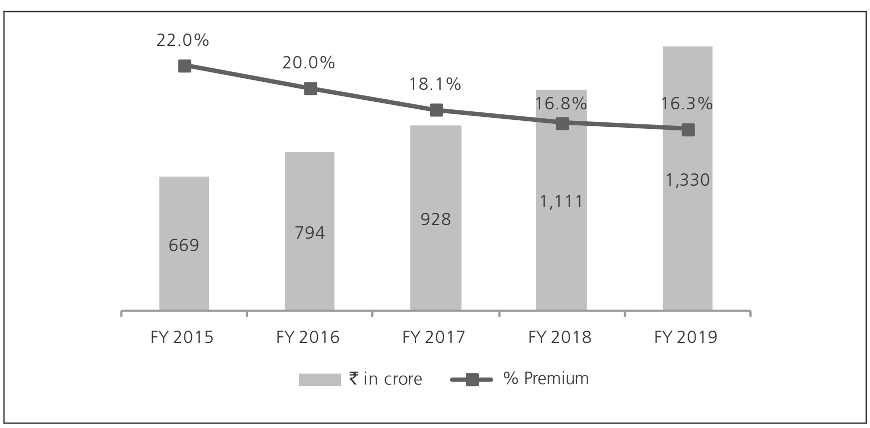
KLI registered a growth of 11% on total New Business Premium - APE terms (Adjusted Premium Equivalent (Single 1/10)) while overall insurance industry as a whole registered a growth of 11% and private insurance industry registered a growth of 13% on the same basis. KLI market share stood at 5.8% of private industry. On an individual APE Basis (Single 1/10), KLI has a market share of 4.2% of private industry.

Claims Settlement Ratio

The individual claims settlement ratio for FY 2019 stood at 97.4% (FY 2018: 93.7%). The group claims settlement ratio for FY 2019 stood at 99.1% (FY 2018: 99.7%). The overall Claims settlement ratio in FY 2019 stood at 99.0% (FY 2018: 99.3%).

Cost Analysis

Operating expense ratio has improved to 16.3% as against 16.8% in previous year. This was possible by a 23.8% YoY growth in total premium in FY 2019 and improved productivity in FY 2019.



Assets Under Management

KLI saw an increase in its AUM (including shareholders' AUM) by 20.6% YoY to ₹ 30,310 crore in FY 2019.

Digital Initatives
KLI had implemented 'Genie', a tablet based end to end sales solution. In FY 2019, 87.9% of the individual policies were sourced using Genie vs 77% in FY 2018.

KLI has Implemented Smart sell – A Pre Marketing, engagement and productivity app, and is used by 42% of its active Life Advisors in its first year of implementation.

Social and Rural Obligations
KLI has written rural policies 81,972 (FY 2018: 73,710) representing 24% of total policies against regulatory requirement of 20%. Further, KLI has covered 1,005,351 social lives more than the regulatory requirement of 433,968.

Kotak Mahindra General Insurance Company Limited (KGI)
KGI was incorporated in December 2014 as a 100% subsidiary of the Bank. KGI received its certificate of registration from Insurance Regulatory and Development Authority of India (IRDAI) in November 2015 and subsequently commenced operations in December 2015. KGI completed its third full year of operations at the end of FY 2019.

KGI is in the business of underwriting general insurance policies relating to Fire and Miscellaneous segments. KGI sources Insurance policies through agents, brokers and online channels.

The general insurance industry as a whole registered a growth of 13.0% till March 2019, in which the private sector (excluding standalone health insurance companies) grew by 24.7%. KGI grew its premium from ₹ 185.4 crore in FY 2018 to ₹ 301.1 crore in FY 2019 registering a growth of 62%.

Financial and Other Highlights

(₹ in crore)

Particulars	FY 2019	FY 2018
Gross Written Premium (GWP) (including re-insurance)	303.8	188.1
Loss Before and After Tax	(34.9)	(32.6)
Claims Ratio	68.1%	71.7%
Combined Ratio	114.6%	122.1%

Revenue Review
KGI issued more than double the number of policies totaling to 7.2 lakh in FY 2019 from 2.5 lakh in FY 2018 amounting to a gross direct premium excluding re-insurance of ₹ 301.1 crore (FY 2017: 185.4 crore).

Product Mix
In order to maintain a balanced product mix, KGI product mix for Motor, Health and Others has moved from 75:17:8 in FY 2018 to 66:25:9 in FY 2019.

Distribution Mix
Bancassurance Channel grew from ₹ 109.7 crore in FY 2018 to ₹ 171.7 crore in FY 2019 registering a 56% growth and Multi Distribution channel grew from ₹ 75.7 crore in FY 2018 to ₹ 129.4 crore in FY 2019 registering a 71% growth. Digital and online business grew at 41% compared to same period last year.

Solvency
An insurance company is considered to be solvent if its assets are adequate and liquid to pay off claims / liabilities as and when they arise. Solvency ratio indicates the Company's claim / liability paying ability.

As on 31st March, 2019, the solvency ratio of KGI stood at 1.86 against the regulatory requirement of 1.50.

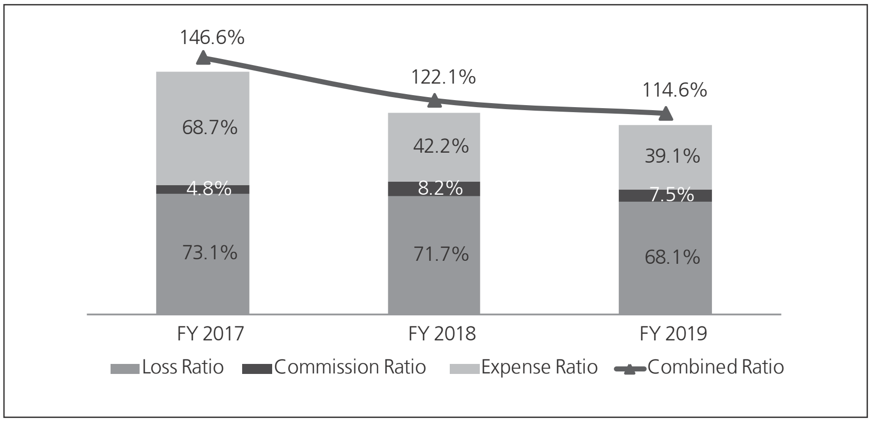
Investments
Investments of KGI as on 31st March, 2019 stood at ₹ 414.3 crore against the previous year amount of ₹ 248.9 crore, registering a growth of 66%.

Distribution Network
KGI has a network of 17 branches catering to more than 275 locations. KGI has registered 13 Corporate Agents, 94 Individual Agents, 161 Point of Sale agents and 4 Micro Insurance Agents.

Rural and Social Obligations
KGI has written a premium of ₹ 15.7 crore under rural obligation representing 5.2% of total premium. Further, KGI has covered 58,496 social lives against the regulatory requirement of 1,941.

Improving Financial Performance

In the last three financial years, the company has steadily improved on its Claims and Combined Ratio which is evident depicted from the graph given below:



Claim Servicing

The number of claims settled by the Company has increased from ~ 14,800 in 2018 to ~ 27,000 in 2019 an increase of 82%.

The Company has an equitable and robust claim settlement practice which is evident in the claim settlement ratio which has improved from 95% in 2018 to 97% in 2019.

KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMITED (KMAMC)

Kotak Mahindra Trustee Company Limited (KMTCL)

Kotak Mahindra Asset Management Company Limited (KMAMC) is the asset manager of Kotak Mahindra Mutual Fund (KMMF) and Kotak Mahindra Trustee Company Limited (KMTCL) acts as the trustee to KMMF.

Financial Highlights

(₹ in crore)

Kotak Mahindra Asset Management Company Limited	FY 2019	FY 2018
Total Income	655.0	518.9
PBT	337.1	124.5
PAT	218.1	81.2
AAUM	138,214	115,399
Kotak Mahindra Trustee Company Limited	**FY 2019**	**FY 2018**
Total Income	52.0	46.4
PBT	50.5	45.3
PAT	36.5	33.8

The growth in the mutual funds industry continued albeit with a relatively modest pace in FY 2019. The industry registered a growth of 6% for FY 2019 with the Quarterly Average Assets Under Management (QAAUM) for Q4FY19 at ₹ 24.5 lakh crore.

The QAAUM which stood at ₹ 150,271 crore for Jan-Mar 2019 has seen growth of around 20% YoY and 157% in last 3 years. KMAMC continues to be the 7th largest Fund House in the country in terms of QAAUM. Market share in QAAUM has grown to 6.1% from 4.3% from 3 years back. The cumulative number of non-gold SIPs with the mutual fund stood at 11.92 lakh at the financial year end as compared to 9.7 lakh in FY 2018.

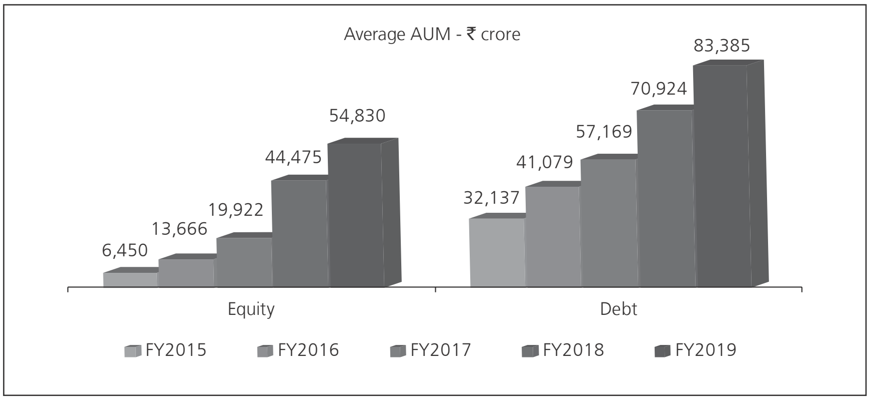
KMAMC has 18.75 lac unique investors basis the RTA data against industry of 192.86 lacs, a market share of 9.7%., against a share of 8.8% in March 18.

KMAMC ended the year with discretionary AUM under the portfolio management business of ₹ 3,332 crore against ₹ 3,762 crore as on 31st March, 2018.

The AAUM of KMAMC for FY 2019 was ₹ 138,214 crore against ₹ 115,399 crore in FY 2018, a growth of 20% against industry growth of 11%. Consequently, the overall revenue from operations grew by 26% to ₹ 655.0 crore from ₹ 518.9 crore. The overall costs reduced to ₹ 317.9 crore in FY 2019 against ₹ 394.4 crore in FY 2018, largely due to reduction in the business promotion expenses primarily on account of change in the regulations i.e no upfront commissions and all scheme payments to be paid from Schemes only. Hence, the overall profit before tax has increased to ₹ 337.1 crore in FY 2019 compared to ₹ 124.5 crore in FY 2018.

KMAMC ended the year with discretionary AUM of ₹ 3,332.2 crore against ₹ 3,761.9 crore as on 31st March, 2018.

The average AUM of KMAMC over years is given below:



The Funds managed by KMAMC continued to deliver consistent risk adjusted return to their investors over the long term.

KOTAK MAHINDRA PENSION FUND LIMITED (KMPFL)

Financial Highlights

(₹ in crore)

Particulars	FY 2019	FY 2018
Total Income	2.9	2.5
PBT	0.07	(0.05)
PAT	0.07	(0.05)
AUM	784	536

KMPFL manages nine schemes. The combined assets under management (AUM) on 31st March, 2019 were ₹ 784 crore (₹ 536 crore as of 31st March, 2018), a growth of 46.3%. The overall pension fund industry AUM (including the private and public sector) has grown from ₹ 234,579 crore as on 31st March, 2018 to ₹ 318,214 crore as on 31st March, 2019, a growth of 35.70 % and the private sector industry AUM has grown from ₹ 5,682 crore as on 31st March, 2018 to ₹ 9,827 crore as on 31st March, 2019, a growth of 73%.

Considering the low rates of management fees in Pension Fund Management Business, the revenue generated from the investment management activity for FY 2019 is ₹ 0.06 crore (FY 2018 - ₹ 0.04 crore). As per press reports, there are plans to make the licences on tap for this sector with increased rates for management fees and Points of service.

There has been an increase in other income to ₹ 2.8 crore in FY 2019 as compared to ₹ 2.4 crore in FY 2018 primarily on account of increase in profit from sale of investments. The costs have increased marginally to ₹ 2.8 crore in FY 2019 from ₹ 2.5 crore in FY 2018. Consequently, KMPFL has reported a profit during FY 2019 of ₹ 0.07 crore as compared to a loss of ₹ 0.05 crore in FY 2018.

KOTAK INTERNATIONAL SUBSIDIARIES

Financial Highlights

(₹ in crore)

Particulars	FY 2019	FY 2018
Total Income	347.0	297.7
PBT	170.3	133.7
PAT	148.2	114.4

Kotak International subsidiaries consist of following entities:-

1. Kotak Mahindra (UK) Limited
2. Kotak Mahindra (International) Limited

3. Kotak Mahindra, Inc.
4. Kotak Mahindra Financial Services Limited
5. Kotak Mahindra Asset Management (Singapore) Pte. Limited

The international subsidiaries have offices in UK, Mauritius, US, UAE and Singapore.

The international subsidiaries are mainly engaged in investment management, advisory services, dealing in securities, broker-dealer activities and investments on own accounts.

FY 2019 was relatively a difficult and challenging year on account of global and domestic headwinds. Debt markets saw periods of volatility due to risk of rising inflation on the back of crude prices, temporary liquidity squeeze after default by a major Non-Banking Financial Company (NBFC) in India and Foreign Portfolio Investor (FPI) outflows which recovered towards the end-of-the year as crude prices receded and inflation were subdued owing to low food inflation. In equity markets, the large cap NIFTY index increased 8% in USD terms and out-performed other comparable markets.

On the global front, the past year was dominated by trade negotiations between US and China, volatile crude prices and fragile macro-economic positions in certain emerging markets. On the domestic front, much of focus was on pace of normalization post GST-implementation, impact of rising crude prices on current account deficit and consequent depreciation of INR versus USD, stress in system liquidity after default of a major NBFC and political uncertainty due to upcoming general elections and election in other key states.

On political front, the ruling Government in India lost to the single largest opposition in four key states during the year. This coupled with the upcoming general elections in India may add to volatility in the markets.

While elections are key macro variable from near term perspective, market focus will subsequently shift towards economic fundamentals, overall governmental policies and corporate earnings.

Net FPI flows into the Indian equity markets were USD 1.5 billion during FY 2019 compared to USD 3.4 billion in FY 2018.

The average AUM increased from ₹ 28,428.8 crore (USD 4.4 billion) in FY 2018 to ₹ 34,631 crore (USD 5.0 billion) in FY 2019.

The AUM of offshore funds managed or advised by the Offshore Subsidiaries saw a net outflow of ₹ 1,505 crore (USD 0.2 billion) in FY 2019 as compared to inflow of ₹ 6,785 crore (USD 1.0 billion) in FY 2018.

The closing assets managed / advised (AUM) by the international subsidiaries reduced from ₹ 35,572.9 crore (USD 5.5 billion) as on 31st March, 2018 to ₹ 32,997.7 crore (USD 4.8 billion) as on 31st March, 2019. This was largely due to negative movement of markets and outflows from the debt funds it managed.

The offshore subsidiaries have built a strong distribution network across geographies both in terms of distributors and key accounts. The funds have investments from across the major geographies like Japan, Europe, US and Middle East and continued to make inroads to new geographies like South Korea during the year.

The overall revenue increased primarily on account of higher investment management & advisory income commensurate with the growth in AUM by ₹ 34.0 crore, higher income from investments by ₹ 8.4 crore and interest income by ₹ 6.5 crore. The total income earned by international subsidiaries increased from ₹ 297.7 crore during the FY 2018 to ₹ 347.0 crore during the current year. The operating expenses increased from ₹ 143.6 crore during the previous year to ₹ 157.3 crore during the current year largely due to the higher staff costs. The offshore subsidiaries have successfully controlled other operating costs.

Resultantly, the profit before tax for the year stood at ₹ 170.3 crore versus a profit of ₹ 133.7 crore for the previous year.

Kotak Investment Advisors Limited (KIAL)
KIAL is in the business of managing and advising funds across various asset classes namely (a) Private Equity (b) Real Estate (c) Infrastructure and (d) Listed Strategies.

Financial Highlights

(₹ in crore)

Particulars	FY 2019	FY 2018
Total Income	85.3	91.9
PBT	17.1	10.8
PAT	17.4	10.9

During the year, KIAL has received new capital commitments of around ₹ 50 billion. The aggregate domestic alternate assets managed by KIAL as on 31st March, 2019 were ₹ 10,547 crore. It managed 15 domestic funds during the year. It also advised 5 offshore funds during the year. During the year, KIAL successfully exited all investments in its Managed Account Fund.

Of the new capital commitments received during the year, KIAL has received commitment of ₹ 36 billion for a new distressed asset fund from a sovereign wealth fund. It will target both pre-stress and distressed opportunities, with a key focus on providing financial support to pre-stress businesses to prevent them from entering insolvency. Also, it has launched a commercial office development platform, which will be anchored by a sovereign wealth fund with a commitment of ₹ 13 billion, in partnership with a leading Bengaluru based real estate developer. It is one of the largest dedicated commercial office development platforms announced in India. It's strategy is to develop greenfield projects as well as acquire under construction and completed assets across key commercial office markets in India.'

Kotak Mahindra Trusteeship Services Limited (KMTSL)
KMTSL acts as a trustee to domestic venture capital funds and private equity funds. It also acts as a trustee to estate planning trusts, in which it assists in setting up private trusts for high net worth individuals to achieve their succession and financial planning.

Financial Highlights

(₹ in crore)

Particulars	FY 2019	FY 2018
Total Income	9.1	6.5
PBT	3.3	2.4
PAT	2.4	1.7

Kotak Infrastructure Debt Fund Limited (KIDFL)
KIDFL, is the infrastructure debt financing company. KIDFL provides long term finance to infrastructure projects and has completed one year of satisfactory operations. In its first full year of operations, KIDFL was able to forge relationships with marquee clients and build a robust asset book diversified across various Infrastructure sub-sectors.

Financial Highlights

(₹ in crore)

Particulars	FY 2019	FY 2018
Total Income	63.6	24.8
PBT / PAT	25.6	14.4

In its first full year of operations, Customer Assets increased to ₹ 672.3 crore compared to ₹ 429.3 crore as on 31st March, 2018.

IVY Product Intermediaries Ltd (IVYPIL)
IVYPIL is investing surplus money in FDs. IVYPIL is not engaged in any business activity.

Financial Highlights

(₹ in crore)

Particulars	FY 2019	FY 2018
Total Income	0.4	0.3
PBT	0.3	0.3
PAT	0.2	0.2

BSS Microfinance Limited (BSS)
BSS is a wholly owned subsidiary of Kotak Mahindra Bank Limited (KMBL) and is working as Business Correspondent (BC) of the Bank. BSS facilitates Microfinance Loans to Rural and Semi-urban poor women and is having 176 branch offices across Karnataka, Maharashtra, Madhya Pradesh and Tamilnadu. Loans originated by BSS are eligible for priority sector advances of the Bank and about 56% of the loans originated during the financial year are Agri & Animal husbandry. During the year, BSS received approval from RBI for cancellation of its NBFC license.

Financial Highlights

(₹ in crore)

Particulars	FY 2019	FY 2018*
Total Income	139.4	128.2
PBT	79.2	32.7
PAT	55.7	21.3

**Represents full year numbers. However, the Bank acquired BSS w.e.f 27th September, 2017*

ASSOCIATES HIGHLIGHTS

Infina Finance Private Limited

Infina Finance Private Limited is a non-banking financial company engaged in the business of investments, trading in securities and providing finance against securities.

Financial Highlights

(₹ in crore)

Particulars	FY 2019	FY 2018
Total Income	176.4	388.5
PBT	94.1	275.5
PAT	66.4	189.7
Share of Kotak Group	33.2	94.8

The profit for the current year is lower due to decrease in profit on trading in securities compared to previous year and increase in cost.

Phoenix ARC Private Limited

Phoenix ARC Private Limited is into asset reconstruction business and provides stress asset recovery service to banks and NBFCs.

Financial Highlights

(₹ in crore)

Particulars	FY 2019	FY 2018
Total Income	241.0	177.3
PBT	138.2	51.3
PAT	100.2	28.8
Share of Kotak Group	50.0	14.4

PAT of the Company saw an increase of 3.5 times. This increase is due to substantially better recoveries in this year, which led to increase in fees and profits during FY 2019. The income was offset, in part, by higher borrowing costs and provision for diminution in value of investments.

Matrix Business Services India Private Limited

Matrix Business Services India Private Limited is into verification and risk mitigation business where it verifies people and products under two major domains:

i. People: Employee Background Check – Verification and validation of the credentials of employees coming on board like residence, academic, prior employment, drug, court, database, etc.

ii. Products: Audit and Assurance – Verification and validation of the products right from the Depot level to the Retailer level. It also does claim processing and distributor due diligence under this domain.

Financial Highlights (Unaudited)

(₹ in crore)

Particulars	FY 2019	FY 2018
Total Income	63.0	56.3
PBT	7.5	7.9
PAT	5.4	5.4
Share of Kotak Group (post adjustments)	1.1	1.0

The Group has sold its entire stake in Matrix Business Services India Private Limited on 26th April, 2019 and accordingly it has ceased to be an associate of the Group from that date.

ACE Derivatives and Commodity Exchange Limited (Unaudited)

The Company is a demutualised national level multi commodity exchange and discontinued trading operations in May 2015. It received SEBI approval in December 2018 for surrender of exchange license. The Company for the year ended 31st March, 2019 has made a marginal profit primarily from investment of surplus money.

Financial Highlights

(₹ in crore)

Particulars	FY 2019	FY 2018
Total Income	0.8	1.0
PAT	0.3	0.7
Share of Kotak Group (post adjustments)	0.1	0.3

RISK MANAGEMENT

A. Risk Management

The Group views risk management as a core competency and tries to ensure sound management of risks through timely identification, assessment and management. The Group manages Risk under an Enterprise wide Risk Management (ERM) framework that aligns risk and capital management to business strategy, protects its financial strength, reputation and ensures support to business activities for adding value to customers while creating sustainable shareholder value. The ERM framework supports the MD & CEO and CRO in embedding strong risk management and risk culture. The ERM framework lays down the following components for effective Risk Management across the Group

- An Independent Risk organisation and governance structure with a clear common framework of risk ownership and accountability
- Governance standards and controls to identify, measure, monitor and manage risks
- Policies to support and guide risk taking activities across the Group
- Risk Appetite statements
- Standardised risk metrics and risk reports to identify and communicate and risks
- Periodic stress testing to assess the impact of adverse business conditions on earnings, capital and liquidity

The Bank has adopted the three lines of defence model towards risk management. Business units and the independent risk management function, work in collaboration to ensure that business strategies and activities are consistent with the laid down policies and limits. Responsibilities for risk management at each line of defence are defined, thereby providing clarity in the roles and responsibilities towards risk management function.

At the first line of defence are the various business lines that the Bank operates, who assume risk taking positions on a day to day basis within approved framework and boundaries.

The second line of defence is made up of Risk Management, Finance and Compliance functions. This line provides independent review, challenge and oversight of the activities conducted by the first line and periodic reporting to the Board.

The third line of defence is the audit function that provides an independent assessment of the first and second line of defence and reports to the audit committee of the Board.

The risk management framework based on the three lines of defence governance model is further strengthened by a strong risk culture that is present at all levels.

The independent Risk function is headed by the Group Chief Risk Officer (CRO) who reports directly to the MD & CEO of the Group. The Risk function provides an independent and integrated assessment of risks across various business lines.

The risk management process is the responsibility of the Board of Directors which approves risk policies and the delegation matrix. The Board is supported by various management committees as part of the Risk Governance framework. The Bank and every legal entity in the Group, operates within overall limits set by the Board and Committees to whom powers are delegated by the Board. Every quarter, the Group CRO reports to the Board, on the performance against risk appetite and the risk profile. Besides this, formal updates on various portfolios are provided to the Board periodically. Such regular and transparent risk reporting and discussion at senior management level, facilitates communication and discussion of risks and mitigating strategies, across the organisation. The Board continued to provide oversight the management’s efforts to balance growth and prudent risk management, while creating value for stakeholders.

During the year, the Bank and major entities of the Group continued to be rated “AAA”, reflecting the Group's strong financial risk profile, sound asset quality, robust liquidity and strong capital adequacy.

B. Capital Adequacy

The Group’s approach to capital adequacy is driven by strategic and organisational requirements while taking into account the regulatory and macro-economic environment. Capital management involves an on-going review of the level of capitalisation against key objectives and to maintain a strong capital base to support long-term stability, planned business growth and risks inherent in various businesses. The strong Tier I capital position of the Group is part of the overall business strategy and a source of competitive advantage. It provides assurance to regulators and credit rating agencies, while protecting the interests of depositors, creditors and shareholders. Strong capitalisation also enables the Group to take advantage of attractive business opportunities. The Group strives to strike a balance between the need for retaining capital for strength and growth, while providing an adequate return to shareholders. In addition to the regulatory risk-based capital framework, the Group is also subject to minimum Leverage Ratio requirement. The leverage ratio is calculated by dividing Basel III tier 1 capital by the total of on-balance sheet assets and off-balance sheet items at their credit equivalent values. The strong tier 1 position of the group ensures a high leverage ratio for the group.

Capital planning is an important element of overall financial planning and capital requirements of businesses are assessed based on the growth plans. The Capital utilisation & requirement is monitored every quarter to ensure sufficient capital buffer above regulatory and internal requirement. Senior management considers the implications on capital, prior to making strategic decisions. The Bank and each legal entity in the Group were capitalised above internal and regulatory minimum requirements at all times during the year, including under stress conditions.

C. Risk Appetite

The risk appetite is set by the Board and is a top-down process consisting of specific quantitative and qualitative factors and provides an enforceable risk statement on the amount of risk the Group is willing to accept in support of its financial and strategic objectives. The risk appetite statements cover all key risk factors and define the boundaries of risk taking. The risk appetite is a key building block of the Bank's risk management culture and risk management framework. Risk Appetite forms a key input to the business and capital planning process by linking risk strategy to the business strategy, through a set of comprehensive indicators. The Risk appetite statements are reviewed annually and the financial plans are tested against the risk appetite to ensure alignment. Regular monitoring of risk exposures is carried out to ensure that risk taking activity remains within risk appetite. Performance against approved risk appetite is measured every quarter and reviewed by the Senior Management, RMC & Board. Action is taken as needed, to maintain balance of risk and return.

The framework is operational at the consolidated level as well as for key legal entities. The overall Bank risk appetite have been cascaded to key business segments thereby ensuring that the Bank's aggregate risk exposure is within its desired risk bearing capacity.

D. Credit Risk

Of the various types of risks which the Group assumes, credit risk contributes to the largest regulatory capital requirement. Credit risk arises as a result of failure or unwillingness on part of customer or counterparties' to fulfil their contractual obligations. These obligations could arise from wholesale, retail advances, off balance sheet items or from investment and trading portfolio by way of issuer risk in debt paper, counterparty risk on derivative transactions and downgrade risk on non SLR investments and OTC contracts. The Group assumes credit risk in a wide range of lending and other activities in diverse markets.

The Group has a comprehensive top down credit risk framework defined by Credit policies & Standards that sets out the principles and control requirements under which credit is extended to customers in various business divisions. The policies and standards cover all stages of the credit cycle including origination; client ratings, risk assessment; credit approval; risk mitigation; documentation, administration, monitoring and recovery. The Group aims to have a consistent approach across legal entities when measuring, monitoring and managing credit risk.

The Group has credit approving authorities and committee structures and a set of formal limits for the extension of credit, linked to the risk levels of the borrower and transaction. The delegation of authority is reviewed at least annually.

The Credit philosophy in the Bank mandates that lending is based on credit analysis, with full understanding of the purpose of the loan and is commensurate to customer financials and ability to repay from business operations. Off balance sheet transactions are subjected to the same rigorous credit analysis as on balance sheet transactions. Appropriate levels of collateralization is obtained based upon the nature of the transaction and the credit quality, size and structure of the borrower.

Wholesale and retail portfolios are managed separately owing to difference in the risk profile of the assets. Wholesale lending is managed on a name-by-name basis for each type of counterparty and borrower Group. Credit rating models provide a consistent and structured assessment, which, supplemented with expert judgment determines Credit Approval. Wholesale credit is monitored at an aggregate portfolio, industry, individual client and borrower Group level. Annual credit reviews of borrowers are a key credit control measure and all wholesale accounts are reviewed at least once, annually with updated information on financial position, market position, industry economic condition and account conduct. Besides client account reviews, sector outlook and performance of borrowers within sectors are monitored and reported to senior management.

Retail portfolios typically consist of a large number accounts of relatively small value loans. They comprise of mortgage loans, vehicle loans, personal loans, credit cards, small business loans etc. These are mainly schematic lending within pre-approved parameters. The credit assessment in such portfolios is typically done using a combination of client scoring, product policy, external credit reporting information such as credit bureaus where available and is also supplemented by Credit officer's judgment. Internal historical information from previous borrowers also forms an input into credit decisions. There are specific guidelines for each product and the credit decision will take into account the parameters like loan to value, borrower demographics, income, loan tenor, availability of guarantors etc.

Retail clients are monitored on a portfolio basis. Business-specific credit risk policies and procedures including client acceptance criteria, approving authorities, frequency of reviews, as well as portfolio monitoring frameworks and robust collections and recovery processes are in place.

The Bank's credit process is divided into three stages - pre-sanction, sanction and post -sanction.

At the pre-sanction stage, the independent credit function conduct credit appraisal and assign a borrower credit rating based on internal rating model. The credit rating takes into consideration the borrowers current and anticipated financial position and other relevant risk factors like Business risk, Industry and Management quality. The Bank has various rating models depending upon the borrower size and segment. Each credit rating assigned maps into a borrower's probability of default. The borrower rating is supplemented by the facility rating system, which considers mitigants, such as collateral and guarantees. At a minimum, two independent credit officers are involved in the rating decisions and the ratings are finalised by a senior credit officer.

In the post sanction process, the Credit Administration team processes documentation, on the completion of which, credit is disbursed. There is regular reporting on portfolio distribution by risk grades, monitoring of covenants prescribed as part of sanction and pending documentation if any.

An independent loan review team conducts reviews of credit exposures covering compliance to internal policies, sanction terms, regulatory guidelines, account conduct and suggests remedial measures to address irregularities if any. The Bank has an enterprise wide Early Warning Signal (EWS) framework that considers various financial and non-financial parameters to identify signs of credit weakness at an early stage. In case of loans where there is significant deterioration, the Bank employs various recovery mechanisms, including transferring the account to an internal unit specialised in managing problem accounts, to maximise collection from these accounts.

E. Collateral and Credit Risk Mitigation

Credit Risk mitigation, begins with proper customer selection through assessment of the borrower, along financial and non-financial parameters, to meet commitments. The Group uses a number of methods to mitigate risk in its credit portfolio (on and off balance sheet), depending on suitability of the mitigant for the credit, legal enforceability, type of customer and internal experience to manage the particular risk mitigation technique. Common credit risk mitigation techniques are facility structuring, obtaining security / collateral, guarantees and lending covenants. Mitigating mechanisms like syndication, loan assignments as well as reduction in the amount of credit granted are also used. While unsecured facilities may be provided, within the Board approved limits for unsecured lending, collateral is taken wherever needed, depending upon the level of borrower risk and the type of loan granted.

The Bank has an approved Collateral management policy that sets out the acceptable types of collateral, valuation framework and the hair cut applicable. The haircut applied depends on collateral type and reflects the risk due to price volatility, time taken to liquidate the asset and realization costs. Collateral values are assessed at the time of loan origination by an independent unit and the valuations are updated, as per policy, depending on the type of collateral, legal environment and creditworthiness of the borrower. In cases where the value of collateral has materially declined, additional collateral may be sought to maintain the cover as per sanction terms. The main types of collateral / security taken include cash & cash equivalents, immovable property, movable fixed assets, inventory and receivables. Guarantees from higher rated entities are also obtained in cases where credit worthiness of the standalone borrower is not sufficient to extend credit. Guarantees that are treated as eligible credit risk mitigation are monitored along with other credit exposures to the guarantor.

Legal enforceability of collateral obtained is critical, to improve recoveries in the event of a default. The Bank has specific requirements in its internal policies with regards to security verification and appropriate legal documentation. The Credit Administration and Legal function ensure that there is timely registration, adequate legal documentation, in line with internal policies, to establish recourse to any collateral, security or other credit enhancements.

F. Credit Risk Concentration

To avoid undue concentration in credit exposures and maintain diversification, the Bank operates within Board approved limits or operational controls in its loan portfolio, that include -

- Single / Group borrower & Substantial exposure limits
- Sector and Industry limits
- Exposure limits on below investment grade accounts
- Country / Bank exposure limits

The Bank has defined internal limits for managing borrower concentrations, which are tighter than regulatory norms. Exposures are monitored against approved limits to guard against unacceptable risk concentrations, and appropriate actions are taken in case of any excess. Concentration limits represent the maximum exposure levels the Bank will hold on its books. Besides controlling fresh exposure generation, loan sell-downs are used as a key tool in managing concentrations. Concentration levels in the credit portfolio are reported to senior management. Based on evaluation of risk and stress in various sectors, the Bank identifies stressed sectors and makes provisions for standard assets at rates higher than the regulatory minimum, in such sectors.

Concentration is also monitored in geographic locations in the retail portfolio, delinquency trends, types of credit facilities and collaterals. The risk appetite of the Bank mandates a diversified portfolio and has suitable metrics for avoiding excessive concentration of credit risk.

G. Market Risk in Trading Book

Market Risk is the risk that earnings or capital will be adversely affected by changes in market variables such as interest rates, foreign exchange rates, volatilities, credit spreads, commodity and equity prices. The Board Approved Investment Policy sets out the Investment Philosophy of the Bank and approach to Market Risk Management. The Asset Liability Management Committee (ALCO) of the Bank approves the the market risk & limit framework, allocation of limits to business units and desks and reviews the risk monitoring systems and risk control procedures. Additionally, the Bank has a Senior Management Committee for Derivatives that is responsible for the oversight of the client Derivatives business.

The Bank has a comprehensive limit-framework including sensitivity measures like PV01, Duration, Delta, Gamma, Vega etc. and other limits like loss-limits, value-limits, gap-limits, deal-size limits and holding-period limits.

The independent Market Risk Management unit reports directly to the Group Chief Risk Officer and ensures that all market risks are identified, assessed, monitored and reported for management decision making. The unit is responsible for identifying and escalating any risks, including limit breaches on a timely basis.

Liquidity of the trading portfolio is assessed and an appropriate deduction is made from Tier 1 capital towards illiquidity if any.

The Bank uses a Value-at-Risk (VaR) based on historical simulation and a confidence level of 99% to quantify the potential price risk in the portfolio. Additionally, to assess the tail risk, the Bank computes Expected Shortfall. Value-at-Risk limits have been set on all trading portfolios. The VaR model is periodically validated through a process of back testing. The Bank also uses metrics like Stressed Value-at-Risk and periodically performs Stress testing to measure the exposure of the Bank to extreme, but plausible market movements.

H. Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before final settlement of the transaction's cash flows. An economic loss would occur if the transaction or portfolio of transactions with the counterparty has a positive economic value for the Bank at the time of default.

The CCR exposure is calculated on a daily basis, using Current Exposure Method. Limits for interbank counterparties are set on the basis of an internal model, approved by the ALCO. CCR limits for other counterparties are set on the basis of their internal ratings, Loan Equivalent Ratio, business requirements and are approved by the appropriate sanctioning authorities.

The Bank has an approved framework to evaluate the Suitability of the customer and Appropriateness of the derivative to the client's hedging requirements. The Group computes Credit Valuation Adjustment, which captures the risk of mark to market losses due to deterioration in the credit worthiness of the counterparty.

With a view to reduce counterparty and systemic risk, there are regulatory initiatives directing OTC trades to be cleared through Central Counterparties (CCPs). The Bank has a dedicated team that manages the interface with CCPs and understands the implications of the risk transfer from being distributed among individual bilateral counterparties to CCPs. The Bank operates within ALCO approved limits on individual CCP.

I. Interest Rate Risk in Banking Book (IRRBB)

IRRBB consists primarily of risk inherent in ALM activities and relates to the potential adverse impact of changes in market interest rates on future net interest income. IRRBB arises from mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL) and rate sensitive off-balance sheet items in the banking book. The Group assesses and manages interest rate risk in its banking book as well as including trading book.

ALCO is the guiding body for management of IRRBB in the bank and sets the overall policy and risk limits. Balance Sheet Management Unit (BMU), which is part of the treasury, is entrusted with the responsibility of managing IRRBB and uses Funds Transfer Pricing (FTP) to transfer risk from business units to centralised treasury. No interest rate risk is retained within any business other than treasury. Measuring interest rate risk in the banking book, includes conventional parallel yield curve shifts as well as scenarios in which the curvature of the yield curve changes.

As interest rate risk can impact both net interest income (NII) and value of capital, it is assessed and managed from both earning and economic perspective. Bank uses earnings at risk (EaR) as a short term risk indicator to assess the sensitivity of NII and NIM over a one-year period, to change in interest rates. From an economic perspective, which is a long term risk indicator, it uses duration approach to determine the sensitivity of economic value of equity (EVE) to changes in interest rates.

J. Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due without adversely affecting its financial condition. Liquidity is managed through the Group Liquidity policy, which is designed to maintain high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations while maintaining a diversified funding profile.

Asset Liability Management Committee (ALCO) of the Bank defines its liquidity risk management strategy and risk tolerances. Balance Sheet Management Unit (BMU) of the bank is responsible for managing liquidity under the liquidity risk management framework. Liquidity risk management strategies and practices are reviewed to align with changes to the external environment, including regulatory changes, business conditions and market developments. Actual and anticipated cash flows generated are monitored to ensure compliance with limits. Liquidity risk tolerance is an integral part of the Board approved risk appetite statements.

There is an in internal funds transfer pricing mechanism under which each business is allocated the full funding cost required to support its assets, Businesses that raise funding are compensated at an appropriate level for the liquidity benefit provided by the funding.

Liquidity risk is assessed in the Bank from both structural and dynamic perspective and the bank uses various approaches like Stock approach, cash flow approach & stress test approach to assess this risk. Bank has also set prudential internal limits in addition to regulatory limits on liquidity gaps, call borrowing, interbank liabilities, etc. Cash flow management is critical for liquidity risk management and the Bank has developed models for predicting cash flows for products with indeterminate maturity, products with embedded options, contingents, etc. The outcome of the models are periodically back tested to test their effectiveness.

The Bank also manages its intra-day liquidity positions so that payments and settlement obligations are met on a timely basis. The Bank dynamically manages the queue of payments, forecasts the quantum and timing of cash flows, prioritizing critical payment transactions, assessing the drawing power of intraday liquidity facilities, etc.

The Bank follows a scenario based approach for liquidity stress testing to evaluate the impact of stress on the liquidity position. The Liquidity Coverage Ratio (LCR) aims to promote short-term resilience of a bank's liquidity risk profile and measures the extent to which a Banking Group's High-quality liquid assets (HQLA) are sufficient to cover short-term expected cash outflows in a stressed scenario, over the next 30 calendar days. The expected cash outflows are arrived by applying specific run off rates, prescribed by the regulator, against outstanding liabilities and off-balance sheet commitments. These outflows are partially offset by inflows, which are calculated at regulatory prescribed inflow rates. The HQLA have to meet the defined eligibility criteria laid down by the regulator. The Group monitors and manages the composition of liquid assets to ensure diversification by asset class, counterparty and tenor.

Currently, the regulatory requirement for LCR is 100%, on a daily average basis. The Group is currently well above the minimum regulatory requirement for the LCR. The Group considers the impact of its business decisions on the LCR and regularly monitors this as part of the liquidity risk management framework.

Besides LCR, the Basel III liquidity framework also envisage the Net Stable Funding Ratio (NSFR), which measures the ratio between available stable funding (>1 year) and the required stable funding (> 1 year) to support long-term lending and other long term assets. The RBI has prescribed NSFR of at least 100% from 1st April 2020. The Group is on track to meet the NSFR requirements as per the final guidelines.

The bank has a contingency liquidity plan (CLP) approved by ALCO and the Board, that plays an important role in its liquidity risk management framework. The CLP incorporates early warning indicators (EWIs) to forewarn emerging stress liquidity conditions and to maximize the time available to undertake appropriate mitigating strategies. The plan establishes lines of responsibility, contact lists to facilitate prompt communication with all key internal and external stakeholders and also defines strategies and possible actions to conserve or raise additional liquidity, under stress events of varying severity, to minimize adverse impact on the Bank.

K. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The objective of operational risk management at the Bank is to manage and control operational risk in a cost effective manner within targeted levels as defined in the risk appetite. The centralised and independent operational risk management function manages this risk as guided by the Board approved operational risk management policy.

The Board of Directors, Risk Management Committee and the Operational Risk Executive Committee (OREC) have overall oversight function for operational risk management. The Group level IT Security Committee provides direction for mitigating the operational risk in IT security. There is a group wide IT security programme (ARISTI) to ensure complete data security and integrity. There is also a Committee on Frauds, which reviews all frauds above a threshold amount.

The Business Units and support functions, are accountable for operational risks and controls in their respective areas, which they manage under the policies, standards, processes, procedures; and operational risk management framework laid down by the independent Operational Risk Management (ORM) function. The ORM function defines standardised tools and techniques such as Risk and control self-assessment (RCSA) to identify and assess operational risks and controls. The RCSA programme is executed by Business and support functions in accordance with the standards established by the ORM function. The ORM team provides independent challenge to the

RCSAs and evaluates the residual risks. Key Risk Indicators (KRIs) are defined and tracked to monitor trends of operational risk parameters. Internal audit and Internal Control teams provide oversight and assurance that activities are conducted as per laid down guidelines.

The Bank has an internal framework for reporting and capturing operational risk incidents. Significant incidents reported are investigated to assess weaknesses in controls and identify areas for improvement. The Bank has a Whistle blower policy and platform, which is open to employees and vendors for raising their concerns, with full confidentiality, on any fraud, malpractice or any other untoward activity or event. Disaster recovery and Business Continuity Plans (BCP) have been established for significant businesses to ensure continuity of operations and minimal disruption to customer services. These plans are periodically tested and reviewed to ensure their effectiveness.

Risk transfer via insurance is a key strategy to mitigate operational risk exposure at the Bank. The Operational Risk team helps to review and provide inputs on insurance coverage basis trends and triggers emerging from unusual events or changes in risk profile basis introduction of new products or developments in the external environment

L. Technology Risks

The Bank has committed significant resources to manage technology risk. A layered technology architecture is implemented to manage risks due to system failures, cyber-attacks etc. Disaster recovery and Business Continuity Plans (BCP) have been established and various functional and technology initiatives have been taken to enhance system resiliency.

End of Life/out of support systems pose operational and security risks such as vendor support, patch, bug fixes etc. The Bank has a process for planned upgrades of out of support systems.

Effective access control mechanism is a key technology control to prevent unauthorised access. The access to business applications is provisioned by an independent team. The access is provided based on the roles and segregation of duties. Technology and Operational controls are implemented to manage privileged access to systems.

Cyber threats and the associated risks in the external environment have increased and the Bank works continuously to improve processes and controls to mitigate these risks. Cyber resilience framework is established to mitigate the threats such as data breaches, malware, denial-of-service attacks etc.

New digital product offerings are thoroughly assessed for cyber risks prior to roll out.

During the year, the Bank conducted cyber drills to assess the effectiveness of the prevention, detection and response mechanisms. Several initiatives were taken to impart and assess the security awareness of employees/contractors. The bank has enhanced its threat hunting capabilities to proactively detect malicious behavior/anomalies in the IT Infrastructure. The Bank has also done the self-attestation of the SWIFT customer security programme and complies with all the mandatory SWIFT security guidelines.

The Bank constantly monitors the technology risk environment, emerging regulatory requirements and mitigation strategies.

Ongoing audits/tests are conducted to assess the robustness of its technology controls and minimize the impact of any incidents.

M. Digitalisation

Technology is rapidly changing the way financial services entities operate and is a key disruptor for the industry. The Group focus continues to be on digital and is aimed at leveraging digital technology to provide a best in class experience for its customers while simultaneously enhancing productivity and risk management. During the year, the Group expanded its digital capabilities to new deposit account opening, decisioning on certain credit cards, new insurance and investment products. The Group believes that technology driven changes in operations will lead to gains through increasing efficiency and reduction in error rates. The competitive environment is also evolving, with new entrants, fintechs targeting parts of the financial services value chain. The Group will continues to invest in front end and back end technology and digital infrastructure to further enable digital offerings, improve client experience and increase efficiency.

N. Reputation Risk

Trust is the foundation for the banking industry and is critical to building a strong customer franchise. Reputation risk is the risk of current or prospective loss arising from stakeholder's adverse experience while dealing with the institution or which resulted in an adverse perception / loss of Trust on the institution. Reputation Risk most often results from the poor management of other risks and can arise from a variety of sources including direct sources like poor financial performance, poor governance and indirect sources like increased operational risk or control failures. Reputation is critical to achieving Group Objectives and targets and damage to it can have negative effects on its business. Managing reputation is a priority area for the Group and there is Zero tolerance for knowingly engaging in any activities that are not consistent with its values, Code of Conduct or policies and have the potential for unacceptable regulatory or reputational risk. The Group ERM policy lays down the framework to ensure reputation is managed effectively and consistently across the Group. This is supplemented by business procedures for identifying and escalating transactions that could pose material reputation risk, to senior management. Each employee has the responsibility to consider the impact on reputation of the Group, when engaging in any activity. The framework seeks to proactively identify and avoid areas that may result in potential damage to reputation and guidelines for managing crisis situations, if a reputation risk incident has occurred. The reputation risk management process is integrated with the Internal Capital Adequacy Assessment Process. While reputation risk can be difficult to quantify, the Bank has adopted a scorecard approach, based on expert judgment, to assess various reputation risk drivers and the overall level of reputation risk.

O. Conduct Risk

Conduct risk means any action that would cause harm to consumer protection, market integrity or competition. The Bank has identified conduct risk arising out of: Manipulation of financial benchmarks / markets, Mis-selling, Fair dealing with customers & Compliance with laws of the land. Minimising conduct risk is critical to achieving long term business goals and meeting regulatory standards. The Bank has processes for managing conduct risk and policies that guide staff in dealing with prevention of conflict of interest, employee conduct and dealing with proprietary and confidential information, so that they conduct themselves ethically and in compliance with the law. Product approval, product review processes, Suitability and appropriateness policies, are some of the measures embedded in the Bank's framework to mitigate conduct risk. Conduct Risk is managed by maintaining a positive and dynamic culture that emphasizes acting with integrity. Respective policies ensure that business decisions are guided by standards that take into account right conduct apart from commercial considerations. Conduct risk management is incorporated into HR practices, including recruiting, training, performance assessment, promotion and compensation processes. The group places zero tolerance on instances of professional or personal misconduct. Conduct risk is assessed in the ICAAP through a scorecard that considers the various drivers of conduct risk.

P. Risk Culture

Culture and values are a priority area for the Group. The Group embeds a strong risk culture, through clear communication and appropriate training for employees. The Group only assumes those risks that can be managed, with clear understanding of the implications. Senior Management receives regular and periodic information on various matters for the respective business lines and clearly communicate their plans, strategy and expected outcomes to team members. The Bank has a structured induction programme for new employees to help them in understanding various businesses across the Group and how risk management culture and practices support in building and sustaining the organization. Employees are accountable for the risks they and it is their responsibility to escalate issues to senior management, on a timely basis. The risk culture in the group lays emphasis responsible business practices, prioritization of customers' needs and appropriate disclosures. These objectives are backed by suitable policies and processes for implementation.

Q. Internal Capital Adequacy Assessment Process ('ICAAP')

Every year, the Group undertakes the Internal Capital Adequacy Assessment Process ('ICAAP'), which provides management with a view of overall risks, assessment and capital allocated to cover the risks. The ICAAP is linked to overall business planning and establishes a strategy for maintaining appropriate capital levels. ICAAP is an assessment of all significant risks (Pillar II), other than Pillar I risks, to which the Group is exposed and covers the consideration of whether additional capital is required, based on internal assessment. Once the risks are identified, the Group determines the method and extent of risk mitigation. Risk mitigation takes place through strengthening policies, procedures, improving risk controls and having suitable contingency plans. Finally, the Group determines the risks that will be covered by capital and the level of capital sufficient to cover those risks. The ICAAP outcomes are reviewed by senior management and formally approved by the Board. During the year, the Group was adequately capitalised to cover Pillar I & Pillar II risks.

R. Stress Testing

Stress testing is a key element of the ICAAP and an integral tool in the Risk Management framework as it provides management a better understanding of how portfolios perform under adverse economic conditions. Stress testing is integral to strengthening the predictive approach to risk management and supplements other risk management tools by providing an estimate of tail risks.

The Bank has a Board approved Stress testing policy which is aligned to regulatory guidelines and covers material risks. Indicative stress scenarios are defined in the policy. Liquidity stress tests are also part of this framework and aim to ascertain whether the Bank has recourse to adequate liquidity to withstand the impact of approved stress scenarios. As actual events can sometimes be more severe than anticipated, management considers additional stresses outside these scenarios, as necessary. Reverse stress testing is used to explore extreme adverse events that would cause capital adequacy to fall below the internal capital threshold.

The results of stress tests are interpreted in the context of the Bank's internal risk appetite for capital adequacy and reported to management and the Board. The stress testing exercise provides an opportunity to develop suitable mitigating response prior to onset of actual conditions exhibiting the stress scenarios. The ICAAP integrates stress testing with capital planning and during the year, the Bank was above regulatory and internal target capital ratios under all approved stress scenarios.

COMPLIANCE

An independent and comprehensive compliance structure addresses the Bank's compliance with regard to adherences to various regulators prescriptions including reputation risks. In addition, all key subsidiaries of the Bank have independent Compliance Function. The Compliance officials of the Bank and the Group interact on various issues including the best practices followed by these subsidiary companies. Guidance or directions are extended to the subsidiary companies Compliance Officers, keeping in the mind the overall responsibility of the Bank as the Holding Company. The Compliance Function is responsible for all aspects of regulatory compliance across the Bank. There are dedicated resources deployed to focus on areas like KYC / AML, review and monitoring and provide guidance on regulatory issues to the line functions.

The compliance framework, approved by the Board, broadly sets out the compliance risk management processes and tools to be used by businesses, management and Compliance Officers for managing its compliance risks. Apart from the Bank's compliance framework, the Bank and all the subsidiaries have their own compliance manuals. The Compliance team supports top management and manages and supervises the compliance framework along with providing compliance assistance to various businesses / support functions. The Bank has a Board approved

New Products / Process approval policy and all new products / processes or modifications to the existing product / processes are approved by Compliance by satisfying that these products are in compliant with not only various RBI regulations but that of SEBI / IRDAI / PFRDA. As prescribed by RBI, Bank has a system of compliance review of its new products within six months of its launch to satisfy that all the regulatory prescriptions have been adhered to. These Review reports are issued to the concerned businesses / Product Heads.

The Compliance Department ensures that the applicable regulatory prescriptions apart from Anti-Money Laundering / Combating Financing of Terrorism / KYC aspects are dovetailed in to the new products / processes notes. Compliance Department senior executives are members of various internal and external committees, which enable them to monitor the compliance risk of the institution effectively.

The Bank uses the knowledge management tools for monitoring the changes in existing regulations as well as new regulations. The Bank also looks at regulatory websites and participates in industry working groups that discuss evolving regulatory requirements. In-house compliance newsletter keeps the employees abreast of the key regulatory updates affecting the businesses of the Bank and its subsidiaries. Compliance also disseminates the changes in the regulations by way of compliance alerts to all the employees. Training on compliance matters is imparted to employees on an ongoing basis both online and classroom. The Compliance Department keeps the management / Board informed about important compliance related matters through monthly, quarterly and annual compliance reviews.

INTERNAL CONTROLS

The Bank has adequate internal controls, driven through various policies and procedures which are reviewed periodically. Businesses have an Internal Risk Control Unit or Internal Controls functions to assess the efficacy of the controls put in place to mitigate identified risks and to identify new risks. Senior officers of the operating and business units, also monitor the mitigating measures taken.

The Bank has Internal Audit function which is responsible for independently evaluating the adequacy and effectiveness of all internal controls, Information Security controls, Risk management, Governance systems & processes and is manned by appropriately qualified personnel. The Bank has Information Systems Audit team in place, as a part of its Internal Audit team, to identify and address Technology and IT-related Security issues commensurate with the nature and complexities of its operations. The Internal Audit department and Compliance function ensure business units adhere to internal processes and procedures as well as to regulatory and legal requirements and provide timely feedback to Management for corrective action. The audit function also proactively recommends improvements in operational processes and service quality. The Bank takes corrective actions to minimise the design risk, should there be any.

Audit department adopts a risk based audit approach and carries out audits across various businesses, i.e. Consumer, Commercial, Wholesale, Treasury and audit of Operations units, Risk Functions, Centre Functions, Support Functions, Information Security Audits, in order to independently evaluate the adequacy and effectiveness of internal controls on an ongoing basis and pro-actively recommending enhancements thereof.

To ensure Independence, the Internal Audit function has a reporting line to the Chairman of the Audit Committee of the Board and a dotted line reporting to the Managing Director & CEO. The Audit Committee of the Board also reviews the performance of the Audit & Compliance functions and reviews the effectiveness of controls & compliance with regulatory guidelines.

HUMAN RESOURCES

As on 31st March, 2019, the employee strength of the Bank along with its subsidiaries was ~ 60,000 as compared to ~ 50,000 employees a year ago. The Bank standalone had ~ 41,750 employees as on 31st March, 2019.

With increased employee there has been renewed focus on bringing in diverse workforce in Bank during the year. Gender diversity moved from 21% women to 23% by the financial year end. Majority of the increase has been through the hiring at front line roles. While organization has aged a year the employee base has gone younger with the average age moving from 33 years to 31 years by March 19.

As the Bank had begun its journey toward digital adoption couple of years back, the year has seen additional achievements in this area. Bank has launched mobile app based platform KLAPP for enhancing employee experience during the onboarding process. The Journey for this engagement starts from the offer acceptance to the joining date as Pre Joining Journey and from joining to 180 days as Post Joining Journey. This enables bank to interact and hand hold the transition of prospective candidate to employee seamlessly. KLAPP platform allows interaction & a personalized onboarding plan for the employees based on their role. Enhances visibility of the onboarding process and helps in taking data backed decisions supported by survey and a robust feedback mechanism for quicker assimilation in the organization.

Extending the digital journey to wellbeing has been another big achievement during the year for bank. Bank revamped the digital portal for wellness to another mobile first solution. The platforms aids to bring the focus on physical and mental wellbeing of the employees. Along with app-based interactions, wellbeing camps were organized through the year around areas of awareness about health risk, prevention plans in form of tests, vaccinations, and tracking of health parameters & wellbeing – both physical and mental. Aligning to appeal the millennial employees various contemporary fitness forms of dance, yoga, fitness sessions, runners group etc. were organized.

With “Kona Kona Kotak” branch network being spread out various online platform for engagement were launched during the year. These has been through the occasions of Independence Day, Republic Day and other regional festivals. One of the unique engagement plan the Bank had launched during the month of March was Make March Memorable. It covered interventions to promote appreciation, happiness flash mobs and Women’s Week celebrations.

With Kotak Group turning 33 years old, “I am 33, I am Kotak” program was launched for employees for sharing their experience about their association with Kotak. Top 33 stories were shortlisted and these employees had an opportunity to interact with the Leadership.

Culture initiatives were driven from learnings and inputs received through Employee Net Promoters Score (eNPS) and exit interview feedback from independent body. Kotak’ values check continues to be part of the annual appraisal process in addition to various initiatives driven on culture assimilation in the organization.

Talent Building for future ready workforce has been Bank’s focus since couple of years. Gearing up mid to senior level employees for the digital disruptive environment through the Digital Blurr program has been focus for the year along with design thinking programs & Digi-talk interactions. Mobilizing internal talent to take up mid to senior leadership position has been the Bank’s agenda, while external hiring continued to supply talent for frontline roles.

Organization structure and spans have been focus for last few years and bank has made further investments in evaluating effectiveness of the organization structure to provide for effective decision-making and career management for senior leaders in the organization. Bank also invested in various assessment and psychometric tools for evaluating candidates on culture fit and competency requirement based on the role they have been hired. The journey has been made to evaluate the skill / competency gaps in the employees to upskill the employee base to required level for enhancing productive workforce.

MEDIUM-TERM AND LONG-TERM STRATEGY

Expanding market share in Indian financial services with established offerings

The Group aims to expand its market share in Indian financial services by increasing the customer base across the Group. The Bank will continue to be the main customer acquisition engine and the Group aims to leverage customer growth achieved at the Bank by offering banking customers products and services offered by its other businesses. To drive growth at the Bank, the focus is particularly on its digital platforms, such as "811" mobile application, to target the mass markets across India. The Group believes that digital offerings will position it well to capitalise on growth in India's banking and financial services sector arising from India's emerging middle class and growing number of bankable households.

With 1,500 branches across India as of 31st March, 2019, the Group has a widespread distribution network, through which it can offer products and services to a broad range of customers while maintaining profitability. The Group plans to have a measured growth of its branch network. Value creation rather than size alone will be our business driver.

The diversification across financial products and services, coupled with its organizational structure and culture, provides the Group with an ability to offer various products and services from across businesses for expanding the base of banking customers. The Group believes that this will position it well to increase the proportion of customers' total spending that it captures.

The insurance business has been growing through a multi-pronged strategy of entering new geographical markets, cross-selling to the Group's customer base, introducing new products to cater to underpenetrated customer segments, increase the number of insurance advisers licensed and tying up with new distributors.

In the asset management business, the focus has been to deepen penetration through increased distribution tie-ups across channels, increasing accounts under the regular saving SIPs and further improving the performance of existing funds. As a result, the consolidated Assets under management has grown from ₹ 182,519 crore for 31st March, 2018 to ₹ 225,274 crore for 31st March, 2019, including insurance and alternate investments. These initiatives are expected to help increase the customer base further and also aid in increasing the AUM.

Kotak Securities, the stockbroking subsidiary, has worked with the Bank to leverage on the bank’s client base to extend broking services. Kotak Securities has also tied up with some other banks to offer broking services to their clients. It uses digital marketing to generate customer leads and has also introduced a number of initiatives to simplify customer onboarding. This is in addition to new products that it launches regularly in line with customer needs.

Focus on Additional Avenues of Organic Growth

In addition to benefiting from the overall growth in India's economy and financial services industry, the Group aims to increase its market share by continuing to focus on its competitive strengths, including strong brand and extensive network, to increase market penetration. It also aims to deepen market penetration by pursuing new opportunities in commercial, corporate and retail lending businesses, as well as by growing the various non-banking businesses.

Within the banking business, it aims to continue harnessing synergies provided by the eIVBL merger to increase its strength in Business Banking and to grow the corporate loan book. In addition, the Group has set up an infrastructure debt financing company to increase the corporate loan book through avenues such as infrastructure lending. The Group has made an entry into the area of consumer durable finance, which it believes holds significant growth potential given increasing household disposable incomes and increased awareness. Moreover, the group aims to expand the international presence through an increased focus on international lending portfolio, through international banking unit in GIFT City and through the opening of an overseas bank branch in Dubai, for which it has received an in-principle approval from RBI and has submitted an application for the same to the Dubai Financial Services Authority, which is under their consideration.

The Group aims to be amongst the most trusted financial services company. It has created an ethos of trust across all its constituents. The Group believes that adhering to high standards of compliance and corporate governance is an integral part of building trust.

The Group is not just focused on increasing market penetration in the banking business. It also aims to increase the share of contribution from complementary non-banking businesses, such as insurance and securities broking.

The Group sees an immense opportunity in the under-penetrated insurance space. The insurance business is well poised to capitalise on the same. It is targeting higher growth through a planned foray into new geographies and customer segments, introducing new tools for improving front-line productivity and retention, increased numbers of insurance advisors licensed and new distribution tie-ups.

Leverage strong standing to pursue inorganic opportunities

The Group will actively seek inorganic growth opportunities in the Indian financial services space. These opportunities can take various forms, including acquisitions, mergers, joint ventures, strategic investments, and asset purchases. To this end, the Group will seek inorganic growth opportunities in businesses or assets that are aligned to its business across product and service lines. The Group will pursue these inorganic growth opportunities where it sees the ability to add value for the stakeholders and customers and also grows its footprint across the Indian banking and financial services chain. For example, from time-to-time in the past the Group has acquired portfolios from other banks, such as international banks exiting their India businesses, to expand its deposit and loan portfolios. The Group also acquired BSS Microfinance Limited, which was in the business of microfinance. The Group will also seek out partners and investors for particular businesses and asset classes to diversify the risk of launching new businesses and also benefit from the expertise or track record of such partners and investors in these businesses.

The Group believes that the successful integration of eIVBL demonstrates its strong ability to execute complex and large transactions.

Capitalize on opportunities arising from the increase in NPAs and stressed assets in the Indian banking industry

In recent years, the level of NPAs and stressed assets across the Indian banking sector has risen substantially. RBI has, post its asset quality review in 2015, introduced various guidelines to banks on ways to handle stressed assets and methods to improve the financial condition of banks. These guidelines cover different aspects such as revisions in rules pertaining to the sale of NPAs, restructuring of stressed assets and availability of data on industry level position of stressed assets. The Bank is among the few banks in India to buy NPAs from other banks and financial institutions and considers opportunities in the stressed assets space to be of interest. It believes that there could be strategic investment opportunities in the form of setting up and operating an entity focused on purchasing and restructuring of these portfolios. It has and will actively seek out and look to participate in this opportunity either on its own or with a consortium of banks and investors. The Group is evaluating opportunities to invest in the proposed bad loan asset management company.

Continue investing in technology

The Group believes the increased availability of internet access and broadband connectivity across India requires a comprehensive digital strategy to proactively develop new methods of reaching the customers and running businesses. It has therefore adopted a four-pronged digital strategy, focusing on (i) acquiring customers; (ii) enhancing the customer experience; (iii) making internal business operations more efficient; and (iv) enhancing the cybersecurity and data protection framework.

The Group is continuously investing in technology as a means of improving the customers' experience, offering them a range of products tailored to their financial needs and making it easier for them to interact with the Group. It has launched internet and mobile based applications across most of its product and service portfolios, and it will continue to invest in creating a superior technology infrastructure to support its digital strategy. It believes additional investments in technology infrastructure to further develop the digital strategy will allow it to cross-sell a wider range of products on its digital platform in response to customers' needs and thereby expand its relationship with customers across a range of customer segments. The Group believes a comprehensive digital strategy will provide benefits in developing long-term customer relationships by allowing customers to interact with it and access their accounts wherever and whenever they desire.

On the operational side, it believes that investments in internal systems and security technology lead to enhanced customer satisfaction, and therefore enhances its competitiveness. Accordingly, the Group is continuing to invest in technology in order to improve its banking operations and efficiency, to reduce errors arising out of manual intervention and to carry out regular IT audits which are reviewed by committees of the Board. It is also continuing to invest in cybersecurity network and privacy protection systems, in order to supplement the growth and increase the robustness of its data security framework.

OUTLOOK

Some of the key opportunities and threats in the economic and financial environment are as follows:

Opportunities

- Power a digital growth engine in a digital economy; including in non-urban India ' The Bharat';
- Implementing and leveraging new technologies including branch transformation;
- Differentiating through service and customer centricity;

- Expanding market share in Indian financial services by increasing the customer base across the group;
- Capitalise on opportunities arising from the increase in NPAs and stressed assets in the Indian Financial Industry;
- Opportunities in the under penetrated Life and General Insurance space and
- Financial inclusion.

Threats

- Volatile external and global environment;
- Threat of fraud and cyber attacks;
- Fast moving alternative players to banking, Tech giants, fintech companies;
- Competition from the newer models of banks and
- Talent management and training them for the right culture.

Going forward, banks will need to move towards the mandated higher capital standards, stricter liquidity and leverage ratios and a more cautious approach to risk. This implies that Indian banks will need to improve efficiency even as their costs of doing business increase. They will need to refine their risk management skills for enterprise-wide risk management. In addition, banks need to have in place a fair and differentiated risk pricing of products and services, since capital comes at a cost. This involves costing, a quantitative assessment of revenue streams from each product and service and an efficient transfer-pricing mechanism that would determine capital allocation.

During last few years, NPAs rose sharply across the industry. Banks need to effectively utilise the various measures put in place by the RBI and the Government for the resolution and recovery of bad loans in order to reduce the NPAs on their books. They also have to strengthen their due diligence, credit appraisal and post-sanction loan monitoring systems to minimise and mitigate the problem of increasing NPAs in FY 2020 and beyond.

Outlook for Kotak Group

Kotak Mahindra Group’s results for the financial year demonstrate the strong fundamental growth in India. However, concerns remain on the global economic scenario’s impact on the Indian economy. The Group believes that with sound risk management and strong capital adequacy ratio, India of the future offers opportunities for growth.

The Bank will actively seek inorganic opportunities, including acquisition and resolution of stressed assets and additional avenues of organic growth such as opportunities in digital expansion, domestic lending, international lending and investments, for growth of subsidiaries.

Safe Harbour

This document contains certain forward-looking statements based on current expectations of Kotak Mahindra management. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and government policies that may impact the businesses of Kotak Mahindra Group as well as its ability to implement the strategy. Kotak Mahindra does not undertake to update these statements.

This document does not constitute an offer or recommendation to buy or sell any securities of Kotak Mahindra Bank or any of its subsidiaries and associate companies. This document also does not constitute an offer or recommendation to buy or sell any financial products offered by Kotak Mahindra, including but not limited to units of its mutual fund, life insurance policies and general insurance policies.

All investments in mutual funds and securities are subject to market risks and the NAV of the schemes may go up or down depending upon the factors and forces affecting the securities market. The performance of the sponsor, Kotak Mahindra Bank Limited, has no bearing on the expected performance of Kotak Mahindra Mutual Fund or any schemes there under.

Figures for the previous year have been regrouped wherever necessary to conform to current year’s presentation.

Report on Corporate Governance

Corporate Governance is the practice of consistently creating and enhancing long-term sustainable value for its stakeholders through ethically driven business processes. It plays a key role in enhancing the confidence of all stakeholders. The Bank believes in adopting and adhering to the best standards of corporate governance, consistently, to all its stakeholders.

The Bank's philosophy on corporate governance is, therefore, based on the following principles:

- independence,
- accountability and responsibility,
- transparency in dealings,
- fair and timely disclosures

The Bank and its Directors understand and respect their fiduciary role and responsibility towards its stakeholders and strive hard to meet their expectations at all times.

The report on the Bank's corporate governance, as per the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as under:

BOARD OF DIRECTORS

Composition, Meeting and Attendance

The composition of the Board of Directors of the Bank is governed by the Banking Regulation Act, 1949 and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. As on 31st March, 2019, the Board of Directors, comprising a combination of executive and non-executive Directors, consisted of eight members, of whom six were non-executive Directors. The Chairman of the Board was a Non-Executive Director and five of the Directors were independent. The Board mix provides a combination of professionalism, knowledge and experience required in the banking industry. The responsibilities of the Board inter alia include formulation of overall strategy for the group, taking new initiatives, formulating policies, performance review, monitoring of plans, pursuing of policies and procedures. The Board is responsible for the business and overall affairs of the Bank and the reporting structure of the Bank is consistent with the same.

A brief description of the Directors, along with the companies in which they hold directorship and the membership of the committees of the Board, as on 31st March, 2019, are furnished hereunder:

Mr. Prakash Apte, Non-Executive Part-time Chairman
(DIN: 00196106)

Mr. Prakash Apte, B.E. (Mechanical), aged 65 years, served as Managing Director of Syngenta India Ltd (SIL), agricultural business company in India, until April, 2011. SIL is a subsidiary of Syngenta Group one of the largest research based agribusiness across the world. Since April, 2011, he has been the non-executive Chairman of Syngenta India Limited. He was instrumental in setting up the Syngenta Foundation India which focuses on providing knowledge and support for adopting scientific growing systems to resource poor farmers and enabling their access to market. He was appointed as the Part-time Chairman of the Bank at the Annual General Meeting held on 19th July 2018 for a period from 20th July 2018 till 31st December 2020.

Mr. Apte has considerable experience in agricultural sector. In a career spanning over 36 years, he has extensive experience in various areas of management and business leadership. During more than 16 years of successful leadership experience in agriculture business, he has gained diverse knowledge in various aspects of businesses and has been involved with many initiatives for technology, knowledge and skills upgradation in this sector, which is vital for India's food security. He is on the Board of Syngenta Foundation India, Indo-Swiss Centre of Excellence and Swiss Indian Chamber of Commerce (resigned with effect from 10th April 2019).

He is also on the Board of the following companies:

Syngenta India Limited	Kotak Mahindra Life Insurance Company Limited
Fine Organic Industries Limited (Independent Director)	

Mr. Apte is the Chairman of the Audit Committee of Syngenta India Limited and Kotak Mahindra Life Insurance Company Limited and a member of the Audit Committee of the Bank and Fine Organic Industries Limited. He is also a member of the Stakeholders Relationship Committee of Syngenta India Limited and Fine Organic Industries Limited.

Mr. Uday Kotak, Managing Director & CEO
(DIN: 00007467)

Mr. Uday Kotak, aged 60 years, holds a Bachelor's degree in Commerce, and a MMS degree from Jamnalal Bajaj Institute of Management Studies, Mumbai. He is the Managing Director & CEO of the Bank and its promoter. Under Mr. Kotak's leadership, over the past 33 years, the Kotak Group established a prominent presence in major areas of financial services including banking, stock broking, investment banking, car finance, life and general insurance and asset management. He is a member of the International Advisory Board of GIC Private Limited, Singapore and International Advisory Panel of Monetary Authority of Singapore, Member of the Board of Governors of Indian Council for Research on International Economic Relations (ICRIER) and The Anglo Scottish Education Society (Cathedral & John Connon School). He is also a Governing Member of the Mahindra United World College of India.

Mr. Kotak has been awarded the 'EY World Entrepreneur of the Year Award' in 2014 by Ernst & Young, 'Economic Times Business Leader of the Year Award' in 2015 by the Economic Times, 'Businessman of the Year 2016' by Business India and 'Lifetime Achievement Award at Financial Express Best Banks' Awards 2016' in 2018 by the Financial Express, 'USIBC Global Leadership Award' in 2018 by the U.S.- India Business Council and 'CEO of the Year Award at CNBC-Awaaz CEO Awards 2018, amongst many others.

He is on the Board of the following companies:

Kotak Mahindra Asset Management Company Limited	Kotak Mahindra Prime Limited
Kotak Mahindra Capital Company Limited	Kotak Mahindra Investments Limited
Kotak Mahindra Life Insurance Company Limited	Infrastructure Leasing & Financial Services Limited

Mr. Uday Kotak is also a member of the Stakeholders Relationship Committee of the Bank and Chairman of the Audit Committee of Kotak Mahindra Capital Company Limited.

Mr. Dipak Gupta, Joint Managing Director
(DIN: 00004771)

Mr. Dipak Gupta, B.E. (Electronics), PGDM-IIM, Ahmedabad, aged 58 years, is the Joint Managing Director of the Bank and has over 33 years of experience in the financial services sector, 27 years of which have been with the Kotak Group. Mr. Gupta helms the support functions of the Bank, including Human Resources, IT, Operations, Digital Initiatives, Customer Experience, Marketing and CSR, and has an oversight on the asset reconstruction and alternate investment businesses of the Group.

Mr. Dipak Gupta was responsible for leading the Kotak Group's initiatives into the banking arena. He was the Executive Director of Kotak Mahindra Prime Limited. Prior to joining the Kotak Group, he was with A. F. Ferguson & Company.

He is on the Board of the following companies:

Kotak Mahindra Life Insurance Company Limited	Kotak Investment Advisors Limited
Kotak Mahindra Capital Company Limited	Kotak Infrastructure Debt Fund Limited
Kotak Mahindra Inc.	Kotak Mahindra (UK) Limited

Mr. Dipak Gupta is also a member of the Stakeholders Relationship Committee of the Bank and Audit Committees of Kotak Mahindra Capital Company Limited and Kotak Investment Advisors Limited.

Mr. C. Jayaram
(DIN: 00012214)

Mr. C. Jayaram, B. A. (Economics), PGDM-IIM, Kolkata, aged 63 years, is the non-executive director of the Bank. He has varied experience of over 38 years in many areas of finance and business. Mr. Jayaram headed the wealth management business, alternative investments business including private equity funds and real estate funds and international operations for Kotak Group till his retirement in April, 2016. He was with the Kotak Group for 26 years and was instrumental in building a number of new businesses at Kotak Group. Prior to joining the Kotak Group, he was with Overseas Sanmar Financial Ltd. He was on the Board of Financial Planning Standards Board India till 3rd April 2019.

He is also on the Board of the following companies:

Kotak Mahindra Asset Management Company Limited	Allsec Technologies Limited (Independent Director)
Multi Commodity Exchange of India Limited (Shareholder Director)	Multi Commodity Exchange Clearing Corporation Limited

Mr. C. Jayaram is a member of the Audit Committees of Kotak Mahindra Asset Management Company Limited, Allsec Technologies Limited and Multi Commodity Exchange of India Limited. He has been appointed as member of the Stakeholders Relationship Committee of the Bank with effect from 30th April 2019.

Prof. S. Mahendra Dev
(DIN: 06519869)

Prof. S. Mahendra Dev, PhD from the Delhi School of Economics, aged 61 years is currently Director and Vice Chancellor, Indira Gandhi Institute of Development Research (IGIDR), Mumbai, India. He was Chairman of the Commission for Agricultural Costs and Prices (CACP), Govt. of India, Delhi. He was Director, Centre for Economic and Social Studies, Hyderabad for 9 years during 1999 to 2008. He has done his Post-doctoral research at Yale University and was faculty member at the Indira Gandhi Institute of Development Research, Mumbai for 11 years.

He has been a member of several government committees including the Prime Minister's Task Force on Employment and Rangarajan Commission on Financial Inclusion. He has received honors for eminence in public service. He is the Chairman of the Committee on Terms of Trade on agriculture constituted by the Ministry of Agriculture, Government of India. He was a member and Acting Chairman of the National Statistical Commission in the rank of Minister of State, Government of India. He received prestigious Malcolm Adiseshiah Award for outstanding research work on development studies. He is on the Board of Trustees of International Food Policy Research Institute (IFPRI), Washington D.C.

He is also on the Board of Kotak Mahindra Prime Limited. Prof. Dev is the Chairman of the Stakeholders Relationship Committee of the Bank and a member of the Audit Committees of the Bank and Kotak Mahindra Prime Limited.

Ms. Farida Khambata
(DIN: 06954123)

Ms. Farida Khambata, aged 69 years, is Master of Arts in Economics from the University of Cambridge, a Master of Science in Business Management from the London Business School and a Chartered Financial Analyst. She is currently Global Strategist of Cartica Management, LLC and a member of its Investment Committee. She was earlier with International Finance Corporation (IFC) and was a member of IFC's Management Group, the senior leadership team of IFC. In her last position at IFC she served as Regional Vice President in charge of all operations in East Asia and the Pacific, South Asia, Latin America and the Caribbean and the Global Manufacturing Cluster. Ms. Khambata joined IFC in 1986 from the World Bank where she managed pension fund assets.

She is a member on the Advisory Board of ADM CEECAT Fund and Bancroft II and III Funds. She is also on the Board of Dragon Capital Group Limited, Vietnam, Cargills Foods Company Private Limited, Sri Lanka and Tata Sons Private Limited.

Ms. Khambata is a member of the Audit Committee of Tata Sons Private Limited.

Mr. Uday Khanna
(DIN : 00079129)

Mr. Uday Chander Khanna, aged 69 years is a Chartered Accountant by qualification. Mr. Khanna is currently the Non-Executive Chairman of Bata India Ltd. Mr. Khanna was Managing Director & CEO of Lafarge India from July, 2005 to July, 2011 and the Non-Executive Chairman of Lafarge India from July, 2011 to September, 2014. He joined the Lafarge Group in Paris in June, 2003 as Senior Vice President for Group Strategy, after an extensive experience of almost 30 years with Hindustan Lever/Unilever in a variety of financial, commercial and general management roles both nationally and internationally. His last position before joining Lafarge was Senior Vice President - Finance, Unilever - Asia, based in Singapore. He has earlier been on the Board of Hindustan Unilever as Director - Exports, after having served as Financial Controller and Treasurer of the company. He has also worked as Vice Chairman of Lever Brothers in Nigeria and General Auditor for Unilever - North America, based in the USA. Mr. Khanna has been the past President of the Bombay Chamber of Commerce & Industry and also the Indo French Chamber of Commerce and Industry. He is a Member of the Board of Governors of The Anglo Scottish Education Society and Jt. Managing Trustee of the Indian Cancer Society. Mr. Khanna is the recipient of 'Best Independent Director' award by Asian Centre for Corporate Governance Sustainability in 2018.

He is also on the Board of the following companies:

Bata India Limited (Independent Director)	Pidilite Industries Limited (Independent Director)
Castrol India Limited (Independent Director)	DSP Investment Managers Private Limited
Pfizer Limited (Independent Director)	

Mr. Khanna is the Chairman of the Audit Committees of the Bank, Castrol India Limited and DSP Investment Managers Private Limited and Stakeholders Relationship Committees of Bata India Ltd. and Pfizer Limited. He is also a member of the Audit Committees of Bata India Limited, Pfizer Limited and Pidilite Industries Limited.

Mr. Uday Shankar
(DIN : 01755963)

Mr. Uday Shankar, aged 57 years is a M. Phil in Economic History from the Jawaharlal Nehru University, Delhi. He is the President, Asia Pacific for The Walt Disney Company's Direct-to-Consumer & International (DTCI) segment and the Chairman, Star & Disney India and leads the charge for Disney's transformation into a direct-to-consumer company in Asia Pacific. Prior to his current role, he was the President of 21st Century Fox, Asia & CEO of Star India. Under his leadership, Star achieved a distinct leadership in Indian television broadcasting and has also made strides in disrupting the digital landscape with the launch of Hotstar. Mr. Shankar has played a key role in shaping the media and broadcasting industry in the country, bringing reforms for the industry and its consumers. He has been at the forefront of the landmark changes in self-regulation and pushing access for consumers to digitized distribution. Mr. Shankar began his professional life as a political journalist. Prior to Star, he was the CEO and Editor of Media Content and Communications Services, which operated Star News. Mr. Shankar was also Editor and News Director of TV Today Group, where he led the launch of Aaj Tak in 2000 and Headlines Today in 2003. He is on the Board of Vidhi Centre for Legal Policy, Indian Broadcasting Foundation, Tata Sky Limited and Federation of Indian Chamber of Commerce and Industry (FICCI). He is also the Vice President of FICCI.

Mr. Shankar was appointed as an Independent Director of the Bank with effect from 16th March 2019 for a period of five years, subject to necessary approval of the shareholders.

He is also on the Board of Tata Sky Limited. Mr. Shankar is a member of the Stakeholders Relationship Committee of Tata Sky Limited.

Note:

1. *The Committee Memberships of only Audit Committee and Stakeholders Relationship Committee have been considered.*
2. *Pursuant to the requirement under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the category of directorship of the Bank's directors in other listed companies has been mentioned.*

The following table gives the composition of Bank's Board and the number of outside directorships held by each of the Directors and the committee positions held by the Directors as on 31st March, 2019:

Name of Director	Position	Special Knowledge / Expertise	No. of Directorships in other Companies		No. of Committee Positions held in the Bank and other Public Companies	
			Indian Public Companies	Other Indian Companies	Chairman	Member
Mr. Prakash Apte	Independent Non-Executive Chairman	Agriculture, Rural Economy & Management	3	2	2	4
Mr. Uday Kotak	Managing Director & CEO, Promoter	Banking, Finance & Management	6	2	1	1
Mr. Dipak Gupta	Joint Managing Director	Finance, IT & Management	4	-	-	3
Mr. C Jayaram	Non-Executive Director	Finance, Economics & Management	4	1	-	3
Prof. S. Mahendra Dev	Independent Non-Executive Director	Agriculture & Rural Economy	1	-	1	2
Ms. Farida Khambata	Independent Non-Executive Director	Economics, Finance & Management	-	1	-	1
Mr. Uday Khanna	Independent Non-Executive Director	Business Management, Accountancy & Finance	4	2	4	3
Mr. Uday Shankar	Independent Non-Executive Director	Digital Media	1	3	-	1

Note : The Board believes that the above mentioned skills / competencies / expertise are required for the business of the Bank and Directors of the Bank possess these skills / competencies / expertise for it to function effectively.

In addition to the above, the Board of Directors of the Bank have recommended the appointment of Mr. K.V.S. Manian and Mr. Gaurang Shah, initially as Additional Director acting as Whole-time Directors of the Bank for a period of three years with effect from the date of approval of the Reserve Bank of India and subject to necessary approval from the shareholders. The brief profiles of Mr. Manian and Mr. Shah are given below:

Mr. KVS Manian
(DIN : 00031794)

Mr. K V S Manian, aged 57 years is an electrical engineer from IIT (BHU) - Varanasi, Post Graduate in Financial Management from Jamnalal Bajaj Institute of Management Studies and a Cost and Works Accountant. He has a rich experience of 34 years of which over 24 years have been with the Kotak Group.

Mr. Manian is currently the President - Corporate, Institutional & Investment Bank. He has steered the business through its integration with ING Vysya Bank and has since then been focused on building a high quality profitable corporate franchise. Mr. Manian also has oversight responsibility of the investment banking and institutional equities businesses where Kotak has one of the most powerful domestic franchises.

Prior to leading the Corporate Bank, Mr. Manian was the President - Consumer Bank, where he set up and steered the consumer franchise from a single branch to a multi-product pan India bank in a span of 10 years. He also played a crucial role in Kotak's journey from a Non Banking Financial Company (NBFC) to a Bank.

Mr. Gaurang Shah
(DIN : 00016660)

Mr. Gaurang Shah, aged 57, is a merit ranked Chartered Accountant, a Cost and Works Accountant and a Company Secretary. He has over 35 years of rich experience primarily in financial services, several of which are with the Kotak Group.

Mr. Shah is currently the President – Group Chief Risk officer and is responsible for overseeing the development and implementation of Bank's risk management function primarily devising risk management policies, processes and models as required to support its strategic objectives. He also has oversight responsibility for the asset management, life Insurance, general insurance and international business of the Group.

Prior to this, Mr. Shah was the Managing Director of Kotak Mahindra Life Insurance Company Ltd. During his tenure, the company became one of the first life insurance companies to break even and also became one of the most efficient users of capital. During 2002-04 Mr. Shah was the Group Head of Retail Assets at the Bank and added Home Loans, SME lending & Agricultural Finance including tractor loans to Bank's retail portfolio. Earlier, he was closely associated with Kotak Mahindra Prime Limited (a joint venture between Kotak Mahindra Group and Ford Credit International), one of India's leading automobile finance companies.

Notes:

1. *Dr. Shankar Acharya ceased to be a Director of the Bank w.e.f. 19th July 2018, the date of the annual general meeting where he did not seek reappointment as he had crossed the age of 70 years.*

2. *Mr. Prakash Apte was appointed as the Part-time Chairman of the Bank at the Annual General Meeting held on 19th July 2018 for a period from 20th July 2018 till 31st December 2020.*

3. *Mr. Mark Newman, non-Independent Director resigned as a Director of the Bank with effect from 22nd February 2019.*

4. *Mr. Uday Shankar was appointed as an Independent Director of the Bank with effect from 16th March 2019 for a period of five years, subject to necessary approval of the shareholders.*

5. *Mr. Amit Desai retired as a Director of the Bank with effect from 17th March 2019 on completion of eight years on the Board of the Bank, in accordance with the provisions of the Banking Regulation Act, 1949.*

6. *The Board of Directors of the Bank have recommended the appointment of Mr. K.V.S. Manian and Mr. Gaurang Shah, initially as Additional Director acting as Whole-time Directors of the Bank for a period of three years with effect from the date of approval of the Reserve Bank of India and subject to necessary approval from the shareholders.*

7. *The Committee Memberships mentioned above are of only Statutory Committees as per Regulation 26 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, namely Audit Committee and Stakeholders Relationship Committee.*

8. *None of the Directors on the Board is a member of more than ten committees and the Chairman of more than five committees in all, the companies in which he is a Director (for this purpose the membership of Audit Committee and Stakeholders Relationship Committee have been taken into consideration). All the Directors have made disclosures regarding their membership on various committees in other companies.*

9. *In compliance with Regulation 24(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr. Prakash Apte, an independent director on the Board of the Bank has been a director on the Board of Kotak Mahindra Life Insurance Company Limited, an unlisted material Indian subsidiary of the Bank.*

BOARD MEETINGS

Scheduling and selection of agenda items for board meetings

Dates of the board meetings are decided in advance. The board meetings are convened by giving appropriate notice after obtaining the approval of the Chairman and the Managing Director & CEO. The Board meets at least once a quarter to review the results and other items on the agenda, once a year for approval of annual budgets and strategy. When necessary, additional meetings are held.

The agenda of the board meetings is drafted by the Company Secretary along with the explanatory notes and these are distributed in advance to the directors. Every Board member is free to suggest the inclusion of items on the agenda. All divisions/departments in the Bank are encouraged to plan their functions well in advance, particularly with regard to matters requiring discussion/ approval/ decision in the board/ committee meetings.

All such matters are communicated to the Company Secretary in advance so that the same could be included in the agenda for the board meetings.

The agenda papers are prepared by the concerned officials of the respective department and are approved by the Joint Managing Director and/or Managing Director & CEO. Agenda papers are circulated to the Board by the Company Secretary. Additional items on the agenda are permitted with the permission of the Chairman and with the consent of all the directors present at the meeting.

The Board also passes resolutions by circulation on need basis. Conference calls are arranged to enable the directors to discuss in detail the items to be approved by circulation and seek clarification as may be required. The Bank has been providing the directors with an option to participate in the board meetings through electronic mode.

The minutes of all the Committees of the Board of Directors of the Bank and the minutes of the meetings of the Board of Directors of the subsidiary companies of the Bank are placed before the Board.

The quarterly, half-yearly and the annual results for the consolidated entity and for the Bank standalone are first placed before the Audit Committee of the Bank and thereafter the same are placed before the Board of Directors.

A Compliance Certificate, signed by the Managing Director & CEO in respect of various laws, rules and regulations applicable to the Bank is placed before the Board, every quarter.

The Bank has put in place a post meeting follow-up, review and reporting process for the action taken on decisions of the Board. The Company Secretary submits follow-up Action Taken Report to the Board at each meeting on the compliance of the decisions/instructions of the Board.

During the year under review, eight meetings of the Board of Directors were held on 30th April 2018, 19th May 2018, 19th July 2018, 2nd September 2018, 24th October 2018, 6th December 2018, 21st January 2019 and 14th / 15th March 2019. The maximum time gap between any two meetings was not more than one hundred and twenty days. The average duration of the board meetings held is approximately eight hours.

The details of directors attendance at board meetings held during the year commencing 1st April, 2018 and ending 31st March, 2019 and at the last AGM are as under:

Sr. No.	Directors	Board Meetings held during tenure of the member	Board Meetings attended during the year 2018-19	Whether attended last AGM held on 19th July, 2018
1.	Dr. Shankar Acharya	3	3	YES
2.	Mr. Prakash Apte	8	7	YES
3.	Mr. Uday Kotak	8	8	YES
4.	Mr. Dipak Gupta	8	7	YES
5.	Mr. C. Jayaram	8	7	YES
6.	Mr. Amit Desai	8	8	NO
7.	Prof. S. Mahendra Dev	8	8	YES
8.	Ms. Farida Khambata	8	7	YES
9.	Mr. Mark Newman	7	5	YES
10.	Mr. Uday Khanna	8	6	NO
11.	Mr. Uday Shankar	0	N.A.	N.A.

Note:

1. *Dr. Shankar Acharya ceased to be a Director of the Bank w.e.f. 19th July, 2018, the date of the annual general meeting where he did not seek reappointment as he had crossed the age of 70 years.*
2. *Mr. Mark Newman, non-independent director, resigned as a Director of the Bank with effect from 22nd February 2019.*
3. *Mr. Uday Shankar was appointed as an Independent Director of the Bank with effect from 16th March 2019 for a period of five years, subject to necessary approval of the shareholders.*
4. *Mr. Amit Desai retired as a Director of the Bank with effect from 17th March 2019 on completion of eight years on the Board of the Bank, in accordance with the provisions of the Banking Regulation Act, 1949.*

Separate Meeting of Independent Directors

A meeting of the Independent Directors of the Bank was held on 14th March, 2019. The same was chaired by an Independent Director and attended by all the Independent Directors of the Bank.

Information supplied to the Board

The directors are presented with important information on operations of the Bank as well as that which requires deliberation at the highest level. Information is provided on various critical items such as annual operating plans and budgets, minutes of meetings of the Audit Committee and other committees of the Board, details of joint ventures and non-compliance, if any with regulatory or statutory guidelines or with the listing requirements etc.

Disclosures of interest are duly received from all directors and there is no potential conflict of interest in any transaction of the Bank with any directors.

Directors' Remuneration

(Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)

The details of remuneration to the Executive Directors for the year ended 31st March, 2019 is as follows:

Particulars	Mr. Uday Kotak (₹ '000)*	Mr. Dipak Gupta (₹ '000)*
Basic	20,520.00	20,280.00
Allowances	4,300.00	4,225.00
Provident Fund	2,462.40	2,433.60
Superannuation	-	100.00
Annual Incentive	8,000.00	8,000.00
Number of stock options granted during the year	-	58,820 (Series17/2015)

* *The amount shown above excludes gratuity payable and value of car perquisites under the Income Tax Act, 1961.*

Annual Incentive is the incentive for the year ended 31st March, 2018 paid out during the year after approval of RBI.

The details of the options granted during the year, under the Kotak Mahindra Equity Option Scheme 2015, to the Directors are as under:

Name of Director	Date of Grant	No. of Options granted	Exercise Price	Exercise Period	Options Vested	Vesting Date
Series 17/2015 of Kotak Mahindra Equity Option Scheme 2015						
Mr. Dipak Gupta	18th May, 2018	58,820	₹ 900/- per share	16th November 2019 to 31st January 2020	30%	16th November 2019
				31st October 2020 to 30th April 2021	30%	31st October 2020
				30th June 2021 to 31st December 2021	20%	30th June 2021
				31st December 2021 to 30th June 2022	20%	31st December 2021

Note: *The above are the only stock options which have been granted during the year by the Bank to any employee at a discount to the prevailing market price on the date prior to the grant date.*

Dr. Shankar Acharya, Non-Executive Chairman till 19th July 2018, was paid remuneration of ₹ 9,03,226/- for the period. Mr. Prakash Apte, Non-Executive Chairman with effect from 20th July 2018 was paid remuneration of ₹ 17,47,312/- for the period from 20th July 2018 to 31st March 2019.

The Reserve Bank of India (RBI) has approved (i) the revision in remuneration to Mr. Uday Kotak and Mr. Dipak Gupta for the year 2018-19 (ii) the annual incentive payable for the financial year ended 31st March, 2018 (iii) the stock options granted (as indicated above) to Mr. Dipak Gupta and (iv) the appointment of Mr. Prakash Apte as Part-time Chairman of the Bank for the period from 20th July 2018 till 31st December 2020 and payment of remuneration of ₹25 lakhs for the period from 20th July 2018 till 19th July 2019.

The details of sitting fees and commission paid to the Non-Executive Directors during the year ended 31st March 2019 are as follows:

Sr. No.	Name of Director	Sitting fees (₹ '000) (Paid during the year ended 31st March, 2019)	Commission (₹ '000) (Paid for the year ended 31st March, 2018)
1.	Dr. Shankar Acharya**	460.00	-
2.	Mr. Prakash Apte	1,940.00	1,000.00
3.	Mr. C. Jayaram	1,180.00	1,000.00
4.	Mr. Amit Desai	1,200.00	800.00
5.	Prof. S. Mahendra Dev	1,840.00	1,000.00
6.	Ms. Farida Khambata	740.00	800.00
7.	Mr. Mark Newman*	-	-
8.	Mr. Uday Khanna	1,300.00	1,000.00

* *Mr. Mark Newman has waived off the amount of sitting fees and commission payable to him.*

** *Ceased to be a Director of the Bank w.e.f. 19th July, 2018, the date of the annual general meeting where he did not seek reappointment as he had crossed the age of 70 years.*

Notes:

1. *The Board of Directors of the Bank decides the performance bonus to be paid to the Managing Director & CEO and the Joint Managing Director on the basis of the performance of the Bank and the fulfilment of responsibilities assigned to them and after considering the recommendations by the Nomination & Remuneration Committee.*
2. *The terms of employment of Mr. Uday Kotak and Mr. Dipak Gupta provide for termination by mutual consent or by giving three month's notice in writing. In the event of termination of employment, the liability of the Bank shall be limited to providing only the salary and perquisites as prescribed by the terms of employment for a period of three months from the date of notice.*
3. *The relevant disclosure with regard to criteria of making payments to Non-Executive Directors is given in the Director's Report.*

COMMITTEES OF THE BOARD OF DIRECTORS

The Board has constituted several committees to deal with specific matters and delegated powers for different functional areas. These Committees monitor the activities falling within their terms of reference. Details of some of the key Committees are given below:

Audit Committee

The Audit Committee of the Bank comprises of three members, with any two forming the quorum. The terms of reference of the Audit Committee of the Bank are as follows:

Documents/Reports Review and Financial Reporting Process

- Review and update the Audit Committee Charter periodically, as conditions dictate
- Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
- Review the organization's annual financial statements and any reports or other financial information submitted to any regulatory body, or the public, including any certification, report, opinion, or review rendered by the independent auditors or firm of accountants
- Review, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
    a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
    b. Changes, if any, in accounting policies and practices and reasons for the same
    c. Major accounting entries involving estimates based on the exercise of judgment by management
    d. Significant adjustments made in the financial statements arising out of audit findings
    e. Compliance with regulatory guidelines, listing agreement and other legal requirements relating to financial statements
    f. Disclosure of any related party transactions

g. Qualifications in the draft audit report
h. Going concern assumption
i. Compliance with Indian Accounting Standards issued by the Institute of Chartered Accountants of India
j. Review significant related party transactions.
k. Approval or any subsequent modification of transactions of the company with related parties
l. Scrutiny of inter-corporate loans and investment
m. Valuation of undertakings or assets of the company, wherever it is necessary
n. Evaluation of internal financial controls and risk management systems

- Review, with the management, the quarterly financial statements before submission to the board for approval
- Review Management discussion and analysis of financial condition and results of operations
- Review the regular internal reports to management prepared by the internal auditing department and management's response, including those pertaining to internal control weaknesses
- Discuss with independent statutory auditors significant issues raised in the Long Form Audit Report and follow up there on
- Discuss with internal auditors any significant findings and follow up there on
- Review reasons for revenue leakage and approve corrective action plan and monitor them at regular interval. Monitor areas of repeat occurrences, if any and ensure immediate actions are taken to prevent such repeat occurrences of revenue leakage
- Review the financial statements of unlisted subsidiary company/ies and more particularly the investments made by them
- Review the internal audit reports and minutes of meetings of Audit Committee of the subsidiaries
- Reviewing, with the management, the statement of uses / application of funds, wherever necessary, raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter wherever necessary
- Review utilization of loans and/or advances from investment by the holding company in the subsidiary exceeding ₹100 crore or 10% of asset size of subsidiary, whichever is lower.

Independent Statutory Auditors

- Recommend to the Board of Directors the appointment, re-appointment, replacement and removal of the independent statutory auditors, considering independence and effectiveness and approve terms of appointment, the fees and other compensation to be paid to the independent statutory auditors
- Approve all payments for services rendered other than as statutory auditors
- Review and monitor, with management, independence, the performance of the statutory auditors and effectiveness of audit process
- Periodically consult with the independent statutory auditors in the absence of management about internal controls and the fullness and accuracy of the organization's financial statements
- Discuss with the independent statutory auditors before commencement of the audit, the nature and scope of the audit
- Discuss and ascertain from the independent statutory auditors post the completion of the audit, areas of concern, if any
- Review management letters / letters of internal control weaknesses issued by the statutory auditors

Internal Audit Department

- Approve appointment, re-appointment, replacement and removal of the concurrent auditors and outsourced internal auditors and fees and other compensation to be paid to them
- Review with management, performance of internal auditors and adequacy of the internal control systems
- Review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit
- Review the findings of any internal investigations into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and report the matter to the Board of Directors

- Approve, review and monitor the Risk Based Internal Audit Plan each year
- Review appointment, removal, performance and terms of Head – Internal Audit

Inspections conducted by regulators

- Read the audit inspection reports of the inspection team of Reserve Bank of India or any other regulator, approve action plans for corrective actions to be taken and monitor compliance thereof

Risk Management

- Review the adequacy of Bank's financial and risk management policies and report the matter to the Board of Directors
- Review the overall exposure to Capital Market

Process Improvement

- Establish regular and separate systems of reporting to the Audit Committee by each of management, the independent statutory auditors and the internal auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments
- Following completion of the annual audit and internal audit plan, review separately with each of management, the independent statutory auditors and the internal auditing department any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information
- Review any significant disagreement among management and the independent statutory auditors in connection with the preparation of the financial statements
- Review any significant disagreement among management and the internal audit department in connection with the observations made in the internal audit report
- Review with the independent statutory auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)

Ethical and Legal Compliance

- Establish, review and update periodically a Code of Conduct and ensure that management has established a system to enforce this Code
- Review management's monitoring of the Bank's compliance with the organization's Code of Conduct and ensure that management has the proper review system in place to ensure that Bank's financial statements, reports and other financial information disseminated to regulators and the public satisfy legal requirements
- Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of dividend declared) and creditors
- Review the functioning of the Whistle Blower mechanism
- Review reports from the Bank's compliance officer
- Approval of appointment of CFO after assessing the qualifications, experience and background, etc. of the candidate
- Perform any other activities consistent with the Charter, the Bank's By-laws and governing law, as the Committee or the Board deems necessary or appropriate

The Audit Committee presently consists of Mr. Uday Khanna (Chairman), Mr. Prakash Apte and Prof. S. Mahendra Dev.

All the members of the Committee are Independent Non-Executive Directors. All the members of the Committee are financially literate within the meaning of Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Mr. Uday Khanna possesses accounting and financial management expertise.

The Company Secretary acts as the Secretary to the Committee. Mr. Prakash Apte (then Chairman of the Audit Committee) was present at the last Annual General Meeting to answer the queries of the shareholders. The members of the Audit Committee meet the statutory auditors independently at least once a year.

During the year, ten meetings of the Committee were held on 30th April 2018, 17th May 2018, 19th July 2018, 24th July 2018, 4th October 2018, 24th October 2018, 15th November 2018, 11th December 2018, 21st January 2019 and 19th March 2019. The average time taken at the Committee meeting is approximately four hours. The maximum time gap between any two meetings was not more than one hundred and twenty days.

The Bank has constituted a First Tier Audit Committee (FTAC) as per the guidelines issued by the Reserve Bank of India. The Committee presently consists of four members viz., Mr. Jaimin Bhatt (Chairman) – President & Group CFO, Mr. T.V. Sudhakar, Head – Compliance, Mr. Devang Gheewalla, Head - Operations and Mr. Rajiv Gurnani, Head - Credit. Where the internal audit report pertains to specific businesses, the specific Business Head also attends the meeting. The Committee screens the matters entrusted to the Audit Committee and also the routine matters such as overseeing the programme of inspections and compliance of inspection reports so as not to burden the Audit Committee with matters of detail. FTAC also reviews functioning of internal audit department closely to guide and enable independence as well as effectiveness. During the year, 12 meetings of the Committee were held. The Committee meets for approximately four hours.

The Bank has adopted a charter of the Audit Committee of the Board of Directors which includes the purpose, composition, roles, responsibilities & duties and powers of the Audit Committee. The said Charter also includes the purpose and composition of FTAC.

Internal Audit framework

Internal Audit Department (IAD) in Kotak Mahindra Bank is an independent function reporting into the Audit Committee of the Bank. It is governed by the Internal Audit Policy approved by the Board of Directors of the Bank. The said Policy defines the Independence, Reporting, Authority, Accountability and functional responsibility.

IAD has full access to the organization's records, personnel and activities to review, assess the effectiveness of risk management, controls, governance, and operations for objective & constructive recommendations for improvement.

IAD comprises of around 200 members located across five locations across India, majority of whom are qualified, viz Chartered Accountants, Certified Internal Auditors, Certified Information System Auditors and experienced Bankers. Internal Audit team members regularly attend audit and related workshops, conferences and training on specialized topics within the banking industry. The team members are encouraged and supported for acquiring additional skillsets / certifications of topical relevance.

Stakeholders Relationship Committee

The Stakeholders Relationship Committee of the Bank was re-constituted on 30th April 2019 and presently consists of three members, Prof. S. Mahendra Dev (Chairman), Mr. C. Jayaram, Mr. Uday Kotak and Mr. Dipak Gupta, with any two forming the quorum. The constitution and composition of the Committee is in accordance with the provisions of Regulation 20 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the criteria specified by the Reserve Bank of India. The Company Secretary acts as the Secretary of the Committee. The terms of reference of the Stakeholders Relationship Committee of the Bank inter alia includes the following:

1. Resolution of grievances of security holders.
2. Review of measures for effective exercise of voting rights by shareholders.
3. Review adherence to service standards adopted by listed entity for services rendered by R & T Agent
4. Review measures and initiatives taken for reducing quantum of unclaimed dividend and ensuring timely receipt of dividend / annual report / statutory notices.

During the year, three meetings of the Committee were held on 24th July 2018, 12th December 2018 and 25th March 2019.

During the year under review, 11 investor complaints were received of which 4 complaints were pending as on 31st March, 2019. The pending complaints have been resolved as on date. As on 31st March, 2019, there were no instruments of transfer of shares, pending. No penalties or strictures were imposed on the Bank by any of the Stock Exchanges, SEBI or any other statutory authority on any matter related to capital markets, during the last three years.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee of the Bank was re-constituted during the year and presently consists of Ms. Farida Khambata (Chairperson), Mr. Prakash Apte and Mr. C. Jayaram with any two forming the quorum. A brief description of the terms of reference of the Committee is as follows:

1. identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and specify the manner for effective evaluation of performance of Board, its committee and individual directors to be carried out either by the Board, by the Nomination & Remuneration Committee or by an external agency and review its implementation and compliance.
2. formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees.
3. while formulating the policy ensure that—
    a. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
    b. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
    c. remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

4. Recommend to the Board remuneration (in whatever form payable) to senior management.

During the year, five meetings of the Committee were held on 28th April 2018, 18th May 2018, 7th July 2018, 18th February 2019 and 7th March 2019. The Committee meets for approximately two hours.

The Bank has a Remuneration policy in place, the details of which have been mentioned in the Directors' Report.

Share Transfer and Other Matters (STOM) Committee
The STOM Committee of the Bank consists of Mr. Uday Kotak (Chairman), Mr. C. Jayaram and Mr. Dipak Gupta, with any two forming the quorum.

The terms of reference of the STOM Committee are as follows:

(a) To approve transfer, transmission, transposition, name deletion, consolidation and splitting of share and debenture certificates of the Company.

(b) To issue duplicate share/debenture certificates.

(c) To apply for registration of the Company with various authorities of any state or Centre including sales tax authorities, income tax authorities, shops & establishment authorities, and to do or perform all matters relating to such matters.

(d) To apply, in the name of and for the Company for telephone, telex, fax and other telecommunication and electrical/electronic connections and to do all matters relating to such applications.

(e) To open, operate and close Bank Accounts of the Company and change the operating instructions of existing Bank Accounts of the Company.

(f) To authorise persons to sign on behalf of the Company Share Certificates, Share Allotment Letters, Deposit Receipts.

(g) To authorise persons to represent the Company at General Meetings of any company or cooperative society of which the Company is a shareholder/ member.

(h) To fix the dates for Closure of the Company's Register of Members and Debenture holders and Transfer Books of Shares or Debentures and/or fixing Record Dates, in consultation with the Stock Exchanges.

(i) To authorise the opening of Securities General Ledger Account or any other account with any scheduled banks or with any department of the Reserve Bank of India.

(j) To authorise persons to execute Loan Agreements, Demand Promissory Notes and any other documents as may be necessary for lending out of any line of credit sanctioned to the Company.

(k) To authorise officials of the Company to execute transfer deeds on behalf of the Company.

(l) To authorise officials of the Company to sign documents for registration of motor vehicles and to do all acts and things for the transfer of any such motor vehicles.

(m) To authorise employee(s) or others to execute, for and on behalf of the Company, agreements, applications, deeds, documents and any other writings in connection with the business of the Company and, if required, to issue Power of Attorney in favour of such persons for the purpose.

(n) To authorise employee(s) or others to represent the Company before any Court, Tribunal, Consumer Redressal Forum or any Statutory or other Authority on any matter relating to the operations of the Company or with which the Company is in any way connected or to represent the Company generally or for any specific purpose or purposes and, if required, issue Power of Attorney in favour of such persons for the purpose.

(o) To appoint or change nominees to hold shares for and on behalf of the Company in any subsidiary/associate companies.

(p) To grant permission and authorise incorporation of companies, with a prefix "Kotak Mahindra" before the name.

(q) To authorise the use of the Common Seal of the Company and to appoint persons to sign/countersign documents, etc. on which the Common Seal is to be affixed.

(r) To approve appointment of any employee /Director of the Bank or any other person as a nominee on the Board of other companies under certain circumstances to protect the interest of the Bank's exposures / investments in such companies.

(s) To approve appointment of any employee of the Bank as a part-time employee of any other company under certain circumstances to protect the interest of the Bank's exposures / investments in such companies.

(t) To approve appointment of any employee /Director of the Bank or any other person as an appointee on the Board of other companies (including Section 8 companies), LLPs, firms, if so invited.

(u) To carry out the following activities in respect of equity shares of erstwhile ING Vysya Bank Ltd. being rights shares held in abeyance for various reasons:

- Allotment of shares in respect of rights shares held in abeyance and bonus entitlement thereon, after the resolution of the Court case, transmission, dispute etc. as the case may be and upon receipt of application money and other necessary documents.
- Authorize officials of the Bank to take necessary action for credit of shares to the demat account of the concerned shareholder(s) or issue of physical share certificates as the case may be.
- Authorize officials of the Bank to make the necessary applications to the Stock Exchanges for listing and trading of the shares so allotted, file the various regulatory returns and refund the excess share application money received, if any.

(v) To authorise employee(s) to delegate authority to any other employee(s) or others in respect of any of the matters stated herein subject to it being permissible under applicable law.

During the year, two meetings of the Committee were held on 13th March 2019 and 30th March 2019. The Committee meets for approximately thirty minutes.

Committee on Frauds

Pursuant to the directives of the Reserve Bank of India, the Bank has constituted a Committee on Frauds for monitoring and reviewing all the frauds involving amounts of ₹ 1 crore and above. The Committee was re-constituted during the year and presently consists of five members, Mr. Uday Kotak, Mr. Dipak Gupta, Mr. Prakash Apte, Mr. Uday Khanna and Mr. C. Jayaram.

During the year, three meetings of the Committee were held on 17th May 2018, 15th November 2018 and 26th March 2019. The Committee meets for approximately one hour.

Customer Services Committee

The Bank has, pursuant to the directives issued by the Reserve Bank of India, constituted a Customer Services Committee. The Committee comprises of three members viz; Prof. S. Mahendra Dev (Chairman), Mr. Uday Kotak and Mr. Dipak Gupta. The Committee has been constituted to bring about ongoing improvements in the quality of customer services provided by the Bank. The Committee would also oversee the functioning of the Customer Service Standing Committee, compliance with the recommendations of the Committee on Procedures and Performance Audit and Public Services (CPPAPS) and also mount innovative measures for enhancing the quality of customer service and improving the level of customer satisfaction for all categories of cliental, at all times.

During the year, three meetings of the Committee were held on 23rd July 2018, 12th December 2018 and 25th March 2019. The Committee meets for approximately thirty minutes.

Corporate Social Responsibility Committee

The Bank has constituted a Corporate Social Responsibility Committee pursuant to the provisions of the Companies Act, 2013. The Committee comprises of three members viz; Mr. C. Jayaram, Prof. S. Mahendra Dev and Mr. Dipak Gupta, with any two members forming the quorum. The Committee has been constituted to:

- Formulate and recommend to the Board, a Corporate Social Responsibility (CSR) Policy which shall indicate the activities to be undertaken by the Bank, as laid down in Schedule VII to the Act;
- Recommend the amount of expenditure to be incurred on the CSR activities;
- Monitor Bank's CSR Policy and implementation of CSR projects undertaken from time to time.

During the year, three meetings of the Committee were held on 17th December 2018, 4th February 2019 and 19th March 2019. The Committee meets for approximately one hour.

Committee on Promoter Dilution

The Bank has constituted a Committee on Promoter Dilution to study and advise the Bank on the future course of action in the matter of promoter holding in the Bank. The Committee was re-constituted during the year and presently comprises of two members viz; Mr. Prakash Apte and Mr. C. Jayaram.

The Committee meets for approximately two hours.

Management Committee

The Bank has constituted a Management Committee to bring operational flexibility in processing of credit proposals and also to discharge other responsibilities prescribed in different RBI directives including periodical calendar of reviews. The Committee comprises of three members viz; Mr. Uday Kotak, Mr. Dipak Gupta and Mr. C. Jayaram.

During the year, two meetings of the Committee were held on 4th January 2019 and 21st January 2019. The Committee meets for approximately one hour.

The details of the meetings attended by the members of the respective Committees are given below:

Name of Director	Name of the Committee							
	Audit Committee	Stakeholders Relationship Committee	Nomination & Remuneration Committee	Share Transfer and Other Matters Committee	Committee on Frauds	Customer Services Committee	Corporate Social Responsibility Committee	Management Committee
Dr. Shankar Acharya	-	-	3/3	-	-	-	-	-
Mr. Prakash Apte	10/10	-	4/5	-	3/3	-	-	-
Mr. Uday Kotak	-	2/3	-	2/2	2/3	3/3	-	2/2
Mr. Dipak Gupta	-	3/3	-	2/2	3/3	-	3/3	2/2
Mr. C. Jayaram	-	0/0	2/2	0/2	2/2	3/3	2/3	1/2
Mr. Amit Desai	-	-	5/5	-	-	-	-	-
Prof. S. Mahendra Dev	10/10	3/3	-	-	-	3/3	3/3	-
Ms. Farida Khambata	-	-	0/0	-	-	-	-	-
Mr. Mark Newman	-	-	-	-	-	-	-	-
Mr. Uday Khanna	9/10	-	-	-	3/3	-	-	-
Mr. Uday Shankar	-	-	-	-	-	-	-	-

Note : *The above table shows the number of meetings attended against the number of meetings held during tenure as member.*

Code of Conduct

The Bank has adopted a Code of Conduct which is applicable to the Board of Directors and Senior Management Personnel respectively.

Both the Code of Conduct have been posted on the website of the Bank viz URL: https://www.kotak.com/en/investor-relations/governance/policies.html

Familiarisation programme for Independent Directors

The details of the familiarization programme conducted for the Independent Directors of the Bank are available on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/governance/policies.html

The profit and loss account of the Bank and its subsidiaries include the following fees paid / payable to their respective statutory auditors:

₹ in crore

Entity Name	Auditor's Name	Statutory Audit Fees	Other Matters	Total
Kotak Mahindra Bank Limited	S. R. Batliboi & Co. LLP	2.16*	0.15	2.31
Kotak Mahindra Prime Limited	Price Waterhouse Chartered Accountants LLP	0.85	0.63	1.48
Kotak Securities Limited	Deloitte Haskins & Sells LLP	1.10	0.12	1.22
Kotak Mahindra Capital Company Limited	Deloitte Haskins & Sells LLP	0.21	-	0.21
Kotak Mahindra Life Insurance Company Limited	S.R. Batliboi & Associates LLP Haribhakti & Co. LLP	0.80	0.14	0.94
Kotak Mahindra General Insurance Company Limited	V.C.Shah & Co. K.S.Aiyar & Co.	0.24	0.03	0.27
Kotak Mahindra Investments Limited	Price Waterhouse Chartered Accountants LLP	0.45	0.05	0.50
Kotak Mahindra Asset Management Company Limited	S. R. Batliboi & Co. LLP	0.23	0.01	0.24
Kotak Mahindra Trustee Company Limited	Price Waterhouse	0.03	0.00	0.03
Kotak Mahindra (International) Limited	KPMG	0.33	0.02	0.35
Kotak Mahindra (UK) Limited	KPMG LLP	1.06	0.02	1.08
Kotak Mahindra, Inc.	Citrin Cooperman & Company LLP	0.21	-	0.21
Kotak Investment Advisors Limited	Price Waterhouse	0.18	0.00	0.18

₹ in crore

Entity Name	Auditor's Name	Statutory Audit Fees	Other Matters	Total
Kotak Mahindra Trusteeship Services Limited	Deloitte Haskins & Sells LLP	0.04	0.00	0.04
Kotak Infrastructure Debt Fund Limited	S.R. Batliboi & Associates LLP	0.07	0.00	0.07
Kotak Mahindra Pension Fund Limited	Khimji Kunverji & Co.	0.02	0.00	0.02
Kotak Mahindra Financial Services Limited	Ernst & Young	0.12	0.02	0.14
Kotak Mahindra Asset Management (Singapore) PTE. Limited	KPMG LLP	0.33	0.01	0.34
IVY Product Intermediaries Limited	Deloitte Haskins & Sells LLP	0.03	-	0.03
BSS Microfinance Limited	Deloitte Haskins & Sells LLP	0.17	0.03	0.20
Total**		**8.63**	**1.23**	**9.86**

* Excluding fees paid for Representative Office

The consolidated profit and loss account includes fees paid to statutory auditors of the Bank and their network firms as under:

₹ in crore

Entity	Name of the Firm	Fees Paid
Kotak Mahindra Bank Limited	S. R. Batliboi & Co. LLP	2.31
	Ernst and Young Associates LLP	0.01
	Ernst and Young Middle East (Dubai Branch)	0.10
Kotak Mahindra Life Insurance Company Limited	S R Batliboi & Associates LLP	0.47
Kotak Mahindra Asset Management Company Limited	S. R. Batliboi & Co. LLP	0.24
	Ernst & Young LLP	0.15
Kotak Investment Advisors Limited	Ernst & Young LLP	0.11
Kotak Infrastructure Debt Fund Limited	S R Batliboi & Associates LLP	0.07
Kotak Mahindra Financial Services Limited	Ernst & Young	0.14
Grand Total**		**3.60**

*** Note – Includes fees for IndAS transition*

General Meetings

During the last three years, the general meetings of the equity shareholders held are detailed below:

General Meetings	Day, Date and Time	Special Resolutions / Resolutions with requisite majority passed thereat
Thirty Third Annual General Meeting	Thursday, 19th July, 2018 at 4.00 p.m. at Walchand Hirachand Hall, Indian Merchants Chamber, 4th Floor Churchgate, Mumbai-400020	1. Special Resolution for appointment of Mr. Prakash Apte as part-time Chairman of the Bank from 20th July 2018 till 31st December 2020. 2. Special Resolution to issue unsecured, perpetual and/or redeemable non-convertible debentures/bonds for an amount up to ₹5000 crore. 3. Special Resolution for alteration of Article 11 of the Articles of Association of the Bank. 4. Special Resolution to raise funds by way of non-convertible preference shares for an amount not exceeding ₹500 crore, by way of private placement.

General Meetings	Day, Date and Time	Special Resolutions / Resolutions with requisite majority passed thereat
Thirty Second Annual General Meeting	Thursday, 20th July, 2017 at 10.30 a.m. at Walchand Hirachand Hall, Indian Merchants Chamber, 4th Floor Churchgate, Mumbai-400020	1. Special Resolution for re-appointment of Prof. S. Mahendra Dev as an Independent Director of the Bank to hold office up to 14th March, 2021. 2. Special Resolution for borrowing from time to time all such sums of money for the purpose of the business of the Bank notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Bank (apart from the temporary loans obtained or to be obtained from the bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital and free reserves, that is to say, reserves not set apart for any specific purpose, provided that the maximum amount of moneys so borrowed by the Board of Directors and outstanding shall not at any time exceed the sum of ₹ 60,000 crore (Rupees Sixty Thousand Crore Only). 3. Special Resolution to issue unsecured, redeemable non-convertible debentures / bonds for an amount up to ₹ 5,000 crore.
Extraordinary General Meeting	Tuesday, 9th May, 2017 at 10.30 a.m. at Walchand Hirachand Hall, Indian Merchants Chamber, 4th Floor Churchgate, Mumbai-400020	1. Special Resolution for increasing the ceiling limit on total holdings of FIIs and FPIs through primary or secondary route to such percentage as the Board may decide from time to time not exceeding 49% of the paid-up equity capital of the Bank. 2. Special Resolution for issuing equity shares, GDRs, ADRs, and/or other permissible securities convertible into equity shares or any combination thereof, in one or more tranches, up to 6,20,00,000 equity shares of ₹ 5/- each, by way of a public issue or a private placement or a rights issue, including a qualified institutions placement.
Thirty First Annual General Meeting	Friday, 22nd July, 2016 at 10.30 a.m. at Walchand Hirachand Hall, Indian Merchants Chamber, 4th Floor, Churchgate, Mumbai-400020	Special Resolution for payment to the Non-Executive Directors of the Bank, a sum not exceeding ₹ 10 lakh each by way of annual commission.

Pursuant to provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time and the provisions of Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank has been providing remote e-voting facility to its members to enable them to cast their votes by electronic means on all resolutions.

Postal Ballot

No resolutions were passed through postal ballot during the last financial year.

Disclosures

- The Bank has not entered into any material financial or commercial transactions with the directors or the management or their relatives or the companies and firms etc., in which they are either directly or through their relatives interested as directors and/or partners. The Bank has not entered into any material financial or commercial transactions with its subsidiaries and other related parties as per AS-18 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 that may have potential conflict with the interest of the Bank at large.
- During the last three years, there were no penalties or strictures imposed on the Bank by the Stock Exchange(s) and/or SEBI and/or any other statutory authorities on matters relating to capital market.
- None of the directors are related to any other director.
- The Board has received declarations from the Independent Directors and its opinion the Independent Directors fulfil the conditions as specified in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and are independent of the management.
- The Bank has adopted the Whistle Blower Policy pursuant to which employees, directors and vendors of the Bank can raise their concerns relating to the fraud, malpractice or any other untoward activity or event which is against the interest of the Bank or society as a whole. The website for reporting the above mentioned concerns is managed and hosted by an independent third party service provider who has proven expertise in this area, thereby ensuring absolute confidentiality. The Bank hereby affirms that no personnel has been denied access to the Audit Committee.

- The Bank's Policies on dealing with Related Party Transactions, determining 'material' subsidiaries and determination of materiality of events or information are available on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/governance/policies.html
- The Bank has obtained a certificate from Ms. Rupal Jhaveri, company secretary in practice confirming that that none of the Directors of the Bank have been debarred or disqualified from being appointed or continuing as directors of companies by SEBI/Ministry of Corporate Affairs or any such statutory authority.
- The relevant disclosures in relation to the number of complaints under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 have been mentioned in the Directors' Report of the Bank.

SHAREHOLDERS' INFORMATION

Date of Incorporation	:	21st November, 1985.
Registration No.	:	11-38137 TA
Corporate Identification No.	:	L65110MH1985PLC038137
Address for Correspondence	:	
Registered Office	:	27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai- 400 051. Tel. No. (022) 61661615 Fax No. : (022) 67132403 Website: www.kotak.com
Contact (Nodal officer – IEPF)	:	Ms. Bina Chandarana, Company Secretary & Sr. Executive Vice President
Registrar & Share Transfer Agent	:	**Karvy Fintech Private Limited** (i) Karvy Selenium Tower B, Plot 31-32 Gachibowli, Financial District, Nanakramguda Hyderabad- 500 032 Tel No. : (040) 67162222 Fax No. : (040) 23001153 (ii) 24/B, Raja Bahadur Compound, Ambalal Doshi Marg, Fort, Mumbai-400 023. Tel No. : (022) 66235412 / 66235406 Fax No. : (022) 66235333 Website : www.karvy.com
Debenture Trustees	:	IDBI Trusteeship Services Limited (Contact Person: Mr. Sunny Nihalani, Vice President) Asian Building, Ground Floor, 17, R Kamani Marg, Ballard Estate, Mumbai – 400 001 Tel No.: (022) 40807001 Fax No.: (022) 66311776
Annual General Meeting:		
Date and Time	:	Monday, 22nd July, 2019 at 10.00 a.m.
Venue	:	Walchand Hirachand Hall of the Indian Merchants Chamber, 4th Floor, Churchgate, Mumbai - 400 020
Financial Year	:	1st April to 31st March
Date of Book Closure	:	Tuesday, 16th July, 2019 to Monday, 22nd July, 2019 (both days inclusive)
Dividend Payment Date	:	On or before Tuesday, 30th July, 2019

INVESTOR RELATIONS

The Bank publishes consolidated and standalone results on a quarterly basis. The same are also reviewed by the Audit Committee before submission to the Board. The consolidated and standalone financial results of the Bank and its subsidiaries are prepared and posted on the website of the Bank for the current as well as last five financial years. Also, the quarterly results and earnings update are posted on the website of the Bank. Every quarter, the Managing Director & CEO, and the Joint Managing Director along with the senior management officials participate on a call with the analysts / shareholders, the transcripts of which are posted on the website of the Bank. The Bank also has dedicated personnel to respond to queries from investors.

Financial Calendar: For each calendar quarter, the financial results are reviewed and taken on record by the Board within the statutory prescribed time period. The quarterly results and the annual accounts as at 31st March are approved by the Board, after a review thereof by the Audit Committee. The Annual General Meeting to consider such annual accounts is held in the first / second quarter of the financial year.

Stock Exchanges on which listed:

Sr. No.	Name & Address of Stock Exchange	Market Scrip Code
1.	BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 023	500247
2.	National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Bandra-Kurla Complex, Bandra, Mumbai 400 051	KOTAKBANK

The annual fees for 2019-20 have been paid to the BSE Limited and the National Stock Exchange of India Limited, where the shares of the Bank are listed.

Trading of shares to be in compulsorily dematerialized form: The equity shares of the Bank have been activated for dematerialisation with the National Securities Depository Limited with effect from 4th August, 1998 and with the Central Depository Services (India) Limited with effect from 26th February, 1999. Pursuant to the sub-division of the equity shares of the Bank, w.e.f. 15th September, 2010, the new ISIN is INE237A01028. Pursuant to the amendment to Regulation 40 of the SEBI, transfer of shares held in physical form cannot be processed with effect from 1st April 2019. Investors holding shares in physical form are requested to dematerialize their existing holdings at the earliest.

Investor Helpdesk: Dividend payments, IEPF claims and all other investor related activities are attended to and processed at the office of our Registrars & Share Transfer Agents. For lodgement of any documents or for any grievances/ complaints, kindly contact Karvy Fintech Private Limited, contact details of which are provided elsewhere in the Report.

For the convenience of the investors, documents and complaints from the investors are accepted at the Registered Office between 9:30 a.m. to 5:30 p.m. from Monday to Friday except on bank holidays.

As advised by Securities and Exchange Board of India ("SEBI") the Bank has designated email- id of its Compliance Officer i.e. investor. grievances@kotak.com for the purpose of registering complaints by the investors. The same has also been displayed on the website of the Bank.

Kotak Mahindra Bank Limited

Registered Office : 27BKC, C 27, G Block, Bandra Kurla Complex,
Bandra (E), Mumbai- 400 051.
Tel. No.: (022) 61661615
Fax No. : (022) 67132403
E-mail : investor.grievances@kotak.com
Website : www.kotak.com

Transfer to Investor Education and Protection Fund: Pursuant to Section 124 of the Companies Act, 2013, any dividend which remains unpaid or unclaimed for a period of seven years shall be transferred by the Bank to the Investor Education and Protection Fund ('IEPF') established by the Central Government. Further, all shares in respect of which the dividend has not been paid or claimed for seven consecutive years or more shall be transferred to the Fund.

The table given below gives the dates of dividend declaration and the corresponding dates when unclaimed dividends are due to be transferred to the Fund:

Kotak Mahindra Bank Limited:

Year	Dividend-Type	Date of Declaration	Due Date of Transfer
2011-12	Final	19th July 2012	18th August 2019
2012-13	Final	18th July 2013	17th August 2020
2013-14	Final	16th July 2014	14th August 2021
2014-15	Final	29th June 2015	28th July 2022
2015-16	Final	22nd July 2016	21st August 2023
2016- 17	Final	20th July 2017	19th August 2024
2017- 18	Final	19th July 2018	18th August 2025

Erstwhile ING Vysya Bank Limited (eIVBL):

Year	Dividend-Type	Date of Declaration	Due Date of Transfer
2011-12	Final	29th June, 2012	29th July, 2019
2012-13	Final	25th June, 2013	25th July, 2020
2013-14	Final	24th June, 2014	24th July, 2021

Pursuant to the requirements of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (Rules) and the subsequent various circulars / notifications issued by MCA in this regard, the Bank has transferred a total of 31,81,351 equity shares to IEPF till date. The details of such shares transferred to IEPF are available on the Bank's website viz; URL: https://www.kotak.com/en/investor-relations/investor-information/investor-info.html.

SHARE PRICE DETAILS

The Monthly high and low quotation of shares traded on BSE:

Month	High (₹)	Low (₹)	Close (₹)	S&P BSE 100	Bankex
April, 2018	1218.30	1045.00	1210.35	11,152.97	28,651.87
May, 2018	1395.95	1214.95	1337.00	11,040.77	30,007.14
June, 2018	1359.50	1293.20	1341.80	10,987.71	29,250.56
July, 2018	1424.00	1285.30	1309.35	11,625.85	31,005.96
August, 2018	1326.00	1238.15	1285.35	12,016.97	31,741.91
September, 2018	1264.35	1143.50	1148.49	11,140.99	27,992.18
October, 2018	1218.95	1002.30	1118.00	10,661.72	28,359.59
November, 2018	1240.00	1101.00	1232.35	11,119.17	29,948.98
December, 2018	1345.35	1172.90	1254.75	11,161.02	30,376.68
January, 2019	1307.30	1201.10	1253.25	11,054.82	30,731.37
February, 2019	1314.00	1209.50	1212.45	10,988.69	30,027.41
March, 2019	1365.35	1217.55	1335.75	11,809.19	34,141.94

The Monthly high and low quotation of shares traded on NSE:

Month	High (₹)	Low (₹)	Close (₹)	NIFTY 50	Nifty Bank
April, 2018	1218.80	1049.05	1211.10	10,739.35	25,531.60
May, 2018	1400.00	1214.10	1334.60	10,736.15	26,956.20
June, 2018	1360.00	1293.00	1342.95	10,714.30	26,364.20
July, 2018	1417.00	1285.50	1306.85	11,356.50	27,764.15
August, 2018	1326.10	1238.00	1287.25	11,680.50	28,061.75
September, 2018	1295.00	1120.15	1141.60	10,930.45	25,119.85
October, 2018	1219.20	1002.20	1119.15	10,386.60	25,153.25
November, 2018	1238.40	1101.10	1233.95	10,876.75	26,862.95
December, 2018	1345.95	1171.00	1256.50	10,862.55	27,160.20
January, 2019	1307.95	1200.00	1255.75	10,830.95	27,295.45
February, 2019	1315.00	1210.00	1213.10	10,792.50	26,789.90
March, 2019	1364.65	1217.35	1334.50	11,623.90	30,426.80

SHARE HOLDING - EQUITY SHARES

	Category	As on 31st March 2019		As on 31st March 2018	
		No. of Equity Shares Held	Percentage Equity of Shares	No. of Equity Shares Held	Percentage of Equity Shares
A.	**Promoters Holding**				
	Promoters	572,465,964	29.99	572,465,964	30.04
	Sub-Total	**572,465,964**	**29.99**	**572,465,964**	**30.04**
B	**Non-Promoters Holding**				
	Institutional Investors				
a	Mutual Funds & UTI	160,196,020	8.39	134,869,280	7.08
b	Banks, Financial Institutions, Insurance Companies (State / Central Govt. Institutions)	55,777,277	2.92	33,970,905	1.78
c.	Foreign Institutional Investors	768,565,465	40.27	753,887,641	39.56
	Sub-Total	**984,538,762**	**51.58**	**922,727,826**	**48.42**
C.	**Others**				
a	Private Corporate Bodies	63,927,246	3.35	59,458,969	3.12
b	Indian Public including Directors & Relatives	197,460,120	10.34	195,988,260	10.28
c	NRIs/ OCBs/Foreign Bodies DR	16,610,745	0.87	15,429,497	0.81
d	Foreign Bank	32,800,000	1.72	32,800,000	1.72
e	Foreign Bodies	25,966,992	1.36	97,166,170	5.10
f	Foreign Nationals	1550	0.00	1,450	0.00
g	NBFCs	1,561,659	0.08	1,273,379	0.07
h	Alternative Investment Fund	3,846,505	0.20	22,55,479	0.12
i	Clearing Members	6,414,483	0.34	3,628,987	0.19
J	IEPF Authority	3,160,801	0.17	2,452,525	0.13
	Sub-Total	**351,750,101**	**18.43**	**410,454,716**	**21.54**
	Grand Total	**1,908,754,827**	**100.00**	**1,905,648,506**	**100.00**

Note: *The increase in capital during the financial year 2018-19 is due to allotment of 31,06,321 equity shares of ₹ 5/- under various ESOP Schemes of the Bank.*

SHARE HOLDING – PREFERENCE SHARES

Category		As on 31st March 2019		As on 31st March 2018	
		No. of Preference Shares Held	Percentage of Preference Shares	No. of Preference Shares Held	Percentage of Preference Shares
A.	**Promoters Holding**				
	Promoters	-	-	-	-
	Sub-Total	**-**	**-**	**-**	**-**
B	**Non-Promoters Holding**			-	-
	Institutional Investors			-	-
a	Mutual Funds & UTI	-	-	-	-
b	Banks, Financial Institutions, Insurance Companies (State / Central Govt. Institutions)	-	-	-	-
c.	Foreign Institutional Investors	-	-	-	-
	Sub-Total	**-**	**-**	**-**	**-**
C.	**Others**			-	-
a	Private Corporate Bodies	889,735,000	88.97	-	-
b	Indian Public including Directors & Relatives	110,265,000	11.03	-	-
c	NRIs/ OCBs/Foreign Bodies DR	-	-	-	-
e	Foreign Bank	-	-	-	-
f	Foreign Bodies	-	-	-	-
g	Foreign Nationals	-	-	-	-
h	NBFCs	-	-	-	-
i	Alternative Investment Fund	-	-	-	-
j	Clearing Members	-	-	-	-
j	IEPF Authority	-	-	-	-
	Sub-Total	**1,000,000,000**	**100.00**	**-**	**-**
	Grand Total	**1,000,000,000**	**100.00**	**-**	**-**

SHAREHOLDING OF DIRECTORS OF THE BANK

Name of the Director	As on 31st March 2019		
	No. of Equity Shares Held	Percentage of Equity Shares held	Percentage of Total Shares Held
Mr. Prakash Apte	-	-	-
*Mr. Uday Kotak	566,927,100	29.70	19.49
Mr. Dipak Gupta	1,247,829	0.07	0.04
Mr. C. Jayaram	1,108,040	0.06	0.04
Prof. S. Mahendra Dev	-	-	-
Ms Farida Khambata	54,000	0.00	0.00
Mr. Uday Khanna	-	-	-
Mr. Uday Shankar	297	0.00	0.00

Note : ** In addition, as on 31st March 2019, Kotak Trustee Company Pvt. Ltd. holds 6,24,556 equity shares of the Bank representing 0.03 % of the paid up equity capital of the Bank. Kotak Trustee Company Pvt. Ltd. holds these shares as trustee for USK Benefit Trust – II of which Mr. Uday Kotak is the sole beneficiary.*

Top 10 Equity Shareholders of Kotak Mahindra Bank Limited as on 31st March, 2019.

Sr. No.	Name of the investor	Total equity shares held
1	Uday Suresh Kotak	566,927,100
2	Canada Pension Plan Investment Board - Managed by IM2	115,163,850
3	Europacific Growth Fund	94,883,478
4	Oppenheimer Developing Markets Fund	66,052,253
5	SBI Mutual Fund	40,671,286
6	Sumitomo Mitsui Banking Corporation	32,800,000
7	Life Insurance Corporation of India	30,926,818
8	Capital World Growth and Income Fund	30,127,279
9	Caladium Investment Pte Ltd	25,966,992
10	New World Fund Inc	24,079,669

Top 10 Preference Shareholders of Kotak Mahindra Bank Limited as on 31st March 2019

Sr. No.	Name of the investor	Total preference shares held
1	Signet Chemical Corporation Private Limited	80,000,000
2	Tata Capital Financial Services ltd	70,000,000
3	Aditya Birla Finance Limited	70,000,000
4	Bajaj Allianz General Insurance Company Limited-Policyholder Fund	66,000,000
5	ICICI Lombard General Insurance Company Ltd	66,000,000
6	L&T Finance Limited	50,000,000
7	Denali Finance Private Limited	40,000,000
8	Star Line Leasings Ltd	30,000,000
9	Famy Care Ltd	30,000,000
10	Pidilite Industries Limited	30,000,000

Distribution Schedule as on 31st March 2019

Sr. no.	Category	Equity Shares				Preference Shares			
		No. of Holders	% To Holders	No. of Shares	% To Equity	No. of Holders	% To Holders	No. of Shares	% To Preference
1	1 – 100	157,317	63.21	4,644,499	0.24	1	1.96	100	0.00
2	101 – 200	29,595	11.89	4,525,227	0.24	-	-	-	-
3	201 – 300	17,236	6.92	4,288,707	0.22	-	-	-	-
4	301 – 400	8,143	3.27	2,932,016	0.15	-	-	-	-
5	401 – 500	5,572	2.24	2,584,332	0.14	-	-	-	-
6	501 – 1000	11,255	4.52	8,444,535	0.44	-	-	-	-
7	1001 – 2000	7,711	3.10	11,914,304	0.62	-	-	-	-
8	2001 – 3000	2,886	1.16	7,318,275	0.38	-	-	-	-
9	3001 – 4000	2,989	1.20	11,240,185	0.59	-	-	-	-
10	4001 – 5000	1,285	0.52	6,000,595	0.31	-	-	-	-
11	5001 – 10000	2,383	0.96	17,083,680	0.90	-	-	-	-
12	10,001 & Above	2,525	1.01	1,827,778,472	95.76	50	98.04	999,999,900	100.00
		248,897	**100.00**	**1,908,754,827**	**100.00**	**51**	**100.00**	**100,000,000**	**100.00**

The break-up of the shares held in physical and electronic mode as on 31st March, 2019 is given in the below mentioned table:

Equity :

Physical mode		Electronic mode	
Total Shares	**% to Equity**	**Total Shares**	**% to Equity**
7,104,671*	0.37	1,901,650,156	99.63

* *Includes 7,20,826 equity shares allotted on exercise of options by employees, for which the credit was pending as on 31st March 2019.*

Preference Shares :

Physical mode		Electronic mode	
Total Shares	**% to Preference**	**Total Shares**	**% to Preference**
--	-	1,000,000,000	100.00

Credit Rating:

Type of instrument	Credit Rating
₹ 516 Crore Lower Tier-II Bonds (Under Basel II)* [Reduced from ₹ 646 Crore]	CRISIL AAA/Stable (Reaffirmed)
₹ 185.80 Crore Lower Tier-II Bonds (Under Basel II) [Reduced from ₹ 620 Crore]	CRISIL AAA/Stable (Reaffirmed)
₹ 1800 Crore Infrastructure Bonds	CRISIL AAA/Stable (Reaffirmed)
Fixed Deposits	FAAA/Stable (Reaffirmed)
₹17000 crore Certificate of Deposits	CRISIL A1+
₹500 crore Non-Convertible Perpetual Non-Cumulative Preference Shares	CRISIL AA+ (Stable)

* *Originally issued by erstwhile ING Vysya Bank Limited*

There has been no change in the credit ratings during the year.

The Bank has complied with all the mandatory and most of the non mandatory requirements of the Code of Corporate Governance stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Compliance with Non-mandatory Requirements:

1) *The Board*
The office of Non-Executive Chairman of the Bank is maintained by the Bank at its expenses and all the expenses incurred in performance of his duties are reimbursed by the Bank.

2) *Shareholder Rights*
The quarterly results of the Bank are published in one English and one Marathi newspaper. Further, the quarterly results are also posted on the website of the Bank viz URL: https://www.kotak.com/en/investor-relations/financial-results.html and on the websites of the Stock Exchanges with which the Bank is listed. Along with the quarterly results, detailed earnings updates are also given on the website of the Bank. Further, a quarterly investors'/ analysts' conference call is made to discuss the financial results and performance of the Bank and the Group, the transcripts of which are posted on the website of the Bank. The quarterly results are sent by email to those shareholders whose email Ids are registered with the Bank / Depository Participant for communication purposes. In view of the foregoing, the half- yearly results of the Bank are not sent to the shareholders individually.

3) *Audit qualifications*
During the period under review, there were no audit qualifications in the Bank's standalone and consolidated financial statements. The Bank continues to adopt best accounting practices and has complied with the Accounting Standards and there is no difference in the treatment.

4) *Separate Posts of Chairman and Managing Director & CEO*
Mr. Prakash Apte a Non-Executive Independent Director is the Chairman and Mr. Uday Kotak is the Managing Director & CEO of the Bank.

5) *Reporting of Internal Auditor*
The Head - Internal Audit reports to the Audit Committee of the Board.

Other Disclosures

(A) The Management Discussion & Analysis Report

The Management Discussion & Analysis Report, giving an overview of the industry, the Bank's business and its financials is provided separately as a part of this Annual Report.

(B) Means of Communication

The Board of Directors of the Bank approves the unaudited financial results on a quarterly basis within the prescribed time period of 45 days from the end of the quarter and the audited annual financial results within 60 days from the end of the financial year. The results are promptly forwarded to the stock exchanges and are published in one English and one Marathi (Regional Language) newspaper, within 48 hours of the conclusion of the Board Meeting. The results, earnings update as well as other press releases are simultaneously displayed on the Bank's website viz URL: https://www.kotak.com/en/investor-relations/financial-results.html. The website also displays all official news releases by the Bank from time to time as also the Earnings Updates and presentations made to investors and analysts. Further, the financial results are sent by email to those shareholders whose email Ids are registered with the Bank / Depository. The Bank also publishes its Balance Sheet and Profit and Loss Account together with the Auditors' Report in a newspaper as required in terms of Section 31 of the Banking Regulation Act, 1949 and Rule 15 of the Banking Regulation (Companies) Rules, 1949.

Pursuant to the Companies (Accounts) Rules, 2014, the Bank proposes to send the financial statements for the year ended 31st March, 2019, by electronic mode to the members whose email Ids are registered with the Bank / Depository Participant.

The financial results and other information filed by the Bank from time to time is also available on the website of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited. The said stock exchanges have introduced NSE Electronic Application Processing System (NEAPS) and BSE Listing centre. Various compliances as required / prescribed under the listing Regulations are filed through these systems.

For Kotak Mahindra Bank Limited

Prakash Apte	**Uday Kotak**
Chairman	Managing Director & CEO
Place : Mumbai	Place : Mumbai
Date : 31st May 2019	Date : 31st May 2019

DECLARATION

In accordance with Schedule V (D) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management Personnel of the Bank have affirmed compliance to the Code of Conduct for the financial year ended 31st March, 2019.

For Kotak Mahindra Bank Limited

Uday Kotak
Managing Director & CEO

Place : Mumbai
Date : 31st May 2019

Independent Auditor's Certificate on compliance with the conditions of Corporate Governance as per provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Members of Kotak Mahindra Bank Limited
Kotak Mahindra Bank Limited
27 BKC, 6th Floor, C27, G Block
Bandra Kurla Complex
Bandra (East)
Mumbai- 400 051

1. The Corporate Governance Report prepared by Kotak Mahindra Bank Limited (hereinafter the "Bank"), contains details as required by the provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") with respect to Corporate Governance for the year ended March 31, 2019. This report is required by the Bank for annual submission to the Stock exchange and to be sent to the Shareholders of the Bank.

Management's Responsibility

2. The preparation of the Corporate Governance Report is the responsibility of the Management of the Bank including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.

3. The Management along with the Board of Directors are also responsible for ensuring that the Bank complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to express a reasonable assurance in the form of an opinion whether the Bank has complied with the specific requirements of the Listing Regulations referred to in paragraph 1 above.

5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by ICAI.

6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

7. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. Summary of key procedures performed include:

   i. Reading and understanding of the information prepared by the Bank and included in its Corporate Governance Report;

   ii. Obtained and verified that the composition of the Board of Directors w.r.t executive and non-executive directors has been met throughout the reporting period;

   iii. Obtained and read the Directors Register as on 31 March 2019 and verified that atleast one women director was on the Board during the year;

   iv. Obtained and read the minutes of the following committee meetings held during the period 01 April 2018 to 31 March 2019:

      (a) Board of Directors meeting;

      (b) Audit committee;

      (c) Annual General meeting;

      (d) Nomination and remuneration committee;

      (e) Stakeholders Relationship Committee;

      (f) Independent directors meeting; and

      (g) Risk management committee;

   v. Obtained necessary representations and declarations from directors of the Bank including the independent directors; and

   vi. Performed necessary inquiries with the management and also obtained necessary specific representations from management.

   The above-mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Bank taken as a whole.

Opinion

8. Based on the procedures performed by us as referred in paragraph 7 above, and according to the information and explanations given to us, we are of the opinion that the Bank has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations, as applicable for the year ended March 31, 2019, referred to in paragraph 1 above.

Other matters and Restriction on Use

9. This report is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

10. This report is addressed to and provided to the members of the Bank solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to compliance with the relevant regulations of Corporate Governance and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749
UDIN: 19048749AAAABU6915

Place of Signature: Mumbai
Date: 12 June 2019

CERTIFICATE BY A COMPANY SECRETARY IN PRACTICE

We hereby certify that on the basis of verification of the records of Kotak Mahindra Bank Limited ('Bank') and pursuant to Schedule V - Part C (clause (10)(g)) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, none of the directors on the board of the Bank have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority.

RUPAL D JAHVERI
Company Secretary
FCS: 5441 CP: 4225

Place : Mumbai
Date : April 26, 2019

Independent Auditor's Report

To the Members of Kotak Mahindra Bank Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of Kotak Mahindra Bank Limited ("the Bank"), which comprise the Balance sheet as at March 31, 2019, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ("the Act") in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2019, its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the "Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone financial statements.

Key audit matters	How our audit addressed the key audit matter
Identification of and provisioning for Non-performing advances (Refer Schedule 17C – Note 2 to the financial statements):	
Advances constitute a significant portion of the Bank's assets and the quality of these advances is measured in terms of ratio of Non-Performing Advances ("NPA") to the gross advances of the Bank. The Bank's net advances constitute 66% of the total assets and the gross NPA ratio of the Bank is 2.14% as at March 31, 2019. The Reserve Bank of India's ("RBI") guidelines on Income recognition and asset classification ("IRAC") prescribe the prudential norms for identification and classification of NPAs and the minimum provision required for such assets. The Bank is also required to apply its judgement to determine the identification and provision required against NPAs by applying quantitative as well as qualitative factors. The risk of identification of NPAs is affected by factors like stress and liquidity concerns in certain sectors. The provisioning for identified NPAs is estimated based on ageing and classification of NPAs, value of security and other qualitative factors and is subject to the minimum provisioning norms specified by RBI.	The audit procedures performed, among others, included: - Considering the Bank's policies for NPA identification and provisioning and assessing compliance with the IRAC norms. - Understanding, evaluating and testing the design and operating effectiveness of key controls (including application controls) around identification of impaired accounts based on the extant guidelines on IRAC. - Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included: - Testing of the exception reports generated from the application systems where the advances have been recorded.

Key audit matters	How our audit addressed the key audit matter
Since the identification of NPAs and provisioning for advances require significant level of estimation and given its significance to the overall audit including possible observations by RBI which could result in disclosures in the financial statements, we have ascertained identification and provisioning for NPAs as a key audit matter.	- Reading the accounts reported by the Bank and other banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress. - Reading account statements and other related information of the borrowers selected based on quantitative and qualitative risk factors. - Performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which need to be considered as NPA. Examining the early warning reports generated by the Bank to identify stressed loan accounts. - Holding specific discussions with the management of the Bank on sectors where there is perceived credit risk and the steps taken to mitigate the risks to identified sectors. With respect to provisioning of advances, we performed the following procedures: - Gained an understanding of the Bank's process for provisioning of advances. - Tested on a sample basis the realizable value of assets provided as security against loans classified as non-performing for determining the provision. - Tested on a sample basis the calculation performed by the management for compliance with RBI regulations and internally laid down policies for provisioning.
Information Technology ("IT") Systems and controls	
The reliability and security of IT systems plays a key role in the business operations of the Bank. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These systems also play a key role in the financial accounting and reporting process of the Bank. Due to the pervasive nature and complexity of the IT environment we have ascertained IT systems and controls as a key audit matter.	- We included specialized IT auditors as part of the audit team for testing IT General Controls (logical access, change management and aspects of IT operations controls), application controls and IT dependent manual controls implemented by the Bank, and testing the information produced by the Bank. - Tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. - Tested the Bank's periodic review of access rights. We inspected requests of changes to systems for approval and authorisation. - Considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit. - Tested key application controls to evaluate their operating effectiveness. - Where deficiencies were identified, we tested compensating controls or performed alternate procedures.

Key audit matters	How our audit addressed the key audit matter
Compliance with regulations impacting financial statements	
The Bank operates in a highly regulated environment. In addition to the Banking Regulation Act, 1949, RBI provides directives and guidelines in the form of circulars from time to time. Given the pervasive nature of the regulations, failure to comply with them could have a material financial impact on the operations of the Bank.	- Understood the relevant legal and regulatory framework within which the Bank operates and assessed the design and operation of its key controls over this framework. - Assessed the compliance structure of the Bank with regard to adherences to various regulations. We understood the process followed by the Bank's compliance team to obtain and disseminate updates regarding new circulars/notifications/press releases. - Reviewed the RBI Annual Financial Inspection report and other communication with regulators. - Reviewed the minutes of meeting of board level committees, risk management committee, credit and NPA review committees and internal audit reports for any recorded instances of potential non-compliance, and maintained a high level of vigilance when carrying out our other audit procedures for indications of noncompliance. - Assessed that disclosures in the financial statements are in line with the requirements of RBI. - Enquired about penalties levied on the Bank for any assessed non-compliance with regulatory requirements.

Information Other than the Standalone Financial Statements and Auditor's Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information received by us comprises the information included in the Basel III - Pillar 3 disclosures but does not include the financial statements and our auditor's reports thereon, which we obtained prior to the date of this auditor's report, and other elements of the Annual Report, which are expected to be made available to us after that date.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether such other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other elements of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Those Charged with Governance.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and the guidelines and directions issued by the Reserve Bank of India from time to time.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014.
2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

(a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

(c) The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches; we have visited 144 branches for the purpose of our audit.

3. As required by Section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

(c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid standalone financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014;

(e) On the basis of written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;

(g) In our opinion, the entity being a banking company, the remuneration to whole-time directors during the year ended March 31, 2019 has been paid by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act, 1949; and

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 12.I, Schedule 17C - Note 13 and Schedule 18B - Note 15 to the financial statements;

   ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Schedule 12.2, Schedule 17C - Note 11, Schedule 17C - Note 13 and Schedule 18B - Note 11 and Note 15 to the financial statements; and

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For S. R. BATLIBOI & CO. LLP
Chartered Accountants
Firm's Registration No.: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749
Place of Signature: Mumbai
Date: 30 April 2019

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF KOTAK MAHINDRA BANK LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")
To the Members of Kotak Mahindra Bank Limited

We have audited the internal financial controls over financial reporting of Kotak Mahindra Bank Limited (the "Bank") as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

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

Auditor's Responsibility
Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Reporting
A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Opinion
In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S. R. BATLIBOI & CO. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749
Place of Signature: Mumbai
Date: 30 April 2019

Balance Sheet

as at 31st March, 2019

(₹ in thousands)

	Schedule	As at 31st March, 2019	As at 31st March, 2018
CAPITAL AND LIABILITIES			
Capital	1	14,543,774	9,528,243
Employee's Stock Options (Grants) Outstanding		20,728	21,680
Reserves and Surplus	2	414,440,027	365,288,316
Deposits	3	2,258,803,630	1,926,432,709
Borrowings	4	322,482,914	251,541,531
Other Liabilities and Provisions	5	111,429,836	96,521,497
Total		**3,121,720,909**	**2,649,333,976**
ASSETS			
Cash and Balances with Reserve Bank of India	6	108,775,243	89,085,076
Balances with Banks and Money at Call and Short Notice	7	137,980,161	107,116,004
Investments	8	711,890,850	645,623,468
Advances	9	2,056,948,097	1,697,179,249
Fixed Assets	10	16,515,501	15,271,602
Other Assets	11	89,611,057	95,058,577
Total		**3,121,720,909**	**2,649,333,976**
Contingent Liabilities	12	2,120,822,671	2,051,048,385
Bills for Collection		318,522,336	242,553,119
Significant accounting policies and notes to accounts forming part of financial statements	17 & 18		

The schedules referred to above form an integral part of this Balance Sheet.

The Balance Sheet has been prepared in conformity with Form 'A' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date attached.

For S.R. Batliboi & Co. LLP
Chartered Accountants
Firm Registration No. 301003E/E300005

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai
30th April, 2019

For and on behalf of the Board of Directors

Prakash Apte
Chairman

Uday Kotak
Chief Executive Officer and Managing Director

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Jaimin Bhatt
President and Group Chief Financial Officer

Bina Chandarana
Company Secretary

Profit and Loss Account

for the year ended 31st March, 2019

(₹ in thousands)

		Schedule	Year ended 31st March, 2019	Year ended 31st March, 2018
I.	**INCOME**			
	Interest Earned	13	239,432,076	197,484,956
	Other Income	14	46,040,270	40,522,082
	Total		**285,472,346**	**238,007,038**
II.	**EXPENDITURE**			
	Interest Expended	15	126,842,487	102,168,077
	Operating Expenses	16	75,148,008	64,257,223
	Provisions and Contingencies (Refer Note 11 - Schedule 18 B)		34,828,534	30,738,704
	Total		**236,819,029**	**197,164,004**
III.	**PROFIT**			
	Net Profit for the year (I - II)		48,653,317	40,843,034
	Add : Balance in Profit and Loss Account brought forward from previous year		136,045,968	107,562,902
	Total		**184,699,285**	**148,405,936**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		12,163,400	10,210,800
	Transfer to Capital Reserve		69,900	240,000
	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		400,000	550,000
	Transfer to Investment Reserve Account (Refer Note 34 - Schedule 18 A)		310,622	-
	Transfer to Investment Fluctuation Reserve		708,918	-
	Transfer to Fraud Provision		13,971	-
	Dividend		1,602,824	1,142,141
	Corporate Dividend Tax		236,780	217,027
	Balance carried over to Balance Sheet		169,192,870	136,045,968
	Total		**184,699,285**	**148,405,936**
V.	**EARNINGS PER SHARE (Face value of ₹ 5/-)**			
	Basic		25.52	21.54
	Diluted		25.48	21.51
	(Refer Note 1 - Schedule 18 B)			
Significant accounting policies and notes to accounts forming part of financial statements		17 & 18		

The schedules referred to above form an integral part of this Profit and Loss Account.

The Profit and Loss Account has been prepared in conformity with Form 'B' of the Third Scheduled to the Banking Regulation Act, 1949.

As per our report of even date attached.

For and on behalf of the Board of Directors

For S.R. Batliboi & Co. LLP
Chartered Accountants
Firm Registration No. 301003E/E300005

Prakash Apte
Chairman

Uday Kotak
Chief Executive Officer and Managing Director

per Viren H. Mehta
Partner
Membership No. 048749

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Mumbai
30th April, 2019

Jaimin Bhatt
President and Group Chief Financial Officer

Bina Chandarana
Company Secretary

Cash Flow Statement

for the year ended 31st March, 2019

(₹ in thousands)

	Year ended 31st March, 2019	Year ended 31st March, 2018
CASH FLOW FROM OPERATING ACTIVITIES		
Profit after tax	**48,653,317**	**40,843,034**
Add: Provision for tax	25,204,623	21,339,169
Net Profit before taxes	**73,857,940**	**62,182,203**
Adjustments for :-		
Employee Stock Options Expense	17,961	17,470
Depreciation on Bank's Property	3,669,196	3,026,901
Diminution in the value of Investments written off	(137,350)	1,969,098
Dividend from Subsidiaries / Joint Ventures	(451,432)	(76,070)
Amortization of Premium on HTM Investments	2,688,983	2,796,655
Provision for Non Performing Assets, Standard Assets and Other Provisions	9,761,261	7,430,437
Profit on sale of Fixed Assets	(194,823)	(457,390)
	89,211,736	**76,889,304**
Adjustments for :-		
Increase in Investments (other than Subsidiaries, Joint Ventures and Other HTM Investments)	(80,249,746)	(177,283,772)
Increase in Advances	(368,210,353)	(342,606,061)
Decrease / (Increase) in Other Assets	4,469,053	(1,949,097)
Increase in Deposits	332,370,921	352,174,110
Increase in Other Liabilities and Provisions	12,973,094	10,937,267
	(98,647,031)	**(158,727,553)**
Direct Taxes Paid	**(24,441,895)**	**(20,910,902)**
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**(33,877,190)**	**(102,749,151)**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of Fixed Assets	(4,200,748)	(3,431,258)
Sale of Fixed Assets	299,734	563,806
Investments in Subsidiaries / Joint Ventures	(656,924)	(16,048,267)
Investments in HTM securities	12,087,655	(6,315,309)
Dividend from Subsidiaries / Joint Ventures	451,432	76,070
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	**7,981,149**	**(25,154,958)**
CASH FLOW FROM/ (USED IN) FINANCING ACTIVITIES		
Decrease in Subordinated Debt	(5,995,882)	(2,728,530)
Increase in Refinance	8,421,965	13,788,283
Increase in Borrowings [other than Refinance and Sub-ordinated debt]	68,515,300	29,526,969
Money received on exercise of Stock Options / Issue of Equity Shares	2,235,908	59,531,804
Issue of Perpetual Non Cumulative Preference Shares	5,000,000	-
Share Issue Expenses	(7,013)	(387,125)
Dividend paid including Corporate Dividend Tax	(1,839,604)	(1,359,168)

Cash Flow Statement

for the year ended 31st March, 2019

(₹ in thousands)

	Year ended 31st March, 2019	Year ended 31st March, 2018
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES (C)	**76,330,674**	**98,372,233**
Increase in Foreign Currency Translation Reserve (D)	**119,691**	**12,857**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	**50,554,324**	**(29,519,019)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Refer Note below)	**196,201,080**	**225,720,099**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Refer Note below)	**246,755,404**	**196,201,080**
Note:		
Balance with Banks in India in Fixed Deposit (As per Sch 7 I (i) (b))	21,625	62,425
Balance with Banks in India in Current Account (As per Sch 7 I (i) (a))	2,665,556	3,338,130
Money at Call and Short Notice in India (as per Sch 7 I (ii))	85,741,126	85,471,317
Cash in hand (including foreign currency notes) (As per Sch 6 I.)	12,211,056	12,049,839
Balance with RBI in Current Accounts (As per Sch 6 II.)	96,564,187	77,035,237
Balance with Banks Outside India:		
(i) In Current Account (As per Sch 7 II (i))	6,675,754	6,186,757
(ii) In other Deposit Accounts (As per Sch 7 II (ii))	42,876,100	12,057,375
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**246,755,404**	**196,201,080**

As per our report of even date attached.

For S.R. Batliboi & Co. LLP
Chartered Accountants
Firm Registration No. 301003E/E300005

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai
30th April, 2019

For and on behalf of the Board of Directors

Prakash Apte
Chairman

Uday Kotak
Chief Executive Officer and Managing Director

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Jaimin Bhatt
President and Group Chief Financial Officer

Bina Chandarana
Company Secretary

Schedules

Forming part of the Balance Sheet as at 31st March, 2019

SCHEDULE 1 - CAPITAL

(₹ in thousands)

	As at 31st March, 2019	As at 31st March, 2018
Authorised Capital		
2,800,000,000 Equity Shares of ₹ 5/- each (31st March, 2018: 3,000,000,000 Equity Shares of ₹ 5/- each)	14,000,000	15,000,000
1,000,000,000 (31st March, 2018: Nil) Perpetual Non Cumulative Preference Shares of ₹ 5/- each	5,000,000	-
	19,000,000	15,000,000
Issued, Subscribed and Paid-up Capital		
1,908,754,827 (31st March, 2018: 1,905,648,506) Equity Shares of ₹ 5/- each fully paid-up	9,543,774	9,528,243
1,000,000,000 (31st March, 2018: Nil) Perpetual Non Cumulative Preference Shares of ₹ 5/- each fully paid-up	5,000,000	-
Total	**14,543,774**	**9,528,243**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
I.	**Statutory Reserve**		
	Opening Balance	55,094,383	44,883,583
	Add: Transfer from Profit and Loss Account	12,163,400	10,210,800
	Total	**67,257,783**	**55,094,383**
II.	**Capital Reserve**		
	Opening Balance	2,063,986	1,823,986
	Add: Transfer from Profit and Loss Account	69,900	240,000
	Total	**2,133,886**	**2,063,986**
III.	**General Reserve**		
	Opening Balance	6,404,249	6,404,249
	Add: Transfer from Profit and Loss Account	-	-
	Total	**6,404,249**	**6,404,249**
IV.	**Investment Reserve Account**		
	Opening Balance	-	-
	Add: Transfer from / (to) Profit and Loss Account (Refer Note 34 - Schedule 18 A)	310,622	-
	Total	**310,622**	**-**
V.	**Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961**		
	Opening Balance	4,542,000	3,992,000
	Add: Transfer from Profit and Loss Account	400,000	550,000
	Total	**4,942,000**	**4,542,000**
VI.	**Securities Premium Account**		
	Opening Balance	159,943,364	101,107,974
	Add: Received during the year	2,239,291	59,222,515
	Less: Share Issue Expenses	7,013	387,125
	Total	**162,175,642**	**159,943,364**

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
VII.	**Amalgamation Reserve**		
	Opening Balance	1,224,046	1,224,046
	Add: Additions	-	-
	Total	**1,224,046**	**1,224,046**
VIII.	**Investment Allowance (Utilised) Reserve**		
	Opening Balance	500	500
	Add: Transfer from Profit and Loss Account	-	-
	Total	**500**	**500**
IX.	**Investment Fluctuation Reserve**		
	Opening Balance	-	-
	Add: Transfer from Profit and Loss Account	708,918	-
	Total	**708,918**	**-**
X.	**Foreign Currency Translation Reserve**		
	Opening Balance	(30,180)	(43,039)
	Add: Current Year	119,691	12,859
	Total	**89,511**	**(30,180)**
XI.	**Balance in the Profit and Loss Account**		
	Balance in the Profit and Loss Account	169,192,870	136,045,968
	Total	**169,192,870**	**136,045,968**
Total (I to XI)		**414,440,027**	**365,288,316**

SCHEDULE 3 - DEPOSITS

(₹ in thousands)

			As at 31st March, 2019	As at 31st March, 2018
A. I.	**Demand Deposits**			
	i.	From Banks	3,685,256	4,031,444
	ii.	From Others	385,324,336	318,426,242
	Total		**389,009,592**	**322,457,686**
II.	**Savings Bank Deposits**		796,847,139	655,292,031
III.	**Term Deposits**			
	i.	From Banks	630,768	13,446,945
	ii.	From Others	1,072,316,131	935,236,047
	Total		**1,072,946,899**	**948,682,992**
	Total Deposits (I to III)		**2,258,803,630**	**1,926,432,709**
B. I.	Deposits of Branches in India		2,257,200,505	1,925,907,939
II.	Deposits of Branches Outside India		1,603,125	524,770
	Total		**2,258,803,630**	**1,926,432,709**

SCHEDULE 4 - BORROWINGS

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
I.	**Borrowings in India**		
	(i) Reserve Bank of India	16,290,000	13,750,000
	(ii) Other Banks	76,527,642	36,526,105
	(iii) Other Institutions and Agencies (Refer Note 13 - Schedule 18 B)	116,658,400	120,407,480
	Total	**209,476,042**	**170,683,585**
II.	**Borrowings outside India**		
	Banks and Other Institutions (Refer Note 13 - Schedule 18 B)	113,006,872	80,857,946
	Total	**113,006,872**	**80,857,946**
	Total Borrowings (I + II)	**322,482,914**	**251,541,531**
	Secured Borrowings other than CBLO and Repo Borrowings included in I above	-	-
	Tier II Bonds included in I (iii) above	4,560,000	7,018,000
	Tier II Bonds included in II above	-	2,251,008

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
I.	Bills Payable	18,481,653	14,851,284
II.	Interest Accrued	11,750,424	8,709,983
III.	Provision for tax (net of advance tax and tax deducted at source)	710,653	109,134
IV.	Standard Asset provision (Refer Note 20 - Schedule 18 A)	8,817,797	7,609,142
V.	Others (including provisions)	71,669,309	65,241,954
	Total	**111,429,836**	**96,521,497**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
I.	Cash in hand (including foreign currency notes)	12,211,056	12,049,839
II.	Balances with RBI in Current Account	96,564,187	77,035,237
	Total	**108,775,243**	**89,085,076**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

(₹ in thousands)

				As at 31st March, 2019	As at 31st March, 2018
I.	**In India**				
	(i)	**Balances with Banks**			
		(a)	In Current Accounts	2,665,556	3,338,130
		(b)	In Other Deposit Accounts	21,625	62,425
	Total			**2,687,181**	**3,400,555**
	(ii)	**Money at Call and Short Notice**			
		(a)	With Banks	42,741,126	51,921,317
		(b)	With Other Agencies	43,000,000	33,550,000
	Total			**85,741,126**	**85,471,317**
	Total (i + ii)			**88,428,307**	**88,871,872**
II.	**Outside India**				
	(i) In Current Accounts			6,675,754	6,186,757
	(ii) In Other Deposit Accounts			42,876,100	12,057,375
	Total			**49,551,854**	**18,244,132**
	Total (I + II)			**137,980,161**	**107,116,004**

SCHEDULE 8 - INVESTMENTS

(₹ in thousands)

			As at 31st March, 2019	As at 31st March, 2018
I.	**Investments in India in**			
	i.	Government Securities	578,924,110	516,280,145
	ii.	Other approved Securities	-	-
	iii.	Shares	7,280,357	12,449,591
	iv.	Debentures and Bonds	56,807,827	59,750,322
	v.	Subsidiaries and Joint Ventures	25,087,090	24,430,166
	vi.	Others [Units, Certificate of Deposits (CD), Commercial Paper (CP), Security Receipts, Pass Through Certificates (PTC)]	41,837,365	31,168,183
	Total		**709,936,749**	**644,078,407**
II.	**Investments Outside India in**			
	i.	Government Securities	1,705,969	1,296,929
	ii.	Shares	16,523	16,523
	iii.	Subsidiaries and Joint Ventures	231,609	231,609
	Total		**1,954,101**	**1,545,061**
	Total Investments (I + II)		**711,890,850**	**645,623,468**

SCHEDULE 9 - ADVANCES

(₹ in thousands)

			As at 31st March, 2019	As at 31st March, 2018
A.	(i)	Bills purchased and discounted #	91,420,925	71,057,817
	(ii)	Cash Credits, Overdrafts and loans repayable on demand	587,758,751	496,101,501
	(iii)	Term Loans	1,377,768,421	1,130,019,931
	Total		**2,056,948,097**	**1,697,179,249**
	# Bills purchased and discounted is net of bills rediscounted ₹ 491.21 crore (Previous Year ₹ 1,482.66 crore)			
B.	(i)	Secured by tangible assets *	1,544,699,747	1,286,295,458
	(ii)	Covered by Bank / Government guarantees	20,844,952	19,352,191
	(Iii)	Unsecured	491,403,398	391,531,600
	Total		**2,056,948,097**	**1,697,179,249**
	** including advances secured against book debts*			
C. I.	**Advances in India**			
	(i)	Priority Sector	722,728,549	592,840,670
	(ii)	Public Sector	11,687,525	21,786,687
	(iii)	Banks	66	482,031
	(iv)	Others	1,281,108,590	1,054,739,032
II.	**Advances outside India**			
	(i)	Due from banks	-	-
	(ii)	Due from others		
		a) Bills purchased and discounted	-	-
		b) Syndicated and term loans	41,423,367	27,330,829
		c) Others	-	-
	Total		**2,056,948,097**	**1,697,179,249**

SCHEDULE 10 - FIXED ASSETS

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
A.	**Premises (Including Land)**		
	Gross Block		
	At cost on 31st March of the preceding year	10,671,851	10,733,251
	Additions during the year	135,794	371
	Less: Deductions during the year	65,482	61,771
	Total	**10,742,163**	**10,671,851**
	Depreciation		
	As at 31st March of the preceding year	1,573,804	1,421,080
	Add: Charge for the year	177,589	176,545
	Less: Deductions during the year	20,889	23,821
	Depreciation to date	**1,730,504**	**1,573,804**
	Net Block	**9,011,659**	**9,098,047**
B.	**Other Fixed Assets (including furniture and fixtures)**		
	Gross Block		
	At cost on 31st March of the preceding year	25,067,950	24,653,555
	Additions during the year	4,882,212	3,028,269
	Less: Deductions during the year	5,867,611	2,613,874
	Total	**24,082,551**	**25,067,950**
	Depreciation		
	As at 31st March of the preceding year	19,051,379	18,746,431
	Add: Charge for the year	3,491,607	2,850,356
	Less: Deductions during the year	5,807,293	2,545,408
	Depreciation to date	**16,735,693**	**19,051,379**
	Net Block (Refer Note 6 - Schedule 18 B)	**7,346,858**	**6,016,571**
C.	**Leased Fixed Assets**		
	Gross Block		
	At cost on 31st March of the preceding year	1,540,585	1,540,585
	Additions during the year	-	-
	Less: Deductions during the year	-	-
	Total	**1,540,585**	**1,540,585**
	Depreciation		
	As at 31st March of the preceding year	1,383,601	1,383,601
	Add: Charge for the year	-	-
	Less: Deductions during the year	-	-
	Depreciation to date	**1,383,601**	**1,383,601**
	Net Block	**156,984**	**156,984**
	Total (A) + (B) + (C)	**16,515,501**	**15,271,602**

SCHEDULE 11 - OTHER ASSETS

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
I.	Interest accrued	22,533,459	20,659,572
II.	Advance tax (net of provision for tax)	-	-
III.	Stationery and stamps	14,606	15,300
IV.	Cheques in course of collection	-	241,428
V.	Non banking assets acquired in satisfaction of claims	-	67,824
VI.	Others (Refer Note 4 - Schedule 18 B)*	67,062,992	74,074,453
	Total	**89,611,057**	**95,058,577**

* *Includes Deferred Tax Asset ₹ 178.16 crore (Previous year ₹ 194.28 crore)*

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in thousands)

		As at 31st March, 2019	As at 31st March, 2018
I.	Claims not acknowledged as debts	13,728,603	13,213,254
II.	Liability on account of outstanding forward exchange contracts	1,199,198,327	1,240,928,580
III.	Guarantees on behalf of constituents		
	i) In India	264,990,195	272,736,633
	ii) Outside India	-	-
IV.	Acceptances, Endorsements and Other Obligations	167,730,488	135,250,530
V.	Other items for which the Bank is contingently liable:		
	a. Liability in respect of interest rate, currency swaps and forward rate agreements	386,178,825	350,225,731
	b. Liability in respect of Options Contracts	85,786,201	35,352,504
	c. Capital commitments not provided	1,363,300	1,687,900
	d. Unclaimed Customer balances transferred to RBI DEAF Scheme	1,846,732	1,653,253
	Total	**2,120,822,671**	**2,051,048,385**

SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)

		Year ended 31st March, 2019	Year ended 31st March, 2018
I.	Interest / discount on advances / bills	183,712,467	147,279,543
II.	Income from investments	48,727,735	39,330,039
III.	Interest on balances with RBI and other inter-bank funds	3,814,238	7,552,917
IV.	Others	3,177,636	3,322,457
	Total	**239,432,076**	**197,484,956**

SCHEDULE 14 - OTHER INCOME

(₹ in thousands)

		Year ended 31st March, 2019	Year ended 31st March, 2018
I.	Commission, exchange and brokerage	33,907,787	27,645,399
II.	Profit / (Loss) on sale of Investments (net)	708,918	2,123,029
III.	Profit / (Loss) on sale of building and other assets (net)	194,823	457,390
IV.	Profit on exchange transactions (net) (including derivatives)	7,382,556	6,039,115
V.	Income earned by way of dividend, etc. from Subsidiaries / Associates and / or Joint Venture in / outside India	1,275,131	896,991
VI.	Profit on recoveries of non-performing assets acquired	1,796,826	2,131,131
VII.	Miscellaneous Income	774,229	1,229,027
	Total	**46,040,270**	**40,522,082**

SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)

		Year ended 31st March, 2019	Year ended 31st March, 2018
I.	Interest on Deposits	110,126,352	89,375,012
II.	Interest on RBI / Inter-Bank Borrowings	9,142,756	5,669,773
III.	Others (Refer Note 13(c) - Schedule 18 B)	7,573,379	7,123,292
	Total	**126,842,487**	**102,168,077**

SCHEDULE 16 - OPERATING EXPENSES

(₹ in thousands)

		Year ended 31st March, 2019	Year ended 31st March, 2018
I.	Payments to and provision for employees (Refer Note 10 - Schedule 18 B)	31,836,118	29,502,348
II.	Rent, taxes and lighting (Refer Note 3 - Schedule 18 B)	6,280,940	5,784,842
III.	Printing and Stationery	914,117	870,835
IV.	Advertisement, Publicity and Promotion	1,194,763	1,105,157
V.	Depreciation on Bank's property	3,669,196	3,026,901
VI.	Directors' fees, allowances and expenses	16,201	16,603
VII.	Auditors' fees and expenses (Refer Note 14 - Schedule 18 B)	24,107	21,127
VIII.	Law Charges	505,108	342,800
IX.	Postage, telephone etc.	1,686,942	1,388,870
X.	Repairs and maintenance	3,996,147	3,828,591
XI.	Insurance	2,012,459	1,634,727
XII.	Travel and Conveyance	1,038,888	1,028,118
XIII.	Professional Charges	7,935,896	6,231,326
XIV.	Brokerage	2,800,034	2,201,170
XV.	Stamping Expenses	127,983	103,351
XVI.	Other Expenditure (Refer Note 12 - Schedule 18 B)	11,666,088	8,337,618
		75,704,987	**65,424,384**
	Less: Reimbursement of Costs from Group Companies	556,979	1,167,161
	Total	**75,148,008**	**64,257,223**

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES

A BACKGROUND

In February 2003, Kotak Mahindra Finance Limited was given a license to carry out banking business by the Reserve Bank of India ("RBI"). It was the first Non Banking Finance Company (NBFC) in India to be converted into a Bank. Kotak Mahindra Bank Limited ("Kotak Mahindra Bank", "Kotak" or "the Bank") provides a full suite of banking services to its customers encompassing Retail Banking, Treasury and Corporate Banking in India and also has a representative office in Dubai. The Bank set up and commenced operations in May 2016, at its International Financial Services Center Banking Unit (IBU) in Gujarat International Finance Tec (GIFT) City, Gujarat.

B BASIS OF PREPARATION

The financial statements have been prepared in accordance with statutory requirements prescribed under the Banking Regulation Act, 1949. The accounting and reporting policies of Kotak Mahindra Bank used in the preparation of these financial statements is the accrual method of accounting and historical cost convention except derivatives and it conforms with Generally Accepted Accounting Principles in India ("Indian GAAP"), the Accounting Standards specified under section 133 and the relevant provision of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act, 2013 ("the 2013 act") and the Companies (Accounting Standards) Amendment Rules 2016 as amended from time to time in so far as they apply to banks and the guidelines issued by RBI.

Use of estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Bank's Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

C SIGNIFICANT ACCOUNTING POLICIES

1 Investments

Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM') categories (hereinafter called "categories"). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines at the lower of the acquisition cost or carrying value and market value on the date of the transfer, and depreciation, if any, on such transfer is fully provided.

Under each of these categories, investments are further classified under six groups (hereinafter called "groups") - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

The Bank follows 'Settlement Date' accounting for recording purchase and sale transactions in securities, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. As per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities as on that date. Investments which the Bank intends to hold till maturity are classified as HTM securities. The Bank has classified investments in subsidiaries, joint ventures and associates under HTM category. Investments which are not classified in either of the above two categories are classified under AFS category.

Acquisition Cost:

The cost of investments is determined on weighted average basis. Broken period interest on debt instruments and government securities are considered as a revenue item. The transaction costs including brokerage, commission, etc. paid at the time of acquisition of investments is recognised in Profit and Loss Account.

Disposal of investments:

- **Investments classified as HFT or AFS -** Profit or loss on sale or redemption is recognised in the Profit and Loss Account.
- **Investments classified as HTM -** Profit on sale or redemption of investments is recognised in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale or redemption is recognised in the Profit and Loss Account.

Valuation:

The valuation of investments is performed in accordance with the RBI guidelines as follows:

a) **Investments classified as HTM** – These are carried at their acquisition cost. Any premium on acquisition of debt instruments / government securities is amortised over the balance maturity of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided.

b) **Investments classified as HFT or AFS** – Investments in these categories are marked to market and the net depreciation, if any, within each group is recognised in the Profit and Loss Account. Net appreciation, if any, is ignored. Further, provision other than temporary diminution is made at individual security level. Except in cases where provision other than temporary diminution is made, the book value of the individual securities is not changed as a result of periodic valuations.

c) The market or fair value of quoted investments included in the 'AFS' and 'HFT' categories is measured with respect to the market price of the scrip as available from the trades or quotes on the stock exchanges, SGL account transactions, price list of RBI or prices declared on Fixed Income Money Market and Derivatives Association of India ('FIMMDA') website by Financial Benchmark India Private Limited ('FBIL') as at the year end.

d) Treasury Bills, Exchange Funded Bills, Commercial Paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.

e) Market value of units of mutual funds is based on the latest net asset value declared by the mutual fund.

f) Investments in subsidiaries / joint ventures (as defined by RBI) are categorised as HTM and assessed for impairment to determine other than temporary diminution, if any, in accordance with RBI guidelines.

g) Market value of investments where current quotations are not available are determined as per the norms prescribed by the RBI as under:

- In case of unquoted bonds, debentures and preference shares where interest / dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity for Government Securities as published by FIMMDA / FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit rating along with residual maturity issued by FIMMDA / FBIL is adopted for this purpose;

- In case of bonds and debentures (including Pass Through Certificates) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by the RBI. Interest on such securities is not recognised in the Profit and Loss Account until received;

- Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹ 1 per investee company;

- Units of Venture Capital Funds ('VCF') held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF. Investment in unquoted VCF after 23rd August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines. Such investments are required to be transferred to AFS thereafter;

- Security receipts are valued as per the Net Asset Value ('NAV') obtained from the issuing Asset Reconstruction Company or Securitisation Company or estimated recovery whichever is lower.

h) Non-performing investments are identified and provision is made thereon based on RBI guidelines.

i) Repurchase and reverse repurchase transactions - Securities sold under agreements to repurchase (Repos) and securities purchased under agreements to resell (Reverse Repos) are accounted as collateralised borrowing and lending transactions respectively. The difference between the consideration amount of the first leg and the second leg of the repo is recognised as interest income or interest expense over the period of the transaction.

2 Advances

Classification:

Advances are classified as performing and non-performing advances ('NPAs') based on RBI guidelines and are stated net of bills rediscounted, specific provisions, interest in suspense for non-performing advances and claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan and provisions in lieu of diminution in the fair value of restructured assets. Also, NPAs are classified into sub-standard, doubtful and loss assets as required by RBI guidelines. Interest on NPAs remaining uncollected is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received.

Amounts paid for acquiring non-performing assets from other banks and NBFCs are considered as advances. Actual collections received on such non-performing assets are compared with the cash flows estimated while purchasing the asset to ascertain overdues. If these overdues are in excess of 90 days, then these assets are classified into sub-standard, doubtful or loss as required by the RBI guidelines on purchase of non-performing assets.

The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

Provisioning:

Provision for NPAs comprising sub-standard, doubtful and loss assets is made in accordance with RBI guidelines. In addition, the Bank considers accelerated specific provisioning that is based on past experience, evaluation of security and other related factors. Specific loan loss provision in respect of non-performing advances are charged to the Profit and Loss Account. Any recoveries made by the Bank in case of NPAs written off are recognised in the Profit and Loss Account.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made.

In accordance with RBI guidelines the Bank has provided general provision on standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, and gold at levels stipulated by RBI from time to time - farm credit to agricultural activities, individual housing loan and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances and MSME borrowers registered under GST who have been granted relief at 5%, teaser rate housing loans at 2.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%. Additional 2% standard asset provision is done for overseas stepdown subsidiaries of Indian corporates. Standard provision is also done at higher than the prescribed rates in respect of advances to stressed sectors as per the framework approved by the Board of Directors. In case of Frauds, the Bank makes provision for amounts it is liable for in accordance with the guidelines provided by RBI.

Further to provisions required as per the asset classification status, provisions are held for individual country exposure (except for home country) as per the RBI guidelines. Exposure is classified in the seven risk categories as mentioned in the Export Credit Guarantee Corporation of India Limited ('ECGC') guidelines and provisioning is done for that country if the net funded exposure is one percent or more of the Bank's total assets based on the rates laid down by the RBI.

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines.

3 Loss on Sale of Advances to Asset Reconstruction Company

Loss on sale of Advances sold to Asset Reconstruction Company are recognised immediately in the Profit and Loss Account.

4 Securitisation

The Bank enters into arrangements for sale of loans through Special Purpose Vehicles ('SPVs'). In most cases, post securitisation, the Bank continues to service the loans transferred to the SPV. At times, the Bank also provides credit enhancement in the form of cash collaterals and / or by subordination of cash flows to Senior Pass Through Certificate ('PTC') holders. In respect of credit enhancements provided or recourse obligations (projected delinquencies, future servicing etc.) accepted by the Bank, appropriate provision / disclosure is made at the time of sale in accordance with Accounting Standard 29, "Provisions, Contingent Liabilities and Contingent Assets".

In accordance with the RBI guidelines, the profit or premium on account of securitisation of assets at the time of sale is computed as the difference between the sale consideration and the book value of the securitised asset amortised over the tenure of the securities issued. Loss on account of securitisation on assets is recognised immediately to the Profit and Loss Account.

The Bank invests in PTCs of other SPVs which are accounted for at the deal value and are classified under Investments.

5 Fixed assets (Property, Plant & Equipment and Intangible) and depreciation / amortisation

Property, Plant & Equipment and Intangible Assets have been stated at cost less accumulated depreciation and amortisation and adjusted for impairment, if any. Cost includes cost of purchase inclusive of freight, duties, incidental expenses and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to put to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets. Gain or losses arising from the retirement or disposal of a Property Plant and Equipment / Intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognised as income or expense in the Profit and Loss Account. Profit on sale of premises, if any, is transferred to Capital Reserve as per the RBI guidelines.

Depreciation / Amortisation - Depreciation is provided on a pro-rata basis on a Straight Line Method over the estimated useful life of the assets at rates which are equal to or higher than the rates prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the assets. The estimated useful lives of assets based on technical evaluation by management are as follows:

Asset Type	Estimated Useful life in years
Premises	58
Improvement to leasehold premises	Over the period of lease subject to a maximum of 6 years.
Office equipments (High capacity chillers, Transformers, UPS, DG set, Fire Suppression, HVAC, PAC & Elevators)	10
Office equipments (other than above)	5
Computers	3
Furniture and Fixtures	6
Motor Vehicles	4
ATMs	5
Software (including development) expenditure	3

Used assets purchased are depreciated over the residual useful life from the date of original purchase.

Items costing less than ₹ 5,000 are fully depreciated in the year of purchase.

6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks / institutions and money at Call and Short Notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

7 Bullion

The Bank imports bullion including precious metal bars on a consignment basis for selling to its wholesale and retail customers. The difference between the sale price to customers and actual price quoted by supplier is reflected under other income.

The Bank also borrows and lends gold, which is treated as borrowings or lending as the case may be in accordance with the RBI guidelines and the interest paid or received is classified as interest expense or income and is accounted on an accrual basis.

8 Revenue recognition

Interest income is recognised on accrual basis.

Interest income in respect of retail advances is accounted for by using the internal rate of return method to provide a constant periodic rate of return on the outstanding on the contract.

Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.

Interest income on discounted instruments is recognised over the tenure of the instruments so as to provide a constant periodic rate of return.

Service charges, fees and commission income are recognised when due except for guarantee commission and letter of credit which is recognised over the period of the guarantee / letter of credit. Syndication / arranger fee is recognised as income as per the terms of engagement.

Upon an asset becoming NPA the income accrued gets reversed, and is recognised only on realisation, as per RBI guidelines. Penal interest is recognised as income on realization other than on running accounts where it is recognised when due.

Dividend income is accounted on an accrual basis when the Bank's right to receive the dividend is established.

Gain on account of securitisation of assets is amortised over the life of the securities issued in accordance with the guidelines issued by the RBI. Loss on account of securitisation of assets is recognised immediately in Profit and Loss account.

In respect of non-performing assets acquired from other Banks / FIs and NBFCs, collections in excess of the consideration paid at each asset level or portfolio level is treated as income in accordance with RBI guidelines and clarifications.

Fees received on sale of Priority Sector Lending Certificates is considered as Miscellaneous Income, while fees paid for purchase is recognized as expense under other expenses in accordance with the guidelines issued by the RBI.

9 **Employee benefits**

Defined Contribution Plan:

Provident Fund

Contribution as required by the statute made to the government provident fund or to a fund set up by the Bank and administered by a board of trustees is debited to the Profit and Loss Account when an employee renders the related service. The Bank has no further obligations.

Superannuation Fund

The Bank makes contributions in respect of eligible employees, subject to a maximum of ₹0.01 crore per employee per annum to a Fund administered by trustees and managed by Life Insurance Companies. The Bank recognises such contributions as an expense in the year when an employee renders the related service.

New Pension Scheme

The Bank contributes up to 10% of eligible employees' salary per annum, to the New Pension Fund administered by a Pension Fund Regulatory and Development Authority ('PFRDA') appointed pension fund manager. The Bank recognises such contributions as an expense in the year when an employee renders the related service.

Defined Benefit Plan:

Gratuity

The Bank provides for Gratuity, covering employees in accordance with the Payment of Gratuity Act, 1972, service regulations and service awards as the case may be. The Bank's liability is actuarially determined (using Projected Unit Credit Method) at the Balance Sheet date. The Bank makes contribution to Gratuity Funds administered by trustees and managed by Life Insurance Companies.

Pension Scheme

In respect of pension payable to certain erstwhile ING Vysya Bank Limited ("eIVBL") employees under Indian Banks' Association ("IBA") structure, the Bank contributes 10% of basic salary to a pension fund and the balance amount is provided based on actuarial valuation conducted by an independent actuary as at the Balance Sheet date. The Pension Fund is administered by the Board of Trustees and managed by Life Insurance Company. The present value of the Bank's defined obligation is determined using the Projected Unit Credit Method as at the Balance Sheet date.

Employees covered by the pension plan are not eligible for employer's contribution under the provident fund plan.

The contribution made to the Pension fund is recognised as planned assets. The defined benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as reduced by the fair value of the plan assets.

Actuarial gains or losses in respect of all defined benefit plans are recognised immediately in the Profit and Loss Account in the year they are incurred.

Compensated Absences – Other Long-Term Employee Benefits:

The Bank accrues the liability for compensated absences based on the actuarial valuation as at the Balance Sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of the Banks' obligation is determined using the Projected Unit Credit Method as at the Balance Sheet date. Actuarial gains / losses are recognised in the Profit and Loss Account in the year in which they arise.

Other Employee Benefits:

As per the Bank's policy, employees are eligible for an award after completion of a specified number of years of service with the Bank. The obligation is measured at the Balance Sheet date on the basis of an actuarial valuation using the Projected Unit Credit Method.

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include performance incentives.

Employee share based payments:

Equity-settled scheme:

The Employee Stock Option Schemes ('ESOSs') of the Bank are in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The schemes provide for grant of options on equity shares to employees of the Bank and its Subsidiaries to acquire the equity shares of the Bank that vest in a cliff vesting or in a graded manner and that are to be exercised within a specified period.

In accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on Accounting for Employee Share-based Payments, issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the intrinsic value method. The intrinsic value being the excess, if any, of the fair market price of the share under ESOSs over the exercise price of the option is recognised as deferred employee compensation with a credit to Employee's Stock Option (Grant) Outstanding account. The deferred employee compensation cost is amortised on a straight-line basis over the vesting period of the option. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of equity instruments that are outstanding.

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense in "Payment to and provision for employee", equal to the amortised portion of value of lapsed portion. In respect of the options which expire unexercised the balance standing to the credit of Employee's Stock Option (Grant) Outstanding accounts is transferred to General Reserve. The fair market price is the latest available closing price, preceding the date of grant of the option, on the stock exchange on which the shares of the Bank are listed.

Where the terms of an equity–settled award are modified, the minimum expense recognised in 'Payments to and provision for employees' is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total intrinsic value of the share–based payment arrangement, or is otherwise beneficial to the employee as remeasured as at the date of modification.

In respect of options granted to employees of subsidiaries, the Bank recovers the related compensation cost from the respective subsidiaries.

Cash-settled scheme:
The cost of cash-settled transactions (Stock Appreciation Rights – ["SARs"]) is measured initially using intrinsic value method at the grant date taking into account the terms and conditions upon which the instruments were granted. This intrinsic value is amortised on a straight-line basis over the vesting period with recognition of corresponding liability. This liability is remeasured at each Balance Sheet date up to and including the vesting date with changes in intrinsic value recognised in Profit and Loss Account in 'Payments to and provision for employees'.

The SARs that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised cost in respect of the lapsed portion.

10 Foreign currency transactions

Foreign currency monetary assets and monetary liabilities are translated as at the Balance Sheet date at rates notified by the Foreign Exchange Dealers' Association of India ('FEDAI') and the resultant gain or loss is accounted in the Profit and Loss Account.

Income and Expenditure items are translated at the rates of exchange prevailing on the date of the transactions except in respect of representative office (which are integral in nature) expenses, which are translated at monthly average exchange rates.

Outstanding forward (other than deposit and placement swaps) and spot foreign exchange contracts outstanding at the Balance Sheet date are revalued at rates notified by FEDAI for specified maturities and at the interpolated rates of interim maturities. In case of forward contracts of greater maturities where exchange rates are not notified by FEDAI, are revalued at the forward exchange rates implied by the swap curves in respective currencies. The forward profit or loss on the forward contracts are discounted using discount rate and the resulting profits or losses are recognised in the Profit and Loss Account as per the regulations stipulated by the RBI.

Foreign exchange swaps "linked" to foreign currency deposits and placements are translated at the prevailing spot rate at the time of swap. The premium or discount on the swap arising out of the difference in the exchange rate of the swap date and the maturity date of the underlying forward contract is amortised over the period of the swap and the same is recognised in the Profit and Loss Account.

Contingent liabilities on account of letters of credit, bank guarantees and acceptances and endorsements outstanding as at the Balance Sheet date denominated in foreign currencies and other foreign exchange contracts are translated at year-end rates notified by FEDAI.

The financial statements of IBU which are in the nature of non-integral overseas operations are translated on the following basis: (a) Income and expenses are converted at the average rate of exchange during the period and (b) All assets and liabilities are translated at closing rate as on Balance Sheet date. The exchange difference arising out of year end translation is debited or credited as "Foreign Currency Translation Reserve" forming part of "Reserves and Surplus".

11 Derivative transactions

Notional amounts of derivative transactions comprising of forwards, swaps, futures and options are disclosed as off Balance Sheet exposures. The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet or reporting date. Derivatives are classified as assets when the fair value is positive (positive marked to market) or as liabilities when the fair value is negative (negative marked to market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.

Outstanding derivative transactions designated as "Hedges" are accounted in accordance with hedging instrument on an accrual basis over the life of the underlying instrument. Option premium paid or received is recognised in the Profit and Loss Account on expiry of the option. Option contracts are marked to market on every reporting date.

12 Lease accounting

Leases where all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term. Initial direct costs in respect of operating leases such as legal costs, brokerage costs, etc. are recognised as expense immediately in the Profit and Loss Account.

13 Accounting for provisions, contingent liabilities and contingent assets

The Bank has assessed its obligations arising in the normal course of business, including pending litigations, proceedings pending with tax authorities and other contracts including derivative and long term contracts. In accordance with Accounting Standard - 29 on 'Provisions, Contingent Liabilities and Contingent Assets', the Bank recognises a provision for material foreseeable losses when it has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are measured based on best estimate of the expenditure required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made as contingent liabilities in the financial statements. The Bank does not expect the outcome of these contingencies to have a materially adverse effect on its financial results. Contingent assets are neither recognised nor disclosed in the financial statements.

14 Impairment

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. Impairment loss, if any, is provided in the Profit and Loss Account to the extent carrying amount of assets exceeds their estimated recoverable amount.

15 Taxes on income

The Income Tax expense comprises current tax and deferred tax. Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent period.

Deferred tax assets on account of timing differences are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In case of carry forward losses and unabsorbed depreciation, under tax laws, all the deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax assets are reassessed at each reporting date, based upon the Management's judgement as to whether realisation is considered as reasonably certain.

Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date. Changes in deferred tax assets / liabilities on account of changes in enacted tax rates are given effect to in the Profit and Loss Account in the period of the change.

16 Accounting for Dividend

As per AS 4 (Revised), with effect from April 2016, the Bank is not required to provide for dividend proposed / declared after the Balance Sheet date. The same shall be appropriated from next year amount available for appropriation.

17 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, and share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year.

18 Share issue expenses

Share issue expenses are adjusted from Securities Premium Account as permitted by Section 52 of the Companies Act, 2013.

19 Credit cards reward points

The Bank estimates the liability for credit card reward points and cost per point using actuarial valuation conducted by an independent actuary, which includes assumptions such as mortality, redemption and spends.

20 Segment reporting

In accordance with guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated 18th April, 2007 and Accounting Standard 17 (AS-17) on "Segment Reporting", the Banks' business has been segregated into the following segments whose principal activities were as under:

Segment	Principal activity
Treasury, BMU and Corporate Centre	Money market, forex market, derivatives, investments and primary dealership of government securities and Balance Sheet Management Unit ('BMU') responsible for Asset Liability Management and Corporate Centre which primarily comprises of support functions.
Corporate / Wholesale Banking	Wholesale borrowings and lendings and other related services to the corporate sector which are not included under retail banking.
Retail Banking	Includes: I Lending Commercial vehicle finance, personal loans, home loans, agriculture finance, other loans / services and exposures which fulfill the four criteria for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards: A Revised Framework". II Branch Banking Retail borrowings covering savings, current, term deposit accounts and Branch Banking network / services including distribution of financial products. III Credit Cards Receivables / loans relating to credit card business.
Other Banking business	Any other business not classified above.

A transfer pricing mechanism has been established by Asset Liability Committee ('ALCO') for allocation of interest cost to the above segments based on borrowing costs, maturity profile of assets / liabilities etc. and which is disclosed as part of segment revenue.

Segment revenues consist of earnings from external customers and inter-segment revenues based on a transfer pricing mechanism. Segment expenses consist of interest expenses including allocated operating expenses and provisions.

Segment results are net of segment revenues and segment expenses.

Segment assets include assets related to segments and exclude tax related assets. Segment liabilities include liabilities related to the segment excluding net worth, employees' stock option (grants outstanding) and proposed dividend and dividend tax thereon.

Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.

SCHEDULE 18 – NOTES TO ACCOUNTS

A. DISCLOSURES AS LAID DOWN BY RBI CIRCULARS:

1. Capital Adequacy Ratio:

The Bank's Capital Adequacy Ratios as per Basel III guidelines are as follows:

(₹ in crore)

		31st March, 2019	31st March, 2018
Capital Ratios:			
(i)	Common Equity Tier I Capital (%)	16.72%	17.53%
(ii)	Tier I Capital (%)	16.93%	17.56%
(iii)	Tier II Capital (%)	0.52%	0.66%
(iv)	Total CRAR %	17.45%	18.22%
(v)	Percentage of the shareholding of the Government of India	-	-
(vi)	Amount raised by issue of Equity Shares #	224.78	5,915.91
(vii)	Amount of Additional Tier I capital raised of which		
	PNCPS*	500.00	-
	PDI	-	-
(viii)	Amount of Tier II Capital raised of which		
	Debt capital instruments	-	-
	Preference share capital instruments	-	-

** The Bank has allotted 8.10% Perpetual Non-Convertible Preference Shares (PNCPS) on 2nd August, 2018 to eligible investors at issue price of ₹ 5 per PNCPS aggregating to ₹ 500 crore, resulting in increase in paid-up capital of the Bank.*

 # Further the Bank has allotted during the year 3,106,321 equity shares consequent to exercise of ESOPs vested. Accordingly the share capital further increased by ₹ 1.55 crore and share premium increased by ₹ 223.93 crore, net of share issue expenses of ₹ 0.70 crore.

2. Investments held under the 3 categories viz. "Held for Trading (HFT)", "Available for Sale (AFS)" and "Held to Maturity (HTM)" are as under:

In India:

(₹ in crore)

	31st March, 2019				31st March, 2018			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government Securities *	755.80	31,332.60	25,804.01	57,892.41	713.11	23,633.23	27,281.67	51,628.01
Other Approved Securities	-	-	-	-	-	-	-	-
Shares	-	728.04	-	728.04	-	1,244.96	-	1,244.96
Debentures and Bonds	835.07	4,845.71	-	5,680.78	400.99	5,574.05	-	5,975.04
Subsidiaries, Associates and Joint Ventures	-	-	2,508.71	2,508.71	-	-	2,443.02	2,443.02
Units, Certificate of Deposits, CP, SRs, PTCs etc.	-	4,183.74	-	4,183.74	-	3,116.82	-	3,116.82
Total	**1,590.87**	**41,090.09**	**28,312.72**	**70,993.68**	**1,114.10**	**33,569.06**	**29,724.69**	**64,407.85**

** Includes securities with face Value of ₹ 7,684.71 crore (previous year ₹ 3,246.48 crore) pledged and encumbered for availment of fund transfer facility, clearing facility, margin requirements and with RBI for LAF*

Outside India:

(₹ in crore)

	31st March, 2019				31st March, 2018			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government Securities	-	170.60	-	170.60	-	129.69	-	129.69
Shares	-	1.65	-	1.65	-	1.65	-	1.65
Subsidiaries, Associates and Joint Ventures	-	-	23.16	23.16	-	-	23.16	23.16
Total	**-**	**172.25**	**23.16**	**195.41**	**-**	**131.34**	**23.16**	**154.50**

3. The details of investments and the movement of provisions held towards depreciation of investments of the Bank as on 31st March, 2019 and 31st March, 2018 are given below:

(₹ in crore)

	31st March, 2019	31st March, 2018
1. Value of Investments		
i. Gross value of Investments		
a. In India	71,505.84	64,933.74
b. Outside India	195.41	154.50
ii. Provision for Depreciation		
a. In India	(512.16)	(525.89)
b. Outside India	-	-
iii. Net value of Investments		
a. In India	70,993.68	64,407.85
b. Outside India	195.41	154.50
2. Movement of provisions held towards depreciation on investments		
i. Opening balance	525.89	328.98
ii. Add: Provisions made during the year	186.94	254.93
iii. Less: Write-back of provisions during the year	200.67	58.02
iv. Closing balance	512.16	525.89

4. Details of Repo / Reverse Repo (excluding LAF and MSF transactions for the year) deals (in face value terms): Year ended 31st March, 2019:

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	31st March, 2019
Securities sold under repos				
i. Government securities	-	8,090.09	2,590.72	6,974.55
ii. Corporate debt securities	-	200.00	5.21	-
Securities purchased under reverse repos				
i. Government securities	-	11,996.31	1,601.07	4,255.16
ii. Corporate debt securities	-	100.00	0.27	-

Year ended 31st March, 2018:

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	31st March, 2018
Securities sold under repos				
i. Government securities	-	7,835.85	2,039.43	2,020.27
ii. Corporate debt securities	-	200.00	1.25	-
Securities purchased under reverse repos				
i. Government securities	-	10,797.21	1,396.80	5,088.65
ii. Corporate debt securities	-	-	-	-

5. Disclosure in respect of Non-SLR investments:

(i) Issuer composition of Non-SLR investments as at 31st March, 2019:

(₹ in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	1,859.40	1,291.25	-	-	1,145.59
2	FIs	52.40	30.02	-	-	-
3	Banks	559.02	500.00	-	200.00	200.00
4	Private Corporates	6,219.16	4,962.25	17.83	786.73	1,857.12
5	Subsidiaries, Associates and Joint Ventures	2,561.69	1,207.97	-	2,561.69	2,561.69
6	Others	2,386.57	2,343.55	1,318.31	483.71	2,386.57
7	Provision held towards depreciation	(512.16)	-	-	-	-
	Total	**13,126.08**	**10,335.04**	**1,336.14**	**4,032.13**	**8,150.97**

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive.

Issuer composition of Non-SLR investments as at 31st March, 2018:

(₹ in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	834.27	788.87	-	-	703.62
2	FIs	66.99	4.00	-	-	-
3	Banks	292.81	200.00	-	203.01	200.00
4	Private Corporates	8,431.35	6,216.38	17.83	1,327.45	2,136.11
5	Subsidiaries, Associates and Joint Ventures	2,496.00	1,141.38	-	2,496.00	2,496.00
6	Others	1,174.73	1,171.71	831.06	116.69	1,174.73
7	Provision held towards depreciation	(491.51)	-	-	-	-
	Total	**12,804.64**	**9,522.34**	**848.89**	**4,143.15**	**6,710.46**

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive.

(ii) Non-performing Non-SLR investments:

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Opening balance	238.03	140.88
Additions during the year since 1st April	59.95	140.87
Reductions during the year	(1.06)	(43.72)
Closing balance	296.92	238.03
Total provisions held	**239.14**	**138.76**

6. During the year ended 31st March, 2019 and year ended 31st March, 2018, the value of sale / transfer of securities to / from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) was within 5% of the book value of instruments in HTM category at the beginning of the year.

7. Derivatives:

A. Forward Rate Agreements/ Interest Rate Swaps:

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
The notional principal of swap agreements	34,522.03	29,765.31
Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	184.57	178.19
Collateral required by the Bank upon entering into swaps	NA	NA
Concentration of credit risk arising from the swaps	77.45% (Banks)	92.68% (Banks)
The fair value of the swap book	(8.68)	50.45

B. Exchange Traded Interest Rate Derivatives:

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Notional principal amount of exchange traded interest rate derivatives undertaken during the year	-	-
Notional principal amount of exchange traded interest rate derivatives outstanding	-	-
Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" *	NA	NA
Mark to market value of exchange traded interest rate derivatives outstanding and not "highly effective" *	NA	NA

* *Being trading positions*

Disclosures on risk exposures in derivatives:

Qualitative disclosures:

a) Structure and organization for management of risk in derivatives trading:

The Board of Directors, the Asset Liability Management Committee ('ALCO'), the Risk Management Committee ('RMC'), the Senior Management Committee for Derivatives ('SMC') and the Market Risk Management Department are entrusted with the management of risks in derivatives.

The philosophy and framework for the derivative business is laid out in the Board approved Investment and Derivative policies. The ALCO of the Bank is empowered to set the limit-framework for derivatives. It also reviews the market risk exposures of derivatives against the limits. The Risk Management Committee reviews all risks on a consolidated basis.

The Senior Management Committee for Derivatives (SMC) performs the ongoing oversight and monitoring of the client derivatives business. This committee is responsible for reviewing and approving the derivative products that can be offered to clients (within the regulatory framework provided by the RBI). The Board approved 'Customer Suitability and Appropriateness Policy for Derivatives' lays down the risk management & governance framework for offering derivatives to clients.

The Bank has Back-Office and Risk Management - independent of the dealing function. The Market Risk Management & Counterparty Risk Management Departments are responsible for assessment, monitoring, measurement & reporting of Market & Counterparty risks in derivatives.

b) Scope and nature of risk measurement, risk reporting and risk monitoring systems:

All significant risks of the derivative portfolio are monitored, measured & reported to the senior management. The Market Risk Management Department, on a daily basis, measures & reports risk-metrics like Value-at-Risk (VaR), PV01, Option Greeks like Delta, Gamma, Vega, Theta, Rho etc. Counterparty Risk exposure of the derivatives portfolio is also reported daily. The Market Risk Management Department independently reports profitability on a daily basis. Rate reasonability tests are performed on the Derivative portfolio to ensure that all trades are entered into at market rates. Stress testing is performed to measure the impact of extreme market shifts on the Bank's portfolio (including derivatives). Suitability and Appropriateness assessment is performed before offering derivatives to clients. The Bank continuously invests in technology to enhance the Risk Management architecture.

c) Policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants:

The Board Approved 'Hedging Policy' details the hedging strategies, hedging processes, accounting treatment, documentation requirements and effectiveness testing for hedges.

Hedges are monitored for effectiveness periodically, in accordance with the Board Approved Policy.

d) Accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation:

Derivative transactions are segregated into trading or hedge transactions. Trading transactions outstanding as at the Balance Sheet dates are marked to market and the resulting profits or losses, are recorded in the Profit and Loss Account.

Derivative transactions designated as "Hedges" are accounted in accordance with hedging instruments on an accrual basis over the life of the underlying instrument.

Option premium paid / received is accounted for in the Profit and Loss Account on expiry of the option.

Pursuant to the RBI guidelines, any receivables as well positive Mark to Market (MTM) in respect of future receivable under derivative contracts comprising of crystallised receivables which remain overdue for more than 90 days are reversed through the Profit and Loss Account. Derivative exposures for Corporates are approved by the Credit Committee and for Banks by the ALCO. These exposures are renewable annually and are duly supported by ISDA agreements. MTM breaches are monitored daily and are cash collateralised wherever necessary.

Quantitative Disclosures:
31st March 2019:

(₹ in crore)

Sr. No.	Particulars		Currency Derivatives	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**			
	a)	For hedging	4,910.00	1,383.10
	b)	For trading	127,684.30	33,138.93
2	**Marked to Market Positions ****			
	a)	Asset (+)	1,901.67	173.99
	b)	Liability (-)	1,730.47	182.67
3	**Credit Exposure**		4,721.26	479.41
4	**Likely impact of one percentage change in interest rate (100*PV01) #**			
	a)	On hedging derivatives	0.11	-
	b)	On trading derivatives	2.77	119.01
5	**Maximum of 100*PV01 observed during the year #**			
	a)	On hedging derivatives	3.62	10.05
	b)	On trading derivatives	11.63	119.01
6	**Minimum of 100*PV01 observed during the year #**			
	a)	On hedging derivatives	0.03	-
	b)	On trading derivatives	0.11	79.84

Currency interest rate swaps have been included under currency derivatives.

\# *Excludes PV01 on options.*

** *MTM has been considered at product level.*

The nature and terms of the Interest Rate Swaps (IRS) as on 31st March, 2019 are set out below:

(₹ in crore)

Nature	No.*	Notional Principal	Benchmark	Terms
Hedge	6	1,383.10	LIBOR	Receive Floating Vs. Pay Fixed
Trading	79	2,629.35	LIBOR	Receive Fixed Vs. Pay Floating
Trading	146	7,963.03	LIBOR	Receive Floating Vs. Pay Fixed
Trading	201	6,995.00	MIFOR	Receive Fixed Vs. Pay Floating
Trading	43	2,276.00	MIFOR	Receive Floating Vs. Pay Fixed
Trading	81	3,264.61	MIBOR	Receive Fixed Vs. Pay Floating
Trading	279	10,010.94	MIBOR	Receive Floating Vs. Pay Fixed
Total	**835**	**34,522.03**		

The nature and terms of the Cross Currency Swaps (CCS) as on 31st March, 2019 are set out below:

(₹ in crore)

Nature	No.*	Notional Principal	Benchmark	Terms
Trading	1	3.02	EURIBOR	Receive Fixed Vs. Pay Floating
Trading	4	201.86	EURIBOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Trading	5	88.97	FIXED	Pay Fixed
Trading	11	558.18	FIXED	Receive Fixed
Trading	60	1,440.46	FIXED	Receive Fixed Vs. Pay Fixed
Trading	11	1,162.81	LIBOR	Receive Fixed Vs. Pay Floating
Trading	1	345.89	LIBOR	Receive Floating Vs. Pay Fixed
Trading	3	294.66	LIBOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Total	**96**	**4,095.85**		

** Above notional principal does not include trades done with GIFT-City branch since it gets zeroed at bank level however, only count of trades done is specified.*

The overnight Net open position as at 31st March, 2019 is ₹ 182.96 crore (previous year ₹ 90.54 crore).

31st March 2018:

(₹ in crore)

Sr. No.	Particulars		Currency Derivatives	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**			
	a)	For hedging	2,466.26	-
	b)	For trading	130,419.11	29,765.31
2	**Marked to Market Positions ****			
	a)	Asset (+)	1,991.50	171.94
	b)	Liability (-)	2,221.09	121.49
3	**Credit Exposure**		4,188.25	459.10
4	**Likely impact of one percentage change in interest rate (100*PV01) #**			
	a)	On hedging derivatives	1.35	-
	b)	On trading derivatives	0.55	87.99
5	**Maximum of 100*PV01 observed during the year #**			
	a)	On hedging derivatives	4.90	-
	b)	On trading derivatives	11.66	90.25
6	**Minimum of 100*PV01 observed during the year #**			
	a)	On hedging derivatives	1.35	-
	b)	On trading derivatives	0.01	63.20

Currency interest rate swaps have been included under currency derivatives.

\# *Excludes PV01 on options.*

** *MTM has been considered at product level.*

The nature and terms of the Interest Rate Swaps (IRS) as on 31st March, 2018 are set out below:

(₹ in crore)

Nature	No.*	Notional Principal	Benchmark	Terms
Trading	83	3,107.54	LIBOR	Receive Fixed Vs. Pay Floating
Trading	135	7,392.22	LIBOR	Receive Floating Vs. Pay Fixed
Trading	169	6,425.00	MIFOR	Receive Fixed Vs. Pay Floating
Trading	56	2,901.00	MIFOR	Receive Floating Vs. Pay Fixed
Trading	73	3,148.43	MIBOR	Receive Fixed Vs. Pay Floating
Trading	195	6,791.12	MIBOR	Receive Floating Vs. Pay Fixed
Total	**711**	**29,765.31**		

The nature and terms of the Cross Currency Swaps (CCS) as on 31st March, 2018 are set out below:

(₹ in crore)

Nature	No.*	Notional Principal	Benchmark	Terms
Hedging	3	395.20	LIBOR	Receive Floating Vs. Pay Fixed
Hedging	1	266.52	LIBOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Trading	1	3.93	EURIBOR	Receive Fixed Vs. Pay Floating
Trading	1	150.53	EURIBOR	Receive Floating Vs. Pay Fixed
Trading	2	367.67	EURIBOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Trading	1	41.99	FIXED	Pay Fixed
Trading	24	717.06	FIXED	Receive Fixed
Trading	56	1,375.17	FIXED	Receive Fixed Vs. Pay Fixed
Trading	37	1,258.86	LIBOR	Receive Fixed Vs. Pay Floating
Trading	1	325.98	LIBOR	Receive Floating Vs. Pay Fixed
Trading	2	3.93	LIBOR Vs. EURIBOR	Receive Floating Vs. Pay Floating
Trading	2	350.42	LIBOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Total	**131**	**5,257.26**		

8. Credit default swaps:

The Bank has not entered into any Credit Default Swap transactions.

9. Movements in Non Performing Advances (Funded):

(₹ in crore)

Particulars		31st March, 2019	31st March, 2018
i.	Net NPAs to Net Advances %	0.75%	0.98%
ii.	Movement of Gross NPAs		
	Gross NPAs as on 1st April (opening balance)	3,825.38	3,578.61
	Additions (Fresh NPAs) during the year	1,995.24	1,858.21
	Sub-total (A)	5,820.62	5,436.82
	Less:		
	(i) Upgradations	470.73	575.69
	(ii) Recoveries (excluding recoveries made from upgraded accounts)	662.39	628.41
	(iii) Technical / Prudential Write-offs	76.31	267.55
	(iv) Write-offs other than those under (iii) above	143.25	139.79
	Sub-total (B)	1,352.68	1,611.44
	Gross NPAs as on 31st March (closing balance) (A-B)	4,467.94	3,825.38
iii.	Movement of Net NPAs		
	a. Opening balance	1,665.05	1,718.07
	b. Additions during the year	689.67	724.85
	c. Reductions during the year	(810.35)	(777.87)
	d. Closing balance	1,544.37	1,665.05
iv.	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a. Opening balance	2,160.33	1,860.54
	b. Provisions made during the year	1,305.57	1,133.36
	c. Write-off / write-back of excess provisions	(542.33)	(833.57)
	d. Closing balance	2,923.57	2,160.33

10. Movement of Technical Write-offs and Recoveries:

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Opening balance of Technical / Prudential written-off accounts as at 1st April	1,025.65	870.39
Add: Technical / Prudential write-offs during the year	76.31	267.55
Sub-Total (A)	1,101.96	1,137.94
Less: Recoveries / Reductions made from previously Technical / Prudential written-off accounts during the year (B)	68.37	112.29
Closing Balance as at 31st March (A-B)	1,033.59	1,025.65

11. The Provision Coverage Ratio (PCR) of the Bank after considering technical write-off is 71.93% as at 31st March, 2019 (previous year: 65.68%).

12. Concentration of NPAs:

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Total Exposure to top four NPA accounts	638.15	612.80

Above represents Gross NPA and NPI

13. RBI vide its circular dated 1st April 2019, has directed banks shall make suitable disclosures, wherever either (a) the additional provisioning requirements assessed by RBI exceed 10 percent of the published net profits before provision and contingency for the reference period or (b) the additional Gross NPAs identified by RBI exceed 15 percent of the published incremental Gross NPAs for the reference period, or both. There has been no divergence observed by RBI for the financial year 17-18 (previous year: NIL) in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition asset classification and provisioning ('IRACP') which require such disclosures.

14. Sector-wise Advances

(₹ in crore)

Sl. No	Sector	31st March, 2019			31st March, 2018		
		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	Agricultural and Allied Activities	21,915.47	688.47	3.14%	19,075.24	675.49	3.54%
2	Advances to Industries Sector eligible as Priority sector lending	18,687.30	305.55	1.64%	15,531.76	396.59	2.55%
3	Services	31,570.48	504.01	1.60%	23,935.09	308.76	1.29%
4	Personal Loans and others	903.72	39.49	4.37%	1,433.15	27.59	1.93%
	Sub-Total (A)	**73,076.97**	**1,537.52**	**2.10%**	**59,975.24**	**1,408.43**	**2.35%**
B	**Non Priority Sector**						
1	Agricultural and Allied Activities	1,290.69	66.34	5.14%	1,615.17	11.66	0.72%
2	Industry	58,078.11	1,731.45	2.98%	48,433.86	1,505.26	3.11%
3	Services	40,288.66	532.28	1.32%	34,549.38	485.85	1.41%
4	Personal loans and others	35,897.72	600.35	1.67%	27,366.86	414.18	1.51%
	Sub-Total (B)	**135,555.18**	**2,930.42**	**2.16%**	**111,965.27**	**2,416.95**	**2.16%**
	Total (A+B)	**208,632.15**	**4,467.94**	**2.14%**	**171,940.51**	**3,825.38**	**2.22%**

** Represents Gross Advances*

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

15. Priority sector lending certificates

The amount of PSLCs (categorywise) sold and purchase during the year:

As at 31st March, 2019:

(₹ in crore)

Sl. No.	Type of PSLCs	Purchase	Sale
1	PSLC – Agriculture	-	2,667.50
2	PSLC - SF / MF	7,740.50	-
3	PSLC - Micro Enterprises	-	500.00
4	PSLC – General	2,000.00	6,895.75
	TOTAL	**9,740.50**	**10,063.25**

As at 31st March, 2018:

(₹ in crore)

Sl. No	Type of PSLCs	Purchase	Sale
1	PSLC – Agriculture	1,537.50	2,499.50
2	PSLC - SF / MF	6,270.00	500.00
3	PSLC - Micro Enterprises	-	-
4	PSLC – General	-	9,260.00
	TOTAL	**7,807.50**	**12,259.50**

16. Details of Loan Assets subjected to Restructuring:

As at 31st March, 2019:

(₹ in crore)

Sl. No.	Type of Restructuring		Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
	Asset Classification		Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total
	Details																	
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	2	1	6	9	-	-	-	-	11	4,388	3,764	8,163	13	4,389	3,770	8,172
		Amt. Outstanding	58.96	11.12	199.69	269.77	-	-	-	-	89.01	137.68	113.51	340.20	147.97	148.80	313.20	609.97
		Provision thereon	18.03	1.74	162.84	182.61	-	-	-	-	39.16	40.71	93.87	173.74	57.19	42.45	256.71	356.35
	Movement in the Accounts	No. of borrowers	-	-	-	-	-	-	-	-	(2)	(693)	(629)	(1,324)	(2)	(693)	(629)	(1,324)
		Amt. Outstanding	(1.79)	(2.43)	0.08	(4.14)	-	-	-	-	(7.96)	(32.58)	(54.45)	(94.99)	(9.75)	(35.01)	(54.37)	(99.13)
		Provision thereon	4.84	0.50	17.56	22.90	-	-	-	-	(0.56)	55.23	(14.26)	40.41	4.28	55.73	3.30	63.31
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	4	3,547	602	4,153	4	3,547	602	4,153
		Amt. Outstanding	-	-	-	-	-	-	-	-	7.59	71.16	108.64	187.39	7.59	71.16	108.64	187.39
		Provision thereon	-	-	-	-	-	-	-	-	0.52	27.13	67.94	95.59	0.52	27.13	67.94	95.59
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	4	(1)	(3)	-	4	(1)	(3)	-
		Amt. Outstanding	-	-	-	-	-	-	-	-	0.30	(0.28)	(0.02)	-	0.30	(0.28)	(0.02)	-
		Provision thereon	-	-	-	-	-	-	-	-	0.01	(0.01)	-	-	0.01	(0.01)	-	-
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amt. Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	No. of borrowers	(1)	-	1	-	-	-	-	-	(1)	(3,106)	3,107	-	(2)	(3,106)	3,108	-
		Amt. Outstanding	(27.50)	19.06	8.44	-	-	-	-	-	(65.09)	(138.54)	203.63	-	(92.59)	(119.48)	212.07	-
		Provision thereon	(13.81)	11.63	2.18	-	-	-	-	-	(34.99)	(103.22)	138.21	-	(48.80)	(91.59)	140.39	-
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	(1)	(1)	-	-	-	-	-	(2,259)	(1,073)	(3,332)	-	(2,259)	(1,074)	(3,333)
		Amt. Outstanding	-	-	(26.01)	(26.01)	-	-	-	-	-	(8.89)	(50.52)	(59.41)	-	(8.89)	(76.53)	(85.42)
		Provision thereon	-	-	(26.01)	(26.01)	-	-	-	-	-	(8.89)	(50.52)	(59.41)	-	(8.89)	(76.53)	(85.42)
7	Restructured Accounts as on March 31 of the FY (closing figures*)	No. of borrowers	1	1	6	8	-	-	-	-	16	1,876	5,768	7,660	17	1,877	5,774	7,668
		Amt. Outstanding	29.67	27.75	182.20	239.62	-	-	-	-	23.85	28.55	320.79	373.19	53.52	56.30	502.99	612.81
		Provision thereon	9.06	13.87	156.57	179.50	-	-	-	-	4.14	10.95	235.24	250.33	13.20	24.82	391.81	429.83

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

As at 31st March, 2018:

(₹ in crore)

Sl. No	Type of Restructuring		Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
	Asset Classification		Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total
	Details																	
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	4	1	5	10	-	-	-	-	21	4,223	1,455	5,699	25	4,224	1,460	5,709
		Amt. Outstanding	123.19	39.29	400.19	562.67	-	-	-	-	9.02	30.06	251.68	290.76	132.21	69.35	651.87	853.43
		Provision thereon	25.79	31.08	320.23	377.10	-	-	-	-	4.69	9.75	152.81	167.25	30.48	40.83	473.04	544.35
	Movement in the Accounts	No. of borrowers	-	-	-	-	-	-	-	-	(12)	(665)	(175)	(852)	(12)	(665)	(175)	(852)
		Amt. Outstanding	(39.94)	0.36	(45.55)	(85.13)	-	-	-	-	(1.63)	(6.35)	(73.52)	(81.50)	(41.57)	(5.99)	(119.07)	(166.63)
		Provision thereon	(1.06)	0.28	14.06	13.28	-	-	-	-	0.77	1.25	(27.95)	(25.93)	(0.29)	1.53	(13.89)	(12.65)
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	4,332	290	4,622	-	4,332	290	4,622
		Amt. Outstanding	-	-	-	-	-	-	-	-	-	135.83	4.79	140.62	-	135.83	4.79	140.62
		Provision thereon	-	-	-	-	-	-	-	-	-	38.96	3.14	42.10	-	38.96	3.14	42.10
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	5	(1)	(4)	-	5	(1)	(4)	-
		Amt. Outstanding	-	-	-	-	-	-	-	-	83.41	(0.23)	(83.18)	-	83.41	(0.23)	(83.18)	-
		Provision thereon	-	-	-	-	-	-	-	-	35.40	(0.01)	(35.39)	-	35.40	(0.01)	(35.39)	-
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amt. Outstanding	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	No. of borrowers	(2)	-	2	-	-	-	-	-	(3)	(2,458)	2,461	-	(5)	(2,458)	2,463	-
		Amt. Outstanding	(24.29)	(28.53)	52.82	-	-	-	-	-	(1.79)	(20.01)	21.80	-	(26.08)	(48.54)	74.62	-
		Provision thereon	(6.70)	(29.62)	36.32	-	-	-	-	-	(1.70)	(7.62)	9.32	-	(8.40)	(37.24)	45.64	-
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	(1)	(1)	-	-	-	-	-	(1,043)	(263)	(1,306)	-	(1,043)	(264)	(1,307)
		Amt. Outstanding	-	-	(207.77)	(207.77)	-	-	-	-	-	(1.62)	(8.06)	(9.68)	-	(1.62)	(215.83)	(217.45)
		Provision thereon	-	-	(207.77)	(207.77)	-	-	-	-	-	(1.62)	(8.06)	(9.68)	-	(1.62)	(215.83)	(217.45)
7	Restructured Accounts as on March 31 of the FY (closing figures*)	No. of borrowers	2	1	6	9	-	-	-	-	11	4,388	3,764	8,163	13	4,389	3,770	8,172
		Amt. Outstanding	58.96	11.12	199.69	269.77	-	-	-	-	89.01	137.68	113.51	340.20	147.97	148.80	313.20	609.97
		Provision thereon	18.03	1.74	162.84	182.61	-	-	-	-	39.16	40.71	93.87	173.74	57.19	42.45	256.71	356.35

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

Disclosure on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period):

As at 31st March, 2019:

(₹ 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	NA	NA	NIL	NIL

As at 31st March, 2018:

(₹ 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
1	NIL	76.48	NA	NA	NIL	76.48

Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A)

As at 31st March, 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	-	-	-	-
Classified as NPA	114.13	60.93	53.20	83.63

As at 31st March, 2018:

(₹ 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	39.88	27.55	12.33	8.64
Classified as NPA	74.03	33.16	40.87	37.45

Disclosure on the scheme for MSME sector – restructuring of advances

As at 31st March, 2019:

(₹ in crore)

No. of accounts restructured	Amount
4	7.59

17. Overseas Assets, NPAs and Revenue:

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Total Assets*	4,376.90	2,953.14
Total NPAs	Nil	Nil
Total Revenue*	197.91	99.81

** pertains to IBU*

18. A. Details of financial assets (including written off accounts) sold to Securitisation / Reconstruction Company for Asset Reconstruction (SC/RC):

(₹ in crore)

Particulars		31st March, 2019	31st March, 2018
(a)	No. of accounts	Nil	6
(b)	Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	10.81
(c)	Aggregate consideration*	Nil	47.48
(d)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(e)	Aggregate gain / (loss) over net book value	Nil	36.67
(f)	Excess provision reversed to Profit and Loss Account in case of sale of NPAs	Nil	2.88

** The entire consideration was received in cash.*

B. Net Book Value of Investments in Security Receipts ("SRs"):

(₹ in crore)

Particulars		31st March, 2019	31st March, 2018
(i)	Backed by NPAs sold by the bank as underlying	92.53	117.46
(ii)	Backed by NPAs sold by other banks / financial institutions / nonbanking financial companies as underlying	908.98	216.59
Total		**1,001.51**	**334.05**

C. Disclosure of Investment in Security Receipts:

31st March, 2019:

(₹ in crore)

Particulars		SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	264.37	-	-
	Provision held against (i)	(171.84)	-	-
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	834.72	96.65	35.52
	Provision held against (ii)	3.83*	(26.22)	(35.52)
	Total (i) + (ii)	**931.08**	**70.43**	**-**

** amount shown is appreciation on SRs and not provision held against SRs.*

31st March, 2018:

(₹ in crore)

Particulars		SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	264.37	-	-
	Provision held against (i)	(146.91)	-	-
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	177.58	63.47	39.07
	Provision held against (ii)	(2.25)	(22.21)	(39.07)
	Total (i) + (ii)	**292.79**	**41.26**	**-**

D. Details of non-performing financial assets purchased:

(₹ in crore)

Particulars		31st March, 2019	31st March, 2018
(a)	Number of accounts purchased during the year*	14	13
(b)	Aggregate outstanding in the Banks books**	222.13	136.89

** Retail assets portfolio purchased by the Bank has been considered as single portfolio.*

*** Represents outstanding balance of total non-performing financial assets purchased by the Bank at the Balance Sheet date.*

None of the non-performing financial assets purchased have been restructured during the year (previous year Nil).

E. Details of non-performing financial assets sold (including written off accounts), excluding those sold to SC/RC:

(₹ in crore)

Particulars		31st March, 2019	31st March, 2018
(a)	No. of accounts sold	Nil	2
(b)	Aggregate value (net of provisions)	Nil	61.62
(c)	Aggregate consideration received	Nil	109.45

19. There are no unsecured advances for which intangible security such as charge over the rights, licenses, authority, etc. are accepted as collateral by the Bank.

20. Provisions on Standard Assets (including unhedged foreign currency exposure)

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Provisions towards Standard Assets	881.78	760.91

21. Business ratios / information:

Particulars	31st March, 2019	31st March, 2018
Interest income as a percentage of working funds	8.33%	8.38%
Non Interest income as a percentage of working funds	1.60%	1.72%
Operating profit as a percentage of working funds	2.90%	3.04%
Return on assets (average)	1.69%	1.73%
Business (deposit plus advance) per employee (₹ in crore)	9.96	9.04
Profit per employee (₹ in crore)	0.12	0.12

Definitions:

(A) Working funds is the monthly average of total assets of the Bank as reported to RBI under Section 27 of the Banking Regulation Act, 1949 and those of IBU

(B) Operating profit = (Interest Income + Other Income – Interest expenses – Operating expenses).

(C) Business is monthly average of net advances and deposits as reported to the RBI under section 27 of the Banking Regulation Act, 1949. Interbank deposits are excluded for the purposes of computation of this ratio.

(D) Productivity ratios are based on average number of employees.

22. Maturity pattern of certain items of assets and liabilities:

31st March, 2019:

(₹ in crore)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months & upto 6 months	Over 6 months & upto 12 months	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Advances	324.70	1,885.40	2,365.74	5,897.18	17,727.06	13,946.06	14,959.17	95,510.33	24,236.79	28,842.38	205,694.81
Investments*	10,374.87	9,003.44	1,209.81	1,711.89	6,885.65	7,214.17	7,379.08	21,092.56	1,549.27	4,520.86	70,941.60
Deposits	5,623.38	7,980.18	4,446.26	3,967.03	23,227.36	32,098.00	32,781.98	114,592.77	833.18	330.22	225,880.36
Borrowings	253.08	8,994.63	13.14	120.92	6,109.31	3,095.89	4,227.04	7,526.02	1,758.26	150.00	32,248.29
Foreign Currency Assets	862.29	4,505.03	190.67	504.78	2,839.08	2,614.52	659.48	1,822.44	1,760.93	423.57	16,182.79
Foreign Currency Liabilities	727.72	737.92	284.17	463.92	5,893.87	2,814.46	1,474.54	4,893.33	1,481.61	0.34	18,771.88

** Listed equity investments in AFS have been considered at 50% (₹ 247.49 crore) haircut as per RBI directions*

In computing the above information, certain estimates and assumptions have been made by the Bank's Management.

31st March, 2018:

(₹ in crore)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months & upto 6 months	Over 6 months & upto 12 months	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Advances	187.27	2,248.46	3,282.32	5,904.98	14,795.73	10,582.94	12,633.60	77,716.80	20,605.30	21,760.52	169,717.92
Investments*	13,139.62	5,837.31	1,128.84	1,738.87	5,837.26	5,134.40	7,075.60	19,167.73	1,747.66	3,485.38	64,292.67
Deposits	4,706.58	6,321.02	3,769.46	6,101.05	26,166.50	24,580.21	25,314.25	94,104.81	1,200.56	378.83	192,643.27
Borrowings	365.02	4,760.12	284.46	217.82	3,103.42	6,163.66	2,869.56	5,124.82	2,265.27	-	25,154.15
Foreign Currency Assets	766.70	1,398.44	219.41	758.99	2,817.53	2,023.20	749.97	1,513.23	1,315.23	281.76	11,844.48
Foreign Currency Liabilities	724.19	420.77	472.45	596.08	2,735.52	2,840.39	1,754.78	2,205.04	964.27	-	12,713.49

** Listed equity investments in AFS have been considered at 50% (₹ 269.67 crore) haircut as per RBI directions*

In computing the above information, certain estimates and assumptions have been made by the Bank's Management.

23. Exposures:

(a) Exposure to Real Estate Sector*:

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
a) Direct exposure	29,887.98	25,054.24
i. Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Includes Individual housing loans eligible for inclusion in priority sector advances as at 31st March, 2019 ₹ 268.26 crore and as at 31st March, 2018 ₹ 317.76 crore)	14,214.51	10,991.61
ii. Commercial Real Estate - Lending 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 also includes non-fund based (NFB) limits	15,673.47	14,062.63
iii Investments in Mortgage Backed Securities (MBS) and other securitised exposures-	-	-
- Residential,	-	-
- Commercial Real Estate	-	-
b) Indirect Exposure	3,659.59	3,784.40
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	3,659.59	3,784.40
Total Exposure to Real Estate Sector	**33,547.57**	**28,838.64**

** On limit basis or outstanding basis whichever is higher*

(b) Exposure to Capital Market*:

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
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;#	701.04	754.45
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;	394.05	347.01
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;	-	-
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;	2,608.24	2,675.95

Particulars		31st March, 2019	31st March, 2018
v.	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	3,096.55	3,471.94
vi.	Loans sanctioned to corporates 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;	-	-
vii.	Bridge loans to companies against expected equity flows / issues;	-	-
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;	-	-
ix.	Financing to stockbrokers for margin trading;	-	-
x.	All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	0.03	0.03
xi.	Others (Financial Guarantees)	0.18	0.12
Total Exposure to Capital Market*		**6,800.09**	**7,249.50**

* *On limit basis or outstanding basis whichever is higher*

\# *The above amount excludes shares/convertible bonds aggregating to ₹ 135.18 crore (Previous year ₹ 135.18 crore) acquired due to conversion of debt to equity under restructuring process. As per para 20 of DBR.No.BP.BC.101/21.04.048/2017-18 dated 12th February, 2018, the above amount is exempt from regulatory ceilings/restriction on capital market exposure.*

(c) Risk category wise country exposure:

As per extant RBI guidelines, the country exposure of the Bank is categorised into various risk categories listed in following table. Since the country exposure (net) of the Bank in respect of any country does not exceed 1% of the total funded assets, no provision is required to be maintained on country exposure as on 31st March, 2019 (Nil provision for the year ended 31st March, 2018).

(₹ in crore)

Risk Category	Exposure (net) as at 31st March, 2019	Provision held as at 31st March, 2019	Exposure (net) as at 31st March, 2018	Provision held as at 31st March, 2018
Insignificant	5,139.83	-	3,561.78	-
Low	664.45	-	702.72	-
Moderate	17.29	-	10.02	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	**5,821.57**	**-**	**4,274.52**	**-**

24. Concentration of deposits:

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Total deposits of twenty largest depositors	27,641.57	25,812.97
Percentage of deposits of twenty largest depositors to total deposits of the Bank	12.24 %	13.40%

25. Concentration of advances*:

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Total advances to twenty largest borrowers	31,002.00	25,568.50
Percentage of advances to twenty largest borrowers to total advances of the bank	8.99%	8.68%

** Advances represents credit exposure including derivatives furnished in Master Circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated 1st July, 2015.*

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

26. Concentration of exposures:**

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Total exposure to twenty largest borrowers / customers	32,565.33	27,848.74
Percentage of exposures to twenty largest borrowers / customers to total exposure of the bank on borrowers / customers	9.08%	9.05%

*** Exposures represents credit, derivatives and investment exposure as prescribed in Master Circular on Exposure Norms DBR.No.Dir.BC. 12/13.03.00/2015-16 dated 1st July, 2015.*

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

27. Disclosure in Respect of ILFS and ILFS entities:

Position as of 31st March 2019:

Amount Outstanding held* (1)	Of (1), total amount of exposure which are NPAs as per IRAC norms and not classified as NPA. (2)	Provision required to be made as per IRAC norms. (3)	Provisions actually held (4)
Nil	Nil	Nil	Nil

** Above does not include Non-fund outstanding*

28. During the year ended 31st March, 2019 and year ended 31st March, 2018 the Bank has not exceeded the prudential exposure limits as laid down by RBI guidelines for the Single Borrower Limit (SBL) / Group Borrower Limit (GBL).

29. Provision made for taxes during the year:

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Current tax	2,504.34	2,080.60
Deferred tax	16.12	53.32
Total	**2,520.46**	**2,133.92**

30. During the year penalty of ₹ 0.20 crore (previous year ₹ NIL) had been imposed by the Reserve Bank of India in terms of the Section 47 A (1) read with Section 46(4)(i) of the Banking Regulation Act, 1949 for non-compliance of RBI instructions.

31. There are no Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms) (previous year ₹ Nil).

32. Bancassurance Business:

(₹ in crore)

Sr. No.	Nature of Income	31st March, 2019	31st March, 2018
1.	For selling life insurance policies	200.50	182.51
2.	For selling non life insurance policies	13.07	9.18
3.	For selling mutual fund products	205.32	250.75
4.	Others	-	-

This Income has been reflected under Commission, exchange and brokerage under Other Income.

33. Floating Provisions:

(₹ in crore)

Particulars		31st March, 2019	31st March, 2018
(a)	Opening balance in the floating provisions account	Nil	Nil
(b)	The quantum of floating provisions made in the accounting year	Nil	Nil
(c)	Amount of draw down made during the accounting year	Nil	Nil
(d)	Closing Balance in floating provisions account	Nil	Nil

34. Draw Down from Reserves:

In accordance with the RBI requirement on creation and utilisation of Investment reserve in respect of HFT and AFS investments, no amounts has been utilised during the year (previous year ₹ NIL utilised).

35. a) Status of Shareholder Complaints:

		31st March, 2019	31st March, 2018
(a)	No. of complaints pending at the beginning of the year	-	-
(b)	No. of complaints received during the year	11	9
(c)	No. of complaints redressed during the year	7	9
(d)	No. of complaints pending at the end of the year	4	-

b) Status of Customer Complaints:

		31st March, 2019	31st March, 2018
(a)	No. of complaints pending at the beginning of the year	512	1,149
(b)	No. of complaints received during the year	125,514	117,678
(c)	No. of complaints redressed during the year	125,212	118,315
(d)	No. of complaints pending at the end of the year	814	512

c) Status of Awards passed by the Banking Ombudsman:

		31st March, 2019	31st March, 2018
(a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
(b)	No. of Awards passed by the Banking Ombudsman during the year	Nil	Nil
(c)	No. of Awards implemented during the year	Nil	Nil
(d)	No. of unimplemented Awards at the end of the year	Nil	Nil

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

36. There are no outstanding letter of awareness / letter of comfort (previous year Nil).

37. DISCLOSURES ON REMUNERATION

A. Qualitative Disclosures:

a) Information relating to the composition and mandate of the Remuneration Committee:

The Nomination & Remuneration committee comprises of independent directors of the Bank. Key mandate of the Nomination & Remuneration committee is to oversee the overall design and operation of the compensation policy of the Bank and work in coordination with the Risk Management Committee to achieve alignment between risks and remuneration.

b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:

Objective of Banks' Compensation Policy is:

- To maintain fair, consistent and equitable compensation practices in alignment with Bank's core values and strategic business goals;
- To ensure effective governance of compensation and alignment of compensation practices with prudent risk taking;
- To have mechanisms in place for effective supervisory oversight and Board engagement in compensation

The remuneration process is aligned to the Bank's Compensation Policy objectives.

c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks:

In order to manage current and future risk and allow a fair amount of time to measure and review both quality and quantity of the delivered outcomes, a significant portion of senior and middle management compensation is variable. Further reasonable portion variable compensation is non- cash and deferred, over a period of 3 years or longer.

In addition, remuneration process provides for 'malus' and 'clawback' option to take care of any disciplinary issue or future drop in performance of individual/ business/ company.

d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration:

Individual performances are assessed in line with business / individual delivery of the Key Result Areas (KRAs), top priorities of business, budgets etc. KRAs of Line roles are linked to financials, people, service and process (Quality) parameters and KRAs of non-Line Roles have linkage to functional deliveries needed to achieve the top business priorities.

Further remuneration process is also linked to market salaries / job levels, business budgets and achievement of individual KRAs.

e) A discussion of the Banks' policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:

A discussion on Policy on Deferral of Remuneration

Employees are classified into following three categories for the purpose of remuneration:

Category I: Whole Time Directors (WTD) / Chief Executive Officer (CEO)

Category II: Risk Control and Compliance Staff

Category III: Other Categories of Staff

Following principles are applied for deferral / vesting of variable remuneration in accordance with RBI guidelines and Bank's compensation policy:

Category I

a. Variable Pay will not exceed 70% of Fixed Pay.

b. The Cash component of the Variable Pay will not exceed 50% of the Fixed Pay.

c. If Variable Pay is higher than 50% of Fixed Pay, at least 40% of Variable Pay will be deferred over a period of 3 years, or longer.

The compensation will be approved by the Nomination and Remuneration committee and RBI

Category II

a. Variable Pay will not exceed 70% of Fixed Pay.

b. The Cash component of the Variable Pay will not exceed 50% of the Fixed Pay.

c. If Variable Pay is higher than 50% of Fixed Pay, at least 40% of Variable Pay will be deferred over a period of 3 years, or longer.

Category III

Variable Pay is payable as per approved schemes for incentive or Bonus:

i) The Cash component of the Variable Pay will not exceed 60% of the Fixed Pay.

ii) If Variable Pay is higher than 60% of Fixed Pay, at least 40% of Variable Pay will be deferred over a period of 3 years, or longer, on a pro-rata basis.

iii) However, if Variable Pay is less than or equal to ₹10 lakhs, management will have the discretion to pay the entire amount as cash.

For adjusting deferred remuneration before & after vesting:

Malus: Payment of all or part of amount of deferred variable pay can be prevented. This clause will be applicable in case of:

- Disciplinary Action (at the discretion of the Disciplinary Action Committee) and / or
- Significant drop in performance of Individual / Business / Company (at the discretion of the Nomination & Remuneration Committee) and / or
- Resignation of the staff prior to the payment date.

Clawback: Previously paid or already vested deferred variable pay can also be recovered under this clause.

This clause will be applicable in case of Disciplinary Action (at the discretion of the Disciplinary Action Committee and approval of the Nomination & Remuneration Committee).

f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the Bank utilizes and the rationale for using these different forms:

The main forms of such variable remuneration include:

- Cash – this may be at intervals ranging from Monthly, Quarterly, Annual.
- Deferred Cash / Deferred Incentive Plan.
- Stock Appreciation Rights (SARs) as per SEBI guidelines: These are structured, variable incentives, linked to Kotak Mahindra Bank Stock price, payable over a period of time
- ESOP as per SEBI guidelines.

The form of variable remuneration depends on the job level of individual, risk involved, the time horizon for review of quality and longevity of the assignments performed.

B. Quantitative Disclosures:

a) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.

During year ended 31st March, 2019 5 meetings of Nomination and Remuneration committee was held. Non-Executive Director of the Nomination and Remuneration committee is paid a sitting fee of ₹ 40,000 per meeting.

b) Number of employees having received a variable remuneration award during the financial year.

Quantitative disclosure restricted to CEO, one Whole Time Director and Seven Group Management Council as risk takers.

c) Number and total amount of sign-on awards made during the financial year.

Nil

d) Details of guaranteed bonus, if any, paid as joining / sign on bonus.

Not applicable

e) **Details of severance pay, in addition to accrued benefits, if any.**

NIL (previous year Nil)

f) **Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms**

Cash – NIL (previous year Nil)

Outstanding SARs as at 31st March, 2019 – 127,866 rights (previous year 156,428 rights)

Outstanding ESOPs as at 31st March, 2019 – 1,134,503 equity shares (previous year 1,218,277 equity shares)

g) **Total amount of deferred remuneration paid out in the financial year.**

Payment towards SARs during year ended 31st March, 2019 ₹ 9.26 crore (previous year ₹ 8.91 crore)

h) **Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.**

Total fixed salary for the year ended 31st March, 2019 - ₹ 21.80 crore (previous year ₹ 20.82 crore)

Deferred Variable Pay*

SARs – 53,430 rights (previous year 68,180 rights)

ESOPs – 441,130 equity shares (previous year 497,100 equity shares)

Non Deferred variable pay* ₹ 4.88 crore (previous year ₹ 4.68 crore)

** Details relating to variable pay pertains to remuneration awards for the financial year 2017-18 awarded during current financial year Remuneration award for the year ended 31st March, 2019 are yet to be reviewed and approved by the remuneration committee*

i) **Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.** – NIL (Previous year Nil)

j) **Total amount of reductions during the financial year due to ex- post explicit adjustments.** – NIL (Previous year Nil)

k) **Total amount of reductions during the financial year due to ex- post implicit adjustments.** – NIL (Previous year Nil)

38. Intra – Group Exposures

(₹ in crore)

Particulars		31st March, 2019	31st March, 2018
(a)	Total amount of intra-group exposures	4,323.02	4,186.80
(b)	Total amount of top-20 intra-group exposures	4,322.69	4,186.59
(c)	Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	1.21%	1.36%
(d)	Details of breach of limits on intra-group exposures and regulatory action thereon, if any.	NA	NA

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

39. Transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Opening balance of amounts transferred to DEAF	165.32	135.91
Add: Amounts transferred to DEAF during the year	22.49	30.57
Less: Amounts reimbursed by DEAF towards claim	3.14	1.16
Closing balance of amounts transferred to DEAF	184.67	165.32

40. Unhedged Foreign Currency Exposure of borrowers:

The Bank recognises the importance of the risk of adverse fluctuation of foreign exchange rates on the profitability and financial position of borrowers who are exposed to currency risk. Currency induced credit risk refers to the risk of inability of borrowers to service their debt obligations due to adverse movement in the exchange rates and corresponding increase / decrease in their book values of trade payables, loan payables, trade receivables, etc. thereby exposing the Bank to risk of default by the borrower. In this regard, the Bank had put in place requisite policies & processes for monitoring and mitigation of currency induced credit risk of borrowers. These include the following:

a) Currency risk of borrowers on account of un-hedged foreign currency exposures ("UFCE") is duly considered and analysed in credit appraisal notes.

b) Periodic monitoring of un-hedged foreign currency exposures of borrowers.

c) Risk classification of borrowers having un-hedged foreign currency exposures, into Low / Medium / High, as per internal norms, based on likely loss / EBID ratio. Likely loss means the potential loss which can be caused over a one year horizon by adverse movement of exchange rates.

d) Incremental provisioning (over and above provision applicable for standard assets) is made in Bank's Profit and Loss Account, on borrower counter parties having UFCE, depending on the likely loss / EBID ratio, in line with stipulations by RBI. Incremental capital is maintained in respect of borrower counter parties in the highest risk category, in line with stipulations by RBI. These requirements are given below:

Likely Loss / EBID ratio	Incremental Provisioning Requirement (computed on the total credit exposures reckoned for standard asset provisioning)	Incremental Capital Requirement
Up to 15%	Nil	Nil
More than 15% to 30%	20 bps	Nil
More than 30% to 50%	40 bps	Nil
More than 50% to 75%	60 bps	Nil
More than 75% (Most risky)	80 bps	25 per cent increase in the risk weight

e) In case of borrowers exposed to currency risk where declarations for foreign currency payables / receivables (UFCE declarations) are not submitted, provision for currency induced credit risk is made as per RBI stipulated rates mentioned below:

- 10 bps in cases where limits with banking system are less than ₹ 25 crore;
- 80 bps in cases where limits with banking system are ₹ 25 crore or more.

f) Further, where annual certification from statutory auditors of UFCE data is not submitted, such borrowers are treated as UFCE declaration not submitted cases and provision is computed as per point (e) above.

g) Borrowers where the credit exposure is only Letter of Credit, Bills Discounting, Fixed Deposit backed, Bank Guarantee / Standby Letter of Credit backed or Debt Mutual Fund backed are exempted from the above requirements. Exposures on other Banks and Public Financial Institutions like SIDBI, EXIM Bank, NABARD, NHB are also exempted from the above requirements.

h) Management of foreign exchange risk is considered as a parameter for internal risk rating of borrowers.

Provision held for currency induced credit risk as at 31st March,2019 is ₹ 56.41 crore. (Previous year ₹ 50.24 crore). Incremental Risk weighted Assets value considered for the purpose of CRAR calculation in respect of currency induced credit risk as at 31st March,2019 is ₹ 2,371.09 crore (Previous year ₹ 1,293.22 crore.)

41. a) Liquidity Coverage Ratio

(₹ in crore)

		Average Q4 2018-2019		Average Q3 2018-2019		Average Q2 2018-2019		Average Q1 2018-2019	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)	-	53,082	-	53,051	-	42,153	-	41,101
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:								
	(i) Stable deposits	17,911	895	17,413	871	16,541	827	15,696	785
	(ii) Less stable deposits	108,548	10,854	104,701	10,470	96,228	9,623	89,291	8,929
3	Unsecured wholesale funding, of which								
	(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	(ii) Non-operational deposits (all counterparties)	69,436	35,432	68,936	36,667	64,081	35,475	64,001	36,162
	(iii) Unsecured debt	1,716	1,716	3,006	3,006	2,867	2,867	2,573	2,573
4	Secured wholesale funding	-	1	-	1	-	1	-	1
5	Additional requirements, of which								
	(i) Outflows related to derivative exposures and other collateral requirements	10,839	10,839	11,668	11,668	12,774	12,774	10,770	10,770
	(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
	(iii) Credit and liquidity facilities	4,006	491	3,588	406	3,122	358	3,276	444
6	Other contractual funding obligations	3,107	3,107	3,107	3,107	2,864	2,864	2,618	2,618
7	Other contingent funding obligations	69,387	2,718	68,353	2,680	66,833	2,607	64,627	2,508
8	Total Cash Outflows	-	66,053	-	68,876	-	67,396	-	64,790
Cash Inflows									
9	Secured lending (e.g. reverse repos)	5,902	-	5,759	-	3,864	-	5,293	-
10	Inflows from fully performing exposures	29,176	22,431	28,384	22,106	31,289	25,462	30,133	23,227
11	Other cash inflows	1,213	606	1,381	691	1,080	540	1,224	612
12	Total Cash Inflows	36,291	23,037	35,524	22,797	36,233	26,002	36,650	23,839
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
21	TOTAL HQLA		53,082		53,051		42,153		41,101
22	Total Net Cash Outflows		43,016		46,079		41,394		40,951
23	Liquidity Coverage Ratio (%)		123.40%		115.13%		101.83%		100.37%

(₹ in crore)

			Average Q4 2017-2018		Average Q3 2017-2018		Average Q2 2017-2018		Average Q1 2017-2018	
			Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets										
1	Total High Quality Liquid Assets (HQLA)		-	43,661	-	37,490	-	33,091	-	32,720
Cash Outflows										
2	Retail deposits and deposits from small business customers, of which:									
	(i)	Stable deposits	15,118	756	14,432	722	13,640	682	13,154	658
	(ii)	Less stable deposits	84,162	8,416	79,455	7,946	76,975	7,697	73,960	7,396
3		Unsecured wholesale funding, of which								
	(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	(ii)	Non-operational deposits (all counterparties)	64,228	37,547	60,553	36,025	54,672	33,136	49,837	30,010
	(iii)	Unsecured debt	1,988	1,988	3,158	3,158	2,415	2,415	2,612	2,612
4	Secured wholesale funding		-	1	-	-	-	-	-	-
5	Additional requirements, of which									
	(i)	Outflows related to derivative exposures and other collateral requirements	11,275	11,275	10,584	10,584	9,669	9,669	7,993	7,993
	(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
	(iii)	Credit and liquidity facilities	3,564	469	3,963	525	4,180	470	4,982	731
6	Other contractual funding obligations		2,371	2,371	2,477	2,477	2,483	2,483	2,233	2,233
7	Other contingent funding obligations		64,634	2,497	62,715	2,425	59,514	2,308	57,192	2,206
8	Total Cash Outflows		-	65,320	-	63,862	-	58,859	-	53,839
Cash Inflows										
9	Secured lending (e.g. reverse repos)		11,680	-	12,383	-	8,865	-	12,688	-
10	Inflows from fully performing exposures		30,617	23,874	28,261	22,237	27,079	21,247	23,248	17,463
11	Other cash inflows		881	441	1,037	518	730	365	874	437
12	Total Cash Inflows		43,178	24,315	41,681	22,755	36,674	21,612	36,810	17,900
				Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
21	TOTAL HQLA			43,661		37,490		33,091		32,720
22	Total Net Cash Outflows			41,005		41,107		37,247		35,939
23	Liquidity Coverage Ratio (%)			106.48%		91.20%		88.84%		91.04%

b) Qualitative disclosure around LCR

The Reserve Bank of India has prescribed monitoring of sufficiency of Bank's liquid assets using Basel III – Liquidity Coverage Ratio ('LCR'). The LCR is aimed at measuring and promoting short-term resilience of Banks to potential liquidity disruptions by ensuring maintenance of sufficient high quality liquid assets ('HQLAs') to survive an acute stress scenario lasting for 30 days.

The ratio comprises of high quality liquid assets ('HQLAs') as numerator and net cash outflows in 30 days as denominator. HQLA has been divided into two parts i.e. Level 1 HQLA which comprises of primarily cash, excess CRR, SLR securities in excess of minimum SLR requirement and a portion of mandatory SLR as permitted by RBI (under MSF and FALLCR) and Level 2 HQLA which comprises of investments in highly rated non-financial corporate bonds and listed equity investments considered at prescribed haircuts. Cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in.

The Bank has implemented the LCR framework and has consistently maintained LCR well above the regulatory threshold. The average LCR for the quarter ended 31st March, 2019 was 123.4% which is above the regulatory requirement of 100%. For the quarter ended 31st March, 2019 Level 1 HQLA stood at 95.94% (50,926 crs.) of the total HQLA.

Apart from LCR, Bank uses various stock liquidity indicators to measure and monitor the liquidity risk in terms of funding stability, concentration risk, dependence on market borrowings, liquidity transformation, etc. The Bank maintains a diversified source of funding in terms of depositors, lenders and various funding instruments. This is evident through low depositor and lender concentration with top 20 depositors contributing 12.2% of Bank's total deposits and top 10 lenders contributing 5.6% of Bank's total liabilities.

Asset Liability Committee ('ALCO') of the Bank is the primary governing body for Liquidity Risk Management supported by Balance Sheet Management Unit ('BMU'), Risk Management Department (RMD), Finance and ALCO Support Group. BMU is the central repository of funds within the Bank and is vested with the responsibility of managing liquidity risk within the risk appetite of the Bank. Bank has incorporated Basel III Liquidity Standards - LCR and NSFR as part of its risk appetite statement for liquidity risk.

42. Frauds

The Bank has reported 376 (Previous year 268 cases) fraud cases involving fraud amount of one lakh and above during the financial year ended 31st March 2019 amounting to ₹ 14.10 crore (Previous year ₹ 56.73 crore). The Bank has recovered / expensed off / provided the entire amount where necessary.

Details of fraud provisioning made in more than one financial year:

(₹ in crore)

Number of fraud reported	Amount involve in Fraud	Provision made during the year	Quantum of unamortised provision debited from 'other reserve'
1	2.86	1.46	1.40

B. OTHER DISCLOSURES:

1. Earnings per Equity Share:

Particulars	31st March, 2019	31st March, 2018
Reconciliation between weighted shares used in the computation of basic and diluted earnings per share		
Weighted average number of equity shares used in computation of basic earnings per share	1,906,844,174	1,896,049,700
Effect of potential equity shares for stock options outstanding	2,263,269	2,572,354
Weighted average number of equity shares used in computation of diluted earnings per share	1,909,107,443	1,898,622,054
Following is the reconciliation between basic and diluted earnings per share		
Nominal value per share	5.00	5.00
Basic earnings per share	25.52	21.54
Effect of potential equity shares for stock options	0.04	0.03
Diluted earnings per share	25.48	21.51
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	4,865.33	4,084.30

2. **Segment Reporting:**

The Summary of the operating segments of the Bank for the year ended 31st March, 2019 are as given below:

(₹ in crore)

Particulars			31st March, 2019	31st March, 2018
1.	**Segment Revenue**			
	a.	Treasury, BMU and Corporate Centre	5,965.16	5,730.26
	b.	Corporate / Wholesale Banking	11,392.66	9,061.32
	c.	Retail Banking	13,885.48	11,437.61
	d.	Other Banking business	-	-
	Sub-total		**31,243.30**	**26,229.19**
	Less : Inter-segmental revenue		2,696.06	2,428.49
	Total		**28,547.24**	**23,800.70**
2.	**Segment Results**			
	a.	Treasury, BMU and Corporate Centre	2,050.07	1,723.06
	b.	Corporate / Wholesale Banking	3,287.57	2,984.45
	c.	Retail Banking	2,048.15	1,510.71
	d.	Other Banking business	-	-
	Sub-total		**7,385.79**	**6,218.22**
	Total Profit Before Tax		**7,385.79**	**6,218.22**
	Provision for Tax		2,520.46	2,133.92
	Total Profit After Tax		**4,865.33**	**4,084.30**
3.	**Segment Assets**			
	a.	Treasury, BMU and Corporate Centre	101,401.71	91,500.50
	b.	Corporate / Wholesale Banking	134,695.27	100,506.20
	c.	Retail Banking	174,501.61	143,303.89
	d.	Other Banking business	-	-
	Sub-total		**410,598.59**	**335,310.59**
	Less : Inter-segmental Assets		98,604.66	70,571.48
	Total		**311,993.93**	**264,739.11**
	Add : Unallocated Assets		178.16	194.28
	Total Assets as per Balance Sheet		**312,172.09**	**264,933.39**
4.	**Segment Liabilities**			
	a.	Treasury, BMU and Corporate Centre	84,885.34	76,300.61
	b.	Corporate / Wholesale Banking	122,068.09	88,984.44
	c.	Retail Banking	160,851.80	132,725.09
	d.	Other Banking business	-	-
	Sub-total		**367,805.23**	**298,010.14**
	Less : Inter-segmental Liabilities		98,604.66	70,571.48
	Total		**269,200.57**	**227,438.66**
	Add : Unallocated liabilities		73.14	13.08
	Add : Share Capital & Reserves & surplus		42,898.38	37,481.65
	Total Liabilities as per Balance Sheet		**312,172.09**	**264,933.39**

Particulars			31st March, 2019	31st March, 2018
5.	**Capital Expenditure**			
	a.	Treasury, BMU and Corporate Centre	83.41	44.21
	b.	Corporate / Wholesale Banking	53.64	20.71
	c.	Retail Banking	364.75	237.94
	d.	Other Banking business	-	-
	Total		**501.80**	**302.86**
6.	**Depreciation / Amortisation**			
	a.	Treasury, BMU and Corporate Centre	107.47	101.30
	b.	Corporate / Wholesale Banking	25.21	16.47
	c.	Retail Banking	234.24	184.92
	d.	Other Banking business	-	-
	Total		**366.92**	**302.69**

Segmental Information is provided as per the MIS available for internal reporting purposes, which includes certain estimates and assumptions.

3. Lease Discloures:

a. The Bank has taken various premises and equipment under operating lease. The lease payments recognised in the Profit and Loss Account are ₹ 500.92 crore (previous year ₹ 453.31 crore). The sub-lease income recognised in the Profit and Loss Account is ₹ 5.53 crore (previous year ₹ 5.56 crore).

b. The future minimum lease payments under non-cancellable operating lease – not later than one year is ₹ 438.26 crore (previous year ₹ 402.44 crore), later than one year but not later than five years is ₹ 1,378.45 crore (previous year ₹ 1,275.44 crore) and later than five years ₹ 1,101.50 crore (previous year ₹ 1,089.00 crore).

The lease terms include renewal option after expiry of primary lease period. There are no restrictions imposed by lease arrangements. There are escalation clauses in the lease agreements.

4. Deferred Taxes:

"Others" in Other Assets (Schedule 11 (VI)) includes deferred tax asset (net) of ₹ 178.16 crore (previous year ₹ 194.28 crore). The components of the same are as follows:

(₹ in crore)

Particulars of Asset/ (Liability)	31st March, 2019	31st March, 2018
Provision for NPA and general provision on standard assets	170.05	197.66
Expenditure allowed on payment basis	139.68	130.47
Depreciation	29.02	9.43
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	(160.59)	(143.28)
Net Deferred Tax Asset	**178.16**	**194.28**

5. Credit card reward points:

The following table sets forth, for the periods indicated, movement in provision for credit card account reward points:

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Opening provision for reward points	13.12	7.95
Provision for reward points made during the year	24.53	17.18
Utilisation/write-back of provision for reward points	(22.72)	(12.01)
Closing provision for reward points*	14.93	13.12

** This amount will be utilised towards redemption of the credit card accounts reward points.*

6. **Fixed Assets as per Schedule 10 B include intangible assets relating to purchased software and system development expenditure which are as follows:**

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Gross Block		
At cost on 31st March of the preceding year	489.16	506.01
Additions during the year	169.35	67.47
Deductions during the year	149.62	84.32
Total	**508.89**	**489.16**
Depreciation / Amortisation		
As at 31st March of the preceding year	400.61	424.45
Charge for the year	94.95	60.48
Deductions during the year	145.97	84.32
Depreciation to date	349.59	400.61
Net Block	**159.30**	**88.55**

Capital commitments for purchase of software and system development expenditure are ₹ 38.73 crore (previous year ₹ 53.87 crore).

7. **Related Party Disclosures:**

As per Accounting Standard -18, Related Party Disclosure, the Bank's related parties are disclosed below:

A. **Parties where control exists:**

Nature of relationship	Related Party
Subsidiary Companies	Kotak Mahindra Prime Limited
	Kotak Securities Limited
	Kotak Mahindra Capital Company Limited
	Kotak Mahindra Life Insurance Company Limited (formerly known as Kotak Mahindra Old Mutual Life Insurance Limited)
	Kotak Mahindra Investments Limited
	Kotak Mahindra Asset Management Company Limited
	Kotak Mahindra Trustee Company Limited
	Kotak Mahindra (International) Limited
	Kotak Mahindra (UK) Limited
	Kotak Mahindra Inc.
	Kotak Investment Advisors Limited
	Kotak Mahindra Trusteeship Services Limited
	Kotak Infrastructure Debt Fund Limited
	Kotak Mahindra Pension Fund Limited
	Kotak Mahindra Financial Services Limited
	Kotak Mahindra Asset Management (Singapore) Pte. Ltd.
	Kotak Mahindra General Insurance Company Limited
	IVY Product Intermediaries Limited
	BSS Microfinance Limited (formerly known as BSS Microfinance Private Limited) (w.e.f 27 September, 2017)

B. Other Related Parties:

Nature of Relationship	Related Party
Individual having significant influence over the enterprise	Mr. Uday S. Kotak along with relatives and enterprises in which he has beneficial interest holds 29.99% of the equity share capital and 19.68% of the paid-up share capital of Kotak Mahindra Bank Limited as on 31st March, 2019.
Associates / Others	ACE Derivatives and Commodity Exchange Limited.
	Infina Finance Private Limited
	Matrix Business Services India Private Limited
	Phoenix ARC Private Limited
	Kotak Education Foundation
	ING Vysya Foundation
Key Management Personnel (KMP)	Mr. Uday S. Kotak, Managing Director and CEO
	Mr. Dipak Gupta, Joint Managing Director
Enterprises over which KMP / relatives of KMP have control / significant influence	Aero Agencies Limited Kotak and Company Private Limited Komaf Financial Services Private Limited Asian Machinery & Equipment Private Limited. Insurekot Sports Private Limited Kotak Trustee Company Private Limited Cumulus Trading Company Private Limited Palko Properties Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Private Limited Kotak Commodities Services Private Limited Harisiddha Trading and Finance Private Limited Puma Properties Private Limited Business Standard Private Limited Business Standard Online Private Limited Allied Auto Accessories Private Limited Uday S Kotak HUF Suresh A Kotak HUF USK Benefit Trust II Kotak Family Foundation (w.e.f. 2 May 2017) Helena Realty Private Limited (w.e.f. 2 Feb 2018) Doreen Realty Private Limited (w.e.f. 15 Feb 2018) Renato Realty Private Limited (w.e.f. 15 Feb 2018) Pine Tree Estates Private Limited (w.e.f. 20 Mar 2018) Meluha Developers Private Limited (w.e.f. 20 Mar 2018) Quantyco Realty Private Limited (w.e.f. 16 Mar 2018) Xanadu Properties Private Limited (w.e.f. 20 Mar 2018)
Relatives of KMP	Ms. Pallavi Kotak Mr. Suresh Kotak Ms. Indira Kotak Mr. Jay Kotak Mr. Dhawal Kotak Ms. Aarti Chandaria Ms. Anita Gupta Ms. Urmila Gupta Mr. Arnav Gupta Mr. Parthav Gupta Mr. Prabhat Gupta Ms. Jyoti Banga

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
Liabilities						
Deposits	**1056.10**	**125.00**	**632.99**	**144.75**	**143.35**	**2102.19**
	(1,407.47)	(57.75)	(128.35)	(134.45)	(1.99)	(1,730.01)
Borrowings	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)
Interest Payable	**1.65**	**0.39**	**5.56**	**1.72**	**0.41**	**9.73**
	(8.21)	(0.05)	(0.95)	(1.37)	(0.01)	(10.59)
Other Liabilities	**16.91**	**0.01**	**-**	**0.01**	**-**	**16.93**
	(14.42)	(0.01)	(-)	(0.30)	(-)	(14.73)
Assets						
Advances	**0.52**	**-**	**-**	**-**	**-**	**0.52**
	(#)	(-)	(-)	(-)	(-)	(#)
Investments-Gross	**3067.74**	**33.88**	**-**	**#**	**-**	**3101.62**
	(3,072.15)	(33.88)	(-)	(#)	(-)	(3,106.03)
Diminution on Investments	**-**	**29.82**	**-**	**#**	**-**	**29.82**
	(-)	(29.82)	(-)	(#)	(-)	(29.82)
Commission Receivable	**49.54**	**-**	**-**	**-**	**-**	**49.54**
	(43.81)	(-)	(-)	(-)	(-)	(43.81)
Others	**65.04**	**0.01**	**#**	**#**	**#**	**65.05**
	(69.58)	(0.04)	(-)	(0.07)	(-)	(69.69)
Expenses						
Salaries/fees (Include ESOP)	**-**	**-**	**8.84**	**-**	**-**	**8.84**
	(-)	(-)	(8.06)	(-)	(-)	(8.06)
Interest Paid	**48.96**	**7.31**	**36.10**	**11.66**	**1.09**	**105.12**
	(88.37)	(38.23)	(12.02)	(15.38)	(0.31)	(154.31)
Others	**120.36**	**10.02**	**-**	**4.29**	**-**	**134.67**
	(27.85)	(19.00)	(-)	(4.51)	(-)	(51.36)
Income						
Dividend	**45.14**	**-**	**-**	**-**	**-**	**45.14**
	(7.61)	(-)	(-)	(-)	(-)	(7.61)
Interest Received	**51.86**	**-**	**-**	**-**	**-**	**51.86**
	(44.23)	(-)	(-)	(-)	(-)	(44.23)
Others	**392.36**	**0.11**	**#**	**0.86**	**#**	**393.33**
	(319.71)	(0.10)	(#)	(0.87)	(-)	(320.68)
Other Transactions						
Sale of investment	**642.67**	**-**	**-**	**-**	**-**	**642.67**
	(180.27)	(-)	(-)	(-)	(-)	(180.27)
Purchase of Investment	**1185.64**	**-**	**-**	**-**	**-**	**1185.64**
	(821.57)	(-)	(-)	(-)	(-)	(821.57)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
Loan disbursed during the year	**343.38**	**-**	**-**	**-**	**-**	**343.38**
	(1,820.23)	(-)	(-)	(-)	(-)	(1,820.23)
Loan repaid during the year	**343.05**	**-**	**-**	**-**	**-**	**343.05**
	(1,881.48)	(-)	(-)	(-)	(-)	(1,881.48)
Dividend paid	**-**	**-**	**39.78**	**0.05**	**0.26**	**40.09**
	(-)	(-)	(34.10)	(0.04)	(0.22)	(34.36)
Reimbursement to companies	**21.12**	**-**	**-**	**-**	**-**	**21.12**
	(20.06)	(-)	(-)	(-)	(-)	(20.06)
Reimbursement from companies	**98.82**	**0.09**	**-**	**-**	**-**	**98.91**
	(165.17)	(0.10)	(-)	(-)	(-)	(165.27)
Purchase of Fixed assets	**0.14**	**-**	**-**	**-**	**-**	**0.14**
	(0.59)	(-)	(-)	(-)	(-)	(0.59)
Sale of Fixed assets	**0.04**	**-**	**-**	**-**	**-**	**0.04**
	(0.55)	(-)	(-)	(-)	(-)	(0.55)
Swaps/Forward/ Options contracts	**2132.70**	**-**	**-**	**-**	**1.88**	**2134.58**
	(5,068.59)	(-)	(-)	(-)	(-)	(5,068.59)
Guarantees/Lines of credit	**20.25**	**-**	**-**	**-**	**-**	**20.25**
	(0.25)	(0.05)	(-)	(-)	(-)	(0.30)
QIP Issuance Expense adjusted against Share Premium	**-**	**-**	**-**	**-**	**-**	**-**
	(10.09)	(-)	(-)	(#)	(-)	(10.09)
Professional Charges towards Strategic investment - capitalized	**-**	**-**	**-**	**-**		
	(3.51)	(-)	(-)	(-)	(-)	(3.51)
I. Liabilities:						
Other liabilities						
Other Payable						
Kotak Mahindra Prime Limited	**0.89**	**-**	**-**	**-**	**-**	**0.89**
	(0.33)	(-)	(-)	(-)	(-)	(0.33)
BSS Microfinance Limited	**13.59**	**-**	**-**	**-**	**-**	**13.59**
	(4.03)	(-)	(-)	(-)	(-)	(4.03)
Kotak Securities Limited	**1.06**	**-**	**-**	**-**	**-**	**1.06**
	(6.86)	(-)	(-)	(-)	(-)	(6.86)
Others	**1.37**	**0.01**	**-**	**0.01**	**-**	**1.39**
	(3.20)	(0.01)	(-)	(0.30)	(-)	(3.51)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
II. Assets:						
Investments						
Kotak Mahindra Life Insurance Company Limited	**1557.20**	**-**	**-**	**-**	**-**	**1557.20**
	(1,557.20)	(-)	(-)	(-)	(-)	(1,557.20)
Kotak Mahindra Prime Limited	**141.71**	**-**	**-**	**-**	**-**	**141.71**
	(361.82)	(-)	(-)	(-)	(-)	(361.82)
BSS Microfinance Limited	**138.56**	**-**	**-**	**-**	**-**	**138.56**
	(117.87)	(-)	(-)	(-)	(-)	(117.87)
Kotak Mahindra Investments Limited	**338.03**	**-**	**-**	**-**	**-**	**338.03**
	(338.03)	(-)	(-)	(-)	(-)	(338.03)
Kotak Mahindra General Insurance Company Limited	**220.00**	**-**	**-**	**-**	**-**	**220.00**
	(175.00)	(-)	(-)	(-)	(-)	(175.00)
Kotak Infrastructure Debt Fund Limited	**492.19**	**-**	**-**	**-**	**-**	**492.19**
	(342.19)	(-)	(-)	(-)	(-)	(342.19)
Others	**180.05**	**-**	**-**	**#**	**-**	**180.05**
	(180.05)	(-)	(-)	(#)	(-)	(180.05)
ACE Derivatives and Commodity Exchange Limited	**-**	**33.88**	**-**	**-**	**-**	**33.88**
	(-)	(33.88)	(-)	(-)	(-)	(33.88)
Diminution on Investments						
ACE Derivatives and Commodity Exchange Limited	**-**	**29.82**	**-**	**-**	**-**	**29.82**
	(-)	(29.82)	(-)	(-)	(-)	(29.82)
Business Standard Private Ltd	**-**	**-**	**-**	**#**	**-**	**#**
	(-)	(-)	(-)	(#)	(-)	(#)
Commission Receivable						
Kotak Mahindra Life Insurance Company Limited	**48.35**	**-**	**-**	**-**	**-**	**48.35**
	(42.81)	(-)	(-)	(-)	(-)	(42.81)
Kotak Mahindra General Insurance Company Limited	**1.19**	**-**	**-**	**-**	**-**	**1.19**
	(0.99)	(-)	(-)	(-)	(-)	(0.99)
Others Receivable						
Kotak Mahindra Prime Limited	**14.97**	**-**	**-**	**-**	**-**	**14.97**
	(22.29)	(-)	(-)	(-)	(-)	(22.29)
Kotak Securities Limited	**11.01**	**-**	**-**	**-**	**-**	**11.01**
	(2.89)	(-)	(-)	(-)	(-)	(2.89)
Kotak Investment Advisors Limited	**2.70**	**-**	**-**	**-**	**-**	**2.70**
	(3.29)	(-)	(-)	(-)	(-)	(3.29)
Kotak Mahindra Life Insurance Company Limited	**4.70**	**-**	**-**	**-**	**-**	**4.70**
	(8.97)	(-)	(-)	(-)	(-)	(8.97)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
Kotak Infrastructure Debt Fund Limited	**15.02**	**-**	**-**	**-**	**-**	**15.02**
	(4.88)	(-)	(-)	(-)	(-)	(4.88)
BSS Microfinance Limited	**10.88**	**-**	**-**	**-**	**-**	**10.88**
	(23.03)	(-)	(-)	(-)	(-)	(23.03)
Others	**5.76**	**0.01**	**-**	**#**	**-**	**5.77**
	(4.23)	(0.04)	(-)	(0.07)	(-)	(4.34)
III. Expenses:						
Salaries / fees (Include ESOPs)						
Mr. Uday Kotak	**-**	**-**	**3.54**	**-**	**-**	**3.54**
	(-)	(-)	(3.20)	(-)	(-)	(3.20)
Mr. Dipak Gupta	**-**	**-**	**5.30**	**-**	**-**	**5.30**
	(-)	(-)	(4.86)	(-)	(-)	(4.86)
Other Expenses						
Brokerage						
Kotak Securities Limited	**0.02**	**-**	**-**	**-**	**-**	**0.02**
	(0.30)	(-)	(-)	(-)	(-)	(0.30)
Premium						
Kotak Mahindra Life Insurance Company Limited	**4.51**	**-**	**-**	**-**	**-**	**4.51**
	(3.30)	(-)	(-)	(-)	(-)	(3.30)
Kotak Mahindra General Insurance Company Limited	**2.47**	**-**	**-**	**-**	**-**	**2.47**
	(2.66)	(-)	(-)	(-)	(-)	(2.66)
Others						
Kotak Mahindra Prime Limited	**3.36**	**-**	**-**	**-**	**-**	**3.36**
	(3.30)	(-)	(-)	(-)	(-)	(3.30)
Kotak Infrastructure Debt Fund Limited	**0.06**	**-**	**-**	**-**	**-**	**0.06**
	(-)	(-)	(-)	(-)	(-)	(-)
Aero Agencies Limited	**-**	**-**	**-**	**4.22**	**-**	**4.22**
	(-)	(-)	(-)	(4.39)	(-)	(4.39)
Business Standard Private Limited	**-**	**-**	**-**	**0.07**	**-**	**0.07**
	(-)	(-)	(-)	(0.12)	(-)	(0.12)
BSS Microfinance Limited	**104.92**	**-**	**-**	**-**	**-**	**104.92**
	(13.78)	(-)	(-)	(-)	(-)	(13.78)
Kotak Mahindra Financial Services Limited	**5.02**	**-**	**-**	**-**	**-**	**5.02**
	(4.51)	(-)	(-)	(-)	(-)	(4.51)
Kotak Mahindra (UK) Limited	**#**	**-**	**-**	**-**	**-**	**#**
	(-)	(-)	(-)	(-)	(-)	(-)
Others	**#**	**0.28**	**-**	**-**	**-**	**0.28**
	(#)	(0.22)	(-)	(-)	(-)	(0.22)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
Donations						
Kotak Education Foundation	**-**	**9.74**	**-**	**-**	**-**	**9.74**
	(-)	(18.79)	(-)	(-)	(-)	(18.79)
IV. Income:						
Dividend						
Kotak Mahindra Capital Company Limited	**41.23**	**-**	**-**	**-**	**-**	**41.23**
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Trustee Company Limited	**3.75**	**-**	**-**	**-**	**-**	**3.75**
	(7.50)	(-)	(-)	(-)	(-)	(7.50)
Kotak Infrastructure Debt Fund Limited	**0.05**	**-**	**-**	**-**	**-**	**0.05**
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Prime Limited	**0.11**	**-**	**-**	**-**	**-**	**0.11**
	(0.11)	(-)	(-)	(-)	(-)	(0.11)
Other Income						
Kotak Mahindra Life Insurance Company Limited	**215.19**	**-**	**-**	**-**	**-**	**215.19**
	(193.44)	(-)	(-)	(-)	(-)	(193.44)
Kotak Mahindra General Insurance Company Limited	**15.71**	**-**	**-**	**-**	**-**	**15.71**
	(11.73)	(-)	(-)	(-)	(-)	(11.73)
Kotak Securities Limited	**93.02**	**-**	**-**	**-**	**-**	**93.02**
	(22.82)	(-)	(-)	(-)	(-)	(22.82)
Kotak Mahindra Capital Company Limited	**9.71**	**-**	**-**	**-**	**-**	**9.71**
	(9.91)	(-)	(-)	(-)	(-)	(9.91)
Kotak Mahindra Asset Management Company Limited	**26.37**	**-**	**-**	**-**	**-**	**26.37**
	(47.13)	(-)	(-)	(-)	(-)	(47.13)
Kotak Mahindra Prime Limited	**11.74**	**-**	**-**	**-**	**-**	**11.74**
	(14.19)	(-)	(-)	(-)	(-)	(14.19)
Kotak Investment Advisors Limited	**9.91**	**-**	**-**	**-**	**-**	**9.91**
	(11.32)	(-)	(-)	(-)	(-)	(11.32)
Others	**10.71**	**0.11**	**#**	**0.86**	**#**	**11.68**
	(9.17)	(0.10)	(#)	(0.87)	(-)	(10.14)
V. Other Transactions:						
Sale of Investment						
Kotak Mahindra Life Insurance Company Limited	**262.70**	**-**	**-**	**-**	**-**	**262.70**
	(130.15)	(-)	(-)	(-)	(-)	(130.15)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
Kotak Mahindra Prime Limited	**100.00**	**-**	**-**	**-**	**-**	**100.00**
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra (UK) Limited	**236.63**	**-**	**-**	**-**	**-**	**236.63**
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Securities Limited	**43.34**	**-**	**-**	**-**	**-**	**43.34**
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Infrastructure Debt Fund Limited	**-**	**-**	**-**	**-**	**-**	**-**
	(50.12)	(-)	(-)	(-)	(-)	(50.12)
Purchase of Investments						
Kotak Mahindra Life Insurance Company Limited	**-**	**-**	**-**	**-**	**-**	**-**
	(70.37)	(-)	(-)	(-)	(-)	(70.37)
Kotak Mahindra Prime Limited	**723.43**	**-**	**-**	**-**	**-**	**723.43**
	(300.67)	(-)	(-)	(-)	(-)	(300.67)
Kotak Infrastructure Debt Fund Limited	**150.00**	**-**	**-**	**-**	**-**	**150.00**
	(250.00)	(-)	(-)	(-)	(-)	(250.00)
Kotak Mahindra Investments Limited	**-**		**-**	**-**	**-**	**-**
	(100.00)	(-)	(-)	(-)	(-)	(100.00)
Kotak Investment Advisors Limited	**-**	**-**	**-**	**-**	**-**	**-**
	(50.00)	(-)	(-)	(-)	(-)	(50.00)
Kotak Mahindra General Insurance Company Limited	**45.00**	**-**	**-**	**-**	**-**	**45.00**
	(40.00)	(-)	(-)	(-)	(-)	(40.00)
Kotak Mahindra (UK) Limited	**267.21**	**-**	**-**	**-**	**-**	**267.21**
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Securities Limited	**-**	**-**	**-**	**-**	**-**	**-**
	(10.53)	(-)	(-)	(-)	(-)	(10.53)
Loan Disbursed during the year						
Kotak Mahindra Prime Limited	**-**	**-**	**-**	**-**	**-**	**-**
	(60.00)	(-)	(-)	(-)	(-)	(60.00)
Kotak Mahindra (International) Limited	**343.38**	**-**	**-**	**-**	**-**	**343.38**
	(1,760.23)	(-)	(-)	(-)	(-)	(1,760.23)
Loan Repaid during the year						
Kotak Mahindra (International) Limited	**343.05**	**-**	**-**	**-**	**-**	**343.05**
	(1,761.48)	(-)	(-)	(-)	(-)	(1,761.48)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
Kotak Mahindra Prime Limited	-	-	-	-	-	-
	(120.00)	(-)	(-)	(-)	(-)	(120.00)
Dividend paid						
Mr. Uday Kotak	-	-	**39.69**	-	-	**39.69**
	(-)	(-)	(34.02)	(-)	(-)	(34.02)
Mr. Dipak Gupta	-	-	**0.09**	-	-	**0.09**
	(-)	(-)	(0.08)	(-)	(-)	(0.08)
Ms. Pallavi Kotak	-	-	-	-	**0.08**	**0.08**
	(-)	(-)	(-)	(-)	(0.07)	(0.07)
Ms. Indira Kotak	-	-	-	-	**0.16**	**0.16**
	(-)	(-)	(-)	(-)	(0.14)	(0.14)
Others	-	-	-	**0.05**	**0.02**	**0.07**
	(-)	(-)	(-)	(0.04)	(0.02)	(0.06)
Reimbursements to companies						
Kotak Mahindra Capital Company Limited	**2.15**	-	-	-	-	**2.15**
	(2.39)	(-)	(-)	(-)	(-)	(2.39)
Kotak Mahindra Prime Limited	**5.96**	-	-	-	-	**5.96**
	(5.99)	(-)	(-)	(-)	(-)	(5.99)
Kotak Securities Limited.	**10.53**	-	-	-	-	**10.53**
	(9.87)	(-)	(-)	(-)	(-)	(9.87)
Kotak Mahindra Life Insurance Company Limited	**0.67**	-	-	-	-	**0.67**
	(0.79)	(-)	(-)	(-)	(-)	(0.79)
Kotak Infrastructure Debt Fund Limited	-	-	-	-	-	-
	(0.03)	(-)	(-)	(-)	(-)	(0.03)
Others	**1.81**	-	-	-	-	**1.81**
	(1.00)	(-)	(-)	(-)	(-)	(1.00)
Reimbursements from companies						
Kotak Mahindra Capital Company Limited	**7.16**	-	-	-	-	**7.16**
	(7.09)	(-)	(-)	(-)	(-)	(7.09)
Kotak Mahindra Prime Limited	**21.52**	-	-	-	-	**21.52**
	(21.64)	(-)	(-)	(-)	(-)	(21.64)
Kotak Mahindra Life Insurance Company Limited	**17.47**	-	-	-	-	**17.47**
	(20.20)	(-)	(-)	(-)	(-)	(20.20)
Kotak Securities Limited	**20.67**	-	-	-	-	**20.67**
	(84.93)	(-)	(-)	(-)	(-)	(84.93)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
Kotak Mahindra Investments Limited	**8.92**	-	-	-	-	**8.92**
	(9.45)	(-)	(-)	(-)	(-)	(9.45)
Others	**23.08**	**0.09**	-	-	-	**23.17**
	(21.86)	(0.10)	(-)	(-)	(-)	(21.96)
Purchase of Fixed assets						
Kotak Mahindra Prime Limited	**0.14**	-	-	-	-	**0.14**
	(0.03)	(-)	(-)	(-)	(-)	(0.03)
Kotak Securities Limited	-	-	-	-	-	-
	(0.52)	(-)	(-)	(-)	(-)	(0.52)
Kotak Mahindra Investments Limited	#	-	-	-	-	#
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Capital Company Limited	-	-	-	-	-	-
	(0.04)	(-)	(-)	(-)	(-)	(0.04)
Sale of Fixed assets						
Kotak Mahindra Capital Company Ltd	-	-	-	-	-	-
	(0.08)	(-)	(-)	(-)	(-)	(0.08)
Kotak Investment Advisors Limited	#	-	-	-	-	#
	(#)	(-)	(-)	(-)	(-)	(#)
Kotak Mahindra Asset Management Company Limited	-	-	-	-	-	-
	(0.06)	(-)	(-)	(-)	(-)	(0.06)
Kotak Infrastructure Debt Fund Limited	-	-	-	-	-	-
	(0.25)	(-)	(-)	(-)	(-)	(0.25)
Kotak Mahindra Investments Limited	**0.03**	-	-	-	-	**0.03**
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Life Insurance Company Limited	-	-	-	-	-	-
	(0.06)	(-)	(-)	(-)	(-)	(0.06)
Kotak Mahindra Prime Limited	-	-	-	-	-	-
	(0.09)	(-)	(-)	(-)	(-)	(0.09)
Kotak Securities Limited	**0.01**	-	-	-	-	**0.01**
	(#)	(-)	(-)	(-)	(-)	(#)
Swaps/Forward /Options contract						
Kotak Mahindra (International) Limited	**2132.70**	-	-	-	-	**2132.70**
	(5,068.59)	(-)	(-)	(-)	(-)	(5,068.59)
Others	-	-	-	-	**1.88**	**1.88**
	(-)	(-)	(-)	(-)	(-)	(-)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
Guarantees/Lines of credit						
Kotak Investment Advisors Limited	**20.25**	-	-	-	-	**20.25**
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Life Insurance Company Limited	-	-	-	-	-	-
	(0.25)	(-)	(-)	(-)	(-)	(0.25)
Matrix Business Services India Private Limited	-	-	-	-	-	-
	(-)	(0.05)	(-)	(-)	(-)	(0.05)
QIP Issuance Expense adjusted against Share Premium						
Kotak Mahindra Capital Company Ltd	-	-	-	-	-	-
	(10.09)	(-)	(-)	(-)	(-)	(10.09)
Aero Agencies Limited	-	-	-	-	-	-
	(-)	(-)	(-)	(#)	(-)	(#)
Professional Charges towards Strategic investment - capitalized						
Kotak Mahindra Capital Company Ltd	-	-	-	-	-	-
	(3.51)	(-)	(-)	(-)	(-)	(3.51)

Note:

1. *Figures in brackets represent previous year's figures.*
2. *The above does not include any transactions in relation to listed securities done on recognised stock exchange during the year. However above includes transactions done on NDS with known related parties.*
3. *# in the above table denotes amounts less than ₹50,000*
4. *Remuneration paid to KMPs is pursuant to approval from RBI*

Maximum Balance outstanding during the year

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of Key Management Personnel
Liabilities					
Deposits	**9,000.39**	**2,174.53**	**1,274.95**	**351.93**	**147.02**
	(5,936.64)	(5,180.30)	(358.56)	(397.28)	(16.37)
Borrowings	-	-	-	-	-
	(10.00)	(-)	(-)	(-)	(-)
Other Liabilities	**38.21**	**0.62**	**5.56**	**3.84**	**0.41**
	(116.96)	(1.56)	(1.52)	(2.55)	(0.03)
Assets					
Advances	**915.01**	**0.85**	-	**#**	-
	(412.05)	(-)	(-)	(#)	(-)
Investments-Gross	**3737.88**	**33.88**	-	**#**	-
	(3,222.15)	(33.88)	(-)	(#)	(-)
Commission Receivable	**49.53**	-	-	-	-
	(43.81)	(-)	(-)	(-)	(-)
Others	**129.17**	**0.11**	-	**0.16**	-
	(138.65)	(0.10)	(-)	(0.32)	(-)

Note:

1. *Figures in brackets represent previous year's figures.*
2. *# in the above table denotes amounts less than ₹50,000*

8. Employee Share Based Payments:

At the General Meetings, the shareholders of the Bank had unanimously passed Special Resolutions on 28th July, 2000, 26th July, 2004, 26th July, 2005, 5th July, 2007, 21st August, 2007 and 29th June, 2015, to grant options to the eligible employees of the Bank and its subsidiaries and associate companies. Pursuant to these resolutions, the following Employees Stock Option Schemes had been formulated and adopted:

(a) Kotak Mahindra Equity Option Scheme 2001-02;

(b) Kotak Mahindra Equity Option Scheme 2002-03;

(c) Kotak Mahindra Equity Option Scheme 2005;

(d) Kotak Mahindra Equity Option Scheme 2007; and

(e) Kotak Mahindra Equity Option Scheme 2015

Further, pursuant to the Scheme of Amalgamation of ING Vysya Bank Limited with the Bank, the Bank has renamed and adopted the ESOP Schemes of the eIVBL, as given below:

- Kotak Mahindra Bank Limited (IVBL) Employees Stock Option Scheme 2005;
- Kotak Mahindra Bank Limited (IVBL) Employees Stock Option Scheme 2007;
- Kotak Mahindra Bank Limited (IVBL) Employee Stock Option Scheme 2010; and
- Kotak Mahindra Bank Limited (IVBL) Employees Stock Option Scheme 2013

Consequent to the above, the Bank has granted stock options to the employees of the Group. The Bank under its various plan / schemes, has granted in aggregate 152,525,793 options (including options issued in exchange on amalgamation) as on 31st March, 2019 (Previous year 148,401,294).

In aggregate 10,046,188 options are outstanding as on 31st March, 2019 (Previous year 9,475,005) under the aforesaid schemes.

Equity-settled options

The Bank has granted options to employees of the Group vide various employee stock option schemes. During the year ended 31st March, 2019, the following schemes were in operation:

	Plan 2007	Plan 2015
Date of grant	Various Dates	Various Dates
Date of Board Approval	Various Dates	Various Dates
Date of Shareholder's approval	5th July, 2007 as amended on 21st August, 2007	29th June, 2015
Number of options granted	68,873,000	12,212,139
Method of Settlement (Cash / Equity)	Equity	Equity
Vesting Period	1.00 – 4.14 years	1.00 – 4.02 years
Exercise Period	0.30 – 1.08 years	0.21 – 0.50 years
Vesting Conditions	Graded / Cliff vesting	Graded / Cliff vesting

	KMBL (IVBL) Plan 2007	KMBL (IVBL) Plan 2010	KMBL (IVBL) Plan 2013
Number of options granted (addition on amalgamation)	1,245,010	5,773,046	4,642,198
Method of Settlement (Cash / Equity)	Equity	Equity	Equity

The details of activity under Plan 2007 have been summarised below:

	Year ended 31st March, 2019		Year ended 31st March, 2018	
	Number of Shares	Weighted Average Exercise Price(₹)	Number of Shares	Weighted Average Exercise Price(₹)
Outstanding at the beginning of the year	1,320,788	614.14	3,228,236	572.03
Granted during the year	-	-	-	-
Forfeited during the year	35,880	665.00	149,740	640.29
Exercised during the year	947,069	595.88	1,741,978	533.47
Expired during the year	8,153	657.12	15,730	657.33
Outstanding at the end of the year	329,686	660.00	1,320,788	614.14
Out of the above exercisable at the end of the year	329,686	660.00	231,244	396.02
Weighted average remaining contractual life (in years)	-	0.24	-	0.87

The details of activity under Plan 2015 have been summarised below:

	Year ended 31st March, 2019		Year ended 31st March, 2018	
	Number of Shares	Weighted Average Exercise Price(₹)	Number of Shares	Weighted Average Exercise Price(₹)
Outstanding at the beginning of the year	6,873,434	855.14	3,778,230	721.10
Granted during the year	4,124,499	1,265.43	4,191,170	952.24
Forfeited during the year	379,029	955.68	453,894	849.09
Exercised during the year	1,873,709	847.35	631,975	704.46
Expired during the year	23,933	867.88	10,097	710.00
Outstanding at the end of the year	8,721,262	1,046.44	6,873,434	855.14
Out of the above exercisable at the end of the year	49,513	901.99	103,630	710.00
Weighted average remaining contractual life (in years)	-	1.69	-	1.94
Weighted average fair value of options granted during the year	-	350.19	-	232.34

The details of activity under KMBL (IVBL) Plan 2007 have been summarised below:

	Year ended 31st March, 2019		Year ended 31st March, 2018	
	Number of Shares	Weighted Average Exercise Price(₹)	Number of Shares	Weighted Average Exercise Price(₹)
Outstanding at the beginning of the year	150,802	416.00	156,022	408.82
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	5,220	201.50
Expired during the year	-	-	-	-
Outstanding at the end of the year	150,802	416.00	150,802	416.00
Out of the above exercisable at the end of the year	150,802	416.00	150,802	416.00
Weighted average remaining contractual life (in years)	-	0.70	-	1.70

The details of activity under KMBL (IVBL) Plan 2010 have been summarised below:

	Year ended 31st March, 2019		Year ended 31st March, 2018	
	Number of Shares	Weighted Average Exercise Price(₹)	Number of Shares	Weighted Average Exercise Price(₹)
Outstanding at the beginning of the year	552,406	285.62	716,978	280.53
Forfeited during the year	-	-	-	-
Exercised during the year	212,614	258.00	164,572	263.45
Expired during the year	-	-	-	-
Outstanding at the end of the year	339,792	302.90	552,406	285.62
Out of the above exercisable at the end of the year	339,792	302.90	552,406	285.62
Weighted average remaining contractual life (in years)	-	0.70	-	1.31

The details of activity under KMBL (IVBL) Plan 2013 have been summarised below:

	Year ended 31st March, 2019		Year ended 31st March, 2018	
	Number of Shares	Weighted Average Exercise Price(₹)	Number of Shares	Weighted Average Exercise Price(₹)
Outstanding at the beginning of the year	577,575	386.53	784,459	387.72
Forfeited during the year	-	-	-	-
Exercised during the year	72,929	398.00	206,884	391.05
Expired during the year	-	-	-	-
Outstanding at the end of the year	504,646	384.87	577,575	386.53
Out of the above exercisable at the end of the year	504,646	384.87	577,575	386.53
Weighted average remaining contractual life (in years)	-	1.04	-	2.04

The weighted average share price at the date of exercise for stock options exercised during the year was ₹1,266.32 (Previous year ₹ 1,008.92).

The details of exercise price for stock options outstanding at the end of the year are:

31st March, 2019:

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
201-300	226,830	0.66	246.58
301-400	430,347	1.08	379.50
401-500	348,063	0.74	418.41
501-600	28,572	0.88	550.00
601-700	371,185	0.42	669.76
701-800	1,965,284	1.07	735.48
801-900	58,820	2.08	900.00
901-1000	2,607,868	1.58	955.10
1001-1100	46,800	1.71	1,076.10
1201-1300	3,962,419	2.08	1,270.71

31st March, 2018:

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
201-300	442,958	1.14	247.70
301-400	469,656	2.08	379.50
401-500	629,573	1.21	416.89
501-600	50,001	1.43	550.00
601-700	1,134,954	1.07	667.27
701-800	2,877,113	1.71	728.13
901-1000	3,823,950	2.10	955.07
1001-1100	46,800	2.71	1,076.10

Stock appreciation rights (SARs)

At the General Meeting on 29th June, 2015, the shareholders of the Bank had passed Special Resolution to grant SARs to the eligible employees of the Bank, its subsidiaries and associate companies. Pursuant to this resolution, Kotak Mahindra Stock Appreciation Rights Scheme 2015 has been formulated and adopted. Subsequently, the SARs have been granted under this scheme and the existing SARs will continue.

The SARs are settled in cash and vest on the respective due dates in a graded manner as per the terms and conditions of grant. The contractual life of the SARs outstanding range from 1.10 to 4.02 years.

Detail of activity under SARs is summarised below:

	Year Ended 31st March, 2019	Year Ended 31st March, 2018
Outstanding at the beginning of the year	1,224,556	1,355,642
Granted during the year	407,842	586,858
Additions / (Reduction) due to transfer of employees	(8,849)	23,823
Settled during the year	552,138	611,673
Lapsed during the year	(66,463)	130,094
Outstanding at the end of the year	1,004,948	1,224,556

Fair value of Employee stock options

The fair value of the equity-settled and cash-settled options is estimated on the date of grant using Black-Scholes options pricing model taking into account the terms and conditions upon which the options were granted. The fair value of the cash-settled options is remeasured at each Balance Sheet date. The following table lists the inputs to the model used for equity-settled and cash-settled options:

Year ended 31st March,	2019		2018	
	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Exercise Price ₹	900-1271	0-1271	700-1,084	0-955
Weighted Average Share Price ₹	1,268.97	1,047.97	957.63	948.80
Expected Volatility	18.68%-32.95%	19.74%-28.06%	18.12%-39.37%	16.74%-22.56%
Historical Volatility	18.68%-32.95%	19.74%-28.06%	18.12%-39.37%	16.74%-22.56%
Life of the options granted (Vesting and exercise period)				
- At the grant date	1.10-3.87		1.19-3.88	
- As at 31st March		0.06-3.38		0.08-3.59
Risk-free interest rate	6.97%-7.99%	6.17%-6.84%	6.30%-7.42%	6.01%-7.33%
Expected dividend rate	0.06%	0.05%	0.06%	0.06%

The expected volatility was determined based on historical volatility data and the Bank expects the volatility of its share price may reduce as it matures. The measure of volatility used in the Black-Scholes options pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. For calculating volatility, the daily volatility of the stock prices on the National Stock Exchange, over a period prior to the date of grant, corresponding with the expected life of the options has been considered.

Effect of the employee share-based payment plans on the Profit and Loss Account and on the financial position:

(₹ in crore)

Year ended 31st March,	2019	2018
Total Employee compensation cost pertaining to share-based payment plans	78.00	67.42
Compensation cost pertaining to equity-settled employee share-based payment plan included above	1.80	1.75
Liability for employee stock options outstanding as at year end	4.10	4.41
Deferred Compensation Cost	2.02	2.24
Closing balance of liability for cash-settled options	79.81	73.10
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	63.07	56.79

Had the Bank recorded the compensation cost computed on the basis of Fair Valuation method instead of intrinsic value method, employee compensation cost would have been higher by ₹ 56.98 crore (Previous year ₹ 42.26 crore) and the profit after tax would have been lower by ₹ 37.26 crore (Previous year ₹ 27.64 crore). Consequently the basic and diluted EPS would have been ₹ 25.32 (Previous year ₹ 21.40) and ₹ 25.28 (Previous year ₹ 21.37) respectively.

In computing the above information, certain estimates and assumptions have been made by Management.

9. Advances securitised by the Bank :

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Book value of advances securitized	-	-
Number of accounts	-	-
Sale consideration received for the accounts securitized	-	-
Gain on securitisation amortised during the year	-	-
Credit enhancement, liquidity support provided	-	-
Provision on securitised assets	-	-
Nature of post securitisation support	-	-

10. Employee Benefits

i. The Bank has recognised the following amounts in the Profit and Loss Account towards contributions to Provident Fund and Other Funds:

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Provident Fund	110.17	97.23
Superannuation Fund	1.61	1.85
New Pension Fund	4.16	3.56

ii. Gratuity

The gratuity plan provides a lumpsum payment to vested employees at retirement or on termination of employment based on respective employee's salary and years of employment with the Bank subject to a maximum of ₹ 0.20 crore. There is no ceiling on gratuity payable to directors and certain categories of employees subject to service regulations and service awards.

Reconciliation of opening and closing balance of present value of defined benefit obligation for gratuity benefits is given below.

(₹ in crore)

Particulars	As at 31st March, 2019	As at 31st March, 2018
Change in benefit obligations		
Liability at the beginning of the year	373.13	280.66
Current Service cost	36.38	32.13
Interest cost	28.55	21.38
Actuarial Losses / (Gain)	28.97	5.98
Past Service Cost	-	81.92
Liability assumed on acquisition / (Settled on divestiture)	(0.39)	(0.04)
Benefits paid	(66.58)	(48.90)
Liability at the end of the year	400.06	373.13
Change in plan assets		
Fair value of plan assets at the beginning of the year	289.56	296.23
Expected return on plan assets	23.85	22.83
Actuarial Gain / (Losses)	9.63	(0.84)
Benefits paid	(66.58)	(48.90)
Employer contributions	145.53	20.24
Fair value of plan assets at the end of the year	401.99	289.56

(₹ in crore)

Reconciliation of present value of the obligation and the fair value of the plan assets	31st March, 2019	31st March, 2018
Fair value of plan assets at the end of the year	401.99	289.56
Liability at the end of the year	400.06	373.13
Net Asset / (Liability) (included under Schedule 5.IV)	1.93	(83.57)
Expense recognised for the year		
Current Service cost	36.38	32.13
Interest cost	28.55	21.38
Expected return on plan assets	(23.85)	(22.83)
Actuarial (Gain) / Loss	19.35	6.82
Past Service Cost	-	81.92
Net gratuity expense recognised in Schedule 16.I	60.42	119.42
Actual return on plan assets	33.48	21.98

(₹ in crore)

Reconciliation of the Liability recognised in the Balance Sheet	31st March, 2019	31st March, 2018
Net Liability / (Asset) at the beginning of the year	83.57	(15.57)
Expense recognized	60.42	119.42
Liability assumed on acquisition / (Settled on divestiture)	(0.39)	(0.04)
Employer contributions	(145.53)	(20.24)
Net Liability / (asset)	(1.93)	83.57

Investment details of plan assets

The plan assets are invested in insurer managed funds. Major categories of plan assets as a percentage of fair value of total plan assets are as follows:

	31st March, 2019 %	31st March, 2018 %
LIC managed funds #	10.97%	26.16%
Government securities	28.22%	33.94%
Bonds, debentures and other fixed income instruments	22.19%	14.03%
Money market instruments	3.53%	1.63%
Equity shares	35.09%	24.24%
Total	**100.00%**	**100.00%**

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

Actuarial assumptions used

Discount rate	7.15% - 7.64% p.a. (Previous Year 7.71% - 7.90% p.a.)
Salary escalation rate	5.50% (IBA) and 7.00% (others) p.a. (Previous Year 5.50% (IBA) and 7.00% (others) p.a.)
Expected return on plan assets	7.50% - 8.00% p.a. (Previous Year 7.50% - 8.00% p.a.)

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Experience adjustments
Amounts for the current and previous four years are as follows:

(₹ in crore)

	Gratuity				
	Year ended 31st March				
	2019	2018	2017	2016	2015
Defined benefit obligation	400.06	373.13	280.66	278.33	86.23
Plan assets	401.99	289.56	296.23	256.35	84.68
Surplus / (Deficit)	1.93	(83.57)	15.57	(21.98)	(1.55)
Experience adjustments on plan liabilities	20.46	10.20	3.15	43.40	1.30
Experience adjustments on plan assets	9.63	(0.83)	11.38	(6.66)	15.59

The Bank expects to contribute ₹ 60.00 crore to gratuity fund in financial year 2019-2020.

The above information is as certified by the actuary and relied upon by the auditors.

iii. **Pension**

Pension liability relates to employees of eIVBL.

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for pension benefits is given below.

(₹ in crore)

	As at 31st March, 2019	As at 31st March, 2018
	Funded	Funded
Change in benefit obligations		
Liability at the beginning of the year	1,057.85	950.14
Transfer of liabilities funded during the year	-	-
Current Service cost	35.13	29.19
Interest cost	74.81	67.99
Actuarial (gain) / loss on obligations	145.66	147.03
Past Service cost	-	-
Benefits paid	(157.12)	(136.50)
Liability at the end of the year	**1,156.33**	**1,057.85**
Change in plan assets		
Fair value of plan assets at the beginning of the year	1,063.69	924.91
Expected return on plan assets	88.91	79.54
Actuarial Gain / (loss)	(6.46)	(0.72)
Benefits paid	(157.12)	(136.50)
Employer contributions	170.14	196.46
Fair value of plan assets as at the end of the year	**1,159.16**	**1,063.69**

(₹ in crore)

Reconciliation of present value of the obligation and the fair value of the plan Assets	As at 31st March, 2019	As at 31st March, 2018
	Funded	Funded
Fair value of plan assets as at the end of the year	1,159.16	1,063.69
Liability at the end of the year	1,156.33	1,057.85
Net Asset / (Liabilities) included in “Others” under “Other Assets” / “Other Liabilities”	**2.83**	**5.84**
Expenses recognised for the year		
Current service cost	35.13	29.19
Interest cost	74.81	67.99
Expected return on plan assets	(88.91)	(79.54)
Actuarial (gain) / loss	152.12	147.75
Effect of the limit in Para 59(b)	-	-
Net pension expense included in “[payments to and provision for employees]” under “Operating Expenses” [Schedule 16.I]	**173.15**	**165.39**
Actual return on plan assets	**82.46**	**78.82**

(₹ in crore)

Reconciliation of the Liability recognised in the Balance Sheet	As at 31st March, 2019	As at 31st March, 2018
	Funded	Funded
Net (Asset) / Liability at the beginning of the year	(5.84)	25.23
Expense recognized	173.15	165.39
Employer contributions	(170.14)	(196.46)
Effect of the limit in Para 59(b)	-	-
Net (Asset) / Liability is included in "Others" under "Other Assets" / "Other Liabilities"	**(2.83)**	**(5.84)**

Investment details of plan assets

The plan assets are invested in a fund managed by Life Insurance Corporation of India. In the absence of detailed information regarding plan assets of the fund, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

Actuarial assumptions used

	As at 31st March, 2019	As at 31st March, 2018
Discount rate	7.64% p.a.	7.71% p.a.
Salary escalation rate	5.50% p.a.	5.50% p.a.
Expected rate of return on plan assets	8.00% p.a.	8.00% p.a.
Inflation	8.00% p.a.	8.00% p.a.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Experience adjustments

Amounts for the current year are as follows:

(₹ in crore)

Pension	Year ended 31st March, 2019	Year ended 31st March, 2018
Defined benefit obligation	1,156.33	1,057.85
Plan assets	1,159.16	1,063.69
Surplus / (deficit)	2.83	5.84
Experience adjustments on plan liabilities	102.64	208.24
Experience adjustments on plan assets	(6.46)	(0.72)

The Bank expects to contribute ₹ 8.01 crore to pension fund in financial year 2019-2020.

iv. Compensated absences

The actuarially determined liability for compensated absences of accumulated leaves of the employees of the Bank is given below:

(₹ in crore)

	31st March, 2019	31st March, 2018
Total actuarial liability	192.95	177.57
Assumptions:		
Discount rate	7.15% - 7.64%	7.71% - 7.90%
Salary escalation rate	5.50% (IBA) and 7.00% (others)	5.50% (IBA) and 7.00% (others)

v. Long Service Award

The actuarially determined liability in respect of Long Service Award of the employees of the Bank is given below:

(₹ in crore)

	31st March, 2019	31st March, 2018
Total actuarial liability	10.34	9.22
Assumptions:		
Discount rate	7.15% - 7.64%	7.90%

11. Provisions and Contingencies

Breakup of "Provisions and Contingencies" (including write-offs; net of write-backs) shown under the head Expenditure in Profit and Loss Account:

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Provisions for Depreciation on Investments	(13.74)	196.91
Provision towards NPA	844.15	624.81
Provision towards Unhedged Foreign Currency Exposure	6.17	(0.30)
Provision towards Standard Assets	114.70	112.65
Provision for Taxes	2,520.46	2,133.92
Other Provision and Contingencies	11.11	5.88
Total Provisions and Contingencies	**3,482.85**	**3,073.87**

12. Corporate Social Responsibility (CSR)

As per the provisions of the Section 135 of the Companies Act, 2013 the Bank is required to contribute ₹ 96.27 crore. The Bank has contributed ₹ 9.74 crore to the Kotak Education Foundation and ₹ 26.81 crore to other CSR initiatives in the current financial year. The Bank has also adopted a strong CSR policy, charting out its plan to invest in society and its own future. The Bank is building its CSR capabilities on a sustainable basis and is committed to gradually increase its CSR spend in the coming years.

(₹ in crore)

Details of CSR expenditure				
a)	**Gross amount required to be spent during the year ₹ 96.27 (Previous year ₹73.97)**			
(b)	**Amount spent during the year ending on 31st March, 2019:**	**Paid**	**Yet to be paid**	**Total**
	i) Construction/acquisition of any asset	-	-	-
	ii) On purposes other than (i) above	36.55	-	36.55
b)	**Amount spent during the year ending on 31st March, 2018:**	**Paid**	**Yet to be paid**	**Total**
	i) Construction/acquisition of any asset	-	-	-
	ii) On purposes other than (i) above	26.40	-	26.40

13. Tier II Bonds

a) Lower Tier II Bonds outstanding as at 31st March, 2019 ₹ 456.00 crore (previous year ₹ 701.80 crore).

During the current year and previous year, the Bank had not issued lower Tier II bonds. In accordance with the RBI requirements lower Tier II bonds of ₹ 212.40 crore (previous year ₹ 367.00 crore) are not considered as Tier II capital for the purposes of capital adequacy computation under Basel III guidelines.

b) Upper Tier II Bonds outstanding as at 31st March,2019 are ₹ Nil (previous year ₹ 225.10 crore) of which bonds issued outside India are ₹ Nil (previous year ₹ 225.10 crore).

During the current and previous year, the Bank did not issue upper Tier II bonds.

c) Interest Expended-Others (Schedule 15(III)) includes interest on subordinated debt (Lower and Upper Tier II) ₹ 58.35 crore (previous year ₹ 81.68 crore).

14. Details of payments of audit fees

(₹ in crore)

Particulars	31st March, 2019	31st March, 2018
Statutory Audit fees	2.26	1.93
Other Matters	0.15	0.18
Total	**2.41**	**2.11**

15. Description of Contingent Liabilities:

Sr. No.	Contingent Liability*	Brief Description
1.	Claims not acknowledged as debts	This includes liability on account of income tax, sales tax, lease tax demands, property tax demands and legal cases filed against the Bank. The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, result of operations or cash flows. In respect of appeals filed by the Income Tax department with higher authorities, where the matter was settled in favour of the Bank at the first appellate stage, and where in view of the Management, it gives rise to an item of timing difference, no contingent liability is envisaged by the Bank.
2.	Liability on account of outstanding forward exchange contracts	The Bank enters into foreign exchange contracts with inter Bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.
3.	Guarantees on behalf of constituents	As a part of its Banking activities, the Bank issues guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of customer failing to fulfill its financial or performance obligations.
4.	Acceptances, endorsements and other obligations	These includes: ● Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Bank. ● Bills re-discounted by the Bank and cash collateral provided by the Bank on assets which have been securitised. ● Underwriting commitments in respect of Debt Syndication.
5.	Other items for which the Bank is contingently liable	These include: ● Liabilities in respect of interest rate swaps, currency swaps, forward rate agreements, futures and options contracts. The Bank enters into these transactions with inter Bank participants on its own account and for customers. Currency Swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are amounts used as a benchmark for the calculation of interest component of the contracts. ● Liability in respect of Capital commitments relating to fixed assets and undrawn commitments in respect of investments. ● Amount Transferred to RBI under the Depositor Education and Awareness Fund ('DEAF').

** Also refer Schedule 12 – Contingent Liability*

16. With regard to a recent Supreme Court (SC) judgement on PF there are various interpretative issues including applicability. The Bank has based on a legal opinion taken the view that the judgement will be applicable from March 2019.

17. The Bank has received few intimations from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and there is no outstanding against those suppliers as on 31st March, 2019, hence disclosures, if any, relating to amounts unpaid as at the year-end together with interest paid/payable as required under the said Act have not been given.

18. Figures for the previous year have been regrouped / reclassified wherever necessary to conform to current years' presentation.

As per our report of even date attached.	For and on behalf of the Board of Directors	
For S. R. Batliboi & Co. LLP	**Prakash Apte**	**Uday Kotak**
Chartered Accountants Firm Registration No. 301003E/E300005	Chairman	Chief Executive Officer and Managing Director
per Viren H. Mehta	**Dipak Gupta**	**Uday Khanna**
Partner	Joint Managing Director	Director
Membership No 048749		
Mumbai	**Jaimin Bhatt**	**Bina Chandarana**
30th April, 2019	President and Group Chief Financial Officer	Company Secretary

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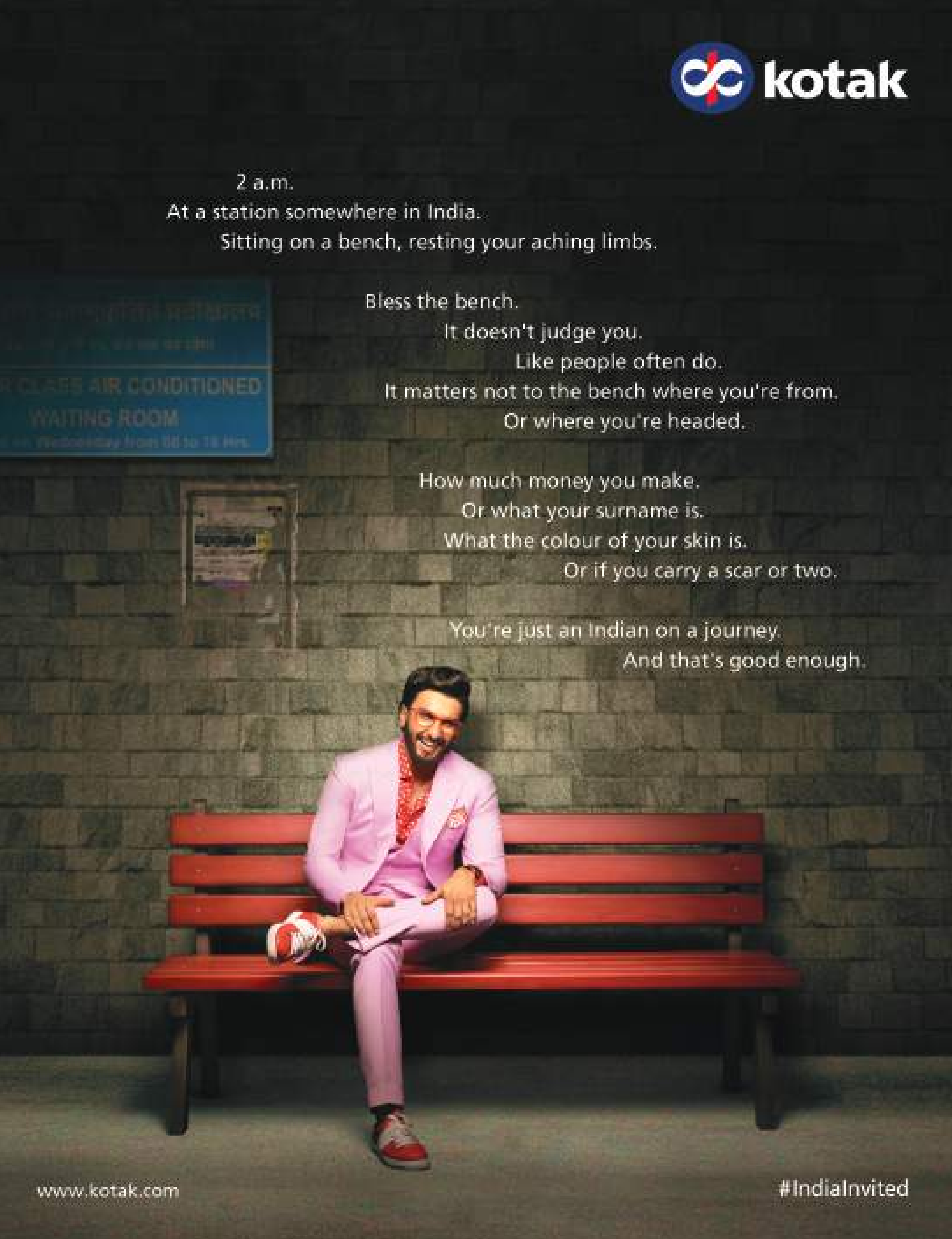
kotak
2 a.m.
At a station somewhere in India.
Sitting on a bench, resting your aching limbs.
Bless the bench.
It doesn't judge you.
Like people often do.
It matters not to the bench where you're from.
Or where you're headed.
How much money you make.
Or what your surname is.
What the colour of your skin is.
Or if you carry a scar or two.
You're just an Indian on a journey.
And that's good enough.
AIR CONDITIONED
WAITING ROOM
www.kotak.com
#IndiaInvited

Kotak Mahindra Bank Limited, 27BKC,
C 27, G Block, Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051
Website: www.kotak.com

BSE: 500247 | NSE: KOTAKBANK | Bloomberg: KMB:IN

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