PRUDENCE
AND SIMPLICITY

kotak®

ANNUAL REPORT
2012-13

Contents

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COMPANY SECRETARY
Bina Chandarana,
Company Secretary and
Executive Vice President

AUDITORS
Messrs S.B. Billimoria & Co.,
Chartered Accountants,
12, Dr. Annie Besant Road,
Opp. Shiv Sagar Estate, Worli,
Mumbai 400 018.

REGISTRAR AND TRANSFER AGENT
Karvy Computershare Private Limited,
Plot No. 17-24,
Vittal Rao Nagar, Madhapur,
Hyderabad 500 081.

7, Andheri Industrial Estate,
Off Veera Desai Road,
Andheri West,
Mumbai 400 058.

Clear insight. Candid purpose.

At Kotak, we have a clear insight of what we want to achieve, and we are candid about how we want to achieve it.

Our objective is a happy blend of **simplicity** and **prudence**.

This combination drives us and will continue to propel our progress, despite evolving external realities.

Simplicity enhances transparency, while **prudence** aligns growth aspirations with sound risk management and sustainability.

Wowing the customer is embedded in our culture. We simplify products for our customers, who can derive maximum value from them. And customer satisfaction gives us the confidence to work harder, think better and move faster.

The result is our strong networth, larger volumes of deposit and financial momentum.

On the other hand, prudence helps build an opportunity-focused and risk-balanced business model.

Our credit quality, asset mix and balance sheet size testify to this reality. Over the years, we have diversified our portfolio rather than focusing on a specific sector or particular pockets of growth. Kotak's vision is to create a culture that transcends immediate priorities and thinks long term.

Our stakeholders support our initiatives. And their trust makes the rest possible.

Simple strategy. Steady focus.

Kotak's evolution is a tale of consistent pursuit of opportunities, despite a rapidly changing economic and business landscape. Today, after more than 27 years since inception, it continues to gather momentum with an unwavering focus.

As we retrace our steps to the initial days of our journey, one particular day stands out in the crowd – 21st November, 1985. This was when we identified an opportunity in the bill discounting market. That opportunity helped shape Kotak Mahindra Group.

In February 2003, Kotak Mahindra Finance Limited, our Group's flagship company, became India's first Non-Banking Finance Company to receive a banking license from the Reserve Bank of India (RBI).

Thus was laid the foundation of Kotak Mahindra Bank Limited (KMBL).

We are focusing our industry experience and capabilities to cater to changing customer aspirations. Our solutions are technology driven, contemporary and comprehensive, spanning **consumer banking, commercial banking, corporate banking, wealth management, retail and institutional equities, asset management, life insurance and investment banking.**

We have come a long way since we began. Kotak now caters to the diverse financial needs of individuals and the corporate sector, nationally and internationally.

CONSOLIDATED NETWORTH OF KOTAK MAHINDRA GROUP

₹ 15,250 CR

BUSINESS PROFILES

Consumer Banking (KMBL)

- Provides seamless customer experience through a variety of retail liabilities and assets products and services under a single umbrella of Consumer Banking
- Offers a range of services from savings accounts to a comprehensive suite of investment services, transactional conveniences and loan products
- Caters to the diverse needs of the business community by offering them comprehensive business solutions, such as current accounts, trade services, cash management services and credit facilities

Commercial Banking (KMBL)

- Plays a significant role in fulfilling the mission of funding deep into Bharat through an expanding network of branches and associates
- Meets a substantial portion of the priority sector lending requirement including agricultural and tractor financing
- Offers a range of products for purchase and operations of commercial vehicles and construction equipment and contributes to India's development
- Participates in India's growth by partnering some of the best small and medium enterprises (SMEs) in the country

Corporate Banking (KMBL)

- Caters to the dynamic requirements of major Indian Corporate Bodies, Financial Institutions, Public Sector Undertakings, Multinational Companies, Mid-Market Companies and Real Estate Organisations
- Offers a comprehensive portfolio of products and services – working capital financing, medium term finance, export credit, transaction banking, custody services, debt capital markets and treasury services

₹ 1 lakh CR+
BALANCE SHEET STRENGTH

960+
ATMs

430+
BRANCHES

12.5 MN
GROUP CUSTOMER ACCOUNTS

Wealth Management (KMBL)

- One of the largest and the most respected wealth management teams in India
- Possesses in-depth understanding of the clients' requirements, macro environment and various asset classes
- The only Indian Wealth Management firm to feature in the 'Top 25 Private Banks' of the world at Euromoney Private Banking Survey, 2013
- Published the second edition of its India-specific report, Top of the Pyramid, with CRISIL Research. This is India's only report that tracks the earning, spending and investing patterns of Indian ultra-high networth individuals

Life Insurance

(Kotak Mahindra Old Mutual Life Insurance Limited)

- Combines international strengths and local advantages to offer customers a wide range of innovative products
- Among the early private life insurers to break even, reflecting sterling management practices and customer-centric philosophy
- Demonstrates consistent growth in a challenging and competitive environment through sustained value creation, efficient use of capital and improved productivity of distribution channels; focused on enhancing the value proposition for customers through a meaningful product suite, combining protection and long-term savings, multimodal outreach and superior services

Investment Banking

(Kotak Mahindra Capital Company Limited)

- Offers integrated solutions encompassing high-quality financial advisory services and financing solutions
- Worked on the development of some of the most path-breaking innovations in the Indian Capital Markets

Asset Management

(Kotak Mahindra Asset Management Company Limited)

- Offers schemes catering to investors with varying risk-return profiles, across a wide range of products in the equity, debt and exchange traded funds (ETF) spaces
- Distinction of being India's first fund house to launch a dedicated gilt scheme, investing only in government securities

International

(Kotak Mahindra (UK) Limited, Kotak Mahindra (International) Limited, Kotak Mahindra Inc., Kotak Mahindra Financial Services Limited)

- Operates in overseas markets through international subsidiaries
- Provides investment solutions to international investors seeking investment opportunities in India through a dedicated fund management team overseas
- Offers arguably the widest range of Indian investment products for international investors

Alternate Assets

(Kotak Investment Advisors Limited)

- Building its business successfully across three verticals – Private Equity, Realty Fund and Infrastructure Fund – all led by independent investment teams

Brokerage

(Kotak Securities Limited)

- Offers a wide range of financial products, including stocks and shares, derivatives, distribution of IPOs, mutual funds and insurance for its investors
- Processes over 3,00,000 secondary market trades daily for a customer base of over 8,00,000
- Enjoys pan-India presence with 1,330 branches, franchisees, representative offices and satellite offices across 412 cities
- Pioneers in innovation and provides smart technology trading platforms to customers

Operational highlights

BANK

- Acquired the business loans portfolio of Barclays India
- Introduced Electronic Benefit Transfer (EBT) payments for MGNREGA beneficiaries in Chhattisgarh state under Financial Inclusion initiative
- Revamped Privy League on an enhanced platform with three new tiers – *Prima, Magna and Optima*
- Launched premium proposition for business banking segment, Privy League Signature credit card and Smart Overdraft
- Offered Corporate Salary Accounts (Salary2Wealth) to Indian Navy, in addition to Indian Army, Indian Railways, Indian Posts, private sector players and PSU companies, including some of the Navratna companies

OTHER BUSINESSES

Investment Banking

- Entered into an exclusive strategic alliance for cross-border M&A advisory services between India and Japan with Sumitomo Mitsui Banking Corporation and SMBC Nikko Securities Inc., a wholly-owned subsidiary of SMBC
- Closed 16 equity capital market deals, including a number of marquee transactions, successfully, in a subdued market
- Dominated the IPO market, managing the four largest IPO issuances to hit the markets
- Advised on a wide array of 19 M&A transactions, ranging from Acquisitions and India Entry, Divestments, Internal Restructurings, Private Equity Investments and Open Offers/ Delistings

PAT
₹ 1,361 CR

TOTAL ASSETS
₹ 83,694 CR

SAVINGS ACCOUNT BALANCE
₹ 7,268 CR

All figures are bank standalone.

Life Insurance

- Implemented "KRUX" – an IT system for persistency management, which helps the Company take proactive measures at all levels to ensure that customers remain invested through the entire term. This, in turn helps the Company achieve its core purpose of delivering customer value through protection and long-term savings
- Introduced multiple new payment modes, through which customers can pay premiums. Besides, expanded and strengthened the already existing payment procedures. Customers can now pay premiums through debit and credit cards online, credit card at branches, over the Interactive Voice Response (IVR) system or through the Interbank Mobile Payment Service (IMPS), a first in the insurance sector
- Extended the Regional Electronic Clearing Service (RECS) facility to 16 states and the direct debit facility to 14 banks, besides enabling customers to pay via standing instructions on their Kotak Mahindra Bank credit card

International

- Announced the first closure of its infrastructure private equity fund, with Sumitomo Mitsui Banking Corporation of Japan and a Brookfield Asset Management group entity as cornerstone investors. This fund raised commitments of approximately US$ 90 million (₹ 490 crore)
- Mobilised over US$ 660 million through various debt offerings

Brokerage

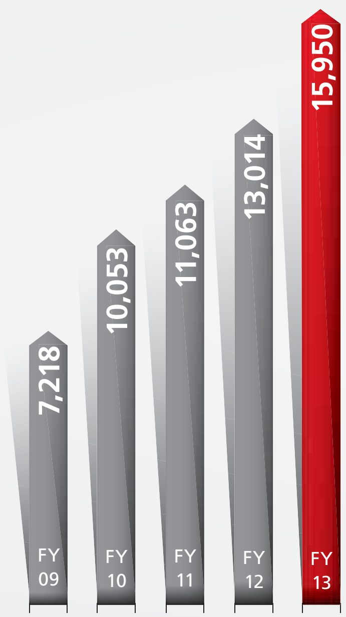
- Achieved many firsts by a brokerage house in FY 2012-13. Launched an exclusive iPad application, a trading app on BlackBerry 10, an app on Windows 8 and Smart Order Routing, where our system calculates the best price for customers' order in NSE and BSE and executes the order, all in a matter of seconds
- Inked alliance with ING Vysya Bank to provide trading facilities to their customers and integrated their payment gateways

A decade of sterling achievements

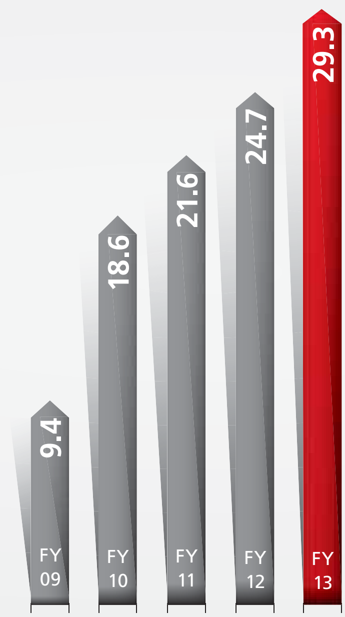
All figures are consolidated except CASA, which is bank standalone.
CASA figures till FY07 are excluding IPO float.

Performance talks through numbers

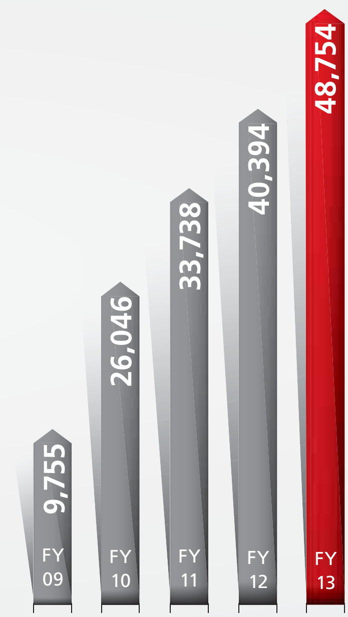
TOTAL INCOME
(₹ CR)



EARNINGS PER SHARE
(₹)



MARKET CAPITALISATION
(₹ CR)

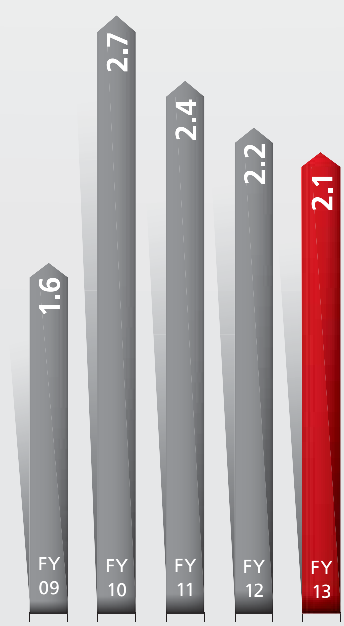


Based on prices at NSE on the last working day of the financial year.

NET NPA
(%)

Excludes acquired stressed assets.

RETURN ON ASSETS
(%)



NET INTEREST MARGIN
(%)

All figures are consolidated.

BOOK VALUE PER SHARE

(₹)

FY09	94.3
FY10	113.6
FY11	148.8
FY12	174.2
FY13	204.3

KOTAK SECURITIES AVERAGE DAILY VOLUME

(₹ CR)

FY09	3,293
FY10	3,925
FY11	4,648
FY12	4,034
FY13	3,532

TOTAL ASSETS UNDER MANAGEMENT

(₹ CR)

FY09	33,909
FY10	45,224
FY11	47,850
FY12	45,547
FY13	55,243

TOTAL INSURANCE PREMIUM

(₹ CR)

FY09	2,343
FY10	2,868
FY11	2,975
FY12	2,938
FY13	2,779

Book Value per Share and Total Assets under Management are consolidated.

kotak® presidium

LEADERSHIP PERSPECTIVES

Kotak Mahindra Bank launches Kotak Presidium with President Bill Clinton

Kotak Presidium, a thought leadership speaker series, will feature some of the most influential achievers from India and around the world. The inaugural Kotak Presidium was addressed by President Bill Clinton at the National Centre for Performing Arts (NCPA), Mumbai on 10th April, 2013.

Addressing a 700-strong eclectic gathering comprising business leaders, policy makers and thinkers, President Clinton's speech covered issues as diverse as philosophy and sustainable behaviours, built around the moral necessity of developing the ability to relate to an identity that reflects all of humanity's shared hopes and aspirations.

Uday Kotak
Executive Vice Chairman
and Managing Director, Kotak Mahindra Bank, says,

"Globalisation has significantly altered the paradigms of business, policy and national thought, as they are increasingly being cross-pollinated by transnational ethic and experience. Kotak Presidium is a forum for global leaders and India's business elite to share experiences to make the most of this dynamic environment. President Clinton is one of the most eminent men of our time, and has played a significant role in reshaping the global order. We could not have picked a better icon of globalisation and humanity to deliver the inaugural keynote address at the first Kotak Presidium."

Board of Directors

Standing, from left to right:

Dipak Gupta, Joint Managing Director
Prof. S. Mahendra Dev, Director
N.P. Sarda, Director
Amit Desai, Director
C. Jayaram, Joint Managing Director
Asim Ghosh, Director
Prakash Apte, Director

Seated, from left to right:

Dr. Shankar Acharya, Chairman
Uday Kotak, Executive Vice Chairman and Managing Director

Message from Uday Kotak

Uday Kotak
Executive Vice Chairman and Managing Director

Dear Friend,

As we complete 10 years of banking in our 27 year history, I am reminded of January 2009. At the peak of the global financial crisis, Fareed Zakaria asked me a question at the World Economic Forum in Davos – What is a good bank for the future? My answer was, a good bank needs three human qualities: prudence, simplicity and humility.

When I look at the history of the causes of the global financial crisis, it was excessive leverage (lack of prudence), complex creative products (lack of simplicity) and bankers believing that they are the masters of the universe (lack of humility). As Indian banking, particularly the private sector, gains share and becomes a larger proportion of market capitalisation and of the Indian economy, banks need to keep these principles in mind at all times and not repeat the mistakes of history.

We at Kotak are on high alert, but not credit shy. In this adverse credit climate, we also see opportunity to produce good risk-adjusted returns.

No discussion in banking can happen today without a perspective on risk. As the real economy continues to be slow and banks face a challenging credit environment, the question is when and in what shape will the Indian economy recover. Unlike 2009, which was a V-shaped capital market-led recovery, I believe that this time around, the capital markets may not fund the real sector companies easily, but instead fund the banks who may have to hold the can for the real sector. It is here that banks have to ask themselves whether their core business is lending or taking equity risks for debt rates of return. I see credit risk on balance sheets of Indian banks at elevated levels with a view that better economic growth in the latter part of the current fiscal will help. If there is no pick up in economic growth, it could put greater pressure on bank balance sheets. We at Kotak are on high alert, but not credit shy. In this adverse credit climate, we also see opportunity to produce good risk-adjusted returns.

On interest rates, I believe there will be a gradual reduction in cost of funds and lending rates. At a time when the rate of financial savings is dropping and deposit growth is lagging loan growth even now, reduction of deposit rates of say one year below 8% is a challenge. This is particularly so because rates in small saving schemes continue to be above 8%. On the other hand, bond markets are more benign and they will, to some extent, enable recapitalisation of the banking system as a counter force to credit stress.

Message from Uday Kotak

We are making a big push in the digital domain and have just launched our new mobile banking application for use across smartphones and tablets, and our online securities trading platform was launched across all digital platforms earlier in the year.

As I think about Kotak, I am even more convinced that "Concentrated India – Diversified Financial Services" is a strong business model, particularly as business opportunities in India become more bottom up rather than top down, that too in a more moderate growth environment. In this context, I see three significant areas of opportunity:

1. **Digital** - We are making a big push in the digital domain and have just launched our new mobile banking application for use across smartphones and tablets, and our online securities trading platform was launched across all digital platforms earlier in the year. We have successfully piloted digital devices as acquisition platforms for a superior, as well as speedy on-boarding experience for customers across the group, starting with banking and insurance, and will be taking them mainstream going forward.

2. **Affluent Customers** - As prosperity continues to increase within India, we are seeing a larger affluent and wealthy class. A differentiated proposition for these customers can create value for both, the customers and us.

3. **Non-urban India** - Any place outside the top 50 cities is, in reality, non-urban India. We call it Bharat. One of the largest opportunities in the world sits here. Combining this opportunity with going digital is where we see our future.

Therefore, while we execute a number of initiatives, the above three will be areas of high focus for us.

Through all of this, there is one fundamental change ripping through the Indian financial sector. It is around the customer, values and ethics. Appropriate products and right advice are the cornerstones of the future.

New Banks – In the next two years, we will see new banks in the Indian financial space. How will they affect us? They will increase the pace of competition for talent and customers. However, going by our experience of the last 10 years, banking, particularly on the retail side, is much more long-haul than we expected when we began our journey. With increasing complexity, I wonder whether we would have plunged into banking today as decisively as we did 10 years ago. I see the entry of new banks as an opportunity for us to sharpen ourselves and have our adrenaline flowing for higher aspirations. As I look back at the time when we became a bank in 2003, our private sector peers had a major takeoff in the period post 2003. I hope the potential entry of new banks is a tipping point for our next round of growth.

Through all of this, there is one fundamental change ripping through the Indian financial sector. It is around the customer, values and ethics. Appropriate products and right advice are the cornerstones of the future. It is here that we need to align employee behaviour and culture to customer needs. I think the future battle in financial services will be won or lost around customer orientation, technology and risk management, combined with a strong people culture.

I am excited about our challenging journey ahead.

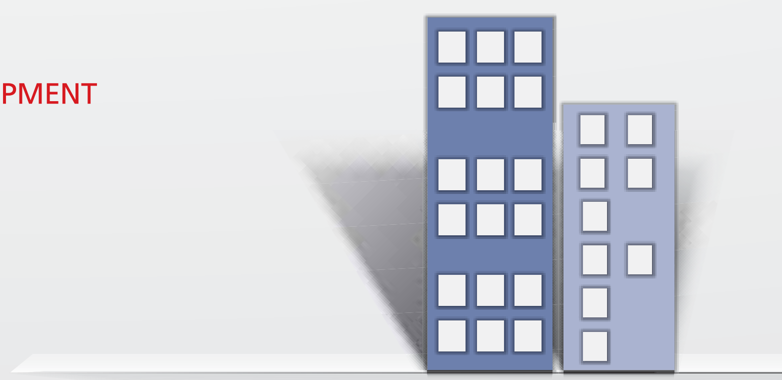
Best wishes,

Uday

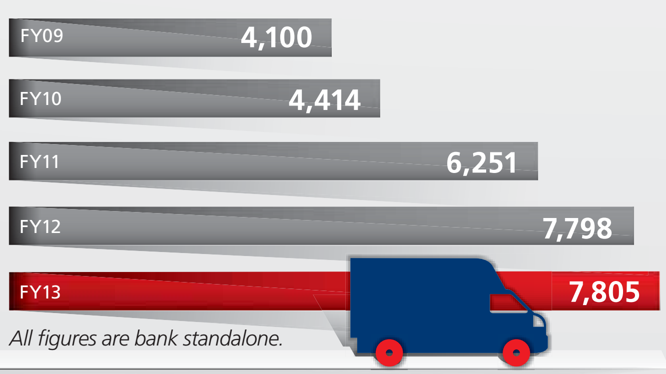
Better credit quality **strengthens sustainability**

This is our credo since inception, and we regularly scrutinise our **credit quality** to strengthen our risk-focused business model.

During the early part of FY 2012-13, we anticipated potential credit quality challenges. Therefore, we consciously did not grow our exposure in the commercial vehicle and construction equipment sector. Our decision was vindicated following declining sales and increasing delinquencies in the commercial vehicle sector.



COMMERCIAL VEHICLES AND CONSTRUCTION EQUIPMENT
(₹ CR)

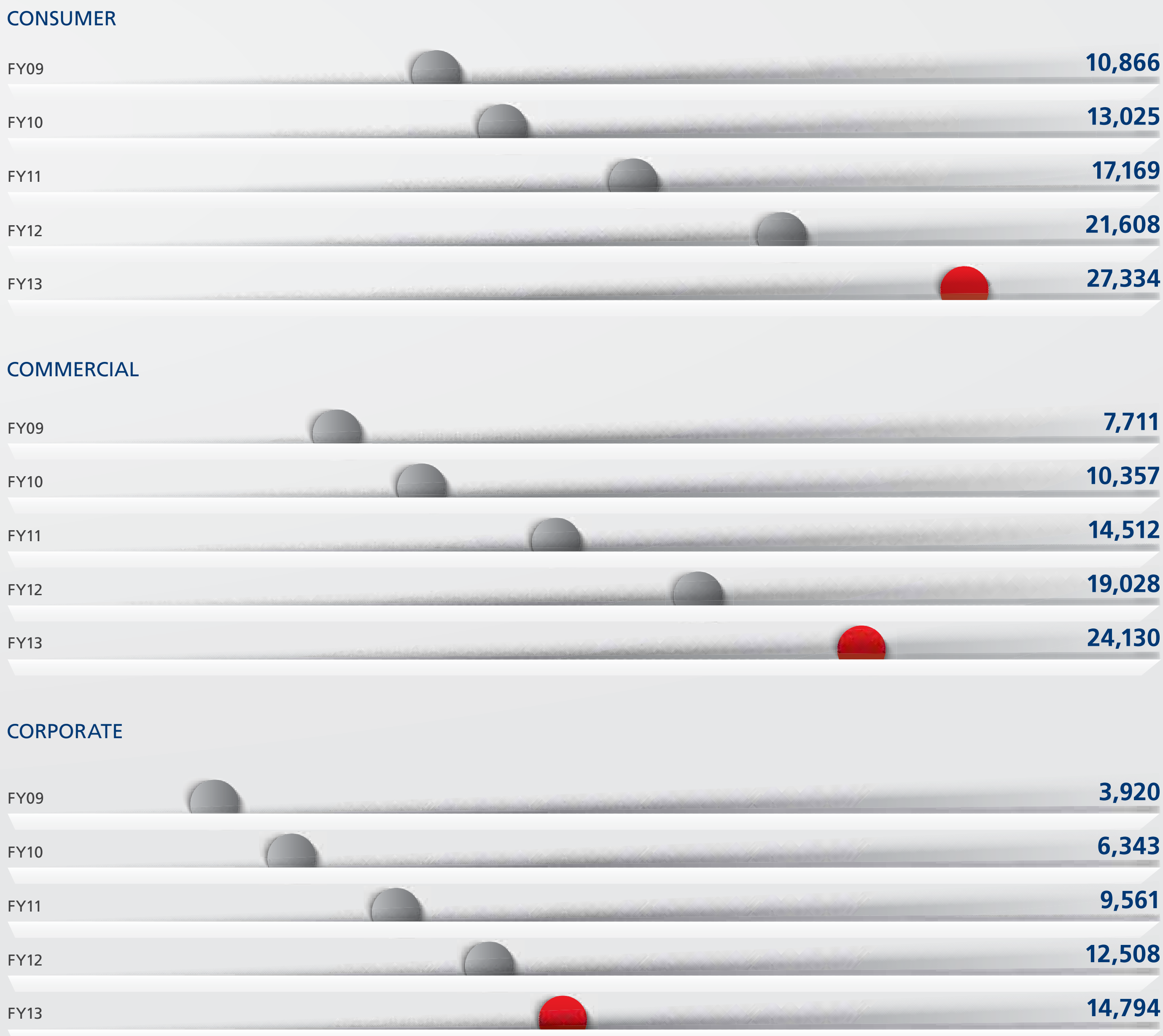


All figures are bank standalone.

From 2005 to 2009, the financing of infrastructure projects presented an attractive growth opportunity. But, we didn't jump on the bandwagon for good reasons. We noticed palpable asset-liability mismatches: infra assets involved high gestation periods, whereas our liabilities were of medium-term duration.

The natural corollary to such a mismatch is this: first, our size does not afford a large exposure in the infra sector; second, there are potential execution risks and recovery challenges. Our foresight was proved right, when, subsequently, the infrastructure sector ran into rough weather.

ADVANCES
(₹ CR)



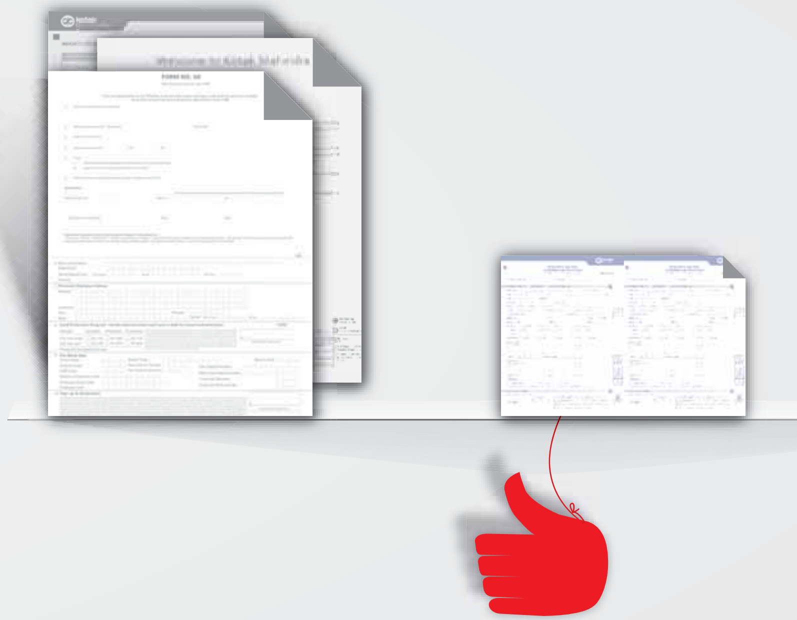
All figures are consolidated.

There are **good** times. There are **difficult** times.

But at Kotak, the **prudent** (or simple) pursuit of opportunities never loses steam.

Opportunities can appear even dressed in the form of a policy initiative. Following the RBI's policy directive of deregulating interest rates, we created an attractive value proposition for our customers. We found that customers never view a savings bank account as a 'high return generating' option. We took the initiative to disrupt the Indian savings bank category by offering an interest rate 50% higher than what most banks pay.

Our campaigns have helped bring clarity to the minds of people. As a result, we were able to grow our savings account balances significantly. The bank collected deposits to the tune of ₹ 3,668 crore in 17 months, a significant escalation since October 2011 levels.

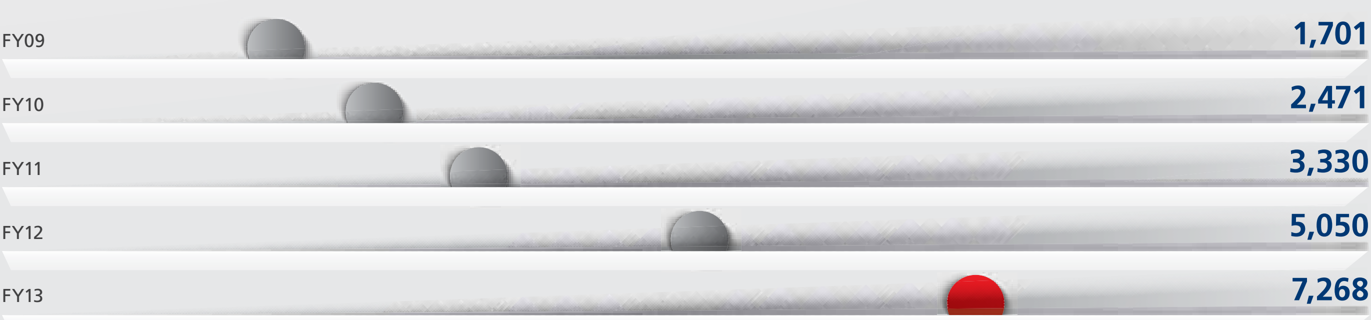


In another instance, customers seeking to open an account with us had to fill up a lengthy account opening booklet (8 pages). This naturally entailed prolonged time and effort on the part of the customer. Besides, there was significant cost implication for the bank.

Surely, there had to be a smarter way of managing this issue. And what transpired in 15 days is this: a single sheet, which eliminated unrelated information, but, at the same time, ensured all regulatory requirements are complied with.

SAVINGS ACCOUNT BALANCE

(₹ CR)



All figures are bank standalone.

Simple **prudence**

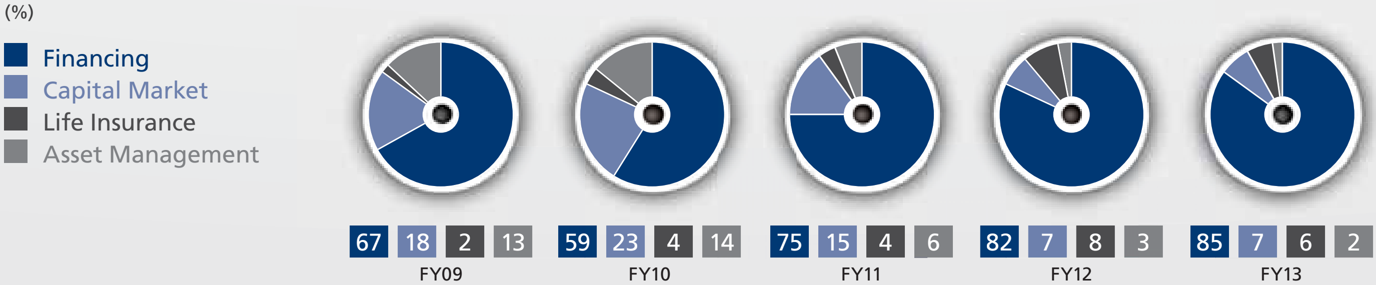
With changing times, Kotak's focus and priorities have evolved too.

During the early years, the profit mix of various businesses of Kotak Group (comprising banking and financing, capital market, asset management and life insurance) reflected the priorities and focus of those days.

Now the economic scenario has changed, and so has the business environment. Consequently, the profit mix of Group businesses has changed.

This transformation is correlated to our changing asset mix to preserve value, leveraging the benefits of the Group structure.

PROFIT BEFORE TAX (PBT) MIX
(%)



PROFIT BEFORE TAX (PBT) MIX
(₹ CR)

	FY09	FY10	FY11	FY12	FY13
Financing	693	1,119	1,703	2,197	2,659
Capital Market	188	438	342	201	212
Life Insurance	17	69	101	203	199
Asset Management	135	257	128	72	66
Total	**1,033**	**1,883**	**2,274**	**2,673**	**3,136**

All figures are consolidated.

We simply said **'no' to distance**

At Kotak, distance becomes irrelevant, when customer delight takes centre stage.

The Tractor Finance team innovatively reduced the turnaround time (TAT) for servicing customers. Previously, the Kotak representative would travel to collect repayments and issue physical receipts to customers. The system worked without any hassle, but there was no real-time access to a customer's information and provision for issuance of electronic receipts at a customer's point in the entire process.

With the introduction of Point of Sale (POS) handheld terminals to our field representatives, we provided real-time access to customers' account-related information and issued them POS-generated receipts, with relevant online updation facilities.

The result: greater transparency, faster updation of customers' data and feedback for quick resolution. The POS terminal has helped bridge the distance between customers and Kotak, facilitating seamless dissemination of information. The devices are now being used across the country, catering to over 1.4 lakh people, spanning 300 districts.

This initiative has significantly reduced TAT in customer service, enhancing customer delight.

300
DISTRICTS GEOGRAPHICALLY COVERING 85% OF THE INDUSTRY

1.4 lakh+
CUSTOMER BASE

12%
MARKET SHARE IN STATES WHERE WE ARE PRESENT

Simplicity never sits still

Kotak has launched multiple applications to enhance customer convenience.

MOBILE BANKING APP

In addition to the standard features, our mobile banking application has much more. One distinguishing feature is the one-time payment facility, where registration of the beneficiary is not required. The customer can personalise the home page of the app, so that the information that matters the most is available at a glance. She can check her account overview, pay bills instantly, open term deposits, locate the nearest ATM/branch, and so on, with ease.

OFFERS APP

Enables customers to view and search various offers available on their Kotak Mahindra Bank cards. Features include: searching for attractive deals, mapping deals as per vicinity, subscribing to receive deal updates, adding to favourites, printing coupons and sharing deals on social media, among others.

SECURITIES APP

Kotak Stock Trader: Only broking app with a dedicated iPad version, allowing registered and guest users to view live prices, track portfolio and trade.

TREASURY APP

The Kotak Treasury Calendar application allows CEOs, CFOs, CIOs, Dealers and Fund Managers to follow flow of funds in and out of the monetary system and lists crucial events (holidays, monetary policy decisions and key data releases) for India and other major global economies (the US, the UK, Euro nations, Japan). This app also provides easy-to-understand graphs that illustrate the impact of important business trends and issues.

TOP OF THE PYRAMID

This invite-only iPad app provides information about earning, spending and investing patterns of India's ultra-high networth individuals.

Lowest restructured advances in the banking industry

Does it reflect the **quality** of our balance sheet... or **prudence** of our business model... Or simply both?

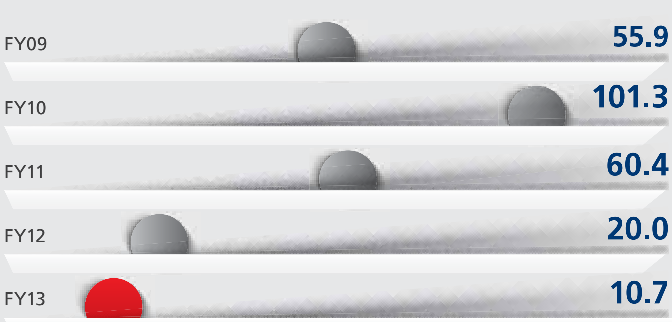
We have followed a stringent policy with respect to restructuring of advances. At Kotak Mahindra Bank, restructuring is carried out only if we are convinced of the long-term viability of the borrower. If not, we will declare the advance as a Non Performing Asset (NPA) in accordance with our policy and RBI directives.

We have one of the lowest restructured advances ratios in the industry, indicating the quality of our balance sheet.

0.53%
NET NPA AS ON 31ST MARCH, 2013

16%
ONE OF THE HIGHEST CAPITAL ADEQUACY RATIOS IN THE INDUSTRY

RESTRUCTURED LOANS CONSIDERED STANDARD
(₹ CR)



	CAPITAL ADEQUACY RATIO (%)	TIER I (%)
FY 09	20.0	16.1
FY 10	18.4	15.4
FY 11	19.9	18.0
FY 12	17.5	15.7
FY 13	16.0	14.7

All figures are bank standalone except Net NPA, which is consolidated. Net NPA excludes acquired stressed assets.

Awards and accolades

KOTAK MAHINDRA BANK

BEST MANAGED BOARD

Kotak Mahindra Bank's board receives the award for the Best Managed Board by Aon Hewitt-Mint Study 2012, from Hon'ble Minister of Corporate Affairs, Sachin Pilot

BEST BANK AWARD

Dipak Gupta, Joint Managing Director (first from right), receives the Best Bank Award under the New Private Sector Bank category (runner-up) at the Financial Express Awards from Hon'ble Minister for Commerce and Industry, Anand Sharma

Uday Kotak, Executive Vice Chairman and Managing Director, received the **Special Award for his contribution in the growth of India's equity markets**, at India's Best Market Analyst Awards 2012 by Zee Business, from Hon'ble Finance Minister, Pranab Mukherjee

Recognised as the **Company with 2nd Highest Employee Contribution (Corporate Challenge Category)** in the 10th Standard Chartered Mumbai Marathon in 2013

Shanti Ekambaram, President - Corporate & Investment Banking, won the award for **Highest Fund Raiser (Corporate Challenge Category)**

Trade Finance Division was awarded the Straight-Through Processing (STP) Award for **Excellence in Quality of Payment Messages**

Won the Gold award at the Trade & Forfaiting Review (TFR) Awards 2012, under the category, **Best Local Trade Bank in India**

The New Indian Express Group conferred Uday Kotak with the Runner-up award for **Best Banker – Growth and Expansion** at The Sunday Standard FINWIZ 2012 Best Bankers' Awards

Voted as the **Best Local Cash Management Bank** in India for small companies (turnover < US$100 million) by Asiamoney, 2012

Won the **Asian e-payment Awards** for the following categories at the Asian Leadership Awards:
- Best e-Payment Bank Award
- Best Online Payment Platform Award
- e-Payment Market Leadership awarded to Tushar Trivedi, Executive Vice President, Transaction Banking

6% campaign featuring Subbu won the **Silver Effie – a prestigious advertising effectiveness award** in the financial services category

Won the Celent Model Bank Award for core banking implementation in the category **Infrastructure & Architecture**

Awarded **Fastest Base24 to Electra Switch migration** by OPUS

Received award for **Innovative Use of Data Storage** at the CNBC TV18 India Innovation Award, 2013

Won the **Security in Bank** award by Data Security Council of India (DSCI) at the DSCI Excellence Awards, 2012

Won the **IT Transformer's Award** at The EMC Transformer's Awards, 2012

FAB 50 LIST

Kotak Mahindra Bank made it to Forbes Asia's 'FAB 50' list in 2012 for the 3rd consecutive year. Paul Parambi, Head – Group Strategy (second from right), receives the award from Christopher Forbes, Vice Chairman, Forbes Media

BANKING & PAYMENTS ASIA TRAILBLAZER AWARDS

Kotak Mahindra Bank won two awards for NRI banking at the Banking & Payments Asia Trailblazer Awards, 2013. Click2Remit emerged winner in Product Excellence in the P2P Product Category and Privy League for NRIs won the Service Excellence award in the Mass Affluent Banking Category. Deepak M. Sharma, Executive Vice President, (right) receives the award from Thomas Zink, Editor & Content Manager, VRL Financial News

The customer reference programme of the credit cards business won an award under the Customer Acquisition Programme Category at the MasterCard Innovation Awards

Rated among the Top 25 Best Employers in India for three consecutive studies conducted since 2007 by Aon Hewitt

Recognised among the Top 10 Companies for Leaders to Work, in Asia Pacific, in a Study conducted by RBL Group, Aon Hewitt and Fortune in 2011

KOTAK INVESTMENT BANKING

- Received the Best Investment Bank and Equity House in India award from Finance Asia, 2012
- Awarded Securities Advisory Firm of the Year in India in the Corporate INTL Global Awards, 2012
- Received the Investment Bank of the Year in India award at the ACQ Global Awards, 2012
- Awarded the Dealmaker of the Year for Qualified Institutional Placements by Businessworld (India's Best Dealmakers, 2012)
- Won the Deal of the Year for the M&M Financial Services Qualified Institutional Placements – Businessworld (India's Best Dealmakers, 2012)
- Awarded the Best Domestic Investment Bank by Asset Asian Awards, 2012

Awards and accolades

CFO INDIA MAGAZINE AWARDS

CFO India magazine has recognised R. Krishnan (1st picture: right) from Kotak Mahindra Asset Management Company Ltd., Naozad Sirwalla (2nd picture: right) from Kotak Investment Advisors Ltd., Devang Gheewalla (3rd picture: right) and Himanshu Vasa (4th picture: right) from Kotak Mahindra Bank Ltd. as finance professionals who will stand out as CFOs in the years to come

KOTAK INSTITUTIONAL EQUITIES

- Awarded Best Brokerage in India by FinanceAsia, 2012
- Ranked 1st on a weighted formula basis in Institutional Investor's All-India Research Team survey, 2012
- KIE analysts ranked 1st in financial services and 3rd in the media sector in the Wall Street Journal survey of Asia's best analysts, 2012
- Emerged as the Best Local Brokerage in Asiamoney Brokers Poll, 2012
  - Ranked 2nd for Best Overall Country Research among all domestic and foreign brokerages
  - Ranked 2nd for Best Execution among all domestic and foreign brokerages
  - Ranked 2nd for Most Independent Research Brokerage among all domestic and foreign brokerages
  - Ranked 3rd for Best in Sales Trading among all domestic and foreign brokerages

KOTAK WEALTH MANAGEMENT

- Awarded in multiple categories by Euromoney Private Banking Survey, 2013
  - Best Private Banking Services Overall, India
  - Private Banking Services Overall, Global Top 25
  - Private Banking Services Overall, Asia Top 10
  - Best Family Office Services Provider, India
  - Second Best Family Office Services Provider, Asia
- Best Private Bank by Finance Asia Country Awards, 2012
- Best Private Bank, India, by World Finance Banking Awards, 2012
- Outstanding Private Bank, South Asia, by Private Banker International Global Wealth Awards, 2012

KOTAK INVESTMENT ADVISORS LIMITED

- Kotak Realty Fund was adjudged the Best Investment Manager in India in the Euromoney Real Estate Survey, 2012
- Kotak Realty Fund was named the Best Private Equity in Real Estate Investor, 2012 by Venture Intelligence Awards for Private Equity Excellence

KOTAK SECURITIES

Awarded the Fastest Growing Equity Broking House by BSE IPF – D&B Equity Broking Awards, 2012, under the category – Large Size Firms

KOTAK LIFE INSURANCE

Received the Campaign India DMA Bronze Award, 2012, in the Social Media apps category for the Clone Me app – Mere Jaisa Koi

KOTAK MAHINDRA ASSET MANAGEMENT COMPANY

- Kotak Bond Regular Plan Growth won the Lipper Fund Award, 2012, for being the Best Fund over 10 years Bond Indian Rupee
- Received the Best Debt Fund House by Outlook Money Awards, 2012

Financial Statements and Statutory Reports

Financial Highlights

Consolidated Financial Statements

Bank Reports & Statements

Consolidated Financial Highlights 2012-2013

₹ in crore

FINANCIAL HIGHLIGHTS	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Advances	22,498	29,724	41,242	53,144	**66,258**
Investments*	10,220	14,762	18,279	23,261	**31,340**
Total Assets	40,658	56,677	73,681	92,349	**115,835**
Net Profit	652	1,307	1,567	1,832	**2,188**

** Excludes Policyholder's investments*

KEY FINANCIAL INDICATORS	FY2009	FY2010	FY 2011	FY 2012	FY 2013
Net Interest Margin (NIM)	5.8%	5.8%	5.2%	4.8%	**4.7%**
Return on Average Assets (RoAA)	1.6%	2.7%	2.4%	2.2%	**2.1%**
Book Value Per Share (₹)	94	114	149	174	**204**
Earnings Per Share (EPS) Face Value ₹ 5 per share	9.4	18.6	21.6	24.7	**29.3**
Return on Equity (RoE)	10.5%	18.2%	16.4%	15.4%	**15.6%**
Capital Adequacy Ratio	22.5%	19.3%	19.5%	17.9%	**17.0%**
Gross NPA (₹ cr)*	506	647	469	561	**720**
Net NPA (₹ cr)*	262	338	178	260	**353**
Gross NPA Ratio*	2.3%	2.2%	1.1%	1.1%	**1.1%**
Net NPA Ratio*	1.2%	1.1%	0.4%	0.5%	**0.5%**

** Excludes stressed assets acquired from other Banks and NBFCs*

MARKET RELATED RATIOS	FY2009	FY2010	FY 2011	FY 2012	FY 2013
Market Price (₹)	141	375	457	545	**653**
Market Capitalization (₹ cr)	9,755	26,046	33,738	40,394	**48,754**
Price to Book Ratio	1.5	3.3	3.1	3.1	**3.2**
Price to Earnings Ratio	15.0	20.1	21.2	22.0	**22.3**

Standalone Financial Highlights 2012-2013

₹ in crore

Financial Highlights	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
Deposits	15,644	23,886	29,261	38,537	**51,029**
Advances	16,625	20,775	29,329	39,079	**48,469**
Investments	9,110	12,513	17,121	21,567	**28,873**
Total Assets	28,712	37,436	50,851	65,666	**83,694**
Net Interest Income (NII)	1,452	1,780	2,097	2,512	**3,206**
Fee Income	293	388	467	578	**737**
Other Non Interest Income	47	319	314	400	**424**
Operating profit	596	1,297	1,325	1,655	**2,157**
Provisions and Contingencies	170	486	137	55	**185**
Tax Provision	150	250	370	515	**611**
Net Profit	276	561	818	1,085	**1,361**
Key Financial Indicators					
Net Interest Margin (NIM)	6.0%	5.7%	5.2%	4.7%	**4.6%**
Cost to Income Ratio	66.8%	47.8%	54.0%	53.0%	**51.0%**
Return on Average Assets (RoAA)	1.0%	1.7%	1.8%	1.8%	**1.8%**
Fee / NII plus Other Income	16.4%	15.6%	16.2%	16.6%	**16.9%**
NII / NII plus Other Income	81.0%	71.6%	72.9%	72.0%	**73.4%**
Capital Adequacy Ratio	20.0%	18.4%	19.9%	17.5%	**16.0%**
Tier I	16.1%	15.4%	18.0%	15.7%	**14.7%**
Gross NPA Ratio*	2.5%	2.4%	1.2%	1.2%	**1.3%**
Net NPA Ratio*	1.3%	1.3%	0.5%	0.6%	**0.6%**

**Excludes stress Assets acquired from other Banks and NBFCs*

Consolidation at a Glance

₹ in Lakhs

	2012-2013		2011-2012		31st March 2013	31st March 2012
	Profit before Tax	**Profit after Tax**	Profit before Tax	Profit after Tax	**Networth**	Networth
Kotak Mahindra Bank Limited	**197,205.96**	**136,071.72**	159,992.65	108,505.30	**944,695.62**	794,593.90
Subsidiaries						
Kotak Mahindra Prime Limited	**64,101.10**	**43,069.97**	57,033.84	38,487.58	**235,191.78**	192,133.51
Kotak Securities Limited	**18,853.00**	**11,450.24**	19,148.92	12,582.17	**193,427.32**	181,977.08
Kotak Mahindra Capital Company Limited	**2,352.74**	**1,671.34**	942.30	593.81	**38,857.81**	49,528.46
Kotak Mahindra Old Mutual Life Insurance Limited	**19,832.90**	**18,973.83**	20,324.82	20,324.82	**80,267.00**	61,293.18
Kotak Mahindra Investments Limited	**4,598.20**	**3,356.74**	2,726.07	1,525.13	**30,384.00**	26,958.37
Kotak Mahindra Asset Management Company Limited	**294.59**	**346.71**	2,011.41	1,435.17	**6,300.24**	7,188.67
Kotak Mahindra Trustee Company Limited	**1,141.45**	**853.72**	1,047.08	756.44	**4,534.87**	3,681.15
Kotak Mahindra (International) Limited	**2,739.37**	**2,665.46**	(267.61)	(335.27)	**25,150.90**	21,105.54
Kotak Mahindra (UK) Limited	**(1,354.47)**	**(1,354.47)**	(152.02)	(121.82)	**10,142.16**	10,771.90
Kotak Mahindra, Inc.	**(521.78)**	**(527.87)**	(572.76)	(470.03)	**2,271.33**	2,622.38
Kotak Investment Advisors Limited	**4,327.92**	**3,067.47**	5,221.27	3,612.79	**22,287.99**	19,220.52
Kotak Mahindra Trusteeship Services Limited	**195.88**	**134.25**	112.09	75.70	**496.05**	361.80
Kotak Forex Brokerage Limited	**2.50**	**2.50**	(4.34)	(4.34)	**41.57**	39.06
Kotak Mahindra Pension Fund Ltd	**(60.46)**	**(60.46)**	(51.99)	(51.99)	**2,568.12**	1,028.58
Kotak Mahindra Financial Services Ltd	**(158.30)**	**(158.30)**	(187.27)	(187.27)	**232.39**	225.94
Total	**313,550.60**	**219,562.85**	**267,324.46**	**186,728.19**	**1,596,849.15**	**1,372,730.04**
Add: Associates		**3,358.18**		3,455.09	**53,327.78**	49,969.60
Less: Dividend, Minority interest, Inter company and other adjustment		**(4,074.79)**		(6,959.75)	**(125,197.06)**	(132,595.01)
Consolidated Profit After Tax / Netwoth		**218,846.24**		**183,223.53**	**1,524,979.87**	**1,290,104.63**
Consolidated Earnings per Share (₹)		**29.33**		**24.67**		
Consolidated Book Value per Share (₹)					**204.25**	174.18

Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF
KOTAK MAHINDRA BANK LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **KOTAK MAHINDRA BANK LIMITED** (the "Bank") and its subsidiaries (the Bank and its subsidiaries constitute "the Group"), which comprise the Consolidated Balance Sheet as at 31st March 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Bank's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Bank's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 reports of the other auditors on the financial statements / financial information of the subsidiaries and associates referred to below in the Other Matters paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2013;

(b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and

(c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Other Matters

1. We did not audit the financial statements of twelve subsidiaries whose financial statements reflect total assets (net) of ₹ 140,037,680 (in thousands) as at 31st March 2013, total revenues of ₹ 45,815,304 (in thousands) and net cash outflows amounting to ₹ 1,187,960 (in thousands) for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of ₹ 258,839 (in thousands) for the year ended 31st March 2013, as considered in the consolidated financial statements, in respect of 2 associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, is based solely on the reports of the other auditors.
2. The financial statements also include ₹ 11,263 (in thousands) being the Group's proportionate share in the net profit of two associates (carrying value ₹ 81,206 (in thousands)) which has been recognised on the basis of the unaudited financial information available with the Group. As per Management's assessment, there should be no material impact on the Consolidated Financial Statements consequent to any possible adjustments to such Management accounts since the size of these entities in the context of the Group is not material.
3. The auditors of a subsidiary company of the Bank, Kotak Mahindra Old Mutual Life Insurance Limited ("the Company"), have reported in their audit opinion "the actuarial valuation of liabilities for life policies in force 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 premium has been discontinued but liability exists as at 31st March 2013 has been duly certified by the Appointed Actuary and in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory Development Authority ("IRDA"/ "Authority") and the Actuarial Society of India in concurrence with the Authority." The auditors of the Company have relied upon the Appointed Actuary's certificate in this regard for forming an 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 financial statements of the Company.

Our opinion is not qualified in respect of these matters.

For S. B. BILLIMORIA & CO.
Chartered Accountants
(Firm Registration No. 101496W)

Kalpesh J. Mehta
(Partner)
(Membership No. 48791)

Mumbai, 2nd May 2013

Consolidated Balance Sheet as at 31st March 2013

(₹ in thousands)

	Schedule	As at 31st March 2013	As at 31st March 2012
CAPITAL AND LIABILITIES			
Capital	1	**3,733,045**	3,703,448
Reserves and Surplus	2	**148,764,942**	125,307,015
Minority Interest	2A	**2,087,174**	1,600,557
Employees' Stock Options (Grants) Outstanding		**175,336**	348,207
Deposits	3	**493,891,407**	364,607,303
Borrowings	4	**361,719,635**	291,946,852
Policyholders' Funds		**100,772,717**	90,115,340
Other Liabilities and Provisions	5	**47,202,350**	45,865,216
Total		**1,158,346,606**	923,493,938
ASSETS			
Cash and Balances with Reserve Bank of India	6	**22,207,552**	20,306,320
Balances with Banks and Money at Call and Short Notice	7	**22,974,910**	15,452,015
Investments	8	**409,072,387**	316,584,326
Advances	9	**662,576,542**	531,436,091
Fixed Assets	10	**6,164,766**	6,118,745
Other Assets	11	**35,316,255**	33,562,247
Goodwill on Consolidation		**34,194**	34,194
Total		**1,158,346,606**	923,493,938
Contingent Liabilities	12	**420,669,721**	406,452,817
Bills for Collection		**19,134,811**	15,766,592
Significant Accounting Policies and Notes to the Consolidated Financial Statements	17		

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

As per our report of even date.

For S. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 2nd May 2013

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman
and Managing Director

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Bina Chandarana
Company Secretary

Consolidated Profit and Loss Account for the year ended 31st March 2013

(₹ in thousands)

		Schedule	Year ended 31st March 2013	Year ended 31st March 2012
I.	**INCOME**			
	Interest earned	13	**108,378,650**	84,704,198
	Other Income	14	**51,124,053**	45,433,975
	Total		**159,502,703**	130,138,173
II.	**EXPENDITURE**			
	Interest expended	15	**60,244,939**	45,419,568
	Operating expenses	16	**65,984,286**	57,166,245
	Provisions and Contingencies (Refer Note 6 - Schedule 17)		**11,231,352**	9,047,071
	Total		**137,460,577**	111,632,884
III.	**PROFIT**			
	Net Profit for the year		**22,042,126**	18,505,289
	Less: Share of Minority Interest		**493,320**	528,445
	Add: Share in profit / (loss) of Associates		**335,818**	345,509
	Consolidated Profit for the year attributable to the Group		**21,884,624**	18,322,353
	Add : Balance in Profit and Loss Account brought forward from previous year		**62,961,739**	49,626,168
	Total		**84,846,363**	67,948,521
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		**3,401,800**	2,712,700
	Transfer to Special Reserve u/s 45 IC of RBI Act, 1934		**928,600**	800,352
	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		**285,000**	250,000
	Transfer to General Reserve		**683,900**	1,630,103
	Transfer to Capital Reserve		**-**	200
	Transfer to Capital Redemption Reserve		**6,800**	-
	Transfer to Debenture Redemption Reserve		**250**	-
	Transfer from Debenture Redemption Reserve		**-**	(1,087,503)
	Transfer (from) / to Investment Reserve Account		**105,200**	145,200
	Proposed Dividend		**523,754**	444,929
	Corporate Dividend Tax		**90,401**	90,801
	Balance carried over to Balance Sheet		**78,820,658**	62,961,739
	Total		**84,846,363**	67,948,521
V.	**EARNINGS PER SHARE [Refer Note 9 - Schedule 17]**			
	Basic (₹)		**29.44**	24.81
	Diluted (₹)		**29.33**	24.67
	Face value per share (₹)		**5.00**	5.00

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

Significant Accounting Policies and Notes to the Consolidated Financial Statements — 17

As per our report of even date.

For and on behalf of the Board of Directors

For S. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 2nd May 2013

Dr. Shankar Acharya
Chairman

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Uday Kotak
Executive Vice Chairman
and Managing Director

Bina Chandarana
Company Secretary

Consolidated Cash Flow Statement for the year ended 31st March 2013

(₹ in thousands)

	Year ended 31st March 2013	Year ended 31st March 2012
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit After Tax	**21,884,624**	18,322,353
Add: Provision for Income tax	**9,397,951**	8,058,954
Profit before tax	**31,282,575**	26,381,307
Adjustments for :-		
Employee Stock Option expense	**93,773**	158,910
Depreciation on Group's property	**1,790,310**	1,643,311
Amortization of Premium on Investments	**829,067**	853,295
Diminution in the value of investments / (written back)	**(339,017)**	131,504
(Profit) / Loss on revaluation of investments (net)	**(89,184)**	(1,521,516)
Profit on sale of Investments (net)	**(6,116,148)**	(503,269)
Profit on Sale of Associates	**-**	(102,948)
Provision for Non Performing Assets and contingencies	**2,170,829**	855,476
(Profit) / Loss on sale of assets	**(15,991)**	4,878
Increase / (Decrease) in Foreign Currency Translation Reserve [Refer Note 2 (F) (ix) - Schedule 17]	**210,381**	430,895
Wealth tax	**1,589**	1,137
	29,818,184	28,332,980
Adjustments for :-		
(Increase) / Decrease in investment in stock-in-trade	**1,764,072**	(2,297,594)
Increase in Advances	**(132,790,902)**	(119,565,389)
Increase in Other Assets	**(1,133,045)**	(6,072,784)
Increase in Deposits	**129,284,104**	91,477,548
Increase in Policyholders' Funds	**10,657,377**	8,663,321
(Decrease) / Increase in Other Liabilities and Provisions	**690,051**	(5,151,124)
	8,471,657	(32,946,022)
Income Taxes Paid (net of refunds)	**(9,656,122)**	(7,301,978)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**28,633,719**	(11,915,020)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	**(2,222,617)**	(1,966,213)
Sale of Fixed assets	**69,694**	57,485
Proceeds on sale of stake in Associates	**-**	168,648

Consolidated Cash Flow Statement for the year ended 31st March 2013 (Contd.)

(₹ in thousands)

	Year ended 31st March 2013	Year ended 31st March 2012
Investments in Associates	**(335,818)**	(347,609)
Increase in Investments other than stock-in-trade	**(88,201,033)**	(52,474,964)
NET CASH USED IN INVESTMENT ACTIVITIES (B)	**(90,689,774)**	(54,562,653)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid including corporate dividend tax	**(519,154)**	(429,976)
Money received on exercise of stock options	**1,739,936**	981,372
Increase in borrowings	**69,772,783**	71,213,643
Increase in Minority Interest	**486,617**	528,445
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**71,480,182**	72,293,484
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	**9,424,127**	5,815,811
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Refer Note below)	**35,758,335**	29,942,524
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Refer Note below)	**45,182,462**	35,758,335
Note:		
Balance with banks in India in Fixed Deposit (As per Schedule 7 I (i) (b))	**7,806,114**	6,528,058
Balance with banks in India in Current Account (As per Schedule 7 I (i) (a))	**1,631,279**	1,851,718
Money at call and short notice in India (As per Schedule 7 I (ii))	**5,758,597**	756,880
Cash in hand (As per Schedule 6 I)	**3,431,725**	3,257,782
Balance with RBI in Current Account (As per Schedule 6 II)	**18,775,827**	17,048,538
Balance with banks Outside India:		
(i) In Current Account (As per Schedule 7 II (i))	**907,033**	598,235
(ii) In Other Deposit Accounts (As per Schedule 7 II (ii))	**6,871,887**	5,717,124
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**45,182,462**	35,758,335

As per our report of even date.

For S. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 2nd May 2013

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman
and Managing Director

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Bina Chandarana
Company Secretary

Schedules forming part of Consolidated Balance Sheet as at 31st March 2013

(₹ in thousands)

		As at 31st March 2013	As at 31st March 2012
SCHEDULE 1 - CAPITAL			
	Authorised Capital		
	80,00,00,000 Equity Shares of ₹ 5/- each (31st March 2012: 80,00,00,000 Equity Shares of ₹ 5 each)	**4,000,000**	4,000,000
	Issued, Subscribed and Paid-up Capital		
	74,66,09,026 Equity Shares of ₹ 5/- each (31st March 2012: 74,06,89,510) Equity		
	Shares of ₹ 5/- each) fully paid-up	**3,733,045**	3,703,448
	Total	**3,733,045**	3,703,448
SCHEDULE 2 - RESERVES AND SURPLUS			
I.	**Statutory Reserve**		
	Opening Balance	**9,228,900**	6,516,200
	Add: Transfer from Profit and Loss Account	**3,401,800**	2,712,700
	Total	**12,630,700**	9,228,900
II.	**Capital Reserve**		
	Opening balance	**289,303**	289,103
	Add: Transfer from Profit and Loss Account	**-**	200
	Total	**289,303**	289,303
III.	**General Reserve**		
	Opening Balance	**4,075,004**	2,444,901
	Add: Transfer from Profit and Loss Account	**683,900**	1,630,103
	Total	**4,758,904**	4,075,004
IV.	**Securities Premium Account**		
	Opening Balance	**42,838,363**	41,696,206
	Add: Received during the year (net of tax)	**1,976,989**	1,142,157
	Total	**44,815,352**	42,838,363
V.	**Special Reserve under Section 45IC of the RBI Act, 1934**		
	Opening Balance	**2,747,556**	1,947,204
	Add: Transfer from Profit and Loss Account	**928,600**	800,352
	Total	**3,676,156**	2,747,556
VI.	**Debenture Redemption Reserve**		
	Opening Balance	**-**	1,087,503
	Add: Transfer from Profit and Loss Account	**250**	-
	Less: Transfer to Profit and Loss Account	**-**	(1,087,503)
	Total	**250**	-

Schedules forming part of Consolidated Balance Sheet as at 31st March 2013 (Contd.)

(₹ in thousands)

		As at 31st March 2013	As at 31st March 2012
VII.	**Capital Reserve on Consolidation**		
	Opening Balance	**1,474,546**	1,474,546
	Addition during the year	**-**	-
	Total	**1,474,546**	1,474,546
VIII.	**Foreign Currency Translation Reserve**		
	[Refer Note 2(F)(ix) - Schedule 17]		
	Opening Balance	**445,790**	12,609
	Increase / (decrease) during the year	**210,469**	433,181
	Total	**656,259**	445,790
IX.	**Investment Reserve Account**		
	Opening Balance	**305,814**	160,614
	Add: Transfer from Profit and Loss Account	**105,200**	145,200
	Total	**411,014**	305,814
X.	**Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961**		
	Opening Balance	**940,000**	690,000
	Add: Transfer from Profit and Loss Account	**285,000**	250,000
	Total	**1,225,000**	940,000
XI.	**Capital Redemption Reserve**		
	Opening Balance	**-**	-
	Add: Transfer from Profit and Loss Account	**6,800**	-
	Total	**6,800**	-
XII.	**Balance in the Profit and Loss Account**	**78,820,658**	62,961,739
	Total	**148,764,942**	125,307,015
SCHEDULE 2A - MINORITY INTEREST			
	Minority Interest at the date on which parent subsidiary relationship came into existence	**396,700**	396,700
	Subsequent Increase	**1,690,474**	1,203,857
	Total	**2,087,174**	1,600,557
SCHEDULE 3 - DEPOSITS			
A.			
I.	**Demand Deposits**		
	i. From Banks	**1,596,176**	1,205,825
	ii. From Others	**73,511,174**	62,619,131
	Total	**75,107,350**	63,824,956
II.	**Savings Bank Deposits**	**72,681,276**	50,501,164

Schedules forming part of Consolidated Balance Sheet as at 31st March 2013 (Contd.)

(₹ in thousands)

		As at 31st March 2013	As at 31st March 2012
III.	**Term Deposits**		
	i. From Banks	**8,842,056**	3,424,856
	ii. From Others [Refer Note 4(c) - Schedule 17]	**337,260,725**	246,856,327
	Total	**346,102,781**	250,281,183
Total Deposits (I + II + III)		**493,891,407**	364,607,303
B.			
I	Deposits of branches in India	**493,891,407**	364,607,303
II	Deposits of branches outside India	**-**	-
	Total Deposits (I + II)	**493,891,407**	364,607,303
SCHEDULE 4 - BORROWINGS			
I.	**Borrowings in India**		
	(i) Reserve Bank of India	**85,168,500**	56,094,800
	(ii) Other Banks	**92,732,175**	81,180,662
	(iii) Institutions, Agencies and others (Refer Note 11 - Schedule 17)	**134,295,909**	114,202,851
	Total	**312,196,584**	251,478,313
II.	**Borrowings outside India**		
	(i) Institutions, Agencies and others (Refer Note 11 - Schedule 17)	**49,523,051**	40,468,539
	Total	**49,523,051**	40,468,539
Total Borrowings (I + II)		**361,719,635**	291,946,852
Secured Borrowings included in I & II above		**128,822,662**	107,392,950
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I.	Bills Payable	**6,569,088**	5,700,567
II.	Interest Accrued	**6,542,158**	5,786,221
III.	Others (including provisions) (Refer Note 5 and 18 - Schedule 17)	**33,478,260**	33,860,585
IV.	Proposed Dividend (includes tax on dividend)	**612,844**	517,843
	Total	**47,202,350**	45,865,216
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I.	Cash in hand (including foreign currency notes)	**3,431,725**	3,257,782
II.	Balances with RBI in current account	**18,775,827**	17,048,538
	Total	**22,207,552**	20,306,320
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I.	**In India**		
	(i) Balances with Banks [Refer Note 4(a) - Schedule 17]		
	(a) In Current Accounts	**1,631,279**	1,851,718
	(b) In Other Deposit Accounts	**7,806,114**	6,528,058
	Total	**9,437,393**	8,379,776

Schedules forming part of Consolidated Balance Sheet as at 31st March 2013 (Contd.)

(₹ in thousands)

		As at 31st March 2013	As at 31st March 2012
	(ii) Money at Call and Short Notice		
	(a) With Banks	**5,758,597**	756,880
	Total	**5,758,597**	756,880
	Total (i + ii)	**15,195,990**	9,136,656
II.	**Outside India**		
	(i) In Current Accounts	**907,033**	598,235
	(ii) In other Deposit Accounts	**6,871,887**	5,717,124
	Total	**7,778,920**	6,315,359
	Total (I + II)	**22,974,910**	15,452,015
SCHEDULE 8 - INVESTMENTS			
I.	**Investments in India in [Refer Note 4(b) - Schedule 17]**		
	(i) Government Securities	**236,614,311**	180,906,940
	(ii) Other Approved Securities	**-**	-
	(iii) Shares	**42,284,529**	41,944,403
	(iv) Debentures and Bonds	**84,185,421**	46,540,634
	(v) Associates *	**6,318,607**	5,982,789
	(vi) Others [Units, Certificate of Deposits (CD), Commercial Paper (CP),		
	Security Receipts, RIDF Deposit & Pass Through Certificates (PTC)]	**37,871,347**	40,153,478
	Total	**407,274,215**	315,528,244
II.	**Investments outside India in**		
	(i) Shares	**3,332**	1,043
	(ii) Debentures and Bonds	**-**	71,567
	(iii) Others [Venture/ Private Equity and other similar funds]	**1,794,840**	983,472
	Total	**1,798,172**	1,056,082
	Total Investments (I + II)	**409,072,387**	316,584,326
	* Investment in Associates		
	Equity Investment in Associates	**962,066**	959,966
	Add: Investment in Associate	**-**	2,100
	Add: Goodwill on acquisition of Associates	**27,210**	27,210
	(Share of pre-acquisition losses)		
	Less: Capital reserve on Consolidation (Share of pre-acquisition profits)	**3,447**	3,447
	Cost of Investment in Associates	**985,829**	985,829
	Add: Post-acquisition profit / loss of Associates (Equity method)	**5,332,778**	4,996,960
	Total	**6,318,607**	5,982,789

Schedules forming part of Consolidated Balance Sheet as at 31st March, 2013 (Contd.)

(₹ in thousands)

		As at 31st March 2013	As at 31st March 2012
SCHEDULE 9 - ADVANCES			
A.	(i) Bills purchased and discounted#	**13,718,739**	16,263,785
	(ii) Cash Credits, Overdrafts and loans repayable on demand	**97,613,680**	73,942,057
	(iii) Term Loans	**551,244,123**	441,230,249
	# Bills purchased and discounted is net off Bills Rediscounted ₹ 1,460.72 crore (Previous Year ₹ 1,667.03 crore)		
	Total	**662,576,542**	531,436,091
B.	(i) Secured by tangible assets *	**583,987,998**	459,772,868
	(ii) Unsecured	**78,588,544**	71,663,223
	Total	**662,576,542**	531,436,091
	* including advances secured against book debts		
C.	Advances in India		
	(i) Priority Sector	**140,192,931**	122,965,518
	(ii) Public Sector	**1,921,947**	1,450,126
	(iii) Banks	**-**	-
	(iv) Others	**520,461,664**	407,020,447
	Total	**662,576,542**	531,436,091
SCHEDULE 10 - FIXED ASSETS			
A.	**Premises (Including Land)**		
	Gross Block		
	At cost on 31st March of the preceding year	**3,145,718**	3,145,718
	Additions during the year	**40,681**	-
	Deductions during the year	**-**	-
	Total	**3,186,399**	3,145,718
	Depreciation		
	As at 31st March of the preceding year	**488,020**	435,039
	Charge for the year	**57,445**	52,981
	Deductions during the year	**-**	-
	Depreciation to date	**545,465**	488,020
	Net Block	**2,640,934**	2,657,698
B.	**Other Fixed Assets (including furniture and fixtures)**		
	Gross Block		
	At cost on 31st March of the preceding year	**11,052,766**	9,637,813
	Additions during the year	**1,849,371**	1,854,407
	Deductions during the year	**377,328**	439,454
	Total	**12,524,809**	11,052,766
	Depreciation		
	As at 31st March of the preceding year	**7,591,719**	6,378,481
	Charge for the year	**1,732,883**	1,590,329
	Deductions during the year	**323,625**	377,091
	Depreciation to date	**9,000,977**	7,591,719
	Net Block (Refer Note 19 - Schedule 17)	**3,523,832**	3,461,047
	Total (A) +(B)	**6,164,766**	6,118,745

Schedules forming part of Consolidated Balance Sheet as at 31st March 2013 (Contd.)

(₹ in thousands)

		As at 31st March 2013	As at 31st March 2012
SCHEDULE 11 - OTHER ASSETS			
I.	Interest accrued	**10,747,527**	7,778,036
II.	Advance tax (net of provision for tax)	**361,593**	283,581
III.	Stationery and Stamps	**30,622**	39,888
IV.	Non Banking assets acquired in satisfaction of claims	**67,824**	67,824
V.	Cheques in course of collection	**135,511**	140,370
VI.	Others (Refer Note 18 - Schedule 17)	**23,973,178**	25,252,548
	Total	**35,316,255**	33,562,247
SCHEDULE 12 - CONTINGENT LIABILITIES			
I.	Claims not acknowledged as debts	**11,752,605**	11,297,435
II.	Liability on account of outstanding forward exchange contracts	**149,372,549**	112,783,244
III.	Guarantees on behalf of constituents in India	**68,209,170**	52,860,029
IV.	Guarantees on behalf of constituents outside India	**87,707**	81,195
V.	Acceptances, Endorsements and Other Obligations	**45,570,177**	45,893,382
VI.	Other items for which the Group is contingently liable:		
	- Liability in respect of interest rate and currency swaps and forward rate agreements	**125,365,886**	166,129,373
	- Liability in respect of other Derivative contracts	**18,401,998**	16,088,255
	- Capital commitments not provided	**1,909,629**	1,319,904
	Total	**420,669,721**	406,452,817

Schedules forming part of Consolidated Profit and Loss Account for the year ended 31st March 2013

(₹ in thousands)

		Year ended 31st March 2013	Year ended 31st March 2012
SCHEDULE 13 - INTEREST EARNED			
I.	Interest / discount on advances / bills	**82,197,032**	65,519,292
II.	Income from investments	**24,787,256**	18,405,397
III.	Interest on balances with RBI and other inter-bank funds	**1,002,555**	411,050
IV.	Others	**391,807**	368,459
	Total	**108,378,650**	84,704,198
SCHEDULE 14 - OTHER INCOME			
I.	Commission, exchange and brokerage	**15,244,390**	14,499,334
II.	Profit on sale of Investments (net)	**6,116,148**	503,269
III.	Profit / (Loss) on revaluation of investments of Insurance business	**(89,184)**	(1,521,516)
IV.	Loss on sale of building and other assets (net)	**15,991**	(4,878)
V.	Profit on exchange transactions (net)	**1,251,325**	1,411,702
VI.	Premium on Insurance business	**27,226,153**	28,915,363
VII.	Profit on recoveries of non-performing assets acquired	**818,077**	1,294,563
VIII.	Miscellaneous Income	**541,153**	336,138
	Total	**51,124,053**	45,433,975

Schedules forming part of Consolidated Profit and Loss Account for the year ended 31st March 2013

(₹ in thousands)

		Year ended 31st March 2013	Year ended 31st March 2012
SCHEDULE 15 - INTEREST EXPENDED			
I.	Interest on Deposits	**32,166,147**	23,655,958
II.	Interest on RBI / Inter-Bank Borrowings	**16,017,594**	11,544,412
III.	Other Interest (Refer Note 12 - Schedule 17)	**12,061,198**	10,219,198
	Total	**60,244,939**	45,419,568
SCHEDULE 16 - OPERATING EXPENSES			
I.	Payments to and provision for employees [Refer Note 3 and 10 - Schedule 17]	**17,735,037**	16,015,416
II.	Rent, taxes and lighting [Refer Note 15 - Schedule 17]	**2,738,132**	2,327,297
III.	Printing and Stationery	**487,274**	440,060
IV.	Advertisement, Publicity and Promotion	**1,592,522**	1,388,778
V.	Depreciation on Group's property	**1,790,310**	1,643,311
VI.	Directors' fees, allowances and expenses	**4,587**	3,882
VII.	Auditors' fees and expenses	**50,487**	46,195
VIII.	Law Charges	**168,808**	155,488
IX.	Postage, telephones etc.	**1,103,290**	1,100,375
X.	Repairs and maintenance	**1,745,860**	1,479,567
XI.	Insurance	**390,244**	301,837
XII.	Travel and Conveyance	**887,032**	797,744
XIII.	Professional Charges	**2,470,933**	2,183,739
XIV.	Brokerage	**3,001,422**	3,074,005
XV.	Stamping Expenses	**287,962**	253,555
XVI.	Policyholders' Reserves	**10,658,735**	8,781,239
XVII.	Insurance Business Expenses (Claims and benefits paid)	**17,821,350**	14,349,423
XVIII.	Other Expenditure	**3,050,301**	2,824,334
	Total	**65,984,286**	57,166,245

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account

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

1. BASIS OF CONSOLIDATION

a. The Consolidated Financial Statements of Kotak Mahindra Bank Limited ("the Bank" or "KMBL") are prepared in accordance with Accounting Standard 21 (AS-21), "Consolidated Financial Statements" and Accounting Standard 23 (AS-23), "Accounting for Investments in Associates in Consolidated Financial Statements" notified under the Companies (Accounting Standard) Rules, 2006 "as amended". 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 / losses, if any, are eliminated in full. 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. The Bank and its subsidiaries which have been consolidated, constitute the "Group". Further, the Group accounts for investments in entities where it holds 20% to 50% of the voting rights by the equity method of accounting in accordance with AS- 23. The financial statements of the subsidiaries, jointly controlled entities and associates used in consolidation are drawn up to the same reporting date as that of the holding company i.e. 31st March 2013.

b. The list of subsidiaries is as under:

Name of the Subsidiary	Country of Origin	**% Shareholding of group (31st March 2013)**	% Shareholding of group (31st March 2012)
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 Old Mutual Life Insurance Limited	India	**74.00**	74.00
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	U.K	**100.00**	100.00
Kotak Mahindra, Inc.	USA	**100.00**	100.00
Global Investments Opportunities Fund Limited (GIOFL) *	Mauritius	**100.00**	100.00
Kotak Investment Advisors Limited	India	**100.00**	100.00
Kotak Mahindra Trusteeship Services Limited	India	**100.00**	100.00
Kotak Forex Brokerage 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

* *Global Investments Opportunities Fund Limited (GIOFL) is a collective investment scheme set up as a fund in Mauritius with the status of a limited company under the Mauritius Companies Act. In terms of the constitution and private placement memorandum, GIOFL has classes of redeemable participating shares. Each class of participating shares has its own Balance Sheet and Profit and Loss Account. The profit /loss of each such class belongs to the participating shareholders of that class. The Bank owns 100% of the management share and management shareholder is not entitled to any beneficial interest in the profit/loss of various classes nor is required to make good any shortfall. In substance there are no direct or indirect economic benefits received by the management shareholders. The substance over form must prevail. Accordingly, the Group consolidates the management shares of the entity having regard to substance over form of the entity.*

c. 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 2013)**	% Shareholding of group (31st March 2012)
Infina Finance Private Limited	India	**49.99**	49.99
Phoenix ARC Private Limited	India	**49.00**	49.00
ACE Derivatives & Commodity Exchange Limited (ACE)	India	**40.00**	40.00
Matrix Business Services India Private Limited (Unaudited)	India	**31.26**	31.26
Add Albatross Properties Private Limited (Unaudited)	India	**29.99**	29.99

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

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. The financial statements conform with the Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006 "as amended", guidelines issued by the Reserve Bank of India ("RBI"), Insurance Regulatory and Development Authority ("IRDA") from time to time as applicable to relevant companies and the generally accepted accounting principles prevailing in India. In case the accounting policies followed by consolidating entities are different from those followed by Bank, the same have been disclosed separately.

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.

B. REVENUE RECOGNITION

a. Banking / Investing Activity:

i. Interest income is recognised on accrual basis except in case of non-performing assets where it is recognised, upon realisation, as per RBI guidelines. Penal interest is recognised as income on realisation.

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 net investment outstanding on the contract.

iii. Interest income on investments in Pass Through Certificates 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 for guarantee commission and letter of credit commission which is recognised over the period of the guarantee / letter of credit respectively, except as indicated in para iv above. Syndication / arranger fee is recognised as income when a significant act / milestone is completed.

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. Gain on account of securitisation of assets at the time of sale computed based on the difference between sale consideration and the carrying value of the securitised asset is amortised over the life of the securities issued in accordance with the guidelines issued by the RBI. Loss on account of securitisation of asset is charged off immediately to the Profit and Loss Account.

viii. 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.

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

x. 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.

b. Investment Banking Activity:

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

ii. Brokerage and clearing fees are recognised as on the date of transaction.

c. Insurance Activity:

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 asset management fees and other charges, if any, are recovered from the linked fund in accordance with the terms and conditions of the policies.

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

v. Re-insurance premium ceded is accounted as an expense at the time of recognition of the premium income in accordance with the treaty arrangements with the re-insurers.

vi. Commission on re-insurance ceded is accounted as income in the period in which reinsurance is ceded.

vii. Re-insurance premium and re-insurance commission are recognised over the period of the risk.

d. Broking Activity:

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

ii. Brokerage Income (net of service tax):

- On fixed deposit is accounted on completion of the transaction.
- On primary market subscription / mobilisation is accounted on receipt of intimation of allotment.
- On secondary market transaction is recognised on the date of the transaction.

iii. Incentive on primary market subscription / mobilisation is accounted on the basis of receipt of intimation of allotment.

iv. In respect of depository activity, transaction fees (net of service tax) are recognised on completion of transaction. Account maintenance charges are recognised on time basis over the period of contract.

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

a. In case of fees based on fixed percentage of the corpus / fixed amount, income is accrued over the period of the agreement.

b. 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.

c. In case of upfront non-refundable fee, income is accounted in the year of receipt.

e. Asset Management:

i. Investment management fees are recognised net of service tax on an accrual basis after deducting actual and estimated expenses from total expense accruals in scheme books (adjusted for exclusions as required by SEBI guidelines), such that it does not exceed the rates prescribed by the Securities and Exchange Board of India ('SEBI') (Mutual Fund) Regulations, 1996 (the 'SEBI Regulations') on an annual basis. However with effect from 1st October 2012 the sub cap on management fees has been removed.

ii. Management fee 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.

iii. Portfolio Advisory Service fees are recognised net of service tax on accrual basis in accordance with the terms of agreement.

C. FIXED ASSETS AND INTANGIBLE ASSETS

Fixed assets / Intangible assets have been stated at cost inclusive of freight, duties and other incidental expenses less accumulated depreciation / amortisation. Cost includes cost of purchase 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.

DEPRECIATION / AMORTISATION:

The Group has adopted the Straight Line Method of depreciation so as to write off 100% of the cost of the assets at rates higher than those prescribed under Schedule XIV to the Companies Act, 1956 for all assets other than premises, based on the Management's estimate of useful lives of these assets. Estimated useful lives over which assets are depreciated / amortised 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 (chillers, transformers, UPS & DG set)	10
Office equipments (other than above)	5
Computers	3
Furniture and Fixtures	6
Vehicles	4
ATMs	5
Software (including development) expenditure	3
Forex Broking Business Rights	10
Goodwill (Other than on consolidation)	5
Membership Card of the Bombay Stock Exchange Limited	20

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

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

D. EMPLOYEE BENEFITS

i Provident Fund – Defined Contribution Plan:

Contribution as required by the Statute made to the Government Provident Fund is debited to the Profit and Loss Account when incurred.

ii Gratuity – Defined Benefit Plan:

The Group accounts for the liability for future gratuity benefits based on an actuarial valuation conducted by an independent actuary. The Bank and four of its subsidiaries make contributions to a Gratuity Fund administered by trustees and managed by a life insurance company. In other subsidiaries gratuity obligation is wholly unfunded. The net present value of the Group's obligation towards the same is actuarially determined based on the projected unit credit method as at the Balance Sheet date.

iii Actuarial gains / losses are recognised immediately in the Profit and Loss Account and are not deferred.

iv Superannuation Fund – Defined Contribution Plan:

The Group contributes a sum equivalent to 15% of eligible employees' salary subject to a maximum of ₹ 1 lakh per eligible employee per annum, to the Superannuation Funds administered by trustees and managed by a Life Insurance Company. The Group recognises such contributions as an expense in the year they are incurred.

v New Pension Scheme - Defined Contribution Plan:

The Group contributes upto 10% of eligible employees' salary per annum, to the New Pension Fund administered by a PFRDA appointed pension fund manager. The Group recognises such contributions as an expense in the year they are incurred.

vi 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 based on the projected unit credit method as at the Balance Sheet date.

vii Other Employee Benefits:

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.

E. INVESTMENTS

For the Bank

1. Classification:

In accordance with the RBI guidelines, investments are categorised at the date of purchase into "Held for Trading", "Available for Sale" and "Held to Maturity" and further classified under six groups, namely, Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Associates and Other for the purpose of disclosure in the Balance Sheet. The Bank follows 'Settlement Date' accounting for recording purchase and sale of transactions in securities.

i. Investments that are held for resale within 90 days from the date of purchase are classified as "Held for Trading".

ii. Investments that the Bank intends to hold to maturity are classified as "Held to Maturity".

iii. Investments which are not classified in the above categories are classified as "Available for Sale".

2. Valuation:

The cost of investments is determined on weighted average basis. Broken period interest on debt instruments is treated as revenue item. The transaction costs including brokerage, commission etc. paid at the time of acquisition of investments is charged to Profit and Loss Account.

The valuation of investments is made in accordance with the RBI guidelines as indicated hereunder:

a. Held for Trading / Available for sale – Each security except treasury bills in this category is revalued at the market price or fair value on a monthly basis and the net depreciation of each group is recognised in the Profit and Loss Account. Net appreciation, if any, is ignored. Further, provision for diminution other than temporary is made for, at the individual security level.

The market / fair value of quoted investments included in the 'Available for Sale' and 'Held for Trading' categories is measured with respect to the market price of the scrip as available from the trades / 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

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

Income Money Market and Derivatives Association of India ('FIMMDA') as at the year end. The market value of investments where market quotations are not available is determined as per the norms laid down by the RBI. Treasury bills, commercial bills and certificates of deposits being discounted instruments are valued at carrying cost.

b. Held to Maturity – These are carried at their acquisition cost. Any premium on acquisition of debt instruments is amortised over the balance maturity of the security on a straight-line basis. Any diminution, other than temporary, in the value of securities, is provided for.

The market value of investments where market quotations are not available is determined as per the norms laid down by the RBI.

c. 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/interest expense over the period of the transaction.

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

e. Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.

f. Investments in subsidiaries / joint ventures are categorised as HTM and assessed for impairment to determine other than temporary diminution, if any, in accordance with the RBI guidelines.

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

i. 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 YTM 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;

ii. 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 RBI;

iii. 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 Company;

iv. 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 financial statements 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;

v. Security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company / Securitisation Company.

3. Transfer between categories:

Transfer between categories is done, in accordance with RBI guidelines, at the lower of acquisition cost / carrying value / market value on the date of the transfer and depreciation, if any, on such transfer is fully provided for.

4. Profit or loss on sale / redemption of investments:

a. Held for Trading and Available for Sale:

Profit or loss on sale / redemption is included in the Profit and Loss Account.

b. Held to Maturity:

Profit on sale / redemption of investments is included in the Profit and Loss Account. Realised gains are subsequently appropriated to Capital Reserve after adjustments for tax and Statutory Reserve transfer in accordance with RBI guidelines. Loss on sale / redemption is charged off to the Profit and Loss Account.

For the 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 service tax on brokerage where cenvat credit is being claimed.

b. Investments maturing within twelve months from the Balance Sheet date and investments made with the specific intention to dispose them off within twelve months from the Balance Sheet date are classified as 'Short Term Investments.' Investments other than Short Term Investments are classified as 'Long Term Investments.'

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

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

c. 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. The premium / discount, if any, on purchase of debt securities is amortised / accreted over the period to maturity on an internal rate of return.

d. Listed equity shares as at the Balance Sheet date are stated at fair value being the lower of last quoted closing price on Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange Limited ("NSE"). Equity shares awaiting listing are stated at historical cost subject to provision for diminution, if any. Unrealised gains/ losses arising due to changes in the fair value of listed equity shares are taken to "Fair Value Change Account" and carried forward to Balance Sheet where the net balance is positive. Negative balance in the "Fair Value Change Account" is recognised in the Profit and Loss Account to the extent of negative balance in "Fair Value Change Account" as reduced by the amount previously provided in the Profit and Loss Account. The profit or loss on actual sale of listed equity includes the accumulated changes in the fair value previously recognised under "Fair Value Change Account".

   The positive balance in "Fair Value Change Account" for shareholders' investments is included in "Reserves and Surplus". The "Fair Value Change Account" in respect of policyholders' investment is included in "Policyholders Funds".

   In case of impairment in the value of investment as at the Balance Sheet date which is other than temporary, the amount of loss 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 is recognised as expense in Profit and Loss Account. Any reversal of impairment loss, earlier recognised in Profit and Loss Account, is recognised in the Profit and Loss Account.

Valuation – Unit linked Business

e. All Government securities, except treasury bills, for 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 are amortised over the period to maturity on a internal rate of return basis.

f. Listed equity shares 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 investment determined separately for each individual investment. Unrealised gains and losses are recognised in the Profit and Loss Account.

g. Mutual Fund Units are valued at the previous day's closing Net Asset Value (NAV) of the fund in which they are invested.

h. Real estate investment property represents land or building held for investment purposes. 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. Impairment loss, if any, exceeding revaluation reserve is recognised as expenses in the Profit and Loss Account.

i. Transfer of investments from shareholders' fund to the policyholders' fund is at the book value or market price whichever is lower. Transfer of debt securities from shareholders' fund to the policyholders' fund is transacted at the lower of net amortised cost or market price. Transfer of investment between unit linked funds is done at market price.

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

For other entities:

As required by Accounting Standard 13 (AS-13) notified under the Companies (Accounting Standard) Rules, 2006 "as amended", "Accounting for Investments", investments are classified into long term investments and current investments. Investments, which are intended to be held for more than one year, are classified as long term investments and investments, which are intended to be held for less than one year, 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. Current investments are valued at cost (calculated by applying weighted average cost method) or market / fair value whichever is lower. In case of investments in units of a mutual fund, the NAV of units is considered as market / fair value. The Securities acquired with the intention to trade are considered as Stock-in-Trade. Investments classified as "Stock-in-Trade" by some of the subsidiaries are valued at cost (calculated by applying weighted average cost method) or market price, whichever is lower. Brokerage, stamping and additional charges paid are included in the cost of investments.

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

Securities lending and borrowing

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

(b) The marked to market on securities lending and borrowing instrument is determined on a portfolio basis with net unrealised losses being recognised in the Profit and Loss Account. Net unrealised gains are not recognised in the Profit and Loss Account on grounds of prudence as enunciated in Accounting Standard – 1, (AS-1) Disclosure of Accounting Policies notified under the Companies (Accounting Standard) Rules, 2006 "as amended".

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

F. FOREIGN CURRENCY AND DERIVATIVE TRANSACTIONS

For the Bank:

i. Foreign currency monetary assets and liabilities are translated at the Balance Sheet date at rates notified by the Foreign Exchange Dealers' Association of India (FEDAI).

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

iii. Foreign Exchange contracts (other than deposit and placement swaps) outstanding at the Balance Sheet date are revalued at rates notified by FEDAI and resulting profits or losses are included in the Profit and Loss Account. Foreign exchange swaps "linked" to foreign currency deposits and placements are translated at the prevailing spot rate at the time of swap. The premium / 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.

iv. Notional amounts of derivative transactions comprising of forwards, swaps, futures and options are disclosed as off-balance sheet exposures. The swaps are segregated into trading or hedge transactions. Trading swaps 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. Outstanding derivative transactions designated as "Hedges" are accounted in accordance with hedging instrument on an accrual basis over the life of the transaction underlying instrument. Option premium paid/ received is accounted for in the Profit and Loss Account on expiry of the option. Option contracts are marked to market on every reporting date.

v. Contingent liabilities at the Balance Sheet date on account of outstanding foreign exchange contracts are restated at year end rates notified by FEDAI.

For other entities:

vi. Transactions in foreign currencies are recorded at the rate of exchange prevailing on the date of the transaction.

vii. Monetary assets and liabilities denominated in foreign currencies are restated at the rate of exchange ruling at the Balance Sheet date.

viii. Exchange differences arising on settlement of the transaction and on account of restatement of assets and liabilities are dealt with 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 on forward contracts is recognised over the life of the contract.

ix. The financial statements of all subsidiaries incorporated outside India which are in the nature of non-integral foreign operations are converted 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".

Interest rate / Currency swaps:

x. 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 principal of currency swaps outstanding as at the Balance Sheet date are revalued using the closing rate.

Currency options:

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

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

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

xii. 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.

xiii. The marked to market on derivative contracts is determined on a portfolio basis with net unrealised losses being recognised in the Profit and Loss Account. Unrealised gains are not recognised in the Profit and Loss Account on grounds of prudence as enunciated in Accounting Standard – 1, (AS-1) Disclosure of Accounting Policies notified under the Companies (Accounting Standard) Rules, 2006 "as amended".

xiv. 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.

xv. 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 / (Loss) on exchange transactions (net).

xvi. 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.

xvii. 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 / loss on squaring-up.

G. ADVANCES

i. Advances are classified into standard, sub-standard, doubtful and loss assets in accordance with the RBI guidelines and are stated net of provisions made towards non-performing assets.

ii. Provision for non-performing assets comprising sub-standard, doubtful and loss assets is made in accordance with the RBI guidelines. In addition, the Group considers accelerated provisioning that is based on past experience, evaluation of security and other related factors.

iii. In accordance with the RBI Guidelines the Bank has provided general provision on standard advances at uniform rate of 0.40% except in case of direct advances to sectors agricultural and SME at 0.25%, Commercial Real Estate sector at 1.00%, restructured standard advances at 2.75% and teaser rate housing loans at 2.00%.

The Non-Banking Finance Company (NBFC) subsidiaries provide general provision on standard assets at 0.25% in accordance with the RBI guidelines.

iv. 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 overdue. If the overdue is in excess of 90 days, the Bank classifies such assets into sub-standard, doubtful or loss as required by the RBI guidelines on purchase of non-performing assets. In respect of NBFCs, if the overdue is in excess of 180 days, then the assets are classified into sub-standard, doubtful and loss as required by the RBI guidelines on purchase of non performing assets.

H. 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 and accounted separately {Refer Note 2 (F)(xii)}.

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.

I. 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 accepted actuarial practices, requirements of IRDA 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.

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

J. ACTUARIAL METHOD – LIFE INSURANCE

i Actuarial method and assumptions: The actuarial liabilities have been calculated in accordance with generally accepted actuarial principles, the requirements of the Insurance Act 1938, IRDA regulations and the prescribed guidance notes of 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. For non-par conventional business the gross plus a non-unit reserve calculated on gross premium prospective valuation method. In respect of par policies, the value of the accumulated fund plus a non-unit reserve calculated on gross premium prospective valuation method. 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 conservative 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 business are calculated as the risk premium for the unexpired term with an allowance for expenses and a margin for adverse deviations.

K. DISCOUNTED INSTRUMENTS

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

L. 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.

M. 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 / lending as the case may be with the interest paid / received classified as interest expense / income and is accounted on an accrual basis.

N. 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 expense relating to overseas subsidiaries are determined in accordance with the tax laws applicable in countries where such subsidiary is domiciled. Minimum alternate tax (MAT) paid in a year is charged to the statement of 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 for which MAT credit is allowed to be carried forward.

Deferred tax adjustments comprise of changes in the deferred tax assets and liabilities. 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 periods.

Deferred tax assets arising mainly on account of carry forward losses and unabsorbed depreciation under tax laws are recognised only if there is virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent that there is reasonable certainty 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 substantially 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 across various entities are not set off against each other as the Group does not have a legal right to do so.

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

O. 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" notified under the Companies (Accounting Standard) Rules, 2006 "as amended", the Group's business has been segregated into the following segments whose principal activities were as under:

Segment	Principal activity
Treasury, Investments and BMU	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
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.
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
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 and revenue from being a professional clearing member.
Asset Management	Management of investments on behalf of clients and funds.
Insurance	Life insurance

The above segments have been identified based on the organisation structure, the customer segment, products and services offered and its relation to risk and reward, and the internal reporting process.

A transfer pricing mechanism between segments has been established to arrive at interest cost on the borrowings of the segments based on borrowing costs, maturity profile of assets / liabilities etc. and which is disclosed as part of Segment Revenue.

Segment revenues consists 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.

P. EMPLOYEE SHARE BASED PAYMENTS

Equity-settled:

The Bank has formulated Employee Stock Option Schemes (ESOSs) in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Schemes provide for grant of options to employees of the Group to acquire the equity shares

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

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 SEBI Guidelines and the guidance note on "Accounting for Employee Share-based payments" issued by The Institute of Chartered Accountants of India, the excess, if any, of the fair market price of the share preceding the date of grant of the option under ESOSs over the exercise price of the option is amortised on a straight-line basis over the vesting period. The fair market price is the latest available closing price, prior to the date of grant, 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) 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 settlement date with changes in intrinsic value recognised in the Profit and Loss Account in 'Payments to and provision for employees'.

Q. CLAIMS / BENEFITS

Benefits paid comprise of policy benefit amount, surrenders, claim investigation fees and specific claims settlement costs where applicable and change in the outstanding provision for claims at the year end. Surrender and claims by death 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.

R. 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 Pass Through Certificate (PTC) 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" notified under the Companies (Accounting Standard) Rules, 2006 "as amended".

The gain / 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.

S. LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, 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.

Assets subject to operating leases are 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 immediately in the Profit and Loss Account.

Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease.

T. PROVISIONS AND CONTINGENCIES

Provision is recognised when there is a present obligation as a result of past event; 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 determined based on best estimate 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. Provision is made for Credit card reward points based on reward points accrued to the customer at Balance Sheet date.

Contingent Liabilities are not recognised but are disclosed in the notes unless the outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements.

U. SCHEME EXPENSES

Annual recurring expenses relating to schemes of Kotak Mahindra Mutual Fund which are in excess of internal expense limits are borne by the Group. The internal expense limits are within the overall expense limits prescribed by the SEBI. Further, scheme expenses also includes new fund offer expenses, and other expenses relating to the schemes which do not fall under regulation 52(4) of the SEBI (Mutual Funds) regulation 1996.

V. SHARE ISSUE EXPENSES

Share issue expenses are adjusted from Securities Premium Account in terms of Section 78 of the Companies Act, 1956

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

W. 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.

X. 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 of carrying amount of assets exceeds their estimated recoverable amount.

Y. 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. 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	₹ 67.63 crore (Previous Year ₹ 61.66 crore)
Superannuation Fund	₹ 0.83 crore (Previous Year ₹ 0.90 crore)
New Pension Fund	₹ 0.95 crore (Previous Year ₹ NIL)

b. In accordance with Indian regulations, the Group provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement or on termination of employment based on the respective employee's salary and the years of employment with the Group subject to maximum of ₹ 0.10 crore. There is no ceiling on gratuity payable to Directors.

The gratuity benefit is provided to the employees of the Bank and four of its subsidiaries through a fund administered by a Board of Trustees and managed by a life insurance subsidiary. The Bank and its four subsidiaries are responsible for settling the gratuity obligation through contributions to the fund. The plan is fully funded.

In respect of other subsidiaries in the Group, the gratuity obligation is wholly unfunded.

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 2013		As on 31st March 2012	
	Funded	**Others**	Funded	Others
Change in benefit obligations				
Liability at the beginning of the year	**60.76**	**16.18**	39.85	26.80
Transfer of liabilities funded during the year	**10.92**	**(10.92)**	12.79	(12.79)
Current Service cost	**15.67**	**0.62**	13.74	3.34
Interest cost	**7.35**	**0.48**	5.16	1.38
Actuarial (gain) / loss on obligations	**8.51**	**0.09**	(3.80)	(0.72)
Past Service cost	**-**	**-**	-	-
Liability assumed on transfer of employees	**(0.21)**	**0.27**	0.20	(0.09)
Benefits paid	**(11.33)**	**(0.85)**	(7.18)	(1.74)
Liability at the end of the year	**91.67**	**5.87**	60.76	16.18
Change in plan assets				
Fair value of plan assets at the beginning of the year	**56.54**	**-**	34.66	-
Expected return on plan assets	**4.16**	**-**	2.60	-
Actuarial Gain / (loss)	**1.66**	**-**	(2.61)	-
Benefits paid	**(11.33)**	**(0.85)**	(7.18)	(1.74)
Employer contributions	**37.84**	**0.85**	29.07	1.74
Fair value of plan assets as at the end of the year	**88.87**	**-**	56.54	-

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

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

₹ in crore

	As on 31st March 2013		As on 31st March 2012	
	Funded	Others	Funded	Others
Fair value of plan assets as at the end of the year	88.87	-	56.54	-
Liability at the end of the year	91.67	5.87	60.76	16.18
Net Asset / (Liabilities) included in "Others" under "Other Assets" and "Others Liabilities"	(2.80)	(5.87)	(4.22)	(16.18)
Expenses recognised for the year				
Current service cost	15.67	0.62	13.74	3.34
Interest cost	7.35	0.48	5.16	1.38
Expected return on plan assets	(4.16)	-	(2.60)	-
Actuarial (gain) / loss	6.85	0.09	(1.19)	(0.72)
Effect of the limit in Para 59(b)	-	-	0.07	-
Net gratuity expense included in "[payments to and provision for employees]" under "Operating Expenses" [Schedule 16 (I)]	25.71	1.19	15.18	4.00
Actual return on plan assets	5.82	-	#	-

In the above table denotes amounts less than ₹ 50,000.00

₹ in crore

	As on 31st March 2013		As on 31st March 2012	
	Funded	Others	Funded	Others
Reconciliation of the Liability recognised in the Balance Sheet				
Net (Asset) / Liability at the beginning of the year	4.22	16.18	5.19	26.80
Transfer of liabilities funded during the year	10.92	(10.92)	12.79	(12.79)
Expense recognised	25.71	1.19	15.18	4.00
Liability assumed on transfer of employees	(0.21)	0.27	0.20	(0.09)
Employer contributions / Transfers	(37.84)	(0.85)	(29.07)	(1.74)
Effect of the limit in Para 59(b)	-	-	(0.07)	-
Net (Asset) / Liability is included in "Others" under "Other Assets" and "Other Liabilities"	2.80	5.87	4.22	16.18

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 2013	As on 31st March 2012
	%	%
Government securities	19.09	10.89
Bonds, debentures and other fixed income instruments	20.45	15.91
Money market instruments	13.59	13.29
Equity shares	46.87	59.91
Total	100.00	100.00

Actuarial assumptions used

	As on 31st March 2013	As on 31st March 2012
Discount rate	8.24% p.a.	8.94% p.a.
Salary escalation rate	8.50% p.a.	15% p.a. for first 2 yr, 10% p.a. for next 2 yrs & 6% p.a. thereafter
Expected rate of return on plan assets	7.50% p.a.	7.50% p.a.

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

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				
	2013	2012	2011	2010	2009
Defined benefit obligation	**97.54**	76.94	66.65	39.34	33.54
Plan assets	**88.87**	56.54	34.66	25.63	15.39
Surplus / (deficit)	**(8.67)**	(20.40)	(31.99)	(13.71)	(18.15)
Experience adjustments on plan liabilities	**(4.72)**	(0.30)	2.11	(0.93)	(4.95)
Experience adjustments on plan assets	**1.66**	(2.61)	0.64	4.61	(3.58)

The Group expects to contribute ₹ 11.51 crore to gratuity fund in financial year 2013-2014.

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

Compensated absences

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

₹ in crore

	31st March 2013	31st March 2012
Total actuarial liability	64.38	65.21
Assumptions:		
Discount rate	8.24% p.a.	8.94% p.a
Salary escalation rate	8.50% p.a.	15% p.a. for first 2 yr, 10% p.a. for next 2 yrs & 6% p.a. thereafter

4. LIEN AND ENCUMBRANCES:

(a) Balance with Banks in other deposit accounts include ₹ 42.24 crore (previous year ₹ 36.76 crore) which are under lien.

(b) Investments includes Government Securities with face value of ₹ 8,865 crore (previous year ₹ 5,968 crore) pledged and encumbered for availment of fund transfer facility, clearing facility and margin requirements.

(c) The Bank receives deposits from customers as part of margin requirements in respect of its professional clearing member (PCM) business with National Securities Clearing Corporation Ltd. (NSCCL). Correspondingly, the Bank is required to maintain margins / deposits with NSCCL. For the said purpose of placing margins / deposits, the Bank has issued its own Fixed Deposit receipts amounting to ₹ 249.34 crore (previous year ₹ 414.91 crore) in favour of NSCCL which have not been included in "Term Deposits from Others" [Schedule 3 (III) (ii)].

5. "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 2012	Addition during the year	Reversed / paid during the year	**Balance as on 31st March 2013**
Stamp duty on Trades	12.65	-	9.44	**3.21**
Total	**12.65**	**-**	**9.44**	**3.21**
Previous year	18.05	4.30	9.70	12.65

Based on legal opinion, the Management is of the view that certain provisions for earlier years are no longer required and have reversed ₹ 9.44 crore (Previous Year ₹ 9.47 crore)

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

6. PROVISIONS AND CONTINGENCIES:

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

₹ in crore

Year ended 31st March	2013	2012
Provision for taxation (Refer Note 7)	**939.95**	806.01
Provision for Non-performing Assets and Contingencies (including write-offs and net of recoveries)	**165.05**	54.88
Provision for Standard Assets	**50.84**	31.86
Provision for Diminution in value of Investments	**(33.90)**	13.15
Provision Others	**1.19**	(1.19)
Total	**1,123.13**	904.71

7. PROVISION MADE FOR TAXES DURING THE YEAR:

₹ in crore

Year ended 31st March	2013	2012
Current tax	**963.00**	745.56
Deferred tax	**(23.20)**	60.34
Wealth Tax	**0.15**	0.11
Total	**939.95**	806.01

8. DESCRIPTION OF CONTINGENT LIABILITIES:

Sr. No.	Contingent Liability*	Brief Description
1.	Claims not acknowledged as debts	This includes liability on account of income tax, interest 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. Against the above ₹ 42.98 crore (previous year ₹ 30.08 crore) have been paid, which shall be refunded to the Group, if the outcome of the legal proceedings will be in the favour of 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	As a 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 includes Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Group, contingent liabilities on account of bills re-discounted by the Group and cash collateral provided by the Group on assets which have been securitised.
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 and options 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 / 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. This also includes liability in respect of Capital commitments relating to fixed assets and undrawn commitments in respect of investments.

* Also refer Schedule 12 – Contingent Liabilities

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

9. EARNINGS PER EQUITY SHARE:

Particulars	As on 31st March 2013	As on 31st March 2012
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	**743,304,984**	738,573,973
Effect of potential equity shares for stock options outstanding	**2,816,120**	4,072,993
Weighted average number of equity shares used in computation of diluted earnings per share	**746,121,104**	742,646,966
Following is the reconciliation between basic and diluted earnings per share:		
Nominal value per share (₹)	**5.00**	5.00
Basic earnings per share (₹)	**29.44**	24.81
Effect of potential equity shares for stock options (₹)	**0.11**	0.14
Diluted earnings per share (₹)	**29.33**	24.67
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	**2,188.46**	1,832.24

10. ESOPs:

At the General Meetings of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had unanimously passed Special Resolutions on 28th July 2000, 26th July 2004, 26th July 2005, 5th July 2007 and 21st August 2007, to grant options to the eligible employees of the Bank and its subsidiaries companies. Pursuant to these resolutions, the following four 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; and

(d) Kotak Mahindra Equity Option Scheme 2007.

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 6,02,07,360 options as on 31st March 2013 (Previous year 5,72,75,810)

Stock appreciation rights

The Management has approved the grant of stock appreciation rights (SARs) to eligible employees as and when deemed fit. 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 0.80 to 4.36 years.

Detail of activity under SARs is summarised below

	Year Ended 31st March 2013	Year Ended 31st March 2012
Outstanding at the beginning of the year	**1,457,687**	734,888
Granted during the year	**893,674**	1,274,960
Settled during the year	**714,321**	438,901
Lapsed during the year	**113,334**	113,260
Outstanding at the end of the year	**1,523,706**	1,457,687

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 2013, the following schemes were in operation:

	Plan 2007
Date of grant	Various Dates
Date of Board Approval	Various Dates
Date of Shareholder's approval	5th July 2007 as amended on 21st August 2007
Number of options granted	30,317,160
Method of Settlement (Cash / Equity)	Equity
Vesting Period	1 – 4.31 years
Exercise Period	0.17 – 1.01 years
Vesting Conditions	Graded / Cliff vesting

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

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

	Year ended 31st March 2013		Year ended 31st March 2012	
	Number of Shares	**Weighted Average Exercise Price (₹)**	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	**11,785,693**	**311.71**	13,420,010	271.88
Granted during the year	**2,931,550**	**588.77**	3,251,130	413.86
Forfeited during the year	**337,162**	**361.94**	1,027,154	317.59
Exercised during the year	**5,919,516**	**346.48**	3,818,006	257.04
Expired during the year	**41,033**	**310.88**	40,287	316.20
Outstanding at the end of the year	**8,419,532**	**419.49**	11,785,693	311.71
Out of the above exercisable at the end of the year	**959,181**	**241.72**	2,193,562	287.67
Weighted average remaining contractual life (in years)		**1.76**		1.43
Weighted average fair value of options granted		**211.57**		167.80

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 609.59 (Previous year ₹ 469.24).

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

31st March 2013

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
0-100	5,436	0.75	5.00
101-200	729,788	0.95	152.27
201-300	348,058	1.49	250.00
301-400	2,558,757	0.87	325.76
401-500	2,006,783	1.59	421.00
501-600	1,240,710	2.20	545.00
601-700	1,530,000	3.59	640.00

31st March 2012

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
0-100	13,368	1.25	5.00
101-200	1,745,222	1.50	146.36
201-300	1,452,643	1.22	222.75
301-400	5,763,470	1.13	331.62
401-500	2,810,990	2.13	421.00

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

Stock Options granted

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 the 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	2013		2012	
	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Exercise Price ₹	350-640	5-640	305-421	5-421
Weighted Average Share Price ₹	602.56	556.71	414.17	411.16
Expected Volatility	29.65%-50.51%	18.30%-29.60%	30.72%-58.10%	31.61%-42.89%
Historical Volatility	29.65%-50.51%	18.30%-29.60%	30.72%-58.10%	31.61%-42.89%
Life of the options granted (Vesting and exercise period) in years				
- At the grant date	1.16-4.12		1.16-3.88	
- As at 31st March		0.04-3.38		0.04-2.75
Risk-free interest rate	7.94%-8.43%	7.89%-8.10%	8.30%-8.52%	8.11%-8.87%
Expected dividend rate	0.09%-0.11%	0.09%	0.11%-0.12%	0.09%

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.

The above information has been prepared by the Group and relied upon by the auditors.

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	2013	2012
Total Employee Compensation Cost pertaining to share-based payment plans	67.62	52.87
Compensation Cost pertaining to equity-settled employee share-based payment plan included above	9.38	15.87
Liability for employee stock options outstanding as at year end	24.53	50.45
Deferred Compensation Cost	6.99	15.63
Closing balance of liability for cash-settled options	53.97	35.37
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	9.99	4.90

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 ₹ 40.50 crore (Previous year ₹ 42.11 crore) and the profit after tax would have been lower by ₹ 27.36 crore (Previous year ₹ 28.45 crore). Consequently the basic and diluted EPS would have been ₹ 29.07 (Previous year ₹ 24.42) and ₹ 28.96 (Previous year ₹ 24.29) respectively.

In computing the above information, certain estimates and assumptions have been made by the Management which have been relied upon by the auditors.

11. TIER II BONDS:

a. Lower Tier II Bonds outstanding as on 31st March 2013 ₹ 752.40 crore (Previous year ₹ 777.40 crore).

b. Upper Tier II Bonds outstanding as on 31st March 2013 ₹ 380.28 crore (Previous year ₹ 364.94 crore) of which bonds issued outside India ₹ 244.28 crore (previous year ₹ 228.94 crore).

12. Interest Expended-Others {Schedule 15(III)} includes interest on subordinated debt (Lower and Upper Tier II) ₹ 89.06 crore (Previous Year ₹ 89.41 crore).

13. 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. KMPL, 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 ₹ 81.51 crore (previous year ₹ 67.08 crore) is carried forward in the Balance Sheet under "Other Assets".

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

14. SEGMENT REPORTING:

The Summary of the operating segments of the Group for the year ended 31st March 2013 are as given below.

₹ in crore

31st March	2013	2012
Segment Revenues:		
Treasury, Investments and BMU	2,707.84	2,188.03
Retail Banking	5,906.18	4,523.61
Corporate Banking	3,445.72	2,696.85
Vehicle Financing	1,569.73	1,258.74
Other Lending Activities	767.00	618.84
Broking	440.36	484.29
Advisory and Transactional Services	71.94	72.17
Asset Management	305.82	320.68
Insurance	3,741.27	3,184.34
Sub-total	18,955.86	15,347.55
Add: Unallocated Income	2.28	4.05
Less: inter-segment revenues	(3,007.87)	(2,337.78)
Total Income	**15,950.27**	13,013.82
Segment Results:		
Treasury, Investments and BMU	295.52	139.65
Retail Banking	613.82	565.84
Corporate Banking	1,211.48	997.14
Vehicle Financing	383.24	338.58
Other Lending Activities	305.33	251.73
Broking	65.58	87.28
Advisory and Transactional Services	3.60	(8.14)
Asset Management	64.96	77.15
Insurance	198.36	203.26
Sub-total	3,141.89	2,652.49
Add: Unallocated Income / (Expense)	2.28	4.05
Total Profit before tax, minority interest and associates	**3,144.17**	2,656.54
Segment Assets		
Treasury, Investments and BMU	35,605.87	26,163.02
Retail Banking	52,890.05	42,226.27
Corporate Banking	25,296.93	20,014.00
Vehicle Financing	13,275.04	10,687.47
Other Lending Activities	5,390.92	4,536.27
Broking	389.43	392.93
Advisory and Transactional Services	19.87	60.04
Asset Management	1225.74	772.85
Insurance	10,973.55	9,831.38
Sub-total	145,067.40	114,684.23
Less: inter-segment assets	(29,498.80)	(22,600.50)
Total	115,568.60	92,083.73
Add: Unallocated Assets	266.06	265.66
Total Assets as per Balance Sheet	**115,834.66**	92,349.39

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

31st March	2013	2012
Segment Liabilities		
Treasury, Investments and BMU	33,347.96	23,206.82
Retail Banking	48,027.22	38,345.42
Corporate Banking	21,558.83	17,041.87
Vehicle Financing	10,625.14	9,501.00
Other Lending Activities	4,624.31	3,175.48
Broking	656.67	823.80
Advisory and Transactional Services	25.82	48.57
Asset Management	567.63	278.38
Insurance	10,342.46	9,357.76
Sub-total	129,776.04	101,779.10
Less: inter-segment liabilities	(29,498.80)	(22,600.50)
Total	100,277.24	79,178.60
Add : Unallocated liabilities	98.90	57.97
Add: Share Capital, Reserves and Surplus and Minority Interest	15,458.52	13,112.82
Total Capital and Liabilities as per Balance Sheet	**115,834.66**	92,349.39
Capital Expenditure		
Treasury, Investments and BMU	41.79	67.44
Retail Banking	100.33	70.50
Corporate Banking	8.29	6.48
Vehicle Financing	3.78	2.14
Other Lending Activities	0.77	0.24
Broking	8.82	12.01
Advisory and Transactional Services	1.46	1.49
Asset Management	5.60	4.10
Insurance	18.17	21.04
Total	**189.01**	185.44
Depreciation / Amortisation		
Treasury, Investments and BMU	59.70	55.25
Retail Banking	68.04	57.49
Corporate Banking	5.08	4.25
Vehicle Financing	2.61	1.82
Other Lending Activities	0.20	0.15
Broking	13.42	14.60
Advisory and Transactional Services	1.83	1.88
Asset Management	5.02	3.95
Insurance	23.13	24.94
Total	**179.03**	164.33

Segment information is provided as per the MIS available for internal reporting purposes, which includes certain estimates and assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

15. 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 ₹ 207.78 crore (previous year ₹ 178.35 crore).

(ii) The future minimum lease payments under non cancelable operating lease – not later than one year is ₹ 182.70 crore (previous year ₹ 141.47 crore), later than one year but not later than five years is ₹ 708.96 crore (previous year ₹ 527.59 crore) and later than five years ₹ 259.30 crore (previous year ₹ 122.89 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.

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

16. ASSETS GIVEN ON LEASE:

The lease income recognised in the Profit and Loss Account in respect of premises and equipment under operating lease is ₹ 1.20 crore (previous year ₹ 1.14 crore).

The future minimum lease payments under non cancelable operating lease – not later than one year is ₹ Nil (previous year ₹ 0.95 crore), later than one year but not later than five years is ₹ Nil (previous year ₹ Nil).

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

₹ in crore

As on 31st March	2013	2012
Gross Investments:		
(i) Not later than 1 year	**79.46**	61.79
(ii) Between 1-5 years	**149.49**	123.79
Total	**228.95**	185.58
Unearned Finance Income:		
(i) Not later than 1 year	**21.42**	17.12
(ii) Between 1-5 years	**21.97**	19.56
Total	**43.39**	36.68
Present Value of Rentals		
(i) Not later than 1 year	**58.04**	44.67
(ii) Between 1-5 years	**127.52**	104.22
Total	**185.56**	148.89
Accumulated provision on the Gross Investments	**0.17**	0.01

17. 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 2013

As on 31st March	2013	2012	Purpose
Particulars of Derivatives	**Quantity**	Quantity	
Futures			
S&P CNX Nifty Futures	**56,750**	88,250	Trading
S&P CNX Nifty Futures	**21,800**	70,450	Hedging
Bank Nifty Futures	**650**	3,000	Trading
Stock Futures	**7,773,500**	12,045,500	Trading
Stock Futures	**-**	1,954,125	Hedging
Commodity Futures	**4,300**	4,000	Hedging
Options			
S&PCNX Nifty Options Long	**467,650**	324,850	Trading
S&PCNX Nifty Options Long	**554,950**	659,350	Hedging
S&PCNX Nifty Options Short	**616,050**	233,450	Trading
S&PCNX Nifty Options Short	**250,000**	450,000	Hedging
Stock Options Long	**-**	38,000	Trading
Stock Options Long	**-**	12,000	Hedging
Stock Options Short	**12,000**	-	Trading
Bank Nifty Options Long	**3,150**	-	Trading
Bank Nifty Options Short	**2,625**	-	Trading

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

As on 31st March	2013	2012	Purpose
Particulars of Derivatives	**Notional Amount**		
Currency Swaps	**USD 20,131,291**	USD 64,667,282	Hedging
Credit Default Swaps	**USD 15,000,000**	-	Trading
Forward Exchange Contracts			
USD-INR Long	**USD 11,500,000**	USD 60,775,203	Hedging
USD-INR Short	**USD 1,500,000**	USD 17,307,129	Hedging
USD-INR Short	**USD 1,785,000**	-	Trading
USD-INR Long	**USD 1,933,000**	-	Trading
USD-INR Short	**USD 1,979,000**	-	Trading
EURO-USD Long	**-**	USD 1,368,500	Hedging
EURO-USD Short	**-**	USD 1,333,900	Hedging

Unhedged forex exposure outstanding as on the Balance Sheet date

₹ in crore

Particulars	As on 31st March 2013	As on 31st March 2012
Amount Receivable in foreign currency	**0.02 (USD 3,675)**	0.98 (USD 192,178)
	3.76 (JPY 65,111,776)	2.50 (JPY 40,288,209)
Amount Payable in foreign currency	**0.96 (USD 175,515)**	0.01 (Bahrain Dinars 445)

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

₹ in crore

Particulars	Year ended 31st March 2013	Year ended 31st March 2012
Deferred Tax Assets		
Provision for non-performing and doubtful debts, standard advances and contingencies	**185.55**	183.73
Depreciation on assets	**33.61**	22.41
Unabsorbed capital losses/ business losses/ provision for investments	**0.01**	1.51
Unamortised Income	**0.77**	2.81
Expenditure allowed on payment basis and others	**66.87**	49.34
Total Deferred Tax Assets	**286.81**	259.80
Deferred Tax Liabilities		
Deferred expenses	**27.71**	21.76
Depreciation on assets	**1.32**	1.09
Others	**1.75**	3.87
Total Deferred Tax Liabilities	**30.78**	26.72
Net Deferred Tax Assets/(Liabilities)	**256.03**	233.08

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

19. FIXED ASSETS:

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

₹ in crore

Particulars	Year ended 31st March 2013	Year ended 31st March 2012
SOFTWARE		
Gross Block		
At cost on 31st March of the preceding year	**230.83**	187.93
Additions during the year	**32.79**	42.90
Deductions during the year	**2.05**	-
Total	**261.57**	230.83
Amortisation		
As on 31st March of the preceding year	**178.04**	140.39
Charge for the year	**38.04**	37.65
Deductions during the year	**1.67**	-
Depreciation to date	**214.41**	178.04
Net Block	**47.16**	52.79
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	**3.41**	3.21
Charge for the year	**0.21**	0.20
Amortisation to date	**3.62**	3.41
Net Block	**1.04**	1.25
GOODWILL		
Gross Block		
At cost on 31st March of the preceding year	**1.88**	1.88
Total	**1.88**	1.88
Amortisation		
As on 31st March of the preceding year	**1.88**	1.88
Charge for the year	**-**	-
Amortisation to date	**1.88**	1.88
Net Block	**-**	-
FOREX BROKING BUSINESS RIGHTS		
Gross Block		
At cost on 31st March of the preceding year	**3.83**	3.83
Total	**3.83**	3.83
Amortisation		
As on 31st March of the preceding year	**3.83**	3.83
Charge for the year	**-**	-
Amortisation to date	**3.83**	3.83
Net Block	**-**	-

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

20. 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 44.96% of the equity share capital of Kotak Mahindra Bank Limited as on 31st March 2013.
B	**Other Related Parties:**	
	Associates	ACE Derivatives and Commodity Exchange Limited Infina Finance Private Limited Phoenix ARC Private Limited Add Albatross Properties Private Limited Matrix Business Services India Private Limited
	Investing Party of the subsidiaries	Old Mutual Plc. Old Mutual Life Assurance Company (South Africa) Limited
	Enterprises over which relatives of Key Management Personnel have control/ significant influence	Aero Agencies Limited Kotak and Company Limited Kotak Commodity Services Limited Komaf Financial Services Limited Asian Machinery & Equipment Private Limited Cumulus Trading Company Private Limited Palko Properties Private Limited Harisiddha Trading and Finance Private Limited Kotak Trustee Company Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Limited Insurekot Investments Private Limited Puma Properties Private Limited
	Key Management Personnel	Mr. Uday S. Kotak – Executive Vice Chairman and Managing Director- KMBL Mr. C. Jayaram - Joint Managing Director- 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. Usha Jayaram Ms. Anita Gupta Ms. Urmila Gupta

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

C. Details of related party transactions:

₹ in crore

Items/Related Party	Associates	Investing Party of the subsidiaries	Enterprises over which relatives of Key Management Personnel have control/ significant influence	Key Management Personnel	Relatives of Key Management Personnel
I. Liabilities					
Other Liabilities	-	0.72	2.36	0.01	
	(0.33)	(0.83)	(0.08)	(0.01)	
Deposits	369.02		127.81	1.11	1.52
	(341.19)		(132.32)	(10.99)	(1.02)
Interest Payable	3.83		1.30	0.01	0.01
	(3.23)		(1.13)	(0.19)	(#)
II. Assets					
Investments -Gross	114.80				
	(114.80)				
Diminution on Investments	15.27				
	(9.67)				
Others	1.04		0.55		
	(0.31)		(0.43)		
III. Expenses					
Salaries / fees (Include ESOP cost)*				9.09	
				(8.64)	
Others	2.31		5.03	0.08	
	(2.51)		(3.91)	(0.08)	
Interest Paid	47.38		14.00	0.22	0.06
	(48.85)		(11.66)	(1.06)	(0.05)
IV. Income					
Others	2.69		3.94	0.03	
	(3.24)		(3.60)	(0.03)	
V. Other Transactions					
Dividend paid				20.06	0.12
				(16.72)	(0.10)
Reimbursement to companies	0.16		4.05		
	(0.02)		(3.21)		
Reimbursement from companies	1.07		1.94		
	(2.98)		(1.73)		
Purchase of Investments	-				
	(18.38)				
Purchase of Fixed Assets	0.09				
	(-)				

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

D. Material transactions with related parties:

₹ in crore

Items / Related Party	Associates	Investing Party of the subsidiary	Enterprises over which relatives of Key Management Personnel have control/ significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
I. Liabilities:						
Other liabilities						
Old Mutual Life Assurance Company (South Africa) Limited		0.72 (0.83)				0.72 (0.83)
Aero Agencies Limited			0.09 (0.03)			0.09 (0.03)
Kotak Commodity Services Limited			2.27 (0.05)			2.27 (0.05)
Infina Finance Private Limited	- (0.32)					- (0.32)
Others	- (0.01)			0.01 (0.01)		0.01 (0.02)
II. Assets:						
Investments						
ACE Derivatives and Commodity Exchange Limited	42.16 (42.16)					42.16 (42.16)
Add Albatross Properties Private Limited	15.27 (15.27)					15.27 (15.27)
Phoenix ARC Private Limited	52.61 (52.61)					52.61 (52.61)
Others	4.76 (4.76)					4.76 (4.76)
Diminution on investments						
Add Albatross Properties Private Limited	15.27 (9.67)					15.27 (9.67)
Others						
Kotak Commodity Services Limited			0.55 (0.43)			0.55 (0.43)
ACE Derivatives and Commodity Exchange Limited	0.35 (0.28)					0.35 (0.28)
Infina Finance Private Limited	0.64 (0.03)					0.64 (0.03)
Others	0.05 (#)		- (#)			0.05 (#)
III. Expenses:						
Salaries (Includes ESOP cost)						
Mr. Uday Kotak*				2.19 (2.08)		2.19 (2.08)
Mr. C. Jayaram*				3.28 (3.16)		3.28 (3.16)
Mr. Dipak Gupta*				3.63 (3.40)		3.63 (3.40)

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

Items / Related Party	Associates	Investing Party of the subsidiary	Enterprises over which relatives of Key Management Personnel have control/ significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
Interest Paid						
Infina Finance Private Limited	36.48					36.48
	(37.50)					(37.50)
Phoenix ARC Private Limited	8.78					8.78
	(7.03)					(7.03)
Kotak Commodity Services Limited			12.69			12.69
			(10.53)			(10.53)
Others	2.12		1.31	0.22	0.06	3.71
	(4.32)		(1.13)	(1.06)	(0.05)	(6.56)
Others						
Aero Agencies Limited			4.61			4.61
			(3.47)			(3.47)
Kotak and Company Limited			0.40			0.40
			(0.44)			(0.44)
Matrix Business Services India Private Limited	2.21					2.21
	(2.45)					(2.45)
Others	0.10		0.01	0.08		0.19
	(0.07)		(-)	(0.08)		(0.15)
IV. Income:						
Others						
Fee Income						
Phoenix ARC Private Limited	-					-
	(0.50)					(0.50)
Kotak Commodity Services Limited			3.91			3.91
			(3.58)			(3.58)
Others	#		#			#
	(#)		(-)			(#)
Premium Income						
ACE Derivatives and Commodity Exchange Limited	-					-
	(0.01)					(0.01)
Phoenix ARC Private Limited	0.01					0.01
	(0.01)					(0.01)
Kotak Commodity Services Limited			0.01			0.01
			(0.02)			(0.02)
Others				0.01		0.01
				(0.02)		(0.02)
Brokerage Income						
Infina Finance Private Limited	2.68					2.68
	(2.73)					(2.73)
Others			0.01	0.02		0.03
			(-)	(0.01)		(0.01)

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

Items / Related Party	Associates	Investing Party of the subsidiary	Enterprises over which relatives of Key Management Personnel have control/ significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
V. Other Transactions:						
Dividend Paid						
Mr. Uday Kotak				19.99		19.99
				(16.66)		(16.66)
Mr. C Jayaram				0.03		0.03
				(0.03)		(0.03)
Mr. Dipak Gupta				0.04		0.04
				(0.03)		(0.03)
Ms. Pallavi Kotak					0.03	0.03
					(0.03)	(0.03)
Ms. Indira Kotak					0.07	0.07
					(0.06)	(0.06)
Others					0.01	0.01
					(0.01)	(0.01)
Reimbursements made						
Infina Finance Private Limited	0.02					0.02
	(0.02)					(0.02)
Kotak Commodity Services Limited			4.05			4.05
			(3.21)			(3.21)
Others	0.14					0.14
	(#)					(#)
Reimbursements received						
Kotak Commodity Services Limited			1.94			1.94
			(1.73)			(1.73)
ACE Derivatives and Commodity Exchange Limited	0.93					0.93
	(2.95)					(2.95)
Others	0.15					0.15
	(0.03)					(0.03)
Purchase of Investments						
Add Albatross Properties Private Limited	-					-
	(18.38)					(18.38)
Purchase of Fixed Assets						
ACE Derivatives and Commodity Exchange Limited	0.09					0.09
	(-)					(-)

* includes incentive paid during the year

In the above table denotes amounts less than ₹ 50,000.00

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

E. Maximum balance outstanding:

₹ in crore

Items/Related Party	Associates	Investing Party of the Subsidiary	Enterprise over which relative of Key Management Personnel have control/ significant influence	Key Management Personnel	Relatives of Key Management Personnel
I. Liabilities					
Deposits	3500.68		257.83	17.88	2.28
	(2,282.79)		(239.08)	(23.93)	(2.25)
Other Liabilities	0.33	0.83	2.36	0.01	
	(20.38)	(0.83)	(0.23)	(0.01)	
II. Assets					
Investments-Gross	114.80				
	(114.80)				
Diminution on Investments	15.27				
	(9.67)				
Others	1.04		0.55		
	(0.37)		(0.43)		

Note: Figures of previous year are given in bracket.

21. Subsequent to the year end, the Bank has entered into an agreement with Heliconia Pte Ltd., a private company limited by shares incorporated and existing under the laws of Singapore, an affiliate of Government of Singapore Investment Corporation Pte Ltd. for a preferential issue of 2 crore equity shares of the Bank at a price of ₹ 648 per share, aggregating to ₹ 1,296 crore. The proposed preferential issue is subject to shareholder and other necessary regulatory approvals.

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

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman
and Managing Director

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and Group Chief Financial Officer

Bina Chandarana
Company Secretary

Mumbai, 2nd May 2013

Financial Information of Subsidiaries for the year ended 31st March 2013

₹ in Lakhs

Particulars	Kotak Mahindra Prime Limited	Kotak Securities Limited	Kotak Mahindra Capital Company Limited	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.	Global Investment opportunities Fund Limited	Kotak Investment Advisors Limited	Kotak Mahindra Trusteeship Services Limited	Kotak Forex Brokerage Limited	Kotak Mahindra Pension Fund Ltd	Kotak Mahindra Financial Services Ltd
Capital	349.52	160.00	343.61	51,029.02	305.03	1,980.00	5.01	1,615.98	700.78	6.99	0.10	459.20	5.00	410.00	2,800.00	722.98
Reserves	234,842.26	193,267.32	38,514.20	29,237.98	30,078.97	4,320.24	4,529.86	23,534.92	9,441.38	2,264.34	0.02	21,828.79	491.05	(368.43)	(231.88)	(490.59)
Total Networth	235,191.78	193,427.32	38,857.81	80,267.00	30,384.00	6,300.24	4,534.87	25,150.90	10,142.16	2,271.33	0.12	22,287.99	496.05	41.57	2,568.12	232.39
Total Assets	1,875,596.31	266,973.48	41,334.00	1,135,946.08	96,639.45	9,373.45	4,550.16	66,868.57	22,181.73	2,428.73	0.12	22,954.88	519.04	137.64	2,615.41	589.44
Total Liabilites	1,640,404.53	73,546.16	2,476.19	1,055,679.08	66,255.45	3,073.21	15.29	41,717.67	12,039.57	157.40	-	666.89	22.99	96.07	47.29	357.05
Investments (excluding investment in subsidiaries)	111,059.56	21,100.33	9,475.00	999,259.48	3,759.36	-	4,000.00	56,804.55	-	446.00	-	18,762.26	300.00	-	2,587.07	-
Turnover	225,872.92	60,699.29	8,326.35	373,897.73	11,765.68	11,708.44	1,209.18	3,657.81	6,748.55	843.68	-	8,500.14	269.87	73.58	81.81	795.13
Profit before taxation	64,101.10	18,853.00	2,352.74	19,832.90	4,598.20	294.59	1,141.45	2,739.37	(1,354.47)	(521.78)	-	4,327.92	195.88	2.50	(60.46)	(158.30)
Provision for taxation	21,031.13	7,402.76	681.40	859.07	1,241.46	(52.12)	287.73	73.91	-	6.09	-	1,260.45	61.63	-	-	-
Profit after taxation	43,069.97	11,450.24	1,671.34	18,973.83	3,356.74	346.71	853.72	2,665.46	(1,354.47)	(527.87)	-	3,067.47	134.25	2.50	(60.46)	(158.30)
Proposed Dividend (Equity)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) Total liabilities include current liabilities and provision and exclude capital and reserves

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

(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) Networth does not include Preference Share capital. The same is included in total liabilities.

(5) The figures in respect of Kotak Mahindra, Inc., Kotak Mahindra (UK) Limited, Kotak Mahindra (International) Limited, Global Investment opportunities Fund Limited and Kotak Mahindra Financial Services Limited are based on the accounts prepared under Indian Accounting Standards.

Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman
and Managing Director

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Bina Chandarana
Company Secretary

Basel II (Pillar 3) Disclosures

1. Scope of Application

Pillar 3 disclosures apply to Kotak Mahindra Bank Limited (KMBL) and its consolidated entities for regulatory purposes, wherein KMBL is the controlling entity in the group.

Basis of Consolidation for capital adequacy

The consolidated capital adequacy is based on consolidated financial statements of Kotak Mahindra Bank and its subsidiaries, prepared in accordance with guidelines for consolidated accounting and other quantitative methods vide circular DBOD.No.BP.BC.72/21.04.018/2001-02 dated 25th February 2003 issued by Reserve Bank of India (RBI). The capital charge is computed as per RBI guidelines for implementation of the New Capital Adequacy Framework (Basel II) released in April 2007.

In accordance with the guidelines issued by RBI, the insurance subsidiary has been excluded from consolidation for the purpose of capital adequacy. The entities which carry on activities of financial nature are considered for consolidation for capital adequacy purpose as stated in the scope for preparing consolidated prudential reports laid down in RBI guidelines. The Bank consolidates all subsidiaries as defined in Accounting Standard -21 (AS-21) Consolidated Financial Statements on a line by line basis by adding together like items of assets, liabilities, income and expenses. Further, Bank's investments in Associates are consolidated using the equity method of accounting as defined by Accounting Standard – 23 (AS-23) Accounting for Investments in Associates in Consolidated Financial Statements. KMBL and its subsidiaries which have been consolidated, constitute the "Group". The list of subsidiaries / associates consolidated as per AS-21 alongwith their treatment in consolidated capital adequacy computation is as under:

Name of the Subsidiary	Country of Origin	Activity	Status of consolidation
Kotak Mahindra Prime Limited	India	Non Banking Finance Company	Fully consolidated
Kotak Securities Limited	India	Securities Broking	Fully consolidated
Kotak Mahindra Capital Company Limited	India	Investment Banking	Fully consolidated
Kotak Mahindra Old Mutual Life Insurance Limited	India	Life Insurance	Fully consolidated for financial reporting but not for capital adequacy. Investment deducted from regulatory capital for capital adequacy
Kotak Mahindra Investments Limited	India	Non Banking Finance Company	Fully consolidated
Kotak Mahindra Asset Management Company Limited	India	Asset Management Company – Mutual Funds	Fully consolidated
Kotak Mahindra Trustee Company Limited	India	Trustee of mutual funds	Fully consolidated
Kotak Mahindra (International) Limited	Mauritius	Brokerage and advisory services	Fully consolidated
Kotak Mahindra (UK) Limited	U.K	Brokerage and advisory services	Fully consolidated
Kotak Mahindra, Inc.	USA	Brokerage and advisory services	Fully consolidated
Global Investments Opportunities Fund Limited (GIOFL)*	Mauritius	Investment Company	Fully consolidated
Kotak Investment Advisors Limited	India	Asset manager of venture capital, private equity and similar funds	Fully consolidated
Kotak Mahindra Trusteeship Services Limited	India	Trustee of venture capital, private equity and similar funds	Fully consolidated
Kotak Forex Brokerage Limited	India	Foreign exchange brokerage services	Fully consolidated

Name of the Subsidiary	Country of Origin	Activity	Status of consolidation
Kotak Mahindra Pension Fund Limited	India	Pension fund management	Fully consolidated
Kotak Mahindra Financial Services Limited	Dubai	Advising on financial products for Middle East	Fully consolidated
Infina Finance Private Limited	India	Non Banking Finance Company	Consolidated by equity method
Phoenix ARC Private Limited	India	Securitisation and asset reconstruction	Consolidated by equity method
ACE Derivatives and Commodity Exchange Limited	India	Commodity Exchange	Consolidated by equity method
Matrix Business Services India Private Limited	India	Business service provider	Consolidated by equity method for financial reporting but not for capital adequacy purpose
Add Albatross Properties Private Limited	India	Real estate developer	Consolidated by equity method for financial reporting but not for capital adequacy purpose

**GIOFL is a collective investment scheme set up as a fund in Mauritius with the status of a limited company under the Mauritius Companies Act. In terms of constitution and private placement memorandum. GIOFL has classes of redeemable participating shares. Each class of participating shares has its own Balance Sheet and Profit and Loss account. The Profit / Loss of each such class belongs to the participating shareholders of that class. KMBL owns 100% of the management share and management shareholder is not entitled to any beneficial interest in the profit / loss of various classes nor is required to make good any shortfall. In substance there are no direct or indirect economic benefits received by the management shareholders. The substance over form must prevail. Accordingly, the Group consolidates management shares of the entity having regard to substance over form of the entity.*

a. Capital Deficiencies

As at 31st March 2013 the Bank and all its subsidiaries are adequately capitalised. The Bank maintains an oversight over its subsidiaries through its representation on their respective Boards and the Management Committee of the Bank is regularly updated.

b. Investment in Insurance subsidiary

The Group's investment in insurance subsidiary as at 31st March 2013 is deducted from regulatory capital for capital adequacy purpose under Basel II as given below:

₹ in crore

Name of the Entity	% shareholding of the Group	Investment value
Kotak Mahindra Old Mutual Life Insurance Limited	74%	377.62

The quantitative impact on regulatory capital of using risk weights investments versus using the deduction method is given below:

₹ in crore

Method	Quantitative Impact
Deduction method	377.62
Capital at 10% based on risk weighted assets	37.76

2. Capital Structure

The capital adequacy norms issued by RBI classify capital funds into Tier-I and Tier-II capital. Tier-I capital includes paid-up equity capital, statutory reserves, other disclosed free reserves, capital reserves and elements of Tier-II capital include investment reserve, general provision and loss reserve, eligible upper Tier-II instruments and subordinate debt instruments (lower Tier -II bonds). Group has issued debt instruments that form part of Tier-II capital. The terms and conditions that are applicable for these instruments comply with the stipulated regulatory requirements.

Equity capital

KMBL has authorized share capital of ₹ 400.00 crore comprising 80,00,00,000 equity shares of ₹ 5 each. As on 31st March 2013, KMBL has issued, subscribed and paid-up equity capital of ₹ 373.31 crore, constituting 74,66,09,026 number of equity shares of ₹ 5 each. KMBL shares are listed on the National Stock Exchange and the Bombay Stock Exchange. The GDRs issued by KMBL are listed on Luxembourg Stock Exchange. During the year KMBL has also allotted equity shares to employees under its Employee Stock Option Plan. The provisions of the Companies Act, 1956 and other applicable laws and regulations govern the rights and obligations of the equity share capital of KMBL.

Details of Upper Tier II and Lower Tier II Capital

Upper Tier II capital

Group has issued debt instruments that form a part of Tier II capital. The terms and conditions that are applicable for these instruments comply with the stipulated regulatory requirements. The upper Tier II bonds have an original maturity of 15 years with call option after 10 years. The interest on upper Tier II bonds is payable annually. The upper Tier II debt instruments have a step-up clause on interest payment ranging up to 50 bps.

₹ in crore

Date of Allotment	Date of Redemption	Rate of Interest	Amount
22-Mar-07	15-Jun-22	LIBOR + 155 bp till 15-Jun-2017, LIBOR + 255 bp till 15-Jun-2022	244.28*
30-Aug-07	30-Aug-22	9.95%	31.00
30-Aug-07	30-Aug-22	9.95%	5.00
7-Sep-07	7-Sep-22	10.30%	100.00
Total Upper Tier II capital			**380.28**

* USD 45 million converted to INR @ ₹ 54.285 to a US Dollar (prevailing exchange rate as on 31st March 2013).

Subordinated Debt

The lower Tier II Subordinated bonds issued by Bank have an original maturity between 5 to 15 years. The lower Tier II Subordinated bonds issued by a subsidiary have an original maturity between 6 to 10.5 years and interest on these lower Tier II capital instruments is payable annually.

₹ in crore

Date of Allotment	Date of Redemption	Rate of Interest	Amount
26-Oct-04	26-Apr-13	90 bps over 1 year benchmark yield, 7 day average INBMK set in advance	10.00
2-Nov-04	2-May-13	7.50%	50.00
8-Nov-04	8-May-13	7.50%	17.20
8-Nov-04	8-May-13	90 bps over 1 year benchmark yield, 7 day average INBMK set in advance	0.50
17-Nov-04	17-May-13	7.50%	1.00
1-Jun-05	1-Jun-15	7.85%	36.40
2-Jun-05	2-Jun-15	7.70%	29.90
29-Sep-05	29-Sep-15	7.50%	22.00
3-Oct-05	3-Oct-15	7.50%	15.00
25-Oct-05	25-Oct-15	7.50%	3.00
19-Jun-06	19-Jun-16	8.90%	18.00
19-Jun-06	19-Jun-16	8.90%	14.90
14-Nov-06	14-Apr-17	9.10%	10.00
14-Nov-06	14-Apr-17	9.10%	10.00
20-Nov-06	20-Apr-17	9.10%	2.10
20-Nov-06	20-Apr-17	9.10%	5.00
6-Dec-06	6-May-17	9.00%	50.00

Date of Allotment	Date of Redemption	Rate of Interest	Amount
25-Jan-07	25-Apr-17	9.50%	4.50
25-Jan-07	25-Apr-17	9.50%	5.00
6-Feb-07	6-May-17	9.50%	7.10
21-Feb-07	21-May-17	9.50%	2.30
21-Feb-07	21-May-17	9.50%	1.00
16-Mar-07	16-May-17	10.15%	60.00
9-Jul-07	9-May-18	10.25%	10.80
9-Jul-07	9-May-18	10.25%	25.00
23-Oct-07	23-Apr-13	10.85%	6.40
23-Oct-07	23-Apr-18	11.10%	19.10
24-Oct-07	24-Apr-13	10.85%	2.50
7-Feb-08	7-Aug-18	10.00%	8.10
7-Feb-08	7-Aug-18	10.00%	5.60
19-Feb-08	19-Aug-18	10.00%	0.80
29-Feb-08	29-Aug-18	10.00%	0.70
3-Mar-08	3-Sep-18	10.00%	0.40
15-May-08	13-Nov-18	10.00%	28.60
23-Jun-08	23-Dec-18	10.00%	7.50
23-Jun-08	30-Dec-18	11.00%	8.90
14-Jul-08	14-Jan-19	11.00%	0.50
31-May-10	30-Nov-20	10.10%	22.00
29-Jun-10	30-Nov-20	10.10%	3.00
30-Aug-10	30-Aug-17	10.10%	12.00
7-Apr-11	7-Apr-21	9.31%	150.00
31-May-11	22-Dec-17	10.70%	5.00
31-May-11	22-Jun-21	10.50%	17.10
30-Jun-11	30-Jun-21	10.50%	18.50
15-Jan-13	13-Jan-23	10.50%	25.00
Total subordinated debt			**752.40**

a. **Amount of Tier I and Tier II Capital**

₹ in crore

		Amount
(a)	**Tier I Capital**	
	Paid-up share capital	373.31
	Reserves and Surplus excluding translation and investment reserve	14,547.24
	Deductions:	
	Investment in paid-up capital of subsidiaries / associates (50%)	190.64
	Intangible assets other than Goodwill	288.03
	Goodwill	3.42
	Net Tier I Capital	**14,438.46**
(b)	Total eligible Tier II Capital	933.34
(c)	Debt instruments eligible for inclusion in Upper Tier II Capital	
	Total amount outstanding	380.28
	Of which raised during the current financial year	-
	Amount eligible to be reckoned as capital	380.28
(d)	Subordinated debt eligible for inclusion in Tier II capital	

		Amount
	Total amount outstanding	752.40
	Of which raised during the current financial year	90.00
	Amount eligible to be reckoned as capital	553.06
(e)	General Provisions and loss reserves	265.50
(f)	Investment reserve	41.10
	Deductions:	
	Investment in paid-up capital of subsidiaries / associates (50%)	190.64
	Net Tier II Capital	**1,049.30**

b. **Total eligible capital as at 31st March 2013**

₹ in crore

	Amount
Tier I Capital	14,438.46
Tier II Capital	1,049.30
Total eligible Capital	**15,487.76**

3. **Capital Adequacy**

In accordance with the guidelines of the Reserve Bank of India, the Group has adopted standardised approach for credit risk, basic indicator approach for operational risk and standardised duration approach for market risk for computing capital adequacy.

As per license conditions the Bank is required to maintain minimum capital of 10 percent of its risk-weighted assets. Under the Basel I guidelines, Bank is required to maintain at least 50% as Tier I Capital. As per the RBI Basel II guidelines under NCAF, Bank's are encouraged to maintain minimum Tier I Capital ratio of 6.0%.

In terms of RBI guidelines on New Capital Adequacy Framework (NCAF), Capital is required to be maintained at the higher of Basel II minimum capital requirement or 80% of the minimum capital requirement computed under the Basel I framework. For the year ended 31st March 2013, the minimum capital required to be maintained by the Bank as per Basel II guidelines is higher than that required at 80% of the capital requirements under Basel I guidelines. The Bank has worked out CAR based on Basel-I and Basel-II guidelines and CAR is above the regulatory minimum level of 10%.

Approach to Capital Adequacy Assessment to support business activities

The diversified business activities require the Group to identify, measure, aggregate and manage risks effectively and to allocate capital among its businesses appropriately. The risk management framework lays emphasis on the Group's risk philosophy, proper organisational structure, risk and reward balance and is supported by dedicated monitoring and risk measuring mechanism. The Key risks the Group is exposed to are Credit Risk, Market Risk, Interest Rate Risk, Liquidity Risk and Operational risk.

Basic principles and risk and capital management

The Bank undertakes sound risk management in achieving its purpose, objectives and strategies. The Board of Directors approves risk appetite for the Bank. The approved risk appetite sets the boundaries for risk taking. Performance against approved Risk Appetite is reviewed periodically by the Risk Management Committee and the Board. Development of the risk strategy and risk appetite is an ongoing process and is based on past experience and future plans. The risk strategy is consistent with the Board's overall risk tolerance, management's expertise in each business unit and the total financial amount that the Bank is prepared to place at risk of loss (capital at risk).

The Management Committee provides overall risk management supervision for the consolidated Group as a whole. Various risk committees, namely Risk Management Committee, Asset Liability Management Committee (ALCO), Credit Committee, First Tier Audit Committee, Information Security Committee etc, review specific risk areas and supervise the activities of enterprise wide risk management.

Other capital adequacy assessment aspects:

- The Bank supplements the Capital Adequacy computation by performing stress tests, based on Scenarios approved by its Risk Management Committee, to assess how its businesses perform under stress conditions. These tests help the Bank to design appropriate risk response to meet stressed conditions. During the year after considering the results of the stress tests and key sensitivities, capital adequacy position of the Bank is above regulatory and internal target capital ratios.
- The Bank has an ICAAP Policy that covers Pillar II risks. During the year, the Bank prepared its annual ICAAP outcome and was well capitalized to cover Pillar I & Pillar II risks.

Capital requirements for various risk categories as at 31st March 2013

₹ in crore

Items		Amount
(a)	Capital requirements for credit risk	
	Portfolios subject to standardised approach	7,328.74
	Securitisation exposures	-
(b)	Capital requirements for market risk	
	Using standardised duration approach	
	Interest rate risk	624.40
	Foreign exchange risk (including gold)	20.00
	Equity position risk	303.64
(c)	Capital requirements for operational risk	
	Measured using basic indicator approach	823.03
	Total capital required at 10%	9,099.81
	Total capital funds of the Group	15,487.76
	Total risk weighted assets	90,998.07
Capital adequacy ratio		**17.02%**

Computed as per Basel II guidelines

4. Credit Risk

Credit risk arises as a result of failure or unwillingness on part of customer or counterparties' to fulfil their contractual obligations. These obligations arise from wholesale, retail advances and off balance sheet items. Credit risks also emanate from investment and trading portfolio by way of issuer risk in debt paper, settlement risk on OTC trades and downgrade risk on non SLR investments and OTC contracts.

Credit risk is managed in the Bank through committees that approve credit and an enterprise wide risk management framework which sets out policies and procedures covering the measurement and management of credit risk.

The Bank's credit policies and process notes articulate the credit risk strategy of the Bank and thereby the approach for credit origination, approval and maintenance. These policies define the Bank's overall credit sanction criteria, including the general terms and conditions. The policies / processes generally address such areas as target markets / customer segmentation, qualitative-quantitative assessment parameters, portfolio mix, prudential exposure ceilings, concentration limits, structure of limits, approval authorities, exception reporting system, prudential accounting and provisioning norms etc. They take cognisance of prudent and prevalent banking practices, relevant regulatory requirements, nature and complexity of the Bank's activities, market dynamics etc.

The Bank's credit exposure is primarily categorised into retail and wholesale borrowers. Retail exposure is mostly loans to individuals and small businesses. These may be asset backed or on unsecured basis. Wholesale borrowers are internally categorised as belonging to corporate, mid-markets and financial institutional group. Retail credit lending is largely decentralised and based on predefined parameters and managed through product definition and portfolio monitoring. Wholesale credit exposures are managed through credit appraisal by an independent credit risk team and post sanction monitoring.

Credit risk management processes

Credit risk management is an integral part of the management and governance process within the Bank. The Bank focuses on ensuring that credit risk taking is in line within approved policies, while meeting risk-reward objectives. The Bank expects to achieve its earnings objectives and to satisfy its customers' needs while maintaining a sound portfolio. Credit exposures are managed through target market identification, appropriate credit approval processes, post-disbursement monitoring and remedial management procedures. Periodic portfolio review, clear identification of early warning signals and prompt action on the legal and recovery front ensure a healthy credit portfolio. Timely and in-depth research on industries and sectors ensure that funds are directed to positive outlook sectors. Adverse developments in sectors are tracked to facilitate timely actions. The Bank also constantly reviews its concentration across borrowers, groups, portfolio segments, geography, maturity, sectors and ratings. This helps the Bank maintain a well diversified portfolio. The Bank has also put in place a rating based approval matrix for sanctioning wholesale loans.

Nature of reporting and measurement systems

Credit Rating is an integral part of the lending decision. The Bank has a two scale internal rating model for wholesale exposures that assigns obligor ratings & facility ratings. The rating model is capable of rating large and emerging corporates, traders, brokers, NBFCs, Real Estate clients and service sector clients. Ratings are supported by financial analysis and combined with Credit Head's judgment to arrive at the final rating for a borrower / counterparty. The Bank uses an 18 point scale to grade borrowers.

The obligor rating provides an estimate of the probability of default of the borrower in the next year. The obligor rating is independent of the type / nature of facilities and collaterals offered. The obligor rating consists of quantitative and qualitative factors and includes assessment of customer's financial position, industry in which the borrower operates, business & management risks.

The facility ratings take into account structuring features of specific facilities and the collaterals offered. The facility rating provides an estimate of the loss given default for the facility (LGD).

The product of the Obligor rating (PD) and Facility rating (LGD) provides an estimate of the Expected loss against each facility.

The rating model is being further enhanced to give required inputs to estimate Probability of Default (PDs) and Loss Given Default (LGDs) based on the Bank's own experience.

The Bank has strong governance on the rating models and framework for changes to the model or enhancements. Performance of the internal rating model is reviewed periodically.

On the retail side, the bank has processes for risk assessment of retail loan exposures. The Bank is constantly improving the quality of origination through better understanding of its portfolio and improved underwriting standards. Portfolio delinquency trends are monitored periodically.

The Bank has a defined stress testing policy that lays down the framework for stress testing. On Credit Risk, the framework covers Corporate as well as Retail portfolio and the portfolios are stressed on approved scenarios to assess the impact of stress conditions on profitability and capital adequacy. The stress tests are performed periodically, as per the policy guidelines and results of these stress tests are placed to the RMC & Board.

Concentration of credit risk arises when a number of obligors are engaged in similar activities, or operate in the same geographical areas or belong to the same industry sector. The risk appetite of the Bank mandates a well-diversified portfolio and the Bank operates within Board approved limits in its loan portfolio that cover Obligor concentration, Group concentration, Substantial exposures, Sector & Industry concentration & Unsecured lending. These limits are monitored periodically and reported to senior management. Assessment of credit concentration risk is part of the Bank ICAAP.

The Bank prepares its risk profile on a periodic basis and monitors the level of credit risk (Low / Moderate / High) and direction of change in credit risk (increasing / decreasing / stable) at the portfolio level on a regular basis. The risk profile is reported to the senior management and the Board.

Credit Risk Management Principles

The Bank measures and manages its credit risk based on the following principles:

- The extension and renewal of any credit facility to a particular borrower requires credit approval at the appropriate authority level. The approval authorities policy indicates the sanctioning authorities and the rating tool helps the authorities in such decisions.
- The approval of all limits to counterparties should be in line with the corporate credit policy and credit risk mitigation policy of the bank. Such approval should generally be within the Bank's portfolio guidelines and credit strategies.
- The credit worthiness of borrowers is regularly reviewed and monitored. Customers with emerging credit problems are identified early and classified accordingly. Remedial action is initiated promptly to minimise the potential loss to the bank.

Definition and classification of non-performing assets (NPA)

The Bank classifies its advances into performing and non-performing advances in accordance with extant RBI guidelines.

A NPA is defined as a loan or an advance where;

- Interest and / or installment of principal remain overdue for a period of more than 90 days in respect of a term loan;
- The account remains 'out of order' – in respect of an overdraft / cash credit (OD/CC); and
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.

Out of Order

An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power for a continuous period of 90 days. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'.

Overdue

Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. A sub-standard asset is one, which has remained NPA for a period less than or equal to 12 months. An asset is classified as doubtful if it has remained in the sub-standard category for a period exceeding 12 months. A loss asset is one where loss has been identified by the Bank or internal or external auditors or during RBI inspection but the amount has not been written off fully.

The loans of subsidiaries have been classified as non-performing in accordance with the guidelines prescribed by their respective regulators.

Total credit risk exposures as at 31st March 2013

₹ in crore

Overall credit exposure	Fund based	Non-fund based	Total
Total gross credit exposures	66,737.76	10,986.60	77,724.36

Includes all entities considered for Basel II capital adequacy computation

Credit exposure include term loans, working capital facilities (i.e. funded facilities like cash credit, demand loans, temporary limits and non-funded facilities like letter of credits, acceptances and guarantees).

Geographic distribution of exposures as at 31st March 2013

₹ in crore

Exposures	Fund based	Non-fund based	Total
Domestic	66,737.76	10,977.83	77,715.59
Overseas	-	8.77	8.77
Total	**66,737.76**	**10,986.60**	**77,724.36**

Includes all entities considered for Basel II capital adequacy computation

Industry-wise distribution of exposures

₹ in crore

Industry	Fund based	Non-fund based	Total
Auto loans	20,714.86	-	20,714.86
Personal loans	3,063.58	-	3,063.58
Home loans / Loan against property	10,338.40	-	10,338.40
Credit cards	309.12	-	309.12
Other retails loans	12,749.54	-	12,749.54
Iron and steel	293.78	308.34	602.12
Engineering	753.82	1,340.58	2,094.40
Chemical, dyes, paints etc	962.49	973.19	1,935.68
Construction	3,383.56	411.40	3,794.96
Automobiles	1,955.23	670.93	2,626.16
Infrastructure	3,492.98	2,447.65	5,940.63
NBFC's	1,857.09	2.04	1,859.13
Other industries [(i)]	6,863.31	4,832.47	11,695.78
Total	**66,737.76**	**10,986.60**	**77,724.36**

Includes all entities considered for Basel II capital adequacy computation

[i] *Other industries include entities from sectors such as cotton textiles, sugar, food processing, vegetable oils and vanaspati, paper and paper products, rubber and rubber products, cement, IT-related, gems and jewellery, capital markets, media publication etc.*

Residual contractual maturity break-down of assets as at 31st March 2013

₹ in crore

Maturity Pattern	Cash and balances with monetary authority	Balances with other banks	Investments	Advances	Fixed Assets	Other Assets
0 to 14 days	752.85	1,067.69	12,086.78	4,765.45	-	487.49
15 to 28 days	95.97	275.00	808.92	2,380.76	-	268.07
29 days to 3 months	378.11	100.00	4,393.16	6,914.06	-	206.38
Over 3 months & upto 6 months	221.70	-	2,093.44	6,446.32	-	164.84
Over 6 months & upto 1 year	227.51	-	2,543.77	8,378.19	-	37.18
Over 1 year & upto 3 years	424.62	0.59	5,409.13	24,802.51	-	18.58
Over 3 years & upto 5 years	42.77	-	908.44	5,550.32	-	44.47
Over 5 years	68.01	0.09	1,432.15	7,021.59	494.35	1,330.48
Total	**2,211.54**	**1,443.37**	**29,675.79**	**66,259.20**	**494.35**	**2,557.49**

Consolidated figures for Kotak Mahindra Bank Limited, Kotak Mahindra Prime Limited and Kotak Mahindra Investments Limited

Amount of non-performing loans as at 31st March 2013 including NPAs acquired from other banks and NBFCs

₹ in crore

Items	Amount	
	Gross NPA	Net NPA
Substandard	322.72	213.15
Doubtful 1	291.01	112.73
Doubtful 2	132.30	30.88
Doubtful 3	63.12	-
Loss	39.21	4.46
Total	**848.36**	**361.22**
NPA Ratio (%)	1.27%	0.55%
Movement of NPAs		
Opening balance as at 1st April 2012	699.74	273.43
Additions	522.13	212.10
Reductions	(373.51)	(124.31)
Closing balance as at 31st March 2013	**848.36**	**361.22**

Includes all entities considered for Basel II capital adequacy computation

Gross NPA ratio is computed as a ratio of gross non-performing loans to gross advances

Net NPA ratio is computed as a ratio of net non-performing loans to net advances

Movement of provisions for NPAs

₹ in crore

	Amount
Opening balance as at 1st April 2012	426.31
Provisions made during the year	310.03
Write-off/ Write back of excess provisions	(249.20)
Closing balance as at 31st March 2013	**487.14**

Amount of non-performing loans as at 31st March 2013 excluding NPAs acquired from other banks and NBFCs

₹ in crore

Items	Amount	
	Gross NPA	Net NPA
Substandard	322.63	213.14
Doubtful 1	251.93	112.74
Doubtful 2	93.22	23.02
Doubtful 3	14.05	-
Loss	38.22	4.45
Total	**720.05**	**353.35**
NPA Ratio (%)	1.08%	0.53%
Movement of NPAs (gross)		
Opening balance as at 1st April 2012	560.82	260.38
Additions	462.13	217.10
Reductions	(302.90)	(124.13)
Closing balance as at 31st March 2013	**720.05**	**353.35**

Gross NPA ratio is computed as a ratio of gross non-performing loans to gross advances

Net NPA ratio is computed as a ratio of net non-performing loans to net advances

Movement of provisions for NPAs

₹ in crore

	Amount
Opening balance as at 1st April 2012	300.44
Provisions made during the year	245.03
Write-off/ write back of excess provisions	(178.77)
Closing balance as at 31st March 2013	**366.70**

Amount of Non-performing investments (NPI)

₹ in crore

	Amount
Gross NPI as at 31st March 2013	18.06
Amount of provisions held for NPI	18.06
Net NPI as at 31st March 2013	-

Movement of provisions for depreciation on investments

₹ in crore

	Amount
Opening balance as at 1st April 2012	16.11
Additional provisions during the year	5.60
Write off /Write back of provisions during the year*	(3.65)
Closing balance as at 31st March 2013	18.06

**After considering appreciation in investments*

5. **Credit risk – portfolios subject to the standardised approach**

External Ratings

As per the NCAF, the Bank has adopted the Standardised approach for measurement of credit risk. The risk weights under this approach are based on external ratings of counterparties, the Bank has identified the following External Credit Assessment Agencies (ECAI's) as approved rating agencies:

a. Domestic credit rating agencies: CRISIL, ICRA, CARE and India Ratings (erstwhile FITCH India)

b. International rating agencies: S&P, FITCH and Moody's

The Bank assigns risk weight on the basis of Long Term and Short Term rating of the borrower. The issue / issuer ratings of the ECAI's are considered for the borrowers and the risk weights are then derived on a case by case basis in accordance with the rules laid down by RBI as part of the New Capital Adequacy Framework.

Credit exposures by risk weights

₹ in crore

Exposure category	Fund based	Non-fund based	Total
Below 100% risk weight	22,158.61	5,598.78	27,757.39
100% risk weight	25,493.94	4,041.68	29,535.62
More than 100% risk weight	18,247.74	496.88	18,744.62
TOTAL	**65,900.29**	**10,137.34**	**76,037.63**

Includes all entities considered for Basel II capital adequacy computation

6. Credit Risk Mitigation

The Bank has a credit risk mitigation policy that lists possible credit risk mitigation techniques and associated haircuts as envisaged in RBI guidelines. The objective of this policy is to enable classification and valuation of credit risk mitigants in a manner that allows regulatory capital adjustment to reflect them. The policy adopts the Comprehensive Approach, which allows full offset of collateral wherever applicable against exposures, by effectively reducing the exposure amount by the value ascribed to the collateral. The collateral values are suitably adjusted by (appropriate haircuts to take account of possible future fluctuations in their value due to market movements). The Bank has taken ₹ 1,686.73 crore of collateral benefit in the capital computation as of 31st March 2013.

7. Securitisation

a. Securitisation objectives and policies

Securitisation of assets is undertaken with the following objectives:

- **Meeting credit needs of borrowers** – Due to various constraints such as single party and group exposure norms, paucity of capital, internal sectoral exposure norms etc, at times the Bank is unable to meet the entire credit requirements of the borrowers. Securitisation helps the Bank to overcome such constraints and meet customer's credit needs.
- **Assistance in management of asset-liability mismatches** – With traditional on balance sheet borrowing and lending, the maturity of assets tends to be much longer than that of the liabilities. Securitisation effectively makes Bank's assets more liquid providing scope to more flexibly manage maturity mismatches.
- **Reduction of credit risk, interest rate and liquidity risk** – Through Securitisation, the Bank can transfer credit, interest rate and liquidity risks to third parties.
- **Freeing up of capital and Improvement in return on capital -** Securitisation removes assets from the Bank's balance sheet and hence frees up capital for other uses. It also improves return on capital.
- **Contingency plan** – Securitisation of retail asset portfolio is considered as an important element of the contingency funding plan of the Bank.

Role played by the Group in the securitisation process:

- **Structurer:** The Bank scans the market to identify potential investors and structures the transaction to meet their requirements in compliance with the extant guidelines.
- **Collection and paying agent:** The SPV may appoint the concerned entity in the Bank as the collection and paying Agent. In such cases, the Bank collects the amounts due from the underlying obligors on the due dates and remits the same into the account of the SPV.

b. Summary of Bank's accounting policies for securitisation activities

In terms of RBI guidelines Bank sells assets to SPV only on cash basis and the sale consideration is received not later than the transfer of the asset to the SPV. Any loss arising on account of the sale is accounted immediately and reflected in the profit and loss account for the period during which the sale is affected and any profit / premium arising on account of sale is amortised over the life of the securities issued or to be issued by the SPV.

i) In case the securitised assets qualify for derecognition from the books of the Bank, the entire expenses incurred on the transaction e.g. legal fees etc., is expensed at the time of the transaction and is not deferred.

ii) Where the securitised assets do not qualify for derecognition the sale consideration received is treated as a secured borrowing.

c. **Rating of the securitisation transactions:**

The Bank uses the ratings provided by external credit rating agencies viz. CRISIL, India Ratings (erstwhile FITCH India), ICRA and CARE for the securitisation of corporate loans and retail pools.

d. **Breakup of the exposure securitised by the Group during the year and subject to securitisation framework:**

A. **Banking Book**

₹ in crore

Sr. No.	Exposure type	Amount
1	Total amount of exposures securitised	
	Corporate Loans	-
	Auto Loans (Car and commercial vehicles)	-
	Mortgage Loans	-
	Total	**-**
2	Loss recognized during the period on securitisation	**-**
3	Amount of assets intended to be securitised within a year	**-**
	Of which	
	-Amount of assets originated within a year before securitisation	**-**
4	Unrecognised gain on securitisation	
	Corporate Loans	-
	Auto Loans (Car and commercial vehicles)	-
	Mortgage Loans	-

Includes all entities considered for Basel II capital adequacy computation

Aggregate amount of securitisation exposures retained or purchased and outstanding as on 31st March 2013 is given below:

₹ in crore

Sr. No.	Exposure type	On Balance Sheet Amount	Off Balance Sheet Amount
1	Total amount of exposures retained	-	-
2	Securities purchased	-	-
3	Liquidity facility	-	-
4	Credit commitments (cash collateral)	-	-
5	Other commitments	-	-

Risk-weight wise and bucket wise details of the securitisation exposures on the basis of book value

₹ in crore

Exposure type	Amount	Capital charge
Below 100% risk weight	-	-
100% risk weight	-	-
More than 100% risk weight	-	-
Deductions		
- Entirely from Tier I capital	-	-
- Credit enhancing I/Os deducted from total capital	-	-
- Credit enhancement (cash collateral)	-	-

B. **Trading Book**

Breakup of the exposure securitised by the Bank during the year and subject to securitisation framework:

Sr. No.	Type of Securitisation	Amount
1.	Aggregate amount of exposures securitised by the bank for which the Bank has retained some exposures and which is subject to the market risk approach	-

Aggregate amount of securitisation exposures retained or purchased and outstanding as on 31st March 2013 is given below:

₹ in crore

Sr. No.	Exposure type	On Balance Sheet Amount	Off Balance Sheet Amount
1	Total amount of exposures retained	-	-
2	Securities purchased		
	Auto Loans (Commercial vehicles and construction equipments) and Micro finance (unsecured)	191.33	-
3	Liquidity facility	-	-
4	Credit commitments (cash collateral)	-	-
5	Other commitments	-	-

Risk-weight wise and bucket wise details of the securitisation exposures on the basis of book value

₹ in crore

Exposure type	Amount	Capital charge
Below 100% risk weight	191.33	3.15
100% risk weight	-	-
More than 100% risk weight	-	-
Deductions		
- Entirely from Tier I capital	-	-
- Credit enhancing I/Os deducted from total capital	-	-
- Credit enhancement (cash collateral)	-	-

Includes all entities considered for Basel II capital adequacy computation

8. Market Risk in Trading Book

a. Market risk management policy

Market risk is defined as the risk to earnings arising from the movement in market risk factors, namely interest rates, foreign exchange rates, credit spreads or equity prices. For regulatory capital purposes, the Bank calculates its market risk capital requirements according to the Standardised methodology.

The objective of the risk management function is risk identification, measurement and reporting them to the management. The Bank has designed and implemented policies and procedures to ensure that market risk exposures are managed within the approved risk management framework. Embedded within these is a framework of management responsibilities. The Board oversees the market risk management process.

The capital market risk management policies and procedures are based on the product traded.

The Bank's risks are managed through a framework that relates the Bank's integrated risk management policy to the Bank's strategy and objectives. The risk management framework lays emphasis on the groups risk philosophy, proper organisational structure, risk and reward balance and is supported by dedicated monitoring and risk measurement mechanism. This framework for market risk management ensures that appropriate controls, policies and senior management oversight form the basis of the Bank's approach to market risk management.

The market risk for the Bank and each of its major subsidiaries is managed in accordance with the investment policy, which is approved by the respective Boards. These policies ensure that transactions in capital and foreign exchange markets and derivatives are conducted in accordance with sound and acceptable business practices and are as per the extant regulatory guidelines, laws governing transactions in financial markets and the financial environment.

The policies are reviewed regularly to incorporate changes in regulatory guidelines and business and economic environment.

Risk management objectives

The Bank manages its risk with the objectives listed below:

- Achieving risk return balance
- Managing and optimising interest rate risk in banking and trading book
- Ensuring that mismatches between rate sensitive assets and liabilities is kept within limits

- Managing and optimising currency and liquidity risk
- Proper recognition, classification, measurement and accounting of investments
- Compliance with regulatory guidelines
- Oversight over the operation and execution of market transactions

Structure and organisation of the market risk management function

The Bank's risk management architecture is overseen by the Board of Directors and appropriate policies to manage risks are approved by the Board. The Board is involved in defining risk appetite and capital at risk for the Bank, at an integrated level, covering all activities of the Bank. The Board has also delegated to the Group Head - Risk, the responsibility for middle office and risk management. Risk Management department is entirely independent of Treasury Department.

The Bank uses a comprehensive range of quantitative tools and metrics for monitoring and managing risks. Some of these tools are common to a number of risk categories whereas the others are tailored to address the particular features of specific risk categories. Both with a view to bringing in risk sensitivity through policies and to duly meet the regulatory requirements, the Bank continually assesses the appropriateness and the reliability of the quantitative tools and metrics in the light of the changing risk environment.

Value at Risk

The Bank is computing the market risk capital charge for the trading book as per the standardised approach as per the regulator's guidelines. To complement this, Bank also calculates value at risk on its portfolio. Value at risk is computed for each type of market risk i.e. interest rate, foreign currency, equity etc taking into effect the various correlations between the risk factors. The VaR model is also back tested to ensure its accuracy. The Bank got the VaR model validated by an independent external consultant.

Stress Testing

The Bank periodically stresses the portfolio to highlight the potential risks that may arise due to events that are rare but plausible. The Bank conducts various tests like the impact of shock to one risk factor, extreme events that may change various risk factors simultaneously and worst case scenario that captures the potential damaging shift in various market risk factors. During the year, the Bank was within the internal and regulatory capital ratios after applying the stress scenarios. The stress test results and the subsequent capital requirements are placed before the RMC & the Board .

Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due without adversely affecting its financial condition. Liquidity is also bank's capacity to fund increase in assets and has the potential to constrain growth through depletion of resources available for lending and investment.

Asset Liability Management Committee (ALCO) of the bank defines its liquidity risk strategy and risk tolerances. Balance Sheet Management Unit (BMU) of the bank is responsible for managing liquidity under the liquidity risk management framework. Bank actively manages its liquidity risk covering both market funding risk and market liquidity risk.

The Bank maintains a diversified funding profile with emphasis on building retail franchise to increase customer deposits. The Bank ensures that there is sufficient liquidity headroom available, including liquid assets, at all times to manage any contingency.

Bank dynamically manages the daily queue of payments, forecasting the quantum and timing of cash flows, prioritising critical payment transactions, assessing the drawing power of intraday liquidity facilities etc. Considering the inter-dependencies that exist among systems, which may lead to liquidity dislocations that cascade quickly across many systems, especially banks, ALCO has set internal limits for inter-bank liability (IBL), call money borrowing and lending limits.

Liquidity risk is assessed from both structural and dynamic perspective and the bank uses various approaches like stock approach, cash flow approach & stress test approach to assess liquidity risk.

Banks uses structural liquidity gap analysis to measure cash flow mismatches at different time bands and manage net funding requirements. The cash flows are bucketed in different time bands based on the residual maturity of the cash flows or the projected behavior of assets, liabilities and off-balance sheet items. There are regulatory and ALCO approved tolerance limits for liquidity gaps. Banks also manages its liquidity on a dynamic basis to supplement the liquidity gap analysis by capturing net cash outflow or inflows for business units considering their business projection for the next 3 months. Bank also assesses liquidity using stock approach by computing ratios to measure the extent of stability of funds, liquidity, concentration etc.

The Bank's Board-approved Contingency Liquidity Plan (CLP) is another key element of the Bank's Liquidity measurement and management framework. CLP articulates the management action plan to be adopted in case of liquidity crises. Control & Response Teams are designated. Potential contingency liquidity sources are identified. The Bank actively uses a ratio-based Early Warning Indicators (EWI) framework for tracking impending liquidity stresses.

The Bank follows scenario based approach for Liquidity Stress Testing. These scenarios & assumptions are employed to evaluate the impact of stress on the existing liquidity position of the Bank. Market Liquidity Risk is considered through haircuts to sell liquid assets considering instrument type, expected change in interest rate in liquidity crisis etc. Bank also assess the impact on Profit and Loss in utilising liquidity mitigates (e.g. selling liquid assets, marginal standby facility, refinance head rooms etc.) with appropriate haircuts and increased cost of funding.

The bank is proactively assessing the liquidity under stress conditions using Basel III Liquidity Ratio i.e. liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). These measures have been incorporated as part of bank's risk appetite definitions and thresholds.

Hedging and risk mitigation

The Bank has defined limits on the positions that can be taken and all the business groups are required to adhere to the same. The hedging transactions are periodically assessed for hedged effectiveness in accordance with the applicable guidelines.

Market risk capital charge

₹ in crore

Risk category	Capital charge
Interest rate risk	624.40
Equity position risk	303.64
Foreign exchange risk	20.00
Total capital required	**948.04**

Includes all entities considered for Basel II capital adequacy computation

9. Operational Risk Management (ORM)

The Bank and the subsidiaries have well defined operational risk management objectives, strategies and governance structures. The Bank has a comprehensive ORM Framework that covers all activities and governance structure that helps manage operational risk effectively. Through implementation of the Operational Risk Framework and related policies, businesses are able to adopt a structured approach to identify, assess and monitor Operational Risk exposures, design appropriate mitigation strategies, and provide timely and effective reporting to Risk Committee & the Board. The Operational risk framework is supported by policies and processes that help business manage operational risk within approved tolerances, on behalf of its stakeholders.

On the basis of the Enterprise wide Risk Management policy, operational risk policies are prepared for the Bank. These policies outline the ORM governance structure, key risk assessment, risk monitoring and risk mitigating activities. The policy applies to all business lines within the Bank.

Most Group entities, including the Bank, have Risk Management Committees to manage operational risks. Separate sub committees also exist in a few entities to screen all potential new mandates for profitability and to ensure that compliance, legal and reputational issues are addressed before accepting any mandate. Hence, depending upon the size of the group entity, the operational risk governance structure is adequate to manage material operational risks.

Senior Management in all group entities is actively involved in the management of operational risk and implementation of the respective ORM Frameworks / policies. Some group entities have separate operational risk management department. Remaining entities manage operational risk through internal control departments that vary in sophistication depending upon the business needs.

The internal control framework ensures that process related operational risks are minimised by way of regular monitoring and audits. The Group internal audit team, following RBI's risk based audit methodology and the group compliance department provide sound platform for operational risk management along with risk management unit.

The following are some of the key techniques applied by Bank and / or group companies to manage operational risks -

- The Bank has built into its operational process segregation of duties, clear reporting structures, well defined processes, operating manuals, staff training, verification of high value transactions and strong audit trails to control and mitigate operational risks.
- New Product & activity notes prepared by business units are reviewed by all concerned departments including compliance, risk management and legal. All concerned departments coordinate and discuss key operational risk issues involving people, process, technology, external factors etc. so as to minimise them or ensure adequate controls over them. In subsidiaries, internal controls unit reviews the product notes in consultation with the respective departments, including compliance and legal.
- The Operational risk team performs detailed risk analysis and root cause analysis on operational risk events, reported by business units, to identify inherent areas of risk and suggest suitable risk mitigating actions which are monitored for resolution. The Bank wide unusual event reporting and capture system forms the basis for this analysis. The Operational risk team also proactively scans information on external events occurring in the industry to ensure that the bank can respond suitably to similar incidents.

- Bank has in place a 'Risks and Controls Self Assessment' programme for formally assessing operational risks and related controls to mitigate these risks. The self assessments are performed by individual business units and functions. As part of the annual Risks and Controls Self Assessment ("RCSA") process, areas with high risk potential are highlighted and business unit / function either proposes mitigating measures to resolve the issue or provides a rationale for why the risk is acceptable.
- The Bank continuously takes various steps to increase the overall level of operational risk awareness amongst staff at all levels using various tools like trainings, workshops, risk assessment exercise and process related compliance certification / testing etc. Operational risk profile reports for business divisions are reviewed and discussed with the department's senior management. This enables the Bank to detect changes to the units risk profile at an early stage and take necessary corrective actions. The Bank believes that this process helps build a strong risk management culture and increased level of risk awareness amongst work force.
- The Group level IT Security Committee provides direction for mitigating the operational risk in IT security. There is group wide IT security programme (ARISTI) to ensure complete data security and integrity.
- 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 to mitigate unforeseen risks arising out of disruptions.
- In the larger group entities, Risk Containment Unit has been setup within Business Units, which identifies and monitors risk on an ongoing basis including sample checks and control testing.
- Risk transfer via insurance is a key strategy to mitigate operational risk exposure at the Bank. The Operational Risk team helps assess the quantum of insurance cover required and aligns it to the Bank's current and projected operational risk exposures.

Approaches for computation of operational risk capital

In accordance with the guidelines issued by RBI, the Bank has adopted the "Basic Indicator Approach" for calculation of operational risk capital for capital adequacy purposes.

As per these guidelines, the capital for operational risk is based on a single indicator: income. The Capital charge associated with operational risk is calculated as 15% of average positive annual gross income of the previous three years. The Bank's operational risk capital charge using basic indicator approach is ₹ 823.03 crore as at 31st March 2013.

At an appropriate time, the Bank also plans to adopt the AMA approach for maintaining operational risk capital. Under this approach, operational risk capital is computed on a VaR methodology by evaluating risks on the basis of their likelihood (probability) and the financial consequence (severity) of such an event.

10. Interest Rate Risk in the Banking Book (IRRBB)

The impact of adverse movements in interest rates on Bank financials is referred to as interest rate risk. Although, the very nature of the financial intermediation business makes the Bank susceptible to interest rate risk, excessive risk could potentially pose a significant threat to the Bank's earnings and capital.

Interest rate risk results from both trading book and banking book. The impact of interest rate risk on trading book is actively measured through a variety of risk metrics like PV01, option greeks and VaR. The bank's tolerance with respect to its exposure to market risk in the trading book is articulated through various risk limits and monitored through different MIS reports. The Bank also provides for capital for exposure to market risk in the trading book.

In the context of banking book, interest rate risk arises through mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL) and rate sensitive off-balance sheet items. 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.

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 IRRBB. ALM Risk unit, which is a part of risk management team independently measures and monitors the interest rate risk and provide its assessment to ALCO and BMU for further analysis and decision making. BMU analyses the risks inherent in the balance sheet works out appropriate strategies including hedging in consultation with ALCO to mitigate the risk. As a policy, no interest rate risk is retained within business units other than treasury and it is transferred from business units to BMU using Funds Transfer Pricing (FTP). FTP rates are reviewed by the ALCO in its meetings periodically and are calibrated considering the markets, business needs and overall balance sheet plans.

Earning at Risk (EaR) is a short term interest rate risk measure which assesses the change in NII by estimating the impact on interest income from rate sensitive assets, interest expense on rate sensitive liabilities including off-balance sheet items. The bank has set limit for change in NIM for given change in interest rates to manage the re-pricing gaps. Basis the overall NIM limit, re-pricing gaps limits are also set for various re-pricing time bands.

Bank uses Economic Value of Equity (EVE), which a long term risk measure to assess the change in value of equity due to change in economic value of asset and liabilities. The duration gap approach is used to determine the sensitivity of EVE. Modified duration is computed on an account-wise basis across asset, liabilities (excluding equity capital) and rate sensitive derivatives to assess the Leveraged Duration Gap and Duration of Equity. Leveraged Duration gaps is computed including and excluding trading book and are subject to interest rate shocks to assess the impact on EVE. Bank has incorporated change in EVE as percentage of Tier I capital in its risk appetite definition and set a threshold for it for given change in interest rate.

Details of increase / (decline) in earnings and economic value for upward and downward rate shocks based on Balance Sheet as at 31st March 2013 are given below:

- o Earnings Perspective

  Impact on earnings of 100 bps parallel shift in yield curve ₹ 70.58 crore

- o Economic Value perspective (impact on Market Value of Equity (MVE))

Impact on MVE of 100 bps adverse parallel shift in yield curve	₹ 297.68 crore
Impact as a percentage of Tier I Capital	2.06%

Directors' Report

To the Members of

KOTAK MAHINDRA BANK LIMITED

The Directors present their Twenty Eighth Annual Report together with the audited accounts of your Bank for the year ended 31st March 2013.

FINANCIAL HIGHLIGHTS

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

	31st March 2013 ₹ crore	31st March 2012 ₹ crore
Total income	15,950.27	13,013.82
Total expenditure, excluding provisions and contingencies	12,622.93	10,258.58
Operating Profit	3,327.34	2,755.24
Provisions and contingencies, excluding provision for tax	183.18	98.70
Profit before tax	3,144.16	2,656.54
Provision for taxes	939.95	806.01
Profit after tax	2,204.21	1,850.53
Less: Share of minority interest	49.33	52.84
Add: Share in profit of Associates	33.58	34.55
Consolidated profit for the Group	2,188.46	1,832.24
Earnings per Equity Share:		
Basic (₹)	29.44	24.81
Diluted (₹)	29.33	24.67

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

	31st March 2013 ₹ crore	31st March 2012 ₹ crore
Total Income	9,203.16	7,157.58
Total expenditure, excluding provisions and contingencies	7,046.55	5,502.57
Operating Profit	2,156.61	1,655.01
Provisions and contingencies, excluding tax provisions	184.55	55.08
Profit before tax	1,972.06	1,599.93
Provision for taxes	611.34	514.88
Profit after tax	1,360.72	1,085.05
Add: Surplus brought forward from the previous year	2,162.79	1,494.52
Amount available for appropriation	3,523.51	2,579.57
Appropriations:		
Statutory Reserve under Section 17 of the Banking Regulation Act, 1949	340.18	271.27
General Reserve	68.04	54.26
Transfer to / (from) Investment Reserve Account	10.52	14.52
Transfer to Capital Reserve	—	0.02
Transfer to Special Reserve	28.50	25.00
Proposed Dividend	52.38	44.49
Corporate Dividend Tax	7.29	7.22
Surplus carried to Balance Sheet	3,016.60	2,162.79

DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 0.70 per equity share (previous year ₹ 0.60 per equity share), entailing a payout of ₹ 59.67 crore including dividend distribution tax (previous year ₹ 51.71 crore). 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.

CAPITAL

During the year, your Bank has allotted 59,19,516 equity shares arising out of the exercise of Employees Stock Options granted to the employees and whole-time directors of your Bank and its subsidiaries.

Post allotment of equity shares as aforesaid, the issued, subscribed and paid-up share capital of your Bank stands at ₹ 373,30,45,130 comprising of 74,66,09,026 equity shares of ₹ 5 each as on 31st March 2013.

Your Bank is well capitalised and has a Capital Adequacy Ratio ('CAR') under Basel II as at 31st March 2013 of 16.05% with Tier I being 14.71%. At a consolidated level the CAR was 17% under Basel II.

During the year, your Bank has not issued any capital under Tier II. As on 31st March 2013, outstanding Unsecured, Redeemable, Non-Convertible, Subordinated Debt Bonds were ₹ 560.70 crore and outstanding Unsecured, Non-Convertible, Redeemable Debt Capital Instruments. Upper Tier II stood at ₹ 136 crore.

The Board of Directors at its meeting held on 11th April 2013 had approved subject to necessary approvals, issue of 2,00,00,000 equity shares of ₹ 5 each for an issue price of ₹ 648, to Heliconia Pte Ltd., an affiliate of Government of Singapore Investment Corporation Pte Ltd. (GIC) on preferential basis. Members' approval is sought by way of Special Resolution at the Extraordinary General Meeting scheduled to be held on 9th May 2013.

OPERATIONS

Your Bank scaled up the momentum on network expansion including a much wider coverage in semi-urban and rural India and now has 437 full-fledged branches and 961 ATMs, covering 255 locations. Your Bank added over six hundred thousand new customers this year across core banking products of savings and checking accounts, term deposits, overdrafts and non-resident accounts.

Your Bank's decision to respond to the opportunity presented by deregulation on interest rates on savings account last year and offer higher rates to our customers extended the gains this year as well in the form of an accelerated growth in the savings book.

Your Bank rolled out several initiatives aimed to offer superior and differentiated customer experience. Some key ones are:

A) Products

- Your Bank launched a special Savings Program for Women under the title 'Silk'. This program has been designed to systematically improve the acquisition rates of women-held accounts. The decision to launch these accounts was taken basis the distinctly better behavior of the existing women-held accounts. This program provides a host of additional features and benefits, including rewards on debit card spends, discounts on gold and lockers and lifestyle benefits. Your Bank has acquired approx. 30,000 customers under this program.
- Your Bank has also launched a white labeled solution for Personal Finance Management called Kotak Money Watch. This portal would also be developed to have community features and have educational content about finance for the user.
- Privy League, the program for the affluent and mass affluent customer segment, was revamped and extended to branch customers, non-individual customers and non-resident customers. Your Bank now services approx. 40,000 Households and Businesses under this program.
- Your Bank made significant progress in the enrolments under NPS (New Pension System) product. Your Bank is now the corporate agent to more than 119 corporates and facilitates registration of their employees to this program. Your Bank is the first POP (point of presence) to offer online PRAN (Permanent Retirement Account Number) generation facility.
- General Insurance: Your Bank has enhanced the bouquet of products offered under General Insurance through the corporate tie up with Tata AIG General Insurance. New products introduced are in the health, travel and motor insurance space and would be offered to customers through the network of bank branches and corporate salary channel.
- Trade and Retail FCY: Your Bank enhanced the Trade and Forex Services proposition during the year with launch of 'GTA' (Global Trade Account), an exclusive current account that caters to the requirement of the exporters and importers with a simplistic and transparent tariff structure. The same was well received by the customers.
- Another customer friendly initiative aimed at providing total transparency in FX dealings, was the launch of forex platform 'FX LIVE', which offers complete flexibility and convenience to the clients in tracking FCY rates.

B) Process

- Savings Account Instakit : Your Bank now offers instant account opening to savings account customers through ***InstaKit***. This initiative has reduced the end to end delivery time by 2 to 3 days in customer's ability to transact on a new account and has also brought in cost saves.
- Currency Chest- Your Bank set up its second Currency Chest in Delhi. This unit will facilitate effective cash management services for all branches in the NCR and service all business divisions of your Bank.
- Your Bank launched complete online application for Saving Account, Privy & Term Deposit . The customer gets the account number instantaneously and also has the option to fund the account from existing account.
- Your Bank also launched paperless account opening using the Tablet. The pilot was launched in 3 cities with about 30 sales members and will be rolled out to larger audience this year.

C) Technology

Your Bank was in the forefront of technology enhancement across multiple dimensions. Some of the key initiatives being:

1. **POS (Point of Service) systems for collections for Business Loans:** This technology enables online acknowledgment to customers for money collected off-location and a confirmation of the same through sms. All transactions so done can be monitored centrally.

2. **Switch Upgrade:** We have migrated our Cards Switch from BASE24 to Electra Switch which enables us to have more features on ATMs, superior interface and direct connectivity with National Financial Switch of NPCI (National Payments Corporation of India).

3. **Debit Card enabled for online transaction:** We have enabled our Debit Card to be used online for e-commerce.

4. **Net Banking - Revamp of screens of Investment, Demat, Billpay:** This has made usage compatible with browsers like Internet Explorer, Opera, Google Chrome, Safari and Mozilla.

5. **Immediate payment System through USSD platform of NPCI :** This enables our customer to do IMPS (Interbank Mobile Payment Service) transaction, Balance Inquiry, and last 3 transactions inquiry by using any mobile handset.

6. **Cash Deposit Machine:** This machine enables customer to deposit cash without waiting in the queue at teller counters. Customer account gets credited real time and receipt is issued. Machine has features of card enabled usage and card less usage when customer does not come in person.

7. **Tax Collection Platform:** This module has enabled tie up with various State Governments to collect tax online from our customers. Currently we have integrated for collecting tax for Delhi VAT & CST, Gujarat VAT & CST, Andhra Pradesh all commercials taxes and Punjab VAT & CST.

8. **Courtesy Callback on IVRS:** This feature enables customers to leave a call back on IVRS (on the same number as the call-in number or on a different mobile number (System gives a prompt if the wait time is more than 45 seconds). IVRS will call the customer back as soon as a Customer Care Officer is available.

9. **Cheque Deposit Kiosk:** This machine enables customer to deposit cheques through a self service mode and issues acknowledgement in the form of a scanned image of the cheque. Machine also does validation of account details online.

D) Service Quality

- Your Bank has achieved the ISO 10002:2004 Certification for Complaints Management System in Consumer Banking - Retail Liabilities, Retail Assets and Credit Cards. Your Bank is only the second bank and fourth organization in India to achieve this certification. This endorses our commitment to customer service by building a world class Complaints Management System and adopting global standards prescribed in this regard.
- Your Bank's Service Quality improvement program – "SPiRiT- Bank on great service" was nominated in the Qimpro Awards 2011-12. The initiative qualified for the finals of the Qimpro Convention under the Innovation category and was very well received.
- Your Bank has started the annual customer satisfaction tracking by an external accredited market research agency, IMRB, to track our customers' satisfaction and loyalty levels.
- Your Bank has been monitoring the mention of Kotak Bank in the online space and respond to customer queries through social channel of facebook & twitter. Your Bank plans to enhance its presence multi-fold in the social media in the coming year.

E) Business Lines

a) Non Resident Business

Your Bank continues to put a significant focus on reaching out to the NRI community and succeeded in establishing itself as important player in this customer segment. Some of the noteworthy achievements / initiatives are:

1. Kotak NRI Banking won 2 prestigious awards at the Banking & Payment Asia trailblazer awards 2013, Singapore:
   a. Click2Remit - Winner in the Product excellence in P2P payments category.
   b. Privy league program for NRIs - Winner in the Service excellence in mass affluent Banking category.
2. Launched 3 tier Privy offerings for affluent customers with round the clock dedicated service desk with an industry first loyalty reward program which matches the requirement of this segment and encourages customer to primarily transact through your Bank.
3. Launched Platinum Signature Credit Card for NR customers.
4. Launched online account opening which integrates money transfer service – Click2remit.com.
5. Launched FCNR deposits in CHF (Swiss francs) currency and Rupee Advantage Plan for tenure of 5 years.
6. Your Bank entered into a strategic partnership with Foreign Banks like Bank of Nova Scotia in Canada for facilitating NRIs and PIOs to open Bank accounts with Kotak Bank and to facilitate inward remittances to India. Further, through its tie-up with CIMB, Malaysia, it has set up platform which facilitates Indians in Malaysia to remit money back to its account in India.

7. As a platform to reach out to the Overseas Indian Community and Global Business Partners, your Bank participated at various International Business Forums like Pravasi Bhartiya Diwas (PBD)-2013, Global Organization of People of Indian Origin (GOPIO) - 2013, India Mauritius Business Round Table - Mauritius, Confederation of Indian Industries (CII) & GOPIO Business Delegation to Kenya, American Association of Physicians of Indian Origin (AAPI) Annual Convention– California, North American Telugu Association (NATA) Convention – Houston etc.

b) Priority Banking Business

This business launched few innovative products for its customers under the 'Smart Series', namely 'Smart Overdraft facility', an asset product for Salaried customers, that provides unsecured overdraft facility up to ₹ 15 Lakhs and 'Smart Equity' in association with the Kotak Securities Business.

c) Corporate Salary Business

Your Bank continued to make significant progress in the Corporate Salary segment, with its Salary2Wealth proposition, and acquired reasonable presence in many of the top Private companies, PSUs & Government undertakings. Further deepening the relationship in the Defense segment, your Bank also signed an MOU with the Indian Navy (besides the MOU signed in the previous financial year with the Indian Army) for offering the Salary2Wealth proposition to navy personnel.

d) Retail Institutional & Government Banking Business

Your Bank has gained significant momentum in the Retail Institutional and Government Banking Business and grew the CASA book by 75% over last financial year largely driven by our ability to offer customized solutions to client's diverse banking needs. This included innovative offerings for Municipal Corporations, Housing Development Authorities, Embassies including agency business.

e) Consumer Assets Business

Your Bank made significant progress across all product lines in the Consumer Assets business.

Credit Card: Your Bank's credit card business has issued 3.30 lac cards by March 2013 and is in its fifth year of operations. Customer spends per card across all variants of cards have been amongst the top three in industry. The premium range of our products – VISA Signature and VISA Platinum have driven the spend growth in the portfolio and it contributes to 45% of the spend while accounting for 30% of customer base. This has reaffirmed the customer acceptability of the product. Credit card business clocked 85% growth in the spends in the year with a book size of ₹ 326 crore. Industry credit card spends has also shown sign of growth. As per RBI data on electronic payments released for January 2013, total credit card spends till January for this financial year showed a growth of 28%.

Home Finance: Home Finance business has shown a significant growth during the year with strong demand from both Tier I and Tier II cities. Capitalizing on Cross Sell Opportunities through bank branches and continued focus on Self Employed segment led to a sustained growth during the year. The year witnessed very low losses on account of efficient and effective recovery and collection processes and policies adopted.

Business Loans: Your Bank offers secured and unsecured Business loans, Loans against Properties & Working Capital Finance to self-employed professionals / non-professionals and Small Enterprises. This Business continued to witness robust growth. Your Bank successfully bought out a business loan portfolio of MNC bank to the tune of ₹ 700 crores. Your Bank continues to maintain its best in class portfolio quality through its effective and efficient risk management and recovery policies and practices. Capitalizing on the retail branch network your Bank managed to expand its product offerings across many new locations.

F) Human Resources

Your Bank has strengthened its investment in overall talent development. Your Bank has put in place a robust talent management programme to identify, nurture and provide growth opportunities for talent across levels and roles. Our talent management philosophy not only focuses on the top talent but also includes talent that needs handholding and specific support to be back on track to deliver superior performance.

The Kotak Probationary Officer programme that was started last year has grown in strength and is now in a position to ensure regular supply of trained and specialist bankers who have been imparted managerial skills as well as core banking knowledge and skills. Encouraged by its success, we look forward to other similar initiatives in future.

Leadership Development has been a priority for your Bank. Your Bank has tied up with leading management institutes for developing leaders across levels to improve their domain knowledge, strategic thinking and leadership skills.

Your Bank continued its focus of building franchise with reputed large corporate as well as renowned mid-market customers. At the same time, your Bank deepened its presence in existing customers, both large corporate as well as mid-market. This was enabled by your Bank's continued push towards customizing product offerings coupled with some of the best technology solutions.

Your Bank continued to maintain a healthy business portfolio through a tough credit environment where some corporates and industries experienced stress. The year saw stable growth of credit demand across the business segments targeted by your Bank. Your Bank worked towards enhancing its products as well as technology platforms to build further customer efficiency and delight.

Over the past year, the Transaction Banking Group has focussed on reinforcing your Bank as the Best Domestic Bank in this area. Driven by innovation, leveraged on robust technology and specialized product solutions, your Bank has been able to consistently add value to transaction banking clients across Cash Management & Trade Services. This has helped its clients achieve optimized working capital & liquidity management benchmarks. Conscious competition benchmarking, highly evolved process and product parameters, continuous client feedback & customized solutions have enabled your Bank to cater to the needs of ever-changing industry landscape .

Your Bank's in-depth understanding of client requirements and ability to deliver tailored solutions in both Trade & Cash Management businesses, has been acknowledged by industry's leading agencies. We have been adjudged the "Best Domestic Trade Bank in India" by Trade & Forfaiting Review and

"Best Local Cash Management Bank in India" by Asiamoney (the Asiamoney awards are based on scores formed from a corporate survey conducted by Asiamoney (less than or equal to USD 100 mn.)).These awards stand testimony to your Bank's focussed approach towards Transaction Banking and Client Centric solutions.

The macro economic conditions have a significant correlation with the Commercial Vehicle (CV) and Construction Equipment Sectors (CE). With the GDP growth dropping significantly, the sales of CV and CE showed a sharp decline from the previous year. Heavy Commercial Vehicles (HCV) category fell by 22%, Light Commercial Vehicles (LCV) by 17% and CE by 9%. Only Small Commercial Vehicles (SCV) has shown growth of 20%. Combined with this, the diesel price hikes adversely affected operator earnings. The emphasis therefore was on strengthening the collection mechanisms particularly on increasing customer contacts, using technology (like hand held devices) to improve collection efficiency and transparency. The task of building distribution for LCVs and SCVs (which started in the previous year) continued during the year resulting in improved numbers. HCV and CE numbers saw decline (in line with the market trends). Working Capital lines to CV and CE customers and Dealer Funding has grown during the year.

The financial year saw an erratic and underperforming monsoon season across various parts of the country. This had an impact on the prices of most agriculture commodities especially like cotton, wheat, soya, pulses, maize, oil seeds which are seeing new increases in prices. The opening of exports of the major commodities like paddy, wheat and cotton also added to the price rise of these commodities. The overall commodity price rise impacted the fortunes of the farmers and agro processing segments where food prices have increased which while impacting retail inflation has not shown much demand destruction.

However the impact of the economic slowdown is being slowly felt with slowdown in the sales of tractors and impacting housing and commercial projects in the tier III cities and below. Real estate prices did not show the price rise that have been seen the last 4 years in the rural towns.

The Agri business of your Bank however continued to grow and will show another year of Y-o-Y (year on year) increase of over 35% in portfolio size despite a slight slowdown in tractor loans portfolio. Repayment behaviour was less sluggish compared to the stresses seen in the corporate and commercial vehicles segments.

Your Bank closely monitored the states and territories impacted by low rains and focussed on funding for cash crops and crops that are more resistant to shortage of water. Focus has also been to lend to scientifically developed agri projects such as floriculture and for warehouse construction and for allied activities such as dairy & poultry projects where adequate backup arrangements have been set up.

Your Bank continues to deepen its presence in the tier III and lower tier cities and their outreach areas which show demand for loans for agriculture and agro processing and agri trading activities. Demand for working capital continues as commodity prices continue to rise as agro processors see the need to hold stocks on account of shortfall in arrivals.

The RBI's initiatives have been to bring the twin banking initiatives of priority sector lending and financial inclusion closer with more focus on the smaller farmers and micro enterprises in the non-urban markets. To achieve this, the regulator has issued fresh norms for lending to the priority sector. Your Bank in response to this, accelerated the setting-up of rural branches with a lending focus for the priority segments into under banked and unbanked towns. In this year 46 such rural branches were launched across states. Your Bank saw promising growth in demand for agri loans from these branches.

Your Bank during the year acquired significant amount of retail NPA portfolios comprising of mortgage loans, credit card dues, personal loans, small business loans etc., from various banks and institutions. In the coming year as well we expect good opportunities in buying the retail NPA Portfolios. Although the general level of NPAs in the banking system has gone upsignificantly, the sale of NPA portfolio's from banks and institutions have been sluggish for corporate loans. The resolutions of corporate NPAs through sale of properties have been sluggish for the year, as for the sale of large properties there were very few bidders, we however expect the situation may ease during this financial year.

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 Bullion.
- Customer Transactions:
  - Facilitating access to foreign currency markets through cash & derivatives products and providing fine market rates to Clients for Remittance and Trade transactions.
  - Client solutions - standardised and structured, pertaining to Debt Capital Markets including Syndication of Loans, Bonds, Mezzanine financing, Promoter funding and acquisition financing and Securitisation.
- Balance Sheet Management: The Balance Sheet Management Unit (BMU) manages the Asset Liability mismatches, Interest rate & Liquidity gaps and implementation of Funds Transfer Pricing between various business units. The Correspondent Banking Division within Treasury actively builds upon relationships with offshore banks towards improving quality and international reach for its customers.

During the year, your Bank continued its strategy of upgrading the foundation technology to ensure scalability and augmented functionality. Last year, the Core Banking system was upgraded. This year the "Switch" which drives ATMs was upgraded. The new State of the Art system will enable high volumes and will also provide a large number of enhanced functions such as RTGS/NEFT on the ATMs.

Improved productivity through automation of internal processes was a focus area. Straight Through Processing was enabled for Trade Finance operations, resulting in decreased manpower needs. Most reconciliation processes within your Bank were automated, leading to improved operational accuracy and speed. Also, internal budgeting functions were automated to provide granular, and up-to-date information.

Keeping abreast of Information Security changes, your Bank implemented innovative solutions for Distributed Denial of Services and Web Application Firewalls to protect against threats from Internet access. Your Bank was also recognized by the Data Security Council of India (DSCI) by being conferred the DSCI Excellence Award for Security in your Bank.

SUBSIDIARIES

Your Bank's subsidiaries are established players in the different areas of financial services, viz. car finance, investment banking, stock broking, asset management and life insurance.

FY 13 was a challenging year for the Indian economy as a whole with various macro-economic concerns like GDP growth, fiscal and current account deficit, volatility in global financial market, overall weak demand conditions in the global arena and the overall political scenario. Thus, the Indian economy showed signs of a twin deficit problem with a worsening fiscal and a higher current account deficit. Rupee-dollar exchange rates remained volatile in FY13 with a range of 50.72-57.16. The equity markets were also volatile due to shift of investor preference towards debt, commodities and realty. The subsidiaries continued focus on cost control, maintaining market share and containing credit losses.

Kotak Mahindra Prime Limited, the car finance company faced pressure of maintaining the margins in the retail car finance business during the year. Kotak Securities Limited, the stock broking company continued to face challenges due to reduction in average daily volumes for the cash segment. Further, the mix has changed significantly from cash segment towards low-yielding derivative segment. The company also continues to face intense competition in the market from existing players. Kotak Mahindra Capital company Limited dominated the IPO market, managing the four largest IPO issuances to hit the markets during the year. These include: Bharti Infratel, PC Jeweller, CARE Ratings, and Speciality Restaurants. There have been some important changes in the regulation pertaining to the mutual fund industry like revision in expenses charged to mutual fund schemes, separate option for direct investors, Single plan structure for mutual fund schemes etc. Kotak Mahindra Asset Management Company Limited has improved the asset mix under management during the year, in terms of future earning potential. Kotak Mahindra Old Mutual Life Insurance Limited continued to demonstrate consistent, value-based growth in a challenging and competitive environment. Post ULIP guidelines; the Company has shifted focus from ULIP linked products to traditional products and an increasing trend towards long-term selling. In this competitive environment, the company is also aggressively pursuing cost reduction strategies. The India dedicated funds witnessed outflows during the year reflecting investor's preference for diversified country exposures. This coupled with the weak Indian markets resulted in the international subsidiaries reporting low net profit for the current year.

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

In terms of the general exemption granted by the Central Government vide its General Circular No.2/2011 dated 8th February 2011 under Section 212(8) of the Companies Act, 1956, 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 2013, has been sent to all the members of your Bank. 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) upon request by any member of your Bank. These Annual Reports will be available on your Bank's website viz. URL : http://ir.kotak.com/annual-reports and will also be available for inspection by any member at the Registered Office of your Bank.

EMPLOYEE STOCK OPTION SCHEME

The stock options granted to the employees currently operate under Kotak Mahindra Equity Option Scheme 2007 (**"Scheme 2007"**). The disclosures below are in respect of the year ended 31st March 2013.

Options granted during the year	Series 34 - 12,94,890 options Series 35 - 53,340 options Series 36 - 34,020 options Series 37 - 7,500 options Series 38 - 11,800 options Series 39 - 15,30,000 options
Pricing Formula	The Exercise Price shall be a price, as may be determined by the Board / ESOP / Compensation Committee, equivalent to or discounted up to 50% of the 'Average Market Price'. The 'Average Market Price' for this purpose would mean the average of the closing price of Equity Shares of your Bank, during two weeks period prior to the date of the meeting of Board / ESOP / Compensation Committee at which 'Plan Series' under the Scheme is approved, on the Stock Exchange, where there was highest trading volume during the said two week period, on which the Equity Shares of your Bank are listed. 'Plan Series' means a documented plan framed by Board / ESOP / Compensation Committee for each tranche of grant of Options, to all Eligible Employees, at a specific Exercise Price (which is determined by the Board / ESOP / Compensation Committee for the purpose of that particular Plan Series) and other terms and conditions as mentioned in that Plan Series. The Board / ESOP / Compensation Committee under special circumstances decides that the Exercise Price shall be ₹ 5 per share. In such cases, the immediately succeeding Directors' Report / Corporate Governance Report shall carry details of the same.
Options in force at the beginning of the year	1,17,85,693 options
Options Vested during the year	49,74,715 options
Options exercised during the year	59,19,516 options
Total number of shares arising as a result of exercise of options	59,19,516 equity shares of ₹ 5 each
Options lapsed	3,78,195 options
Variation of terms of options	No variations made in the terms of the options granted under Scheme 2007.
Money realized by exercise of options	Exercise amount received: ₹ 173,30,47,383.50
Total number of options in force	Outstanding options – 84,19,532 options

Details of options granted during the year to :	
(i) Senior management personnel	Name of Senior Management Personnel / No. of options granted Series 35 — Mr. Dipak Gupta — 53,340 Series 36 — Mr. C. Jayaram — 34,020
(ii) Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during that year	Nil
(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with AS-20 Earnings Per Share	*The diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with AS-20 is ₹ 29.33 (Consolidated) and ₹ 18.24 (Standalone).
Where the company has calculated the employee compensation cost using the intrinsic value of stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	*Had your Bank (on Consolidated basis) followed the fair value method for accounting the stock option compensation expense would have been higher by ₹ 40.50 crore with consequent lower Consolidated profits before tax. On account of the same the diluted EPS of your Bank (Consolidated) would have been less by ₹ 0.37 per share. *Had your Bank (on Standalone basis) followed the fair value method for accounting the stock option compensation expense would have been higher by ₹ 24.28 crore with consequent lower Standalone profits before tax. On account of the same the diluted EPS of your Bank (Standalone) would have been less by ₹ 0.22 per share.
Weighted average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	*The weighted average price of the stock options exercised is ₹ 609.59 and the weighted average fair value is ₹ 211.57.
*Note: Above figures are derived by considering the options granted and exercised by employees of your Bank and its subsidiaries.	
A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information:	A. Stock price It is the closing market price on the National Stock Exchange of India Limited prior to the meeting of the Board in which the options are granted. B. Volatility Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black-Scholes option-pricing model is the annualized standard deviation of the continuously compounded rates of return on the stock over a period of time. Accordingly, daily volatility of your Bank's stock price on the NSE for the period corresponding to the respective expected life of the different vesting, prior to the grant date has been considered. C. Risk free interest rate The risk-free interest rate being considered for the calculation is the interest rate applicable for maturity equal to the expected life of the options based on the zero-coupon yield curve for Government Securities as on the date of the respective grant. D. Time to Maturity/Expected Life of options The minimum life of a stock option is the vesting period and the maximum life is vesting period plus the exercise period. The Expected life of the options has been calculated as the average of the two extremes – the minimum life and the maximum life. Since each vest has been considered as a separate grant, the expected life has been calculated for each vesting separately. E. Dividend yield The dividend yield for each grant has been derived by dividing the dividend per share by the market price per share. Weighted average information in respect of above assumptions has been provided in note 10 of Schedule 17 of the notes to accounts to the Consolidated financial statement of your Bank. Weighted average information in respect of above assumptions has been provided in note 8 of Schedule 18B of the notes to accounts to the Standalone financial statement of your Bank.

CORPORATE GOVERNANCE AND BUSINESS RESPONSIBILITY REPORT

Pursuant to Clause 49 and 55 of the Listing Agreement with the Stock Exchanges, separate sections entitled 'Report on Corporate Governance' and 'Business Responsibility Report' have been included in this Annual Report.

Your Bank has implemented number of recommendations given in the "Corporate Governance Voluntary Guidelines 2009" by the Ministry of Corporate Affairs and is examining the possibility of implementing the remaining recommendations.

DIRECTORS

Mr. Asim Ghosh and Mr. Prakash Apte retire by rotation at the Twenty Eighth Annual General Meeting and are eligible for re-appointment.

Dr. Sudipto Mundle resigned as a Director of your Bank with effect from 1st February 2013 in view of his appointment as a Member of the Fourteenth Finance Commission, Govt. of India. Your Directors place on record their appreciation for the valuable advice and guidance rendered by him during his tenure as a Director.

Prof. S. Mahendra Dev was appointed as an Additional Director of your Bank with effect from 15th March 2013. Pursuant to the proviso to Section 260 of the Companies Act, 1956, he holds office as a Director up to the date of this Annual General Meeting but is eligible to be appointed as a Director. In terms of Section 257 of the Companies Act, 1956, your Bank has received notice in writing from a member along with requisite deposit of ₹ 500/- proposing candidature of Prof. S. Mahendra Dev for his appointment as a Director.

Prof. S. Mahendra Dev, Ph.D. from the Delhi School of Economics, aged 55 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, Govt. of India. He is also member of the newly constituted Expert Panel on poverty estimates chaired by Dr. C. Rangarajan.

During the year, your Bank was awarded as one of the six Best Managed Boards 2012,under Aon Hewitt-Mint Best Managed Boards Study.

AUDITORS

Messrs S. B. Billimoria & Co., Chartered Accountants, auditors of your Bank, retire on the conclusion of Twenty Eighth Annual General Meeting and are eligible for re-appointment subject to the approval of Reserve Bank of India and the shareholders. As recommended by the Audit Committee of the Board, the Board of Directors has proposed the appointment of Messrs S. B. Billimoria & Co., Chartered Accountants as the Statutory Auditors for the financial year 2013-14. You are requested tore-appoint the auditors for the current financial year and to fix their remuneration.

STATUTORY INFORMATION

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1998, are not applicable to your Bank, however, your Bank has been increasingly using information technology in its operations.

EMPLOYEES

The employee strength of your Bank along with its subsidiaries as of 31st March 2013 was over 23,500 as compared to around 22,000 employees a year ago.

Your Bank standalone had over 13,500 employees as of 31st March 2013. 152 employees employed throughout the year and 24 employees employed for part of the year were in receipt of remuneration of ₹ 60 lacs or more per annum.

The average age of our employees is 31 years. Close to 40% of our employee base is professionally qualified with a healthy mix of CAs, MBAs and other post graduates.

The Bank has won several awards and accolades for its products, services, technology platform and for people processes. We have been adjudged Top 10 in APAC (Asia Pacific) Top Companies For Leaders - 2011 in a study conducted by Aon Hewitt in partnership with Fortune and RBL Group. We also continue to be amongst Top 25 Best Employers in India consistently from 2007 till date as adjudged by the Aon Hewitt Best Employers Study.

The above awards were testimony to the various best practices adopted in the Bank in the areas of Talent acquisition, Development, Employee engagement and Diversity.

In the last one year substantial investments continue to be made in training and developing of employees across levels to improve productivity, service quality, personal effectiveness and supervisory capability. We have also tied up top academic institutions for structured leadership development programs and customized courses.

A continued area of focus for the bank and its subsidiaries last year was of aligning all resource to the core values of the firm and ensuring ethical behaviour by all its resources in all their dealing with internal and external stakeholders. Value based training programs and communication on values with linkages to existing products/ processes was stepped up year. Identification and exhibition of correct values and behaviours was woven into critical human process such as Talent Review and Performance Management.

In order to enhance timely mitigation of risk and effective grievance resolution at the workplace, the Bank provides all employees with an online anonymous whistle-blowing and grievance redressal platform.

The Bank and its subsidiaries continued to carry out several initiatives and innovative processes which have helped in building a pool of highly committed and motivated employees who are aligned to the vision of the organization and consistently excel in delivering best in class products and services to our customers.

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 and the rules framed thereunder, the names and other particulars of employees are set out in the annexure to the Directors' Report. In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, 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 217(2AA) of the Companies Act, 1956, that:

(i) your Bank has, in the preparation of the annual accounts for the year ended 31st March 2013, 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 2013 and of the profit of your Bank for the financial year ended 31st March 2013;

(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; and

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

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

Dr. Shankar Acharya
Chairman

Place: Mumbai,
Date: 2nd May 2013

Management Discussion & Analysis

Macro-economic environment

The fundamentals of the Indian economy weakened significantly in FY13 on the back of global financial market volatility and overall weak demand conditions in the global arena, with inflation levels remaining relatively sticky. Further, India tended to show signs of a twin deficit problem with a worsening fiscal and a higher current account deficit. A direct reflection of this could also be found in a sharp drop in the savings rate over the years, down to 30.8% by end-March 2012 compared to 36.8% in end-March 2008. While savings in physical assets increased to 14.3% by end-March 2012 from 10.8% in end-March 2008, there was a sharp drop in the financial savings to 8.0% in end-March 2012 from 11.6% in end-March 2008.

The economy slowed to a real GDP growth of 6.2% in FY12 and this slowdown phase continued into FY13. In Q1FY13, the economy grew by 5.5% but slowed further to 5.3% and 4.5% in the subsequent two quarters. The slowdown was broad-based with even the services sector (including the construction sector) slowing to 7.4% in Q1FY13 and further to 7.1% in Q2FY13 and to 6.0% in Q3FY13. Private consumption expenditure slowed significantly to average a growth of 2.9% in the first three quarters of FY13 compared to 7.4% in the same period last year. Further, investment demand remained weak with an average growth of 0.1% in Gross Fixed Capital Formation down from an average of 5.3% in the same period last year.

Headline WPI inflation had ended FY12 at 7.7% and was perceived to be falling in FY13. On the basis of this, the RBI had reduced the Repo rate by 50 bps at its April monetary policy review. However, Headline WPI inflation after remaining more or less stable till August 2012, jumped back to 8.0% in September 2012 before cooling off again to 7.2% by December 2012 and witnessing an even more significant drop to 6.0% by March 2013. The significant erosion in growth to below trend levels, the relatively tighter monetary policy that the RBI followed, a relatively stable currency and also softening in the global prices of items such as metals and chemicals led to the core Headline WPI inflation coming off to 3.4% by March 2013 compared to 5.0% in April 2012 and 5.8% in August 2012. Importantly, already fighting with a slowdown in the demand conditions, most companies appear not to have risked passing on the rising input cost of diesel to their output prices. This implied that the second round impact of the diesel price hikes in September 2012 was relatively muted. Over and above all the above reasoning, the relatively tight monetary policy that the RBI had followed is possibly now showing up in its lagged implications for pulling inflationary pressures down.

Contrary to the trends in the Headline WPI inflation, that showed a gradual easing bias, the retail level inflation, measured by the new CPI index has remained on the firmer side, averaging at 10.2% for the year. This also implied that the wedge been Headline WPI inflation and the CPI inflation has been widening. The upside bias for the retail inflation came principally from the food component, averaging at 11.8% for the year. However, even the ex-food CPI inflation, a measure of core retail inflation remained higher than the core WPI inflation.

In FY13, RBI's monetary policy maintained focus on the growth-inflation dynamics via a combination of measured steps for liquidity easing and policy rate cuts. During the year, reserve money growth was muted mainly on account of no addition to the system via foreign resource infusion. With the structural liquidity constraints evident in the credit growth for the banking sector being higher than the deposit growth, the liquidity deficit of the system also increased (especially during Q3 and Q4 of the year) due to frictional factors of the government maintaining higher surpluses with the RBI. This was mainly on account of the efforts by the government to restrict its expenditures and bring the fiscal deficit within manageable limits of around 5.2-5.3%. To tide over these liquidity constricting factors, the RBI had to infuse liquidity into the system via CRR cuts and OMOs. Over the full FY, the RBI infused liquidity of ₹ 127,180 crore via its OMO operations. The CRR was reduced by 75 bps through the financial year in September 2012, November 2012 and February 2013. Further, the mandated SLR requirement of banking sector was also reduced by 100 bps in August to 23%.

The benchmark policy interest rate (Repo rate) was reduced by RBI by 50 bps in April 2012. However, with inflation surprising on the higher side, the RBI had to pause for a significant period before providing the market with any further cuts on the Repo rate. Finally, with Headline WPI inflation tapering off in Q4, RBI cut the repo rate by 25 bps at its monetary policy meeting on 29th January 2013 and further by 25 bps on 9th February 2013.

A significant stress area that emerged in FY12 and aggravated in FY13 is the pressure on the Current Account Deficit (CAD) that also led to certain policy changes to attract more capital flows into the economy to finance the CAD. The CAD/GDP ratio reached a historic high of 6.7% in Q3 of FY13. The trade gap as a proportion of GDP worsened to 12.3% in this quarter on account of weak external demand. While the worsening of the trade gap was on account of weak external demand that affected merchandise exports adversely, the imports of oil and gold increased sharply due to the higher price of oil and gold and also with gold viewed as a hedge against the high inflation levels in India. Even as non-oil and non-gold imports tended to show a drop, reflecting the domestic slowdown story, this was not enough to neutralize the sharp rise in the imports of oil and gold. Steps taken by the government to provide a push to export growth such as the extension of the interest subvention scheme for select employment oriented sectors till end-March 2014, broadening the scope of the Focus Market Scheme and the Market-linked Focus Product Scheme etc. failed to have much positive impact. Further, the large depreciation of the rupee against the USD also failed to have much positive impact on the export dynamics. Further negatives for the CAD were a gradual worsening of the exports of software services over the last few quarters, a plateau in the "Private Transfers" over the last 7 quarters at about US$15-17 billion and a significant worsening of net interest income outgo from the Indian economy.

Important to note, over the full year of FY13, the flows through the capital account were sufficient to finance the CAD. While the continuing strong dose of global liquidity remained a positive for the flows into India, the overall risk perception on India changed dramatically with certain policy announcements (liberalized FDI norms for retail, insurance and pension sectors, a roadmap for fiscal consolidation supported by a hike in the price of diesel and capping of subsidized LPG cylinders, increase in FII limits in the corporate and the G-sec segments etc.) from around September 2012. While flows through the FII route (equity+debt) were at just US$4.3 bn in April-August 2012 with S&P having downgraded India's rating outlook to negative in end-April and Fitch following up with a similar action in June 2012. Subsequent to the reforms oriented measures announced by the government, FII inflows improved dramatically to US$26.8 billion in September 2012-March 2013. Based on the first 3 quarter BoP data published by the RBI, increases were also noticed in the NRI deposits and the short-term trade capital flows. Overall, capital flows in the first 3 quarters of FY13 were at US$71.7 bn, higher than US$51.2 bn in the same period last year.

USD-INR remained volatile in FY13 with a range of 50.72-57.16. Consequent to the negative investor perceptions in the first 5 months of the FY, a sharp depreciation pressure was noted for the rupee against the USD in this period. USD-INR weakened to an all-time low of 57.22 on 27 June 2012, depreciating by 10.6% over the end-March 2012 levels. However, INR recovered in September 2012 with the announcement of various policy measures by the Government that changed the risk perception on India and also pushed back threats of an immediate ratings downgrade. Further, there were improvements in the global risk appetite during this period. However, this period of strength failed to sustain for too long and rupee depreciated once again in October and November 2012 and subsequently remained in a broad range thereafter.

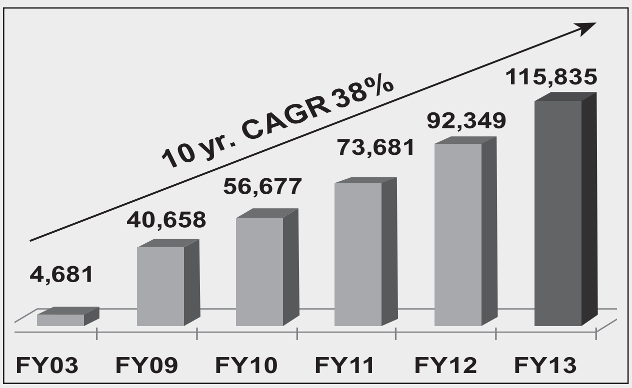
Consolidated Financial Performance

The Bank along with its subsidiaries, offers a wide range of financial products and services to its customers. The key businesses are commercial banking, investment banking, stock broking, car finance, asset management and life insurance.

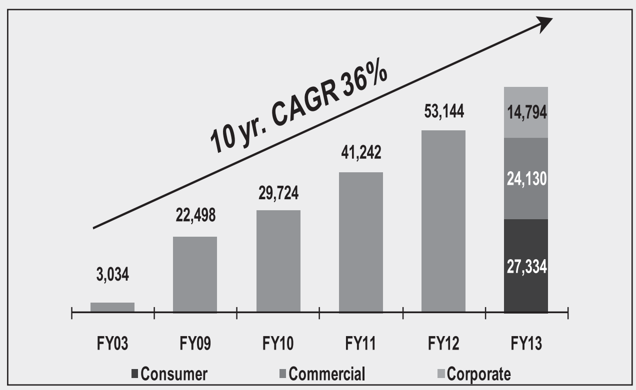
Consolidated Profit after tax (PAT) grew 19.4% to ₹ 2,188.46 crore. The consolidated net profit of Kotak group has shown a steady increase over the years. In FY13, the financing business contributed 85% of the consolidated Profit berfore tax (PBT), followed by Capital market (7%), Insurance (6%) and Asset management (2%).

The Total Assets, Advances and Consolidated profits of the Group have grown at an annual compounded rate of more than 35% over the last ten years as can be seen in the charts below.

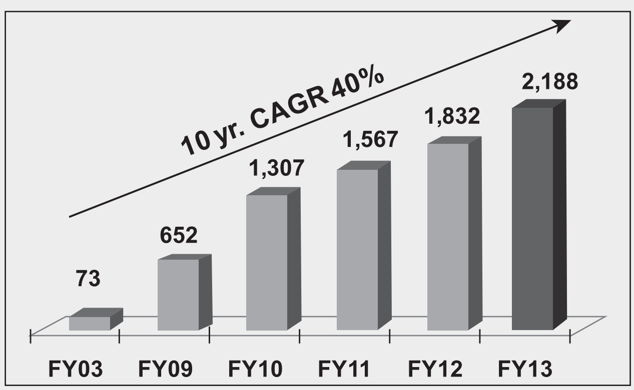
Total Assets (₹ in crore)



Total Advances (₹ in crore)



Consolidated profits (₹ in crore)



A snapshot of the Consolidated PBT and PAT of the Group entities is as follows:

₹ in crore

	FY 13		FY 12	
	PBT	**PAT**	PBT	PAT
Kotak Mahindra Bank	**1,972.06**	**1,360.72**	1,599.93	1,085.05
Kotak Mahindra Prime	**641.01**	**430.70**	570.34	384.88
Kotak Securities	**188.53***	**114.50***	191.49	125.82
Kotak Mahindra Capital Company	**23.53**	**16.71**	9.42	5.94

	FY 13		FY 12	
	PBT	**PAT**	PBT	PAT
Kotak Mahindra Old Mutual Life Insurance	**198.33**	**189.74**	203.25	203.25
Kotak Mahindra AMC & Trustee Co	**14.36**	**12.01**	30.58	21.92
International subsidiaries	**7.05**	**6.25**	(11.80)	(11.14)
Kotak Investment Advisors	**43.28**	**30.67**	52.21	36.13
Kotak Mahindra Investments	**45.98**	**33.57**	27.26	15.25
Others	**1.38**	**0.76**	0.56	0.19
Total	**3,135.51**	**2,195.63**	2,673.24	1,867.29
Minority Interest, Equity Affiliates and others		**(7.17)***		(35.05)
Consolidated PAT		**2,188.46**		1,832.24

** after considering ₹ 30 crore loss on divestment of stake in a fellow subsidiary ; no impact on consolidated profits*

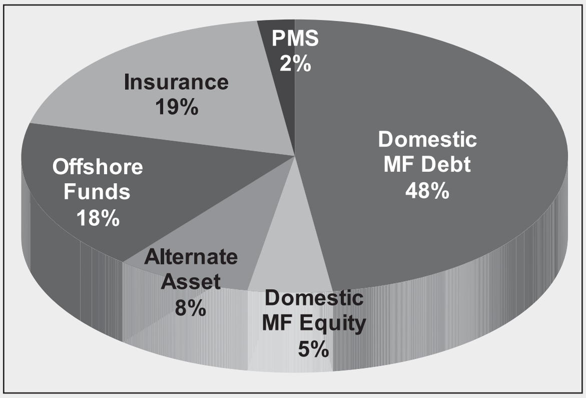
The consolidated performance for FY13 is as follows:

₹ in crore

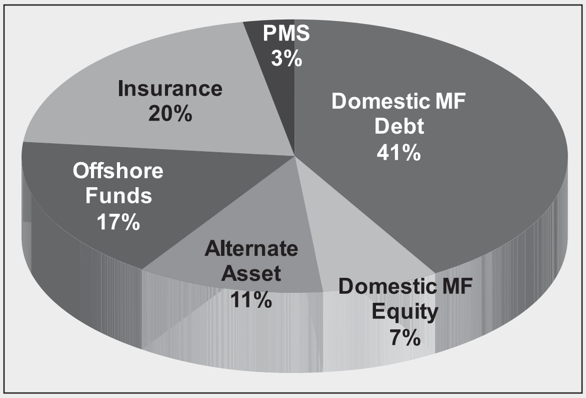
Particulars	**FY 13**	FY 12
Total Income (Interest earned + Other Income)	**15,950.27**	13,013.82
Consolidated net worth	**15,249.80**	12,901.05
Earnings per share (diluted) (₹)	**29.33**	24.67
Book Value per share (₹)	**204.25**	174.18
Net Interest Margins (NIM) %	**4.7%**	4.8%
Return on Average Networth %	**15.6%**	15.4%
Net NPA% excluding acquired stressed assets	**0.5%**	0.5%
Consolidated capital adequacy ratio%	**17.0%**	17.9%

The financial results of the material subsidiaries are explained later in this discussion. Assets under management (AUM) as at 31st March 2013 were ₹ 55,243 crore (previous year ₹ 45,547 crore), comprising assets managed and advised by the Group. Of this, equity assets managed / advised by the Group were around ₹ 19,577 crore. The split of the AUM is as follows:

31st March 2013



31st March 2012



As on 31st March 2013, the Group has a distribution network of branches, franchisees, representative offices in more than 500 cities and towns in India and overseas offices in New York, London, Dubai, Abu Dhabi, Mauritius and Singapore. The group services around 12.5 million customer accounts.

Bank and Its Key Subsidiaries: Financial and operating performance

Bank Highlights

The PBT of the Bank for FY13 was ₹ 1,972.06 crore as against ₹ 1,599.93 crore for FY12. Profit after tax of the Bank was ₹ 1,360.72 crore in FY13 compared with ₹ 1,085.05 crore in FY12.

A synopsis of the Profit and loss account is presented below:

₹ in crore

	FY13	FY12	YOY growth
Net Interest Income	**3,205.67**	2,512.49	28.6%
Other Income	**1,160.67**	977.34	18.8%
Net Total Income	**4,366.34**	**3,489.83**	**25.1%**
Employee Cost	**1,051.18**	872.19	20.5%
Other Operating Expenses	**1,158.55**	962.63	20.4%
Operating Expenditure	**2,209.73**	**1,834.82**	**20.4%**
Operating Profit	**2,156.61**	**1,655.01**	**30.3%**
Provision & contingencies (net)	**184.55**	**55.08**	
- NPA provision (net)	**163.41**	48.75	
- Provision on standard assets	**41.03**	25.57	
- Provision on investments	**(21.09)**	(18.05)	
- Provision on others	**1.20**	(1.19)	
PBT	**1,972.06**	**1,599.93**	**23.3%**
Provision for Tax	**611.34**	514.88	18.7%
PAT	**1,360.72**	**1,085.05**	**25.4%**

The Net Interest Income (NII) of the Bank grew strongly at 28.6% YoY and the Non-interest income of the Bank grew by 18.8%. During the year, yield on investments increased which was partially offset by a slight decrease in the yield on advances and increase in cost of funds.

The operational efficiency of the Bank increased with the cost to income ratio of the Bank reducing to 50.6% in FY13 from 52.6% in FY12. The Credit cost for FY13 was 42bps as compared to 19bps in FY12. The increase in credit cost was partially due to acquisition of NPA portfolio from an NBFC where the accounts were NPAs for less than two years. In accordance with the RBI guidelines, the entire amount of such purchase amounting to ₹ 41.96 crore was considered as NPA and was fully provided for. This resulted in the PBT of the Bank increasing by only 23.3% though Operating profit of the Bank increased by 30.3% YoY.

The return on average assets held up to 1.8% for FY13 as compared to 1.8% in the previous year.

The break-up of segmental results as per RBI classification was as follows:

₹ in crore

Segment	FY13	FY12
Treasury and BMU	**145.51**	35.15
Corporate/ Wholesale Banking	**1,211.49**	997.14
Retail Banking	**613.82**	565.84
Sub-total	**1,970.82**	1,598.13
Unallocated Income/ (expense)	**1.24**	1.80
Profit before tax	**1,972.06**	1,599.93

The increase in 'Other income' was mainly due to increase in fee income and profit on sale of investments which has been partially offset by lower recovery from bought out stressed assets and profit on exchange transactions. The detailed split of 'Other Income' is as follows:

₹ in crore

	FY13	FY12
Commission, Exchange, Brokerage & others	**766.87**	592.00
Income from recovery of bought out Stressed assets	**82.64**	128.93
Profit on sale of investments	**154.60**	81.61
Profit/loss on sale of fixed assets	**1.13**	0.56
Profit on exchange transactions	**96.26**	119.39
Income from subsidiaries / associates	**59.16**	54.85
Total Other Income	**1,160.66**	977.34

The deposits of the Bank grew by 32.4% from ₹ 38,536.52 crore to ₹ 51,028.77 crore as at 31st March 2013. This was partially due to the savings bank deposits increasing by 43.9% from ₹ 5,050.12 crore to ₹ 7,268.13 crore. It is important to note that the Bank was amongst the first to announce a rate hike on savings bank deposits in FY12 post deregulation of savings account interest rates by RBI.

The assets and liabilities composition of the Bank are as follows:

₹ in crore

Liabilities	**31 March 2013**	31 March 2012
Net Worth	**9,446.96**	7,945.94
Deposits	**51,028.77**	38,536.52
- CA	*7,650.15*	*7,352.32*
- SA	*7,268.13*	*5,050.12*
- Certificate of Deposit	*8,171.84*	*3,603.43*
- Term Deposit	*27,938.65*	*22,530.65*
Borrowings	**20,410.62**	16,595.52
Other Liabilities and Provisions	**2,807.34**	2,588.81
Total	**83,693.69**	65,666.79

Assets	**31 March 2013**	31 March 2012
Cash, Bank and Call	**3,689.16**	2,634.55
Investments	**28,873.43**	21,566.81
- Government Securities	**21,562.06**	16,587.24
- Other Securities	**7,311.37**	4,979.57
Advances	**48,468.98**	39,079.23
Fixed Assets & Other Assets	**2,662.12**	2,386.20
Total	**83,693.69**	65,666.79

Advances

Advances increased by 24.0% YoY primarily driven by Agriculture loans, business banking and mortgage loans. Personal loans increased by more than 62.0% helped by acquisition of a business loan portfolio with an outstanding of ₹ 700 crore from Barclays Bank. The Commercial Vehicle/Construction Equipment loan portfolio remained flattish YoY as the Bank remained cautious to grow this portfolio due to weak macro environment. The segment-wise loan book of the Bank is as follows:

₹ in crore

Segment	**31 March 2013**	**31 March 2012**
Corporate Banking	12,291.34	10,941.87
Mortgage Loans	10,329.15	8,333.23
Agriculture division	8,355.95	5,713.59
Commercial Vehicles & Construction equipment (CV/CE)	7,805.47	7,797.54
Business Banking	5,216.52	3,510.41
Personal Loans	3,026.71	1,868.35
Others	1,443.84	914.24
Total Advances	**48,468.98**	**39,079.23**

As per RBI segmental classification:

₹ in crore

Segment	**31 March 2013**	**31 March 2012**
Retail	24,427.64	21,062.48
Corporate	24,041.34	18,016.75
Total	**48,468.98**	**39,079.23**

As per BASEL II, the capital adequacy and Tier I ratio of the Bank as at 31st March 2013 was 16.0% and 14.7% respectively (31st March 2012 – 17.5% and 15.7% respectively). The net NPAs of the Bank excluding the acquired stressed assets were at 0.6% of net advances (0.6% as at 31st March 2012). The Net NPAs of the Bank including acquired stressed assets were at 0.6% of net advances (0.6% as at 31st March 2012). The restructured loans considered standard were at ₹ 10.7 crore (0.02% of the net advances), one of the lowest in the Banking Industry.

A brief analysis of the performance of various divisions of the Bank is as follows:

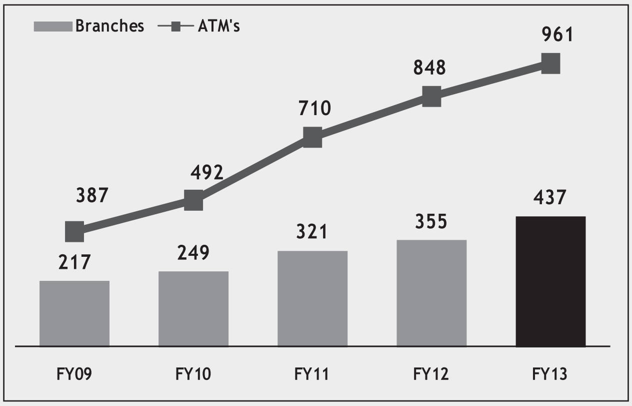
Consumer Banking

Branch Banking

The Bank has continued its growth journey powered by expansion of its network, increase in deposit base, higher focus on segmental banking and cross dimensional qualitative initiatives.

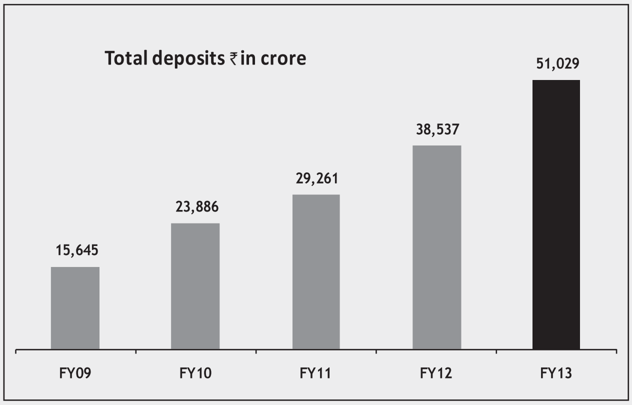
Network

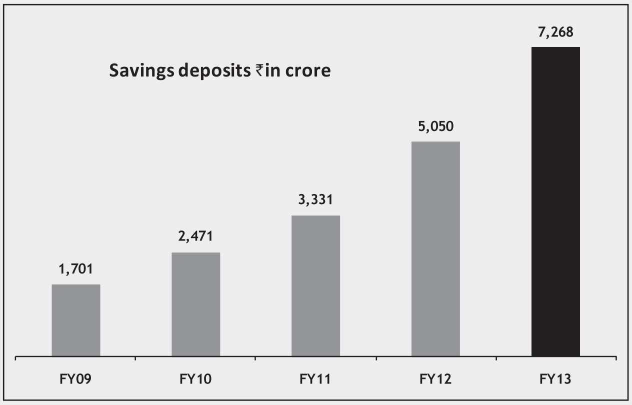
The bank has a strong network of 437 full-fledged Branches and 961 ATM's across 255 locations as on 31st March 2013.



Deposits

The Bank maintained a steady growth across its liabilities base. As of 31st March 2013, Bank's deposit base was ₹ 51,028.77 crore. The Bank's savings deposits grew by 43.9% to ₹ 7,268.13 crore compared to the previous year and registered an annual compounded growth rate of more than 36% in the last five years.





Key Initiatives

Some of the key initiatives taken during the year which helped provide a differential offering were:

I. Segmental Focus

- Silk Program for Women Customers: Bank launched a savings a/c program under branch name of Silk for women customers. The program was received very well and 30,000 customers have already signed up for this program at the end of the first year.
- Privy League Program for Affluent and Mass Affluent Customers: Bank expanded the coverage of Privy League Program across multiple segments and geographies and this program now services 40,000 households and businesses on a superior service platform.
- Corporate Salary Segment: Under this segment Bank has maintained focus in sourcing mid to large size corporates for offering Savings2 Wealth program to the employees of the corporates. Amongst other noticeable achievements was the empanelment with Indian Navy.
- Global Trade Offering for Importers & Exporters: Bank launched an exclusive business account for importers and exporters that offers a wide range of features in the trade and foreign currency transaction space. The exclusivity of the offering has helped in creating a huge equity with this segment.

- Non-Resident Indians: Bank significantly enhanced the range of offerings to the NRI segment. Bank signed up strategic partnerships with two global banks for facilitating remittances and account operations and also enhanced FCNR reach by opening up deposits in Swiss Francs amongst various other initiatives.

II. Customer Convenience

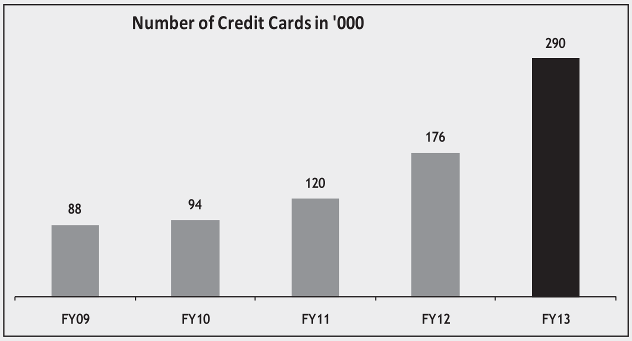
- Kotak Money Watch: This is a white labelled solution for personal finance management. It will also have educational content about managing finance at a basic to advanced level.
- FX Live: This is a tool which offers access to foreign currency rates to provide complete flexibility and convenience to customers in tracking movement in rates and thereby, facilitate decision making.
- Insta Kit: This is an offering for the savings account wherein at the point of sourcing itself a transaction enabling kit is delivered to the customer and enables immediate access post on-boarding of the account.
- E-Commerce: Online transactions have been enabled on debit card whereby customers can now avail goods and services through online portals in a fast and secured manner.
- Self Service Machines: Bank has commissioned Cash Deposit Machines and Cheque Deposit Kiosk across branches. This technology will enable customers to fulfil transactions by themselves without having to wait in queues.
- Courtesy call-back on Interactive Voice Response System (IVRS): This feature enables customers to leave a call back on IVRS (on the same number as the call-in number or on a different mobile number). System gives a prompt if the wait time is more than 45 seconds. IVRS will call the customer back as soon as a Customer care officer is available.

Consumer banking Assets

The consumer Assets business maintained its growth trajectory across the wide range of products offered by the Bank.

Credit Cards

Credit card business has 290,039 cards in force as on 31 March 2013 and is in its fifth year of operations. Customer spends per card across all variants of cards have been amongst the top three in industry. The premium range of our products – VISA Signature and VISA Platinum have driven the spend growth in the portfolio and it contributes to 45% of the spend while accounting for 30% of customer base.

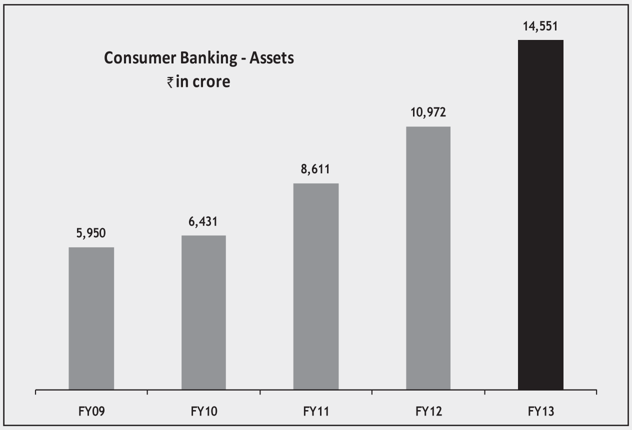


Home Finance

Home finance business delivered significant growth during the year with strong demand in both Tier I and Tier II cities and largely fuelled by thrust on cross sell through branches and self - employed segment.

Business Loans

Under this portfolio Bank offers a wide range of products from secured and unsecured business loans to loans against properties to working capital finance. This business saw significant growth in portfolio on the strength of expansion in new markets in tandem with the expansion of branch network. Along with organic growth and cross sell through branches, additional thrust was received through acquisition of a business loan portfolio of Barclays bank with outstanding of ₹ 700 crore.



Channel Usage

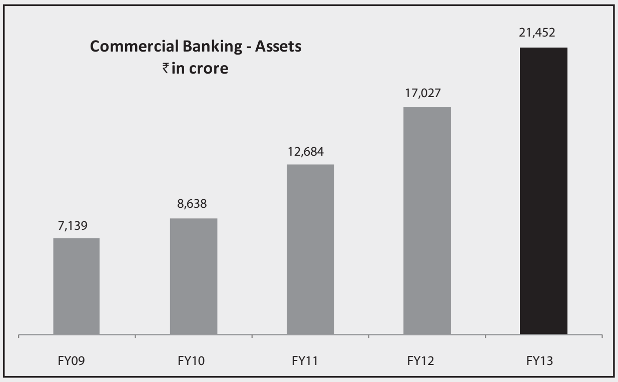
During FY13, Bank introduced one new channel for customers to transact on and saw significant scale up of transactions across all channels.

- E-Commerce: Bank launched E-Commerce for usage of debit card for online transactions. The response to this facility was overwhelming with 55,000 customers spending about ₹ 17 crore in the first quarter of launch itself.
- POS: POS spends for the FY saw a growth of 40% (including E Commerce) with the overall spends at ₹ 810 crore.

- Net Banking: Net-banking facilities registered a sharp increase in usage in the current year. Payment Gateway for online shopping rose by 66% with total spends at ₹ 825 crore for FY13 compared to ₹ 498 crore for last year. Transactions through Bill pay and Visa Money Transfer saw a jump of 56% with the total value of transactions for FY13 at ₹ 289 crore compared to ₹ 185 crore in last year.

Commercial banking

Commercial Banking division broadly comprises of lending towards Agriculture and allied activities, Tractor & Farm Equipment Financing, Emerging Corporates, Commercial Vehicle and Construction Equipment. The Commercial Banking loans have more than tripled in the last five years with the CV/CE's constituting 36% of the portfolio, Agriculture division 39% and the remaining by Business banking division.



Agriculture & Allied activities and Tractor & Farm Equipment Financing

One of the important focuses of the Bank is to grow its presence in Rural India (Bharat). The Bank is increasing its presence in Bharat by opening new branches and offering an array of products and services to meet the requirements of its customers. The portfolio of this division grew over 30% ensuring that the Bank substantially meets its Agriculture and other priority sector lending targets. The performance of the portfolio has been healthy with delinquency under control.

The Bank increased its dominance in Tractor & Farm Equipment finance by offering its products in new districts and towns. Disbursements grew by 14% whereas sales in overall tractor industry came down by 2%.

Commercial Vehicles and Construction Equipments

Sales of Heavy Commercial Vehicle (HCV) declined by more than 20% whereas the Light Commercial Vehicles (LCV) & Small Commercial Vehicle (SCV) sales increased by 20% during FY13. The Bank consciously increased its lending for LCVs & SCVs during the year, and curtailed its lending for HCV considering the slowdown in the economy. The LCV & SCV portfolios grew more than 40% with overall delinquency under control. HCV portfolio remained more or less flat and showed signs of stress as borrowers in this segment, especially those dependent on infrastructure, witnessed slowdown in business and collections.

Growth in the Construction equipments (CE) sector tapered down in FY13 due to slowdown in infrastructure-related investments, core sector, mining, environmental clearances and land acquisition. Order book position was also down compared to FY12. The Bank reduced the lending to this sector significantly in line with its negative view on the sector.

Business Banking

India's growth story hinges on the trajectory of the performance of its Small and Medium Enterprises (SMEs). Kotak Mahindra Bank actively participates in this growth story by partnering with some of the best SMEs of the country. The Business banking group of the Bank drives this initiative and also supports RBI's initiative of growing priority sector lending. ECG with its pan-India operations has the right mix of customers from manufacturing and services sectors. It added over 270 customers in FY13, taking the total customer base in the segment to about 1,000. The asset quality has been good with low delinquencies.

Corporate Banking

The Bank's Wholesale Business has a number of business groups catering to various customer and industry segments viz. Large Corporates, Mid-market Corporates, Financial Institutions, Commercial real estate offering a wide range of banking services covering their working capital, medium term finance, trade finance, supply chain, cash management & other transaction banking requirements. The focus has been on customized 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.

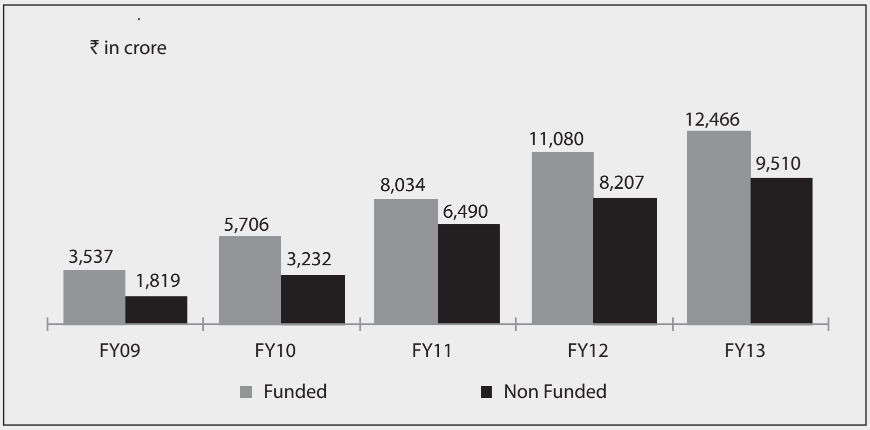
The business strategy in the large corporate segment has been to build franchise with top tier corporates as well as deepen the existing relationships with synergies across business verticals. The mid-market strategy is clearly driven by targeted client acquisition and becoming one of the preferred bankers to the corporates.

Bank has focused on increasing its share of the large & mid corporate space. During the year the Bank's focus was on improving share of working capital finance and trade finance which constitute large part of the wholesale advances. Current year witnessed an increase in the proportion of medium term lending in both large corporate and mid corporate segment.

During the last year, Transaction Banking Group in the Bank continued 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, leveraged on robust technology and specialized 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 optimized working capital & liquidity management benchmarks. Throughput on the receivables and payables side increased over 100% during the last year. The Bank also got approval for and commenced tax collection business during the year. We are active participants in the Global Trade Finance Program (GTFP) programme offered by IFC, Washington.

The Bank has also undertaken various measures to improve its share of fee based services. The product offering includes Documentary Credits, Bank Guarantees, Export Credit, Supply Chain Financing amongst others. Trade Finance volumes overall grew over 30% in the last financial year. Export Credit grew by more than 37% last year.

The Bank also provides a range of fund based and non-fund-based services to Capital Market intermediaries and custody and derivative clearing-services to domestic and foreign institutional-investors. The focus has been on product innovation and risk management through efficient technology platforms backed by high quality service. The mix between funded and non-funded for last five years is as follows:



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 has an industry research group that rates industries on an internal scale and defines the outlook towards various industries which forms an input to management in defining industry strategies.

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.

Treasury

Slowdown in the Indian economy amidst sideways drift in Global economy prompted cautious response from the RBI. Even as the RBI responded to the situation by calibrated reduction in policy rates, funding market rates remained sticky at elevated levels. As the wedge between funding rates and market interest rate increased, treasury carefully strategized for optimal cost of funds, keeping stability and liquidity as primary drivers. Optimal funding costs supported growth in the Bank's balance sheet. In addition to the conservative limits stipulated by Bank's Asset Liability Committee (ALCO), the Balance Sheet Management Unit (BMU) of Treasury also met reserve maintenance obligations like CRR and SLR.

Having anticipated the trend in the Interest rate market, Treasury had positioned appropriately in the Sovereign and Corporate Bond markets. The yield on 10yr G-Sec fell from 8.6% in April 2012 to 7.9% in March 2013 with interim volatility. Resultant opportunities were optimally capitalized by Bank's Treasury – within the ALCO stipulated risk parameters. The Primary Dealer (PD) desk of treasury, in addition to gainful positioning on the Trading portfolio, also increased its levels of distribution & retailing of sovereign securities. The PD desk also exceeded on its bidding, success & trading churn obligations to the RBI.

Uncertainty in the global financial markets manifested due to volatile currency markets. Given the volatility, trading operations in foreign exchange were measured and calibrated - within the Bank's risk appetite. Treasury's focus continued to be on foreign exchange flows from client businesses. The Bank added new customers and achieved a healthy growth in the number of transactions and volumes in the foreign exchange merchant business. Treasury also led technology initiatives towards transparent and convenient FX transactions by the Bank's customers.

Bullion business gained from increased appetite for precious metals. Together with streamlined processes, the bullion business saw a healthy increase in profitability, significant gains in volumes and new clients. New client acquisition also resulted in incremental current account and deposit balances.

Treasury continued its increased focus on bond and loan syndication markets as part of its Debt Capital Markets (DCM) business. Correspondent Banking Division of Treasury continued to build and leverage upon relationships with offshore banks for improving quality and international reach for its customers.

The ALCO maintained constant and close vigil on the market risk, Interest Rate and Liquidity Gaps, counterparty and country exposures.

Technology

During the year, the Bank continued its strategy of upgrading the foundation technology to ensure scalability and augmented functionality. Last year, the Core Banking system was upgraded. This year the "Switch" which drives ATMs was upgraded. The new state of the Art system will enable high volumes and will also provide a large number of enhanced functions such as RTGS/NEFT on the ATMs.

Improved productivity through automation of internal processes was a focus area. Straight Through Processing ('STP') was enabled for Trade Finance operations, resulting in decreased manpower needs. Most reconciliation processes within the Bank were automated leading to improved operational accuracy and speed. Also, internal budgeting functions were automated to provide granular and up-to-date information.

Keeping abreast of Information Security changes, the Bank implemented innovative solutions for distributed denial of services and web application firewalls to protect against threats from Internet access. The Bank was also recognized by the Data Security Council of India (DSCI) by being conferred the DSCI Excellence Award for Security in the Bank.

Subsidiaries Highlights

Kotak Mahindra Prime Limited

Kotak Mahindra Prime Limited (KMP) is primarily engaged in car financing; financing of retail customers of passenger cars and multi-utility vehicles and inventory and term funding to car dealers. KMP finances new and used cars under retail loan, hire purchase and lease contracts.

The main streams of income for KMP are retail, dealer finance and fee based income. KMP also receives income from loans against securities, personal loans, corporate loans and developer funding, securitization / assignment transactions and recovery of acquired non-performing assets.

Financial highlights

₹ in crore

Particulars	FY13	FY12	Growth YOY
Gross Income	**2,258.73**	1,818.63	24.2%
Profit before tax	**641.01**	570.34	12.4%
Profit after tax	**430.70**	384.88	11.9%

₹ in crore

Particulars	31 March 2013	31 March 2012	Growth YoY
Net Advances	**17,022.02**	13,385.78	27.2%
- Car Advances	*12,776.77*	*10,577.07*	*20.8%*
Net NPA excluding acquired stress assets	**35.78**	21.71	
Net NPA %	**0.2%**	0.2%	
ROA %	**2.6%**	2.9%	
ROE %	**20.3%**	22.3%	

The passenger car market in India saw a growth of 2% for FY13 as compared to a growth of 3% for FY12. Total unit sales of cars and MUV's crossed 26.84 lakh units in FY13 versus 25.51 lakh units in FY12. KMP added 116,495 contracts in FY13 against 105,555 in FY12. The Number of branches in FY13 increased to 70 as compared to 66 in FY12.

Gross NPA for the year was ₹ 71.40 crore (0.4% of Gross Advances) while Net NPA was ₹35.78 crore (0.2% of Net Advances).

Kotak Securities Limited

Financial highlights

₹ in crore

Particulars	FY 13	FY 12
Gross Income	**598.99**	609.70
Profit before tax	**188.53***	191.49
Profit after tax	**114.50***	125.82

***** *during the year, the Company has divested its stake in fellow subsidiary (KMCC) resulting in a loss of ₹ 30 crore*

The Sensex which closed at 17,404 in FY12 closed at 18,836 at the end of the current financial year with a high of 20,204 and low of 15,749. Similarly, the benchmark Nifty which closed at 5,296 at the end of the previous financial year closed at 5,683 at the end of the current financial year with a high of 6,112 and low of 4,770.

Despite flat FII Volumes, net FII investment in India during the fiscal was to the tune of ₹ 1,400 billion. Institutional volumes continued to grow in Index Options, which commanded a disproportionate share in the overall Institutional derivative volumes. Electronic Trading continued to remain the focus area for the Institutional desk and it expanded its client coverage in both Algorithmic & Direct Market Access trading.

The overall market share for the year ended 31 March 2013 reduced to 2.5% from 2.9% in the previous financial year.

The retail customer acquisition resulted in addition of about 84K customers to reach total customer base of 8.34 lakhs. A mobile trading application was launched during the year which has been very well received. The application works on a very wide range of handsets and tablets. The total outlets stood at 1,330 as against 1,365 at the end of the previous financial year. The number of registered sub brokers/ authorized persons stood at 2,119 for NSE and 1,560 for BSE.

The Company has focused on cost control during the year and total costs for FY13 were lower as compared to FY12. There appears to be over capacity in the industry which would lead to consolidation, either through exit by some smaller players or through mergers/ acquisitions among others.

Kotak Mahindra Capital Company Limited

Financial highlights

₹ in crore

Particulars	FY 13	FY 12
Gross Income	**83.26**	81.65
Profit before tax	**23.53**	9.42
Profit after tax	**16.71**	5.94

Kotak Mahindra Capital Company (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, Private Equity Advisory and Infrastructure Advisory & Fund Mobilization.

Equity Capital Markets

The Indian equity capital markets witnessed a modest recovery in FY13 on the back of three large Government of India disinvestments. KMCC completed sixteen transactions raising a total of ₹ 24,590 crore in FY13. The Company had a strong year managing a number of marquee transactions that straddled the entire suite of capital market products including four Initial Public Offerings (IPOs), seven Offers for sale (OFS), three Qualified Institutional Placements (QIP), one Institutional Placement Programs (IPP) and one Rights issue (Source: PRIME Database).

KMCC dominated the IPO market, managing the four largest IPO issuances to hit the markets during the year. These include: Bharti Infratel, PC Jeweller, CARE Ratings and Speciality Restaurants. This also reinforced KMCC's track record of introducing new sectors to India's capital markets with the first telecom tower company and the first fine dining restaurant chain to get listed in India.

The key Equity Deals that were concluded by the Company during the year include:

NTPC OFS: ₹ 11,470 crore; Bharti Infratel IPO: ₹ 4,170 crore; Oil India OFS: ₹ 3,140 crore; Steel Authority of India OFS – ₹ 1,520 crore; Mahindra & Mahindra Financial Services QIP: ₹ 870 crore; Hindustan Copper OFS: ₹ 810 crore; PC Jeweller IPO: ₹ 600 crore; CARE Ratings IPO: ₹ 540 crore; Godrej Industries IPP: ₹ 370 crore; Cholamandalam QIP: ₹ 300 crore; Speciality Restaurants IPO: ₹ 180 crore.

The key Debt Deals (Public Issue of NCDs) that were concluded by the Company during the year include:

Indian Railway Finance Corporation: ₹ 537 crore; India Infrastructure Finance Company: ₹ 2,880 crore; Housing and Urban Development Corporation: ₹ 2,190 crore; Rural Electrification Corporation: ₹ 2,010 crore; Power Finance Corporation: ₹ 690 crore; Shriram Transport Finance Company: ₹ 600 crore; Indian Railway Finance Corporation: ₹ 420 crore; Religare Finvest: ₹ 330 crore.

Mergers & Acquisitions

During the year, KMCC advised on a wide array of nineteen transactions ranging from Acquisitions & India Entry, Divestments, Internal Restructurings, Private Equity investments and Open Offers/ Delistings (select transaction details below). KMCC entered into an exclusive strategic alliance for cross-border M&A advisory services between India and Japan with Sumitomo Mitsui Banking Corporation ("SMBC") and SMBC Nikko Securities Inc. ("SMBC Nikko"), a wholly-owned subsidiary of SMBC. The India-Japan corridor is among the most important and active markets for cross-border M&A involving India.

Some of Advisory deals that were announced/ concluded by the Company during the year include:

- Advisor to the committee of Independent Directors for the Open Offer for GSK Consumer Limited – US$ 86.42 crore
- Merger of Suzuki Powertrain India Limited with Maruti Suzuki India Limited – US$ 26.91 crore
- Delisting Offer for Patni Computer Systems Limited – US$ 22.30 crore
- Preferential allotment of equity shares by Marico to GIC and Baring India Private Equity – US$ 9.63 crore
- Private equity investment in Super Religare Laboratories by Jacob Ballas and International Finance Corporation (IFC) – US$ 6.62 crore
- Private equity investment in TVS Logistics Limited by Kohlberg Kravis Roberts & Co. L.P. (KKR) and Goldman Sachs – US$ 5.16 crore
- Merger of Shriram Retail Holdings Pvt. Ltd. & Shriram Enterprise Holdings Pvt. Ltd. with Shriram City Union Finance Limited
- Advisor to the Promoter Group for the Demerger of non-IT business from Wipro Limited

Kotak Mahindra Old Mutual Life Insurance

Kotak Mahindra Old Mutual Life Insurance is a 74:26 joint venture partnership between Kotak Mahindra Group and Old Mutual Plc, an international savings, wealth management and Insurance company based in UK.

Kotak Life Insurance is in the business of life Insurance, deferred annuity and providing employee benefit products to its individual and group clientele. The Company has developed a multi-channel distribution network to cater to its customers and markets through tied, alternate, group, direct marketing and online channels on a pan-India basis.

The new ULIP regulations have impacted the life insurance business and private industry players have shown signs of a shift towards regular premium products than single premium and ULIP products. While the private industry as a whole registered a negative growth of 6.0% in gross premium terms, the Company registered an overall gross premium growth of 2.1%. KLI market share stood at 3.9% of private Industry. The financial performance of Kotak Life Insurance for the current and previous financial year is given below:

Financial highlights

₹ in crore

Particulars	FY13	FY12
Gross Premium Income	**2,777.78**	2,937.43
First Year Premium (Incl. Group and Single)	**1,188.10**	1,164.27
Profit Before Tax	**198.33**	203.25
Profit after Tax	**189.74**	203.25

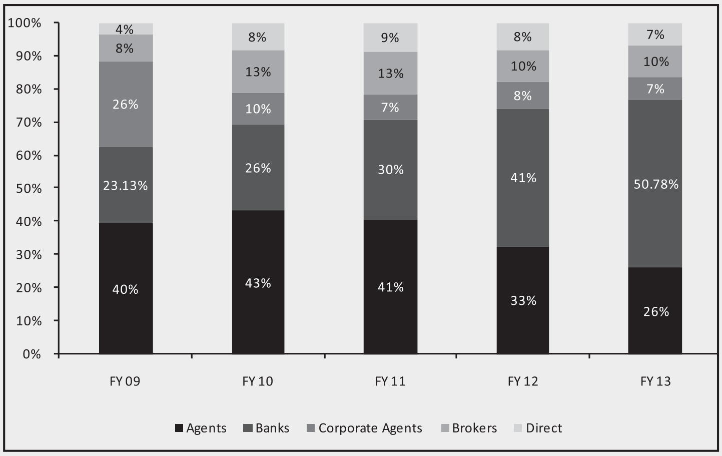
Revenue Performance:

The Company has recorded a growth of 2.1% in the Total New Business (NB) premium backed up by a strong presence in Group Business. The summary of Premiums is as under

₹ in crore

Particulars	FY13	FY12
Individual Regular	433.72	436.33
Individual Single	254.79	374.24
Group Regular	315.64	224.42
Group Single	183.95	129.28
Total NB Premium	**1,188.10**	**1,164.27**
Renewal	1,589.68	1,773.16
Gross Premium	**2,777.78**	**2,937.43**

Distribution Mix (Individual business):



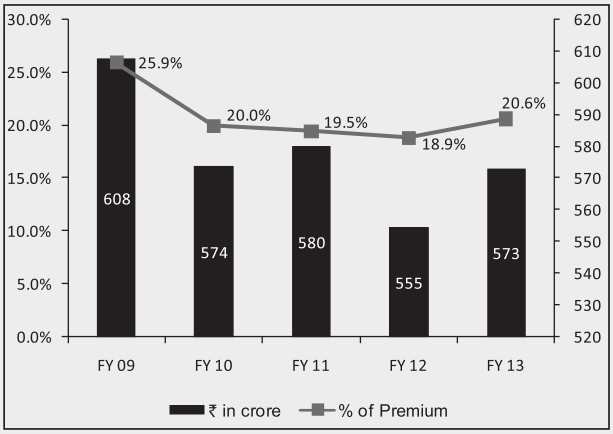
Post ULIP guidelines the share of Ulip in Total Premium has seen a steep fall. The share of ULIP has fallen from 96% in FY09 to 9% in FY13. The percentage of business done by Bancassurance is showing a steady increase from 23.1% in FY09 to 50.4% in FY13 (% of Total Individual Premium).

Profits and Solvency:

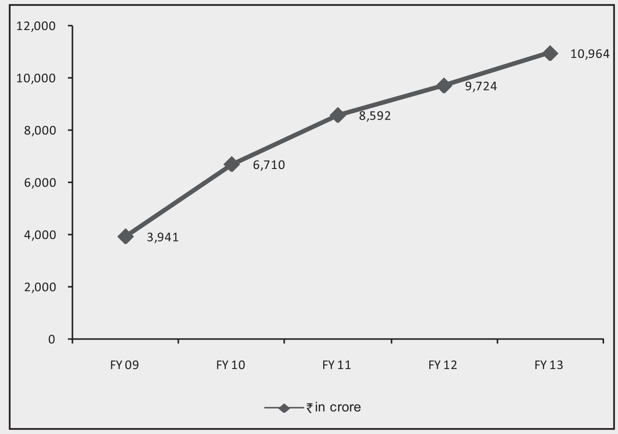
The Net worth of the Company increased by 31% to ₹ 802.67 crore from ₹ 612.93 crore. Company has a Solvency ratio of 2.93 against requirement of 1.5. Further, Conservation ratio is 71.95% in FY13 compared to 73.66% in FY12. The Company has set up a dedicated Retention team to further improve the retention of the premiums of the Company.

Operating Expense ratio (Net of Service Tax) has increased to 19.21% as against 17.44% in previous year. The Company is putting in efforts to bring in variabalisation of cost so as to bring the overall cost ratio down.

Operating expenses related to Insurance business:



Assets under Management:



Network:

Company has a network of 199 branches across 153 locations. The Company has more than 33,700 life advisors, 23 corporate agents and network of 125 empanelled brokers.

Social and Rural Obligation:

Company has written 36,091 rural policies (FY12 - 46,053) representing 21.3% of total Policies against regulatory requirement of 20%. Further, the Company has covered 509,279 social lives against the regulatory requirement of 55,000 (FY12 - 178,470). Company takes the social sector target not as an obligation, but with a sense of duty to the community as a life insurance company.

Kotak Mahindra Asset Management Company Limited,
Kotak Mahindra Trustee Company Limited

Kotak Mahindra Asset Management Company Limited (KMAMC) is the asset manager of Kotak Mahindra Mutual Fund (KMMF) and Kotak Mahindra Trustee Company (KMTC) is the trustee company.

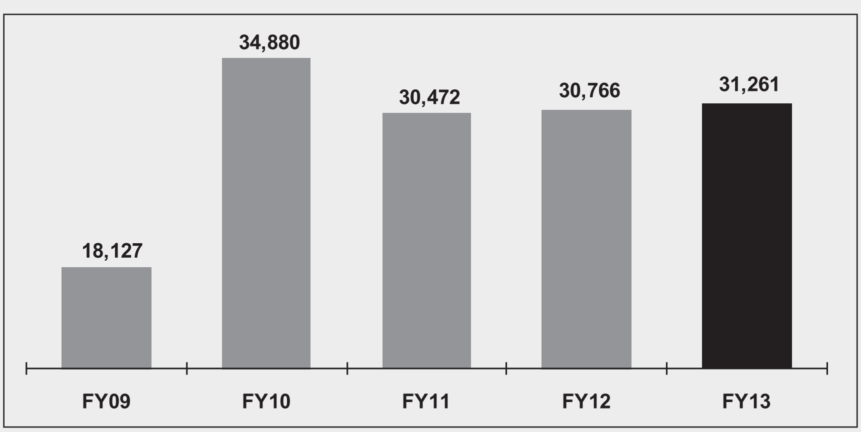
Financial highlights

₹ in crore

Particulars	FY13	FY12
Gross Income	129.18	125.40
Profit before tax	14.36	30.58
Profit after tax	12.01	21.91
Particulars	**Q4 FY13**	Q4 FY12
Average AUM	35,944.83	26,236.35

Average AUM of KMAMC over the years is shown in the chart below:

Average AUM (₹ in crore)



The total industry folios in March 2013 were at 4.28 crore, down from 4.64 crore in March 2012. KMAMC also saw its total live folio count declining to 7.63 Lac in March 2013 from 8.72 Lac in March 2012. The profits of KMAMC have reduced in the current year due to higher commissions on account of increase in sales of bond schemes.

KMAMC continued to focus on delivering consistency in its fund performance. Most of the equity funds delivered a positive alpha across its benchmarks in its schemes, as illustrated below:

Equity Schemes	Benchmark	FY13 Returns (%)	Benchmark Returns (%)	Outperformance (%)
Kotak 50 Fund	CNX Nifty Index	9.67	7.31	2.37
Kotak Balance	Crisil Balanced Fund Index	9.92	8.18	1.74
Kotak Classic Equity	CNX 500 Index	11.11	5.13	5.98
Kotak Emerging Equity Fund	S&P BSE MID CAP	5.20	(3.22)	8.42
Kotak Equity Arbitrage	Crisil Liquid Fund Index	9.47	8.17	1.29
Kotak Midcap Fund	CNX Midcap	5.26	(4.02)	9.27
Kotak Opportunities Fund	CNX 500 Index	5.84	5.13	0.71
Kotak Select Focus Fund	CNX Nifty Index	8.73	7.31	1.42
Kotak Taxsaver Fund	CNX 500 Index	5.36	5.13	0.23

A total of 10,948 programs were done pan India covering about 216,211 investors. KMAMC has undertaken about 1,056 investor meets covering about 25,000 investors. This is expected to increase awareness about mutual funds as a long term lucrative investment option

Kotak Investment Advisors Limited (Alternate asset management & advisory)

Kotak Investment Advisors Limited (KIAL) is the investment manager / advisor for private equity and realty funds.

Financial Highlights

₹ in crore

Particulars	FY13	FY12
Total Income	85.00	96.86
Profit before tax	43.28	52.21
Profit after tax	30.67	36.13

The aggregate alternate assets managed /advised by KIAL as at 31 March 2013 was ₹ 4,757.90 crore ($ 88 crore) down from ₹ 5,011.41 crore ($ 99 crore) as at 31 March 2012. The Company manages seven domestic funds and advises four offshore funds.

Private Equity Funds

(a) *India Growth Fund*

India Growth Fund (IGF) was set up as a unit scheme of Kotak SEAF India Fund with investors from select institutional and high net worth investors, from both India and abroad. IGF has made fifteen investments across diversified sectors such as logistics, technology services, retail, media and entertainment, engineering, bio-technology, textiles, aviation, telecom and power infrastructure and financial exchanges.

(b) *Kotak India Venture Fund I*

Kotak India Venture Fund I (KIVF-I) is a domestic fund with the objective of making investments primarily in companies operating in Biotechnology and Life Sciences sector. The Fund has made five investments till date.

(c) *Kotak India Growth Fund II*

Kotak India Growth Fund II (KIGF-II) is a domestic fund aimed at investing in mid sized corporates with a growth orientation. KIGF-II has made eight investments till date across sectors.

Realty Funds

(a) *Kotak Mahindra Realty Fund (KMRF)*

The primary objective of KMRF is to invest in the real estate sector and allied services sectors in India. Kotak India Real Estate Fund-I (KIREF-I), Kotak India Real Estate Fund-IV and Kotak India Real Estate Fund-V have been set up as unit schemes of KMRF.

KIREF-I had fully committed its capital in eleven investments, while KIREF-IV has made six investments and KIREF-V has made five investments.

(b) *Kotak Alternate Opportunities (India) Fund*

Kotak Alternate Opportunities (India) Fund (KAOIF) was set up with an objective of investing in the securities of companies operating in real estate, infrastructure and allied services sectors in India with an intention to provide long-term capital appreciation to its investors. KAOIF has till date made twenty three investments in a diversified portfolio.

Kotak Mahindra Investments Limited ("KMIL")

Financial highlights

₹ in crore

Particulars	FY13	FY12	Growth YOY
Total Income	117.66	118.45	(0.67%)
Profit before tax	45.98	27.26	68.67%
Profit after tax	33.57	15.25	120.13%
Particulars	**31 March 2013**	**31 March 2012**	
Gross NPA	18.86	31.92	
Provisions	4.84	17.59	

KMIL is engaged in providing finance against securities, mutual fund units and making long term strategic investments. KMIL's strategy has been of continuous product innovation coupled with tight control on credit quality and effective risk management.

The Company reported a total Profit before Tax of ₹ 45.98 crore (P.Y. ₹ 27.26 crore) for FY13 registering 68.7% growth YOY. The PBT of the Company was helped by gain on sale of long-term investments amounting to ₹ 5.11 crore and write-back of provision of ₹ 2.77 crore.

Gross NPA as at 31 March 2013 reduced to ₹ 18.86 crore from ₹ 31.92 crore in the previous year primarily due to write offs.

Kotak International subsidiaries

Financial highlights for international entities:

₹ in crore

Particulars	FY13	FY12
Total Income	120.46	95.12
Profit before tax	7.05	(11.80)
Profit after tax	6.25	(11.14)

Kotak international subsidiaries consist of following four companies:-

1. Kotak Mahindra (UK) Limited
2. Kotak Mahindra International Limited (KM(I)L)
3. Kotak Mahindra, Inc.
4. Kotak Mahindra Financials Services Limited

The Bank has overseas subsidiaries with offices in Mauritius, London, Dubai, Abu Dhabi, Singapore and New York .

The international subsidiaries are mainly engaged in investment advisory and investment management of funds, equity & debt trading, management of GDR/ FCCB issuances, broker and broker dealer activities and investments.

Assets managed/ advised by the international subsidiaries were at ₹ 9,813.60 crore ($ 181 crore) as on 31st March 2013.

Awards and Recognitions

During the year the Group won the following awards:

- Kotak Mahindra Bank's Board has been adjudged as one of the 'Best Managed Board' in the Aon Hewitt-Mint study of 2012.
- Best Private Bank by Finance Asia Country Awards 2012.
- Kotak Mahindra Bank has made it once again in the list of the prestigious Forbes Asia's Fab 50 Companies in 2012 for the 3rd consecutive year (2010-12).
- Kotak Wealth Management has won the following prestigious awards:
  - ✓ Best Private Bank, India by World Finance Banking Awards, 2012
  - ✓ Outstanding Private Bank, South Asia - Private Banker International Global Wealth Awards 2012.
  - ✓ Winner in multiple categories by Euromoney Private Banking Survey 2013**:**
    - Private Banking Services Overall, Globally – Among Top 25.
    - Private Banking Services Overall, Asia – Among Top 10.
    - Second Best Family Office Services Provider, Asia.
    - Best Private Banking Services Overall – India.
    - Best Family Office Services Provider, India.

- Kotak Mahindra Bank won the Silver Shield at the 'ICAI Awards for Excellence in Financial Reporting' for the year 2011-12 under the Category II: Private Sector Banks (including Co-operative Banks & Foreign Banks). – second year in a row
- Kotak Mahindra Bank has been rated amongst the Top 10 in Top Companies for Leaders to work, in Asia Pacific in a Study conducted by RBL Group, Aon Hewitt and Fortune in 2011.
- Kotak Mahindra Bank's 6% campaign featuring Subbu won the Silver Effie - a prestigious advertising effectiveness award in the financial services category.
- Best Local Cash Management Bank In India, as voted by corporates for Small companies (turnover < $ 100 Mn) by Asiamoney in 2012
- Kotak Mahindra Bank won the Asian E-payment Awards for the following categories at the Asian Leadership Awards –
  - Best E-Payment Bank Award.
  - Best Online Payment Platform Award.
  - E-Payment Market Leadership award.
- Kotak Mahindra Bank has been rated amongst the Top 25 Best Employers in India for 3 consecutive studies conducted since 2007 by Aon Hewitt.
- Kotak Mahindra Bank's NRI Banking won the following 2 awards at the Banking & Payments Asia Trailblazer Awards 2013
  - Click2Remit: Winner in Product Excellence, in the P2P Product Category.
  - Privy League for NRIs: Winner in Service Excellence, in the Mass Affluent Banking Category.
- Awarded Gold in the "Best Local Trade Bank in India" category of Trade and Forfaiting Review Awards 2012.
- Kotak Mahindra Bank received the award for Innovative Use of Data Storage at the 'India Innovation Award 2013' by CNBC TV18 from Hon'ble Minister of State for IT and Communication Mr. Milind Murli Deora.
- Won the Celent Model Bank Award for its core banking implementation in the category of Infrastructure & Architecture.
- KMCC was ranked the #1 Book Running Lead Manager for Initial Public Offerings in FY13. KMCC was ranked #2 across all Equity Offerings (IPO, FPO, QIP, OFS, IPP, Rights) in FY13. (Source: PRIME Database).
- In the M&A league tables, KMCC was ranked #4 by volume of deals and #12 by value of deals in FY13 (Source: Bloomberg).
- Kotak Institutional Equities analysts ranked #1 in financial services; #3 in the media sector in the Wall Street Journal survey of Asia's best analysts – 2012

Risk Management

Risk is managed in the Bank under an Enterprise wide Risk Management (ERM) framework that aligns risk and capital management to business strategy, with a view to enhancing shareholder value.

The ERM framework lays down the following components for effective risk management

- Risk organisation structure with clear framework of risk ownership and accountability
- Minimum governance standards and controls to identify, measure, monitor and manage risks
- Policies to support and guide risk taking activities within the Bank

As per the ERM framework adopted, Bank has three lines of defence model towards risk management. 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. The Bank believes that "businesses understand their risks best" and assume full ownership and accountability for managing them. The business lines assume risk taking positions on a day to day basis within the approved framework and boundaries put in place by the second line of defense.

The second line of defense is made up of Risk Management, Finance and Compliance functions. This line sets the boundaries for risk taking by the first line, within the Board approved mandate. They also provide oversight over business and provide periodic reporting to the Board.

The third line of defense is the internal audit function that provides independent assessment of the first and second line of defense and reports to the audit committee of the Board.

The Bank has an independent Risk function that provides an independent and integrated assessment of risks across various business lines. The Risk function also participates in activities that support business development such as new product approvals and post implementation reviews.

The Bank's risk management process is the responsibility of the Board of Directors and various committees are specifically entrusted with execution responsibilities for risk management. Committees that form part of Risk Governance include Audit Committee (ACB), Asset Liability Management Commiittee (ALCO), Credit Committee, Risk Management Committee (RMC) etc. Formal updates are provided to the Board periodically.

A. Capital Adequacy

The Bank's high level of Tier I capital adequacy provides stakeholders, reassurance against unexpected losses and is a source of competitive advantage. In accordance with the RBI guidelines on NCAF (New capital adequacy framework under Basel II norms), the Bank adopted the standardized approach for credit risk, basic indicator approach for operational risk and standardised duration approach for market risk.

The Bank maintains a strong capital position with the capital ratios well in excess of regulatory minimum capital adequacy requirements and the Board Approved minimum target capitalisation level at all times throughout the year. The Bank is well capitalized to meet the Basel III norms.

B. Risk Appetite

The Risk appetite is an expression of the risks, the Bank is willing to take in pursuit of its financial and strategic objectives. The Risk appetite thus sets the outer boundaries for risk taking at the Bank. Risk Appetite forms a key input to the business and capital planning process.The Risk Appetite links risk strategy to the business strategy through a set of comprehensive indicators.

C. Credit Risk

Of the various types of risks which the Bank 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 arise from wholesale, retail advances and off balance sheet items. Credit risks also emanate from investment and trading portfolio by way of issuer risk in debt paper, settlement risk on OTC trades and downgrade risk on non SLR investments and OTC contracts.

As articulated in the Bank ERM framework, primary responsibility for credit risk management rests with business lines supported by the credit risk function. The Bank has framed Credit policies & Standards that sets out the principles and control requirements under which the Bank is prepared to assume credit risk to ensure smooth & timely flow of credit to the Bank's customers while ensuring prudent credit growth.

The Bank has credit approving authorities and committee structures linked to the risk levels of the borrower and transaction. Appropriate credit appraisal standards are enforced consistently across business lines. 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 within respective businesses conduct credit appraisal and assign a credit rating based on internal rating model.

Based on the independent credit risk assessment, appropriate credit decisions are taken by the sanctioning authorities. The Bank has a tiered credit sanction process where credit approvals are reported to the next higher level.

As part of the post sanction process, the Credit Administration team processes documentation, on the completion of which, credit is disbursed. In accordance with credit policies, the borrowers are subject to an annual review with updated information on financial position, market position, industry and economic condition and account conduct. Corrective actions are taken on signs of credit deterioration. There is also regular reporting on portfolio distribution by risk grades, monitoring of covenants prescribed as part of sanction and pending documentation, if any. A dedicated industry research group (IRG) also monitors sectoral outlook and performance of borrower within the sector and places its report to senior management. The Bank has also implemented an enterprise wide Early Warning Signal (EWS) framework that helps identify signs of credit weakness at an early stage for the Bank to work closely with the borrowers and take suitable remedial actions.

D. Collateral and Credit Risk Mitigation

Mitigating risks is a key element of internal credit policies. When granting credit facilities, the sanctioning authorities base their decision on credit standing of the borrower, source of repayment and debt servicing ability. While depending on the risk profile of the borrower, facilities may be provided unsecured, collateral is taken wherever possible to mitigate the credit risk assumed. However, credit facilities are not granted based solely on the collateral provided. The main types of collateral taken include cash & cash equivalents, immovable property, movable fixed assets, inventory and receivables. Corporate guarantees are also obtained in cases where credit worthiness of the standalone borrower is not sufficient to extend credit.

E. Credit Risk Concentration

Risk Appetite of the Bank mandates it to maintain a well-diversified portfolio. Risk concentrations arise in the credit portfolio as a consequence of the Bank business strategy. The Bank differentiates between desired and undesired concentrations. Desired concentrations are where the Bank sees a favourable risk return trade-off to build its credit portfolio. To avoid undue concentration in credit exposures, the Bank operates within Board approved limits in its loan portfolio. Some of the key portfolio limits to mitigate concentration risk include:

- Single borrower limits
- Exposure to borrower groups
- Substantial exposure limits
- Sector & Industry limits
- Limits on unsecured lending

F. Market Risk

Market Risk is the risk that earnings or capital will be adversely affected by changes in the level or volatility of market variables such as interest rates, foreign exchange rates, credit spreads, commodity and equity prices. The Bank takes positions in debt, foreign exchange, derivatives, equity and bullion. These positions are subject to Market Risk.

The Board Approved Investment Policy sets out the Investment Philosophy of the Bank and its approach to Market Risk Management. The ALCO of the Bank oversees the Market Risks in the Trading Book and the Banking Book. The committee approves the market risk & limit framework, allocation of limits to desks and reviews the risk monitoring systems and risk control procedures. The objective is to manage market risk exposures within approved risk limits to optimise risk return trade off. The Bank's limit-framework is comprehensive and effectively controls market risk. Limits on sensitivity measures like PV01, Duration, Delta, Gamma, Vega etc. and other limits like loss-limits, value-limits, gap-limits, deal-size limits, holding-period limits constitute the Bank's limit framework. These limits are monitored and utilizations are reported by the Treasury Mid-Office (TMO). The TMO is independent of the dealing function and the settlements function and reports directly to the Group Head - Risk.

The Bank also uses Value-at-Risk (VaR) to quantify the price risk in the portfolio. The VaR model used is based on historical simulation and estimates the potential future loss (in terms of market value) that, under normal conditions, will not be exceeded with a 99% confidence level, in a 10 day holding period. The VaR model of the Bank has been independently validated by an external agency. The VaR model is periodically back tested, wherein the VaR numbers are compared to actual profit and loss results (assuming the position remains constant).

G. Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due without adversely affecting its financial condition. Liquidity is also bank's capacity to fund increase in assets and has the potential to constrain growth through depletion of resources available for lending and investment. ALCO of the bank defines its liquidity risk strategy and risk tolerances. Balance Sheet Management Unit (BMU) of the bank is responsible for managing liquidity under the liquidity risk management framework. Bank actively manages its liquidity risk covering both market funding risk and market liquidity risk. The Bank maintains a diversified funding profile with emphasis on building retail franchise to increase customer deposits. The Bank ensures that there is sufficient liquidity headroom available, including liquid assets, at all times to manage any contingency.

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 liquidity risk. The Bank also manages its intra-day liquidity positions so that payment and settlement obligations are met on a timely basis.

Bank follows scenario based approaches for liquidity stress testing wherein hypothetical but plausible scenarios are employed to evaluate the impact of stress on the liquidity position. Bank is also assessing the liquidity under stress conditions using Basel III Liquidity Ratio i.e. liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). These measures have been incorporated as part of bank's risk appetite definitions and thresholds.

Bank's contingency liquidity plan (CLP) approved by ALCO and the Board plays an important role in its liquidity risk management framework. It incorporates early warning indicators (EWIs) to forewarn emerging stressful liquidity conditions. The plan also defines actions in the event of liquidity crisis to minimise adverse impact on the Bank.

H. Interest Rate Risk in Banking Book (IRRBB)

In Bank, interest rate risk results from both trading book and banking book. Interest rate risk in banking book (IRRBB) risk mainly arises through 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.

ALCO is the guiding body for management of IRRBB in the bank and sets the overall policy and risk limits. BMU which is part of the treasury, is entrusted with the responsibility of IRRBB. BMU uses Funds Transfer Pricing (FTP) to transfer risk from business units to centralized treasury. As a policy, no interest rate risk is retained within any business other than treasury.

Bank manages and controls the interest rate risk in the banking book from two different perspectives, namely the earnings perspective and the economic value perspective. It uses earnings at risk (EaR) as a short term risk indicator to assess the sensitivity of NII and NIM 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.

I. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. This definition includes legal risk but excludes reputational risk. Therefore, in line with the Basel II risk management framework and best practices, operational risk in Bank; is composed of the following risk types: operations risk, legal risk, regulatory compliance risk, financial crime risk, people risk, property, technology, vendor, financial, and environmental risk.

The objective of operational risk management at the Bank is to manage and control operational risk in a cost effective manner within targeted levels of operational risk as defined in the risk appetite. The centralized and independent operational risk management function manages this risk as guided by the Board approved operational risk management policy.

The operational risk management function assists businesses by defining standardized tools and techniques like Monthly update to management on critical events, Real time incidence reporting of Unusual Events, Risk and control self-assessment (RCSA) to identify and assess operational risks and the controls in place to manage those risks. The operational risk strategy of the Bank, aims to reduce the likelihood of occurrence of unexpected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to minimize the impact of operational risk.

The Board of Directors, Risk Management Committee and the Operational Risk Executive Council (OREC) have overall oversight function for operational risk management. The Business Units and the support functions are the first line of defence in our operational risk management process. They own, manage and are accountable for the operational risks and controls in their respective areas. The independent Operational Risk Management function lays down the operational risk management policies, standards, processes, procedures and operational risk management framework under which the business units and support functions operate. Internal audit and Internal Control teams provide oversight over business control activities and assurance that activities are conducted as per laid down guidelines.

J. Internal Capital Adequacy Assessment Process (ICAAP)

The (ICAAP) is an assessment of all significant risks (Pillar II), other than Pillar I risks, to which the Bank is exposed. As part of this process, the Bank identifies risks and determines the level of capital to cover those risks. The ICAAP framework thus assists in allocating capital in proportion to risks inherent in the business. The ICAAP also involves capital planning to ensure that the Bank is adequately capitalised for the period ahead and holds sufficient buffers to withstand stress conditions.

The Bank has methodologies that help in capital allocation towards quantifiable Pillar II risks. The capital required thus identified are additive and represent a conservative assessment. The Bank factors liquidity risk as part of its ICAAP & stress testing. The Bank is of the view that its strong capitalization helps it maintain a robust liquidity profile.

During the year, the Bank prepared its annual ICAAP outcome that was approved by the Board and submitted to the regulator. Based on the ICAAP outcome, the Bank was well capitalized to cover Pillar I & Pillar II risks.

K. Stress Testing

Stress tests are an integral tool in the Risk Management framework as they provide management a better understanding of how portfolios perform under adverse economic conditions. The Bank supplements capital adequacy computation by performing stress tests, guided by a comprehensive Board approved stress testing policy.

The Bank tests its portfolio and projections across a range of historical and hypothetical stress scenarios that provide for severe shocks to various risk parameters. Impact of the stress scenarios is then assessed on profit and loss and capital levels. Stress test results are reported to management and the Board. 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 and reputation risk. All key subsidiaries of the Bank have an independent compliance function. Compliance officials across the group interact on various issues including the best practices followed by the respective companies.

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, each of the subsidiary companies has its own compliance manual.

The compliance function is responsible for all aspects of compliance across the Bank. There are dedicated resources deployed to focus on areas like KYC/AML, review & monitoring and advice on regulatory issues. The compliance team provides compliance assistance and support to management and manages and supervises the compliance framework. Compliance division works with business units to develop procedures to implement the requirements of the various regulations and policies. It also works closely with other support functions including the legal department and outside counsel.

The Bank uses the knowledge management tools for monitoring new and changes in existing 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's internal audit department assesses business and control risks of all branches and businesses to formulate a risk-based internal audit plan, as recommended by the RBI. The audit process followed is as below:

An annual risk-based internal audit plan is drawn up on the basis of risk profiling of Bank's branches and businesses/ departments which is approved by the audit committee.

The audit plan is prioritised based on areas which pose a higher risk to the Bank and such areas and branches are targeted for more frequent audits. The Internal Audit policy includes the risk assessment methodology which provides for coverage of all auditable areas once in three years.

After assessing the overall risk of a branch or business or department, the Bank takes corrective measures to minimize the risk. Most businesses have an internal Risk Containment Unit or Internal Controls cell to assess the efficacy of the controls put in place to mitigate identified risks and to identify new risks. Senior officers also assess and evaluate the mitigating measures taken by the branch during their visits.

Post issue of audit reports there is a detailed process for monitoring of progress on implementation of action plans.

Status of resolution tracking as well as pending issues is reported to senior management and audit committee of the board on a regular basis and a formal report on pending issues is issued once every half-year.

Human Resources

As on 31st March 2013, the employee strength of the Bank along with its subsidiaries was over 23,500 as compared to around 22,000 employees a year ago. The Bank standalone had over 13,500 employees as of 31st March 2013. Some statistics for the employees of the Bank are as follows:

- The average age of the employees is 31 years.
- Close to 40% of the employee base is professionally qualified with a healthy mix of CAs, MBAs and other post graduates.

The Bank has won several awards and accolades for its products, services, technology platform and for people processes. In the last one year substantial investments continue to be made in training and developing of employees across levels to improve productivity, service quality, personal effectiveness and supervisory capability. The Bank has also tied up top academic institutions for structured leadership development programs and customized courses.

A continued area of focus for the bank and its subsidiaries last year was of aligning all resource to the core values of the firm and ensuring ethical behaviour by all its resources in all their dealing with internal and external stakeholders. Value based training programs and communication on values with linkages to existing products/ processes was stepped up in this year. Identification and exhibition of correct values and behaviours was woven into critical human process such as Talent Review and Performance Management. In order to enhance timely mitigation of risk and effective grievance resolution at the workplace, the Bank provides all employees with an online anonymous whistle-blowing and grievance redressal platform.

The Bank and its subsidiaries continued to carry out several initiatives and innovative processes which have helped in building a pool of highly committed and motivated employees who are aligned to the vision of the organization and consistently excel in delivering best in class products and services to our customers.

Opportunities and Threats

Opportunities

- Focus on Digital and Affluent customer
- Being part of the India's growth story
- Participate in growth in non-urban India – "The Bharat"
- Financial inclusion
- Utilise the emerging opportunity of helping the middle class manage their money better
- Utilise technology to provide solutions to customers
- Increase distribution strength
- Improve share of low cost deposits

Threats

- Volatile environment
- Fiscal deficit and Current account deficit
- Attracting and retaining talent and training them for the right culture
- Inflation and economic slowdown
- Competition

Outlook

Kotak Mahindra Group's results for the financial year demonstrate the strong fundamental growth in the India story. However, concerns remain on inflation and the twin deficits – fiscal and current account. The group believes with sound risk management and strong Capital adequacy ratio, the India of the future offers opportunities for growth.

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 and life 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.

Business Responsibility Report

Business responsibility is ingrained in Kotak Mahindra Group ethos which is based on prudence, simplicity, humility and transparency. Kotak Mahindra Bank Limited's (KMBL) commitment towards business responsibility is strongly supported by high standards of governance, robust internal policies and innovative business practices. Last year, KMBL disclosed its sustainability impacts and initiatives in the annual report. This year, KMBL has aligned its reporting with National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG-SEE) released by Ministry of Corporate Affairs. The Business Responsibility Report, covering KMBL operations, is in accordance with the Securities and Exchange Board of India's (SEBI) Clause 55, of the listing agreement with stock exchanges.

To understand the business responsibility issues that are of material concern to KMBL and significant interest to the stakeholders, the Bank has aligned the materiality assessment process to the NVG-SEE framework on identifying priority issues. The assessment included a review of KMBL's Business Vision, Mission and Values, current applicable laws and regulations, and industry risks and opportunities. This report is aligned to present KMBL's business responsibility impacts and performance covering the nine principles of NVG-SEE.

Principle 1: Ethics, Transparency and Accountability

Business Responsibility Governance

The Bank has adopted best corporate governance standards to help steer KMBL's efforts in conducting its business in an ethical, responsible and transparent manner. The details on its corporate governance structure and standards can be found in the "Report on Corporate Governance" section of this annual report. The Bank has a robust whistleblower mechanism which empowers employees to anonymously report incidents related to insider trading and unethical behaviour. The whistleblower can report such incidents through a third-party managed online portal, first of its kind in the banking sector in India.

The Bank has constituted a Business Responsibility Committee in FY 2012-13, which has been entrusted with the responsibility of overseeing the Bank's business responsibility agenda and initiatives. The committee comprises of four senior executives and is chaired by a whole time director. A senior executive has been appointed as the Head of Business Responsibility, who reports to this Committee on business responsibility issues and initiatives.

Business Responsibility Committee:

1	Mr. C. Jayaram	Joint Managing Director
2	Ms. Shanti Ekambaram	President, Corporate & Investment Banking
3	Mr. Karthi Marshan	Executive Vice President, Head - Group Marketing
4	Mr. Rohit Rao	Executive Vice President, Head – Group Corporate Communications, Business Responsibility & CSR

Policy Framework

The Bank has put in place a robust policy and internal control framework to oversee all business operations. The policies have been developed using relevant regulations, standards which are mandatory as well as voluntary, and international best practices. Internal controls and resources are made available for effective implementation of these policies. Compliance to various regulatory and internal policies is periodically reviewed by the Board and/ or senior management and is subject to internal and/or external audit procedures. Compliance is also reported to regulatory agencies as required under various regulatory and banking norms.

S.No	Business Responsibility Principles	Relevant Policies
1	Ethics, Transparency and Accountability	Code of conduct (Directors, Senior management; Wealth management employee; Direct selling agents); Ethical conduct policy; Vigilance policy; Whistleblower policy; Code for banking practice; Compliance policy; Internal audit policy; Fraud risk management policy; Operational risk management policy; Stress testing framework policy; Group enterprise risk management policy; Disclosure policy, Protected disclosure scheme; Policy Statement on Business Responsibility; Intellectual Property Rights policy of the Bank; Know your customer policy & Anti money laundering policy
2	Products Life Cycle Sustainability	Fair practice code for credit card operations policy; Fair practice code for lenders policy; Home finance policy; Social Environmental Management System Plan; Policy Statement on Business Responsibility
3	Employees' Well-Being	Recruitment and separation policies; Employee benefits policies; Leave policy; Training policy; Sexual harassment policy, Policy Statement on Human Rights and Anti Discrimination; Policy Statement for Health, Safety & Welfare at Work Place; Policy Statement for Environment; Policy Statement on Business Responsibility
4	Stakeholder Engagement	Group corporate responsibility policy; Policy Statement on Business Responsibility

5	Human Rights	Policy Statement on Human Rights and Anti Discrimination; Policy Statement on Business Responsibility
6	Environment	Policy Statement for Health, Safety & Welfare at Work Place; Policy Statement for Environment; Policy Statement on Business Responsibility
7	Policy advocacy	Policy Statement on Public-policy Advocacy; Policy Statement on Business Responsibility
8	Inclusive growth	Group corporate responsibility policy; Policy Statement on Corporate Social Responsibility; Policy Statement on Business Responsibility; Donations Policy
9	Customer value	Code of collection of dues and repossession of securities; Fair practice code for credit card operations policy; Fair practices for lenders policy; Fair practice code; Group corporate communications policy; Third party distribution policy; Protected disclosures scheme; Disclosure policy; Grievance redressal policy; Customer's compensation policy; Waiver policy; Policy Statement on Business Responsibility; Intellectual Property Rights policy of the Bank; Information security management policy (Apex)

Principle 2: Product life cycle sustainability

Financial Inclusion

There are concerted, nation-wide efforts made by the authorities, regulators and banking community to bridge the barriers to formal banking system across the country through financial inclusion. In accomplishing this mammoth task across urban, semi-urban, rural, unbanked and under- banked regions of India, banks have collaborated with different channels and are striving to achieve their commitment towards this initiative. One such joint initiative by authorities and banks is the Direct Benefit Transfer (DBT) Scheme in which the beneficiaries have to link their bank account with their Aadhaar number for availing of the direct transfer of subsidies from the Government. KMBL participates in the RBI's Financial Inclusion (FI) initiative to bring banking services to those excluded from the banking system. The Bank has successfully implemented its three year Financial Inclusion Plan (FIP) formulated in FY 2010-11 by deploying specialised resources to realise the FIP goals. The Board approved FIP was integrated with the Bank's business plans to achieve wider outreach through evolving models and leverage on technology based solutions. During FY 2012-13, while the Bank has further augmented the efforts undertaken during FY 2011-12, it has also introduced various new initiatives towards Financial Inclusion.

A total of 1,60,639 Basic Savings Bank Deposit Accounts (BSBDA) were added in FY 2012-13 taking the cumulative total to 2,64,433. KMBL continued the Business Correspondents (BC) arrangement with FINO Fintech Foundation and Manipal Technologies Ltd. The Bank has signed agreements with BC Partners (BCP) to ensure that they provide right information to the customer on products offered under the FI initiative. The Bank's branch representatives also conduct surprise visits to Customer Service Points (CSP) to assess the progress made on products offered. Customers are also provided with customer helpline numbers and bank contact details to directly contact the Bank for any concerns or grievances. Information on products offered under the FI initiative is made available in local languages, enabling customers to better understand the products.

The Bank has issued 1,42,573 instant Smart Cards (E-Pass book) during FY 2012-13 by way of opening BSBDA . The cumulative smart cards issued total to 2,15,341. A total of 693 villages have been provided with basic banking services with deployment of 189 Customer Service Points (CSP) till FY 2012-13 using BC model. The Bank has also successfully covered all the 12 villages allotted to it under "Financial Inclusion Plan 1000-2000 population".

The facility of linking bank accounts with the Aadhaar number for customers has been introduced during the year to avail of benefits under the Direct Benefit Transfer (DBT) scheme. During FY 2012-13, the Bank has been empanelled with the State Government of Chhattisgarh, signed agreement with District Authorities (of Balodabazar, Bilaspur, Mungeli and Gariabandh districts) and launched its "Mahatma Gandhi-National Rural Employment Guarantee Act (MG-NREGA)" led Financial Inclusion initiative in the state using Business Correspondent Model. This is the first path breaking initiative where the Bank is managing Electronic Benefit Transfer (EBT) Payments for flagship Government Sponsored Scheme. Under this initiative the Bank has opened over 1,37,000 Basic Savings Bank Deposit Accounts (BSBDA) with Smart Cards, deployed 107 Customer Service Points (CSP) for beneficiaries spread across 372 villages and have successfully disbursed payment of nearly Rs. 15 lakh. The other key initiative of the Bank includes signing of Memorandum of Understanding (MoU) with the Kotak Education Foundation (KEF) for spreading financial literacy.

KMBL views Bharat as a key market opportunity for its financial sector service beyond the priority sector lending obligations. The Bank has one of the largest dedicated teams among the banking institutions for the agriculture-business sector. The Bank is present in over 350 districts (excluding metros and state capitals) spanning 18 states. The agri-business solutions are designed to capture the agriculture value chain (end-to-end) and provide multiple financial product options which are of superior value. The deeper engagement and connect with rural customers has enabled the Bank to strengthen both asset side and liability side of its business. The physical presence of the 42 rural / agricultural customer oriented banking branches has boosted the customer confidence and enabled KMBL to provide doorstep services. The in-depth understanding of the customer's business practices and seasonal variations has also helped in creating banking products for the customers to meet their needs and have continual relationship with them. Tractor financing is another key solution that the Bank offers to rural customers. The success stories of some of the Bank's tractor financing customers are an inspiration for the Bank to serve these customers with passion and dedication.

Mr. Shamkant Patil of Nandgaon, District Jalgaon, barely held 3 acres of agricultural land on which he used to cultivate non-irrigated grains. This helped his family earn their daily bread. Ever since he took a loan from KMBL to purchase a tractor, he started undertaking earthwork in his own village. He utilised the profits generated from this activity to do irrigation work in his farm which enabled him to augment his income and prosper.

Ganesh J Thorat of Taluka Dindori, District Nasik had a very low land holding. The Bank extended financial support to him for purchasing a tractor. The purchased tractor increased his earning capacity which further encouraged him purchase two more tractors through KMBL's tractor loans. He now shoulders the responsibility of his 12-member family and supports the education of all the children in his family. The family's living standards have improved as they shifted to a better house from their earlier temporary house.

Bilaspur Branch Manager of Kotak Mahindra Bank hands over MGNREGA payment to beneficiary using Smart Card.

Principle 3: Employee well-being

Employee development and well-being

KMBL believes in stable, long term and sustainable growth for the Bank and its people. Over the years the Bank has attracted and groomed some of the finest talent in the industry. In FY 2011-12, the Bank launched the Kotak Probationary Officer programme in partnership with a leading University to train and groom talent before hiring them for various relationship and customer facing roles .This programme also ensures that the Bank has a constant influx of talent which can grow and take up leadership positions in the future. Long term career paths of employees are aligned to build leadership depth in the organization. The Bank invests significant resources in development of its frontline staff. It has also tied up with leading management institutions to build knowledge pool and increase managerial depth. Today, the Bank is well respected in the country for the quality and stability of its talent.

The Bank is proud of its stable senior leadership, most of whom are home grown. Many of them including the apex management committee - 'Operating Management Committee' members have been associated with the firm for more than 15 years. Most functional / business heads and leaders have been with the organization for more than a decade. The leadership growth in the organization is an indicator that the firm has managed to continually provide a sustainable and stable environment for its talent to learn and grow. The firm takes great pride in the fact that its employee retention rate is amongst the best in the industry.

The Bank's HR processes are aligned to its Employer Value Proposition 'FLAME' and business outcomes.

F - Focus on results

L - Opportunity to work the senior leadership of the organization

A - Active involvement/inclusiveness

M - Maximum challenge and

E - Entrepreneurial Creativity

Various levels of leadership platforms like the Kotak Leadership Team (KLT), Kotak Initiatives Team (KIT) and Regional Forums (RF) provide a framework of cross functional reach of leadership within the organisation's human resource base. The talent management process also focuses on building stability and scalability at all levels of the organisation. The individual development plans are aligned to realise this objective. The Bank has two talent review committees, one at apex level comprising the CEO, Directors and Presidents, for senior leadership talent and another comprising Business Heads for managers at middle management levels. We lay high emphasis on levels of employee engagement and strive to enhance these processes.

A defined employee grievance redressal mechanism is in place to enable and empower employee to report any grievances. Employees can post their grievances online through intranet. The grievances are addressed appropriately and communicated to the employee. The mechanism is managed by Internal Audit team. The Bank has a sexual harassment policy which details our zero-tolerance approach towards such behaviour. All the sexual harassment complaints are diligently reviewed and investigated by a sexual harassment committee.

Workplace safety and security

The Bank is sensitive to workplace safety and security of employees, contract staff and visitors. KMBL has Policy Statement for Health, Safety and Welfare at Workplace which guides the Bank towards creating a safe and secure workplace.

Regular training and awareness on safety and security measures are conducted for employees and contract staff. The induction programme for all employees includes sessions on physical security, general fire safety and building evacuation. Regular communication through e-mails is provided to all employees on issues such as road safety. The administration staff personnel regularly visit the branch offices and conduct sessions on office safety and security for branch workforce. There is a documented training programme for security personnel on various security threats and risks. Training is also provided to security personnel on handling emergency situations including topics such as assisting disabled people in such situations.

Mock drills are conducted at the corporate office once in six months. Each floor at corporate office has an emergency rescue kit to help the safety warden and security personnel to handle emergency situations. There is a defined emergency plan with floor marshals identified and trained. The desks of these floor marshals are marked for easy identification during emergency situations. Special training programmes are conducted for employee floor marshals to equip them with knowledge on handling building evacuation situation and fire fighting techniques. The corporate office is equipped with a trauma centre with everyday / on-call doctor facilities. The office furniture is ergonomically designed and BIFMA (Business + Institutional Furniture Manufacturers Association) certified.

A programme was recently conducted for female employees on simple techniques of self defence. Cooking gas safety programme was conducted by M/s Bharat Petroleum Corporation Limited to educate the employees on hazards, characteristics, and methods of detection associated with liquefied p

'Be your defender' – self defence workshop for women employees

Cooking gas safety workshop

Contractual workforce

The Bank audits its third party manpower providers to monitor and review their compliance with all the statutory requirements including minimum wage payments. A pre-audit team conducts such audits and the Business Control Unit reviews procedures related to issues like minimum wage payments. Monthly meetings are held with vendors/contractors and these meetings provide them a platform to express their suggestions and grievances. All the grievances reported are tracked and resolved. The statutory requirements on wage payments / Provident Fund (PF) payments by vendors are verified through collection of payment proofs. Muster-roll for contract labour is maintained at all branch offices. The nodal administrative officers maintain the copies of muster-rolls certified by the branch manager. Through the security procedures, the Bank ensures that no under-aged or child worker is employed by the contractors in its premises.

Principle 4: Stakeholder engagement

Materiality and Stakeholder Engagement

The Bank engages with myriad stakeholders to understand their expectations and concerns. A combination of formal and informal engagement mechanisms are used to ensure maximum outreach and effective stakeholder dialogue. Individual business units, functions and departments have responsibilities identified and assigned to them towards engaging with various internal and external stakeholders. Mechanisms are developed to capture the stakeholders' expectations and concerns which are tracked for appropriate mitigation / resolution measures. These measures are then communicated to the stakeholders, where deemed necessary.

KMBL honours information requirements of its stakeholders as and when they seek information and strive to provide them reliable information. These efforts are in addition to the mandatory disclosures required by law.

Stakeholder engagement map

Who do we engage with?	How do we engage?	How frequently do we engage?	What do stakeholders have dialogue on?	Who is responsible?
Investors and shareholders	Emails, letters, investor grievance cell, media, company website	Annually, Quarterly and on a need basis i.e. During events that take place concerning shareholders e.g. Extraordinary General Meeting (EGM) etc	Financial results, shareholder returns and dividends, issues related to shares' issue, transfer and dividend payouts	Investor relations team, Secretarial team
Customers and clients	One-on-one interactions, customer satisfaction surveys, customer grievance cell, customer meets, customer help-lines / toll-free numbers, media, company website	On-going and need based	Customer service quality, investment returns, product features and benefits, technology interface for banking experience	Relationship managers, Branch staff, Customer Service Quality team
Employees	Induction programme, e-mails, townhalls, skip-level meetings, leadership meetings, employee engagement initiatives, rewards and recognition programmes, employee grievance cell, intranet, employee satisfaction surveys, employee volunteering initiatives	On-going and need based	Company policies and procedures, employee welfare issues, performance appraisal and rewards, training and career development, workplace health, safety and security, community development and employee volunteering	Human resources team, Corporate Responsibility team
Government and Regulators	Company regulatory filings, compliance statements, meetings, letters, emails	As per regulatory requirements and need based	License request and renewals, Compliance to regulatory requirements, participation in Government financial sector plans and programmes	Cross functional team
Suppliers and business associates	Meetings, emails, letters, supplier and business associates performance reviews	On-going and need based	Product / Service / Technology quality and support, Contract commercial and technical terms and conditions, minimum wage payments, supplier and business associates' statutory compliances	Respective departments dealing with suppliers and business associates, Commercial and procurements team
Communities and NGOs	Community development initiatives, proposals and requests for new initiatives / funding	Need based	Community needs, financial / infrastructure / human / organizational support	Corporate responsibility team
Media	Media interactions / interviews / responses, meetings, emails	On-going and need based	Marketing and advertising agenda, information disclosure through media, view points on industry and company related opportunities and issues	Marketing team, Corporate communications team

KMBL's businesses are guided by a comprehensive media and communications policy for all our external and internal communications. We adhere to regulatory statutes as well as internal policies regarding marketing, communication, sponsorship, promotion and event management. The Bank respects all genders, all communities and the embedding of a secular outlook are the filters all our communication must pass through before publication.

Principle 5: Human Rights

KMBL respects human rights and upholds the dignity of every individual associated with the Bank, directly or indirectly. The Bank's 'people' policies and practices are aimed to provide a non-discriminatory and harassment-free workplace while enabling all employees and contract staff to report any incidents of discrimination and harassment. The Bank does not employ child labour and its recruitment policies ensure that all employees are free to choose to be associated with the firm. Statutory compliance of all contractors on minimum wage payments is reviewed and monitored. The security personnel are trained to prohibit the entry of underage or child workers in any of the Bank's premises. Through the induction programme and regular communication regarding Kotak values, the Bank sensitises its employees and contractors on aspects of human rights.

Principle 6: Environment

Green Endeavours

Financial institutions have significant influence, through its lending and investment practices, to promote the adoption of sustainable business practices by organizations availing financial services. KMBL has established a Social Environmental Management System Plan (SEMSP) which helps evaluate the social and environmental risks of eligible borrowers and guide the Bank's lending decisions. The SEMSP is designed based on the IFC (International Finance Corporation) Sustainability Framework and Performance Standards. SEMSP guides the credit risk assessment team to evaluate the social and environmental risks as part of overall credit risk assessment. This includes documentation review, management interviews and site walk-throughs based on the nature of the project or operations of the borrower. The Bank also reports to IFC on its SEMSP implementation.

KMBL also continually strives to reduce its direct environmental impact. It has implemented multiple e-initiatives across the group to enhance customer service, improve process efficiencies and reduce paper consumption. Through the 'Think-green' initiative, the Bank encourages customers to sign-up for e-statement which eliminates the use of paper resources and helps the customers to electronically store and retrieve statements at their convenience. As token of appreciation for the customers opting for e-credit card statements and furthering the greening initiative, the Bank has partnered with Grow-Trees.com to plant a sapling for every e-credit card statement on behalf of its customers. A total of 16,628 saplings were planted during the year. A special initiative was taken during the year to optimise the paper resources requirement which not only delivered significant cost savings for the Bank but also helped it reduce the environmental impact. Some of the key initiatives are mentioned below:

- Default e-statements, unless otherwise specified, for corporate salary accounts held with KMBL
- Inland-letter statements, transaction advices, alerts for customers instead of paper statements with envelopes
- Optimization of Most Important Terms and Conditions (MITC) booklet paper requirement by integrating MITC into the credit card statement
- Elimination of paper collection receipts for tractor and commercial vehicles loans by use of hand held POS machines
- Optimization of application forms and resident individual account opening forms (single pager account opening form)
- Elimination of pre-carbonated bank transaction slips provided as part of accounting open welcome-kit chequebook
- Default double-sided printing option for office printers
- Electronic Account Opening Forms under Financial Inclusion
- SMS-based transaction details for corporate customers
- Optimization of Client Request Forms (CRFs) from 15 separate CRFs to 9 CRFs
- Employee awareness on reduction of paper usage

Guided by the Government of India - Ministry of Corporate Affairs' (MCA) green initiative, the Bank has communicated to all shareholders on adoption of electronic copies of the annual report instead of physical copies.

- Environmental impact reduced due to the above green initiatives:
- 79 tonnes of paper of saved
- 236 tonnes of wood saved equivalent to saving 1,892 trees from being cut for paper
- 60 lakh litres of water saved
- 878 Mega Watt Hours (Mwh) of power saved
- 203 tonnes of GHG (greenhouse gas) emissions avoided
- 57 lakh litres of waste water (effluent) avoided
- 81 tonnes of solid waste avoided

Source: http://printgreener.com/old_site/earthday.html

Green operations

The Bank's office building has an impact on the environment through the use of energy. The Bank has consolidated its Data Centres into a single facility in 2009 which is designed to improve power usage efficiencies as well as reduce related environmental load. Innovative solutions like high and medium density server rooms, virtualised high end network switches, use of Active tiles etc. helped the Bank increase server density whilst using minimum power for cooling the infrastructure. Over the past 4 years, additional initiatives such as server virtualization, cold aisle containment, managing optimal levels of inlet temperature etc. have helped KMBL further improve its Data Centre power usage efficiency.

The corporate office building located in Infiniti Park at Goregaon, Mumbai, houses a significant proportion of the Bank's workforce. The office is equipped with occupancy and day-light sensors to manage the energy requirements. The energy efficient chillers and CFL lighting solutions further reduce the energy demand. Indoor Air Quality (IAQ) sensors monitor CO_2 levels and are directly linked to fresh air ducts to ensure indoor air quality is optimum.

The Bank also conducts third party IAQ assessment. All domestic wastewater is treated and reused for toilet flushing and gardening. Rainwater collection tanks are created in the premises. The used paper generated is disposed through paper recyclers. Kitchen waste generated at the Infiniti Park premises is donated to a trust which composts the kitchen waste and uses it as manure. The used oil generated from diesel generator sets is disposed through vendors approved by the Pollution Control Board (PCB). The office furniture and carpets used at Goregaon office are made of emissions-free, recyclable materials.

The upcoming office space in the Bandra-Kurla Complex, Mumbai, is a green building venture. It is pre-certified for LEED (Leadership in Energy and Environmental Design) Silver rating. Its boasts of green features like Low-E glass, complete LED lighting, rainwater collection and ground water recharge, 100% treated water recycling, landscaping on terrace and parking slots for bicycles and electric vehicles. The first round of energy simulation activities is completed and the second round activities have been planned. Approximately 50% of the building materials are sourced through local vendors/suppliers. The building will comprise of more than 30% of recycled material content and 75% of the waste generated during the construction phase is suitably diverted in an environmentally sound manner without sending it to landfills.

The Bank's Environmental Performance:

- 15,510 Mwh of electricity consumed resulting in 12,097 tonnes of CO_2 emissions[1]
- 19,561 kilo liters of water consumed[2]
- 4,509 tonnes of construction waste disposed[3]
- 1.6 kilo liters of used oil disposed[2]

Principle 7: Public policy advocacy

Policy advocacy

KMBL engages with policy makers and regulators through industry associations on policy reforms and issues concerning the industry at large. The Bank participates and complies with requirements of key initiatives of Reserve Bank of India (RBI) like Financial Inclusion Plan which is aimed at bringing banking services to the unbanked areas and promoting key sectors of growth in rural markets. Below are some of key industry associations where the Kotak Group has a representation.

1. Association of Mutual Funds in India
2. Bombay Chamber of Commerce and Industry
3. Confederation of Indian Industry
4. Data Security Council of India
5. Fixed Income Money Market and Derivatives Association of India
6. Foreign Exchange Dealers Association of India
7. ICC India
8. Indian Instiute of Banking and Finance
9. International Fiscal Association Indian Branch W R C
10. Mobile Payment Forum of India
11. Primary Dealers Association of India
12. The Employers Federation of India
13. The Madras Chamber of Commerce and Industry
14. Indian Banks Association

The Group employees are also represented on various committees at Bombay Chamber of Commerce and Industry, and the Accountings Standards Board and Financial Reporting Review Group at Mumbai under the aegis of the Financial Review Board of The Institute of Chartered Accounts of India (ICAI).

[1]Includes Kotak Infiniti Office, Goregaon and upcoming office space in Bandra-Kurla Complex, Mumbai

[2]Includes Kotak Infiniti Office, Goregaon

[3]Includes upcoming office space in Bandra-Kurla Complex, Mumbai

Principle 8: Inclusive growth

Inclusive growth and equitable development

Inclusive growth and community development through financial inclusion products is one of the Bank's key initiatives for fostering development and improving quality of life of the people, especially those below the poverty line (BPL). Education is one of the key means to achieve this. Providing livelihood to school dropouts is equally important for them to be able to support their families while supporting them to continue their education. The focus also should be rendered to ensure that the next generation is not deprived of quality education.

With this agenda in mind, KMBL supports Kotak Education Foundation (KEF). KEF started operations about 6 years ago with a focus on improving the quality of education and enhancing livelihood opportunities for the youth hailing from BPL families located in the Chembur area of Mumbai.

KEF interventions are designed to enhance the learning environment and provide holistic support to students, both at school and at home. It strives to help these students continue with their education and excel in life. KEF works with 13 partner schools which are in dilapidated conditions, catering to over 20,000 students from the underprivileged sections of society.

The Spoken English Programme (SEP) is aimed at enhancing the spoken and written communication skills in English and increasing exposure to English language through activities which are undertaken outside the classroom. The main objective of this programme is to prepare these children for college and job interviews where spoken and written communication skills in English are required.

Creating awareness among children on the banking system is important for enhancing the financial literacy in this country. This year, high school children were exposed to the banking system through field visits to the Bank. KMBL is also working with KEF to design and deliver financial literacy programmes to the students and youth to empower them with basic financial and banking knowledge.

KEF facilitates medical and vision check-up camps for all students. Medical camps were also conducted to detect anaemia among young girls and suitable early interventions to arrest anaemia are planned. Sex education and sensitization is provided to teenage students to help them understand and handle the physical and psychological changes during the teen years.

Kotak Udaan is a scholarship programme for students facing extreme hardships in life. The academic performance of these students is affected by their distressed backgrounds. KEF supports them to continue their education and improve the academic performance through the scholarship programme.

'Kotak in Search of Excellence' is a scholarship programme for deserving students who have scored a minimum of 80% in their 10th standard board examinations. These students are supported through personal coaching and mentoring as well as financial resources to complete education upto 12th standard and then aim for a higher education. It is gratifying to note that one of the early scholars from this programme has completed his graduation in engineering and is employed with a leading Information Technology firm.

The Parent Intervention Programme (PIP) and School Teachers Enrichment Programme (STEP) are other key initiatives of KEF. PIP educates parents on various topics like parental support for education, health, hygiene and diet, giving space to children to study. STEP aims to enhance the quality of education by training primary and secondary school teachers on various topics like spoken English, personality development, information technology (IT) skills, teaching academic English, science and mathematics to teachers of vernacular and semi-English medium. Principals are trained on relevant management and administrative practices and processes.

Kotak Unnati is an initiative to enhance livelihood opportunities for school/college dropouts from underprivileged families by providing them with vocational training. The training not only provides requisite technical skills but also covers topics like personality development, communicative English and computer literacy that enables the youth to transform themselves.

The 3 month training programme currently focuses on hospitality, customer relations & sales and Information Technology Enabled Services (ITES) sectors. Placement services are provided to the candidates after successful completion of the course.

KMBL supports other NGOs for community development initiatives. Employee volunteering and contribution is an important mechanism for the Bank to deliver these initiatives. IN FY 2012-13, Kotak Mahindra group employees worked for building shelters in association with Habitat for Humanity. The Kotak Mahindra Group Foundation day – November 21 is annually marked by a blood donation camp by the employees. In FY 2012-13, employees across the group participated in the blood donation camp, raising 1,031 units of blood.

Employees of Kotak Mahindra volunteer in Build programme with Habitat for Humanity

Every year during Christmas week, Kotak Mahindra group conducts the 'giving collection drive' with a NGO, Goonj based in Mumbai. Christmas being the 'Season of Giving', employees do their bit to bring smiles on the faces of the underprivileged by donating old clothes, utensils, books, toys, and other household utility items. This year, employees donated 39 boxes of items.

In FY 2012-13, KMBL started the newspaper collection drive which helps the partner NGO raise funds by collecting used newspapers and selling them. During festivals like Holi, Diwali and Christmas, the Bank helps NGOs set-up stalls at its offices to sell products made by underprivileged people and enable NGOs raise funds. Under Employee Payroll Giving Programme, in FY 2012-13, the following 6 NGOs were supported - the Akanksha Foundation, Cancer Patients Aid Association (CPAA), National Association for the Blind (NAB), Dignity Foundation, Make-A-Wish Foundation of India and SOPAN (Society of Parents of Children with Autistic Disorders). As of March 31, 2013, a total contribution of Rs. 36.03 lakh was made by 801 employees.

KMBL sponsored 75 runners for Standard Chartered Mumbai Marathon (SCMM) 2013 [January 20, 2013] and 25 runners for Airtel Delhi Half Marathon (ADHM) 2012 [September 30, 2012]. The marathon events lay emphasis on celebrating joys of human spirit. Through these sporting events, the Bank encourages employees to set personal goals and accomplish them. For SCMM 2013, employees ran in support for the following NGOs - Cancer Patients Aid Association (CPAA), Indian Council for Mental Health (ICMH), SOPAN and Kotak Education Foundation (KEF) –Kotak runners raised pledges amounting to Rs 13.18 lakh. At ADHM 2012, Kotak employees ran in support for the NGO – Action for Ability Development & Inclusion (AADI). KMBL and its employees have been acknowledged for being the 2nd Highest Fund Raising Company in Corporate Challenge in the 10th edition of Standard Chartered Mumbai Marathon. Further in this marathon edition, Ms. Shanti Ekambaram, President – Corporate & Investment Banking, with the Bank was acknowledged for being the highest individual fund raiser in the Corporate Challenge category.

The Bank has spent Rs 409 lakh towards its CSR activities (including donations) for the period April 1, 2012 to March 31, 2013.

Kotak Mahindra Bank awarded 'Company with 2nd Highest Employee Contribution (Corporate Challenge)' in Mumbai Marathon 2013.

Principle 9: Customer value

Customer Value and Service

The Bank continued its strategy of upgrading the foundation technology to ensure enhanced performance and augmented functionality for the customers. At the operations level, the Core Banking System was upgraded in FY 2011-12.

At the customer technology interface level, the new state-of-the-art "Switch" software system will enable high volumes of transactions to occur at ATMs and will also provide a host of enhanced features such as RTGS/NEFT transactions on the ATMs. 'Switch" is the software system that manages all the ATMs, credit card and debit card transactions from the ATM or merchant point of sale, as well as the Bank's core banking system and ensures that the transactions are completed in a secure and accurate manner.

Improved productivity through the automation of internal processes was an area of vital importance for the Bank. 'Straight-through Processing' was enabled for Trade Finance operations, resulting in an improvement in employee efficiency. Most reconciliation processes within the Bank were automated, leading to improved operational accuracy and speed. Also, internal budgeting functions were automated to provide granular and up-to-date information for better management information and control.

Keeping abreast with the ever changing Information Security landscape, the Bank implemented innovative solutions for Distributed Denial of Services and Web Application Firewalls to protect the system against threats from malicious Internet access. The Bank was also recognised for its data security initiatives by the Data Security Council of India (DSCI) through DSCI Excellence Award for Security in the Bank.

KMBL's Relationship Managers (RM) and banking staff are trained on the values of bank and ethical dealing with customers and other stakeholders. The Bank's procedures are designed to ensure that the customer is made aware of the product and service features, enabling him/her to make an informed decision. KMBL adheres to RBI's Know Your Customer (KYC) and Anti-Money Laundering (AML) mandates. The customer risk profile is a key parameter for the Bank to advise the customer on financial products. Financial Planning and Risk assessment is done for Privy League customers to whom the Bank advises on investments. The asset allocation is done based on the client risk profile. KMBL also provides them with information on risky investments in order to ensure they are kept informed of the risks.

The quality of customer services delivered by an organization is a key aspect of the overall organizational performance. A dedicated service quality team monitors customer satisfaction, oversees processes and looks into the root causes of customer complaints to prevent them from recurring. At the branch level, Customer Feedback Forms are an important tool for the Bank to gauge and understand the customer experience. Apart from this, the Bank has also initiated an Annual Customer Satisfaction Index conducted by an accredited research firm - Customer Satisfaction Management & Measurement (CSMM), the independent, specialist unit of IMRB International. The Bank diligently tracks customer feedback through social media on a real time basis and responds to customer posts and tweets. As of March 31, 2013, the number of Bank's twitter followers was 17,760. *Parichay*, a monthly customer meet at branch level is another key initiative to directly hear from them. This is linked with the employee idea generation scheme Eureka, where employees are encouraged to come with ideas to solve customer issues and serve them better. These customer insights help the Bank enhance its processes to provide a pleasant banking experience. The complaints closure turnaround time is also monitored for all customer complaints received. In FY 2012-13, 45% of the customer complaints were resolved within a day and a further 19% within 3 days. The remaining complaints were closed within a minimum time limit, based on the nature of the complaints. The branch staff is trained on soft skills to effectively deal with customers visiting the branches. They are also trained to help senior citizens, women with children and any other person needing special assistance coming to the branch. More than 90% of KMBL's branches are located on the ground floor for convenient customer access.

The Bank strives to protect customer rights and has adopted the Banking Codes and Standards Board of India's voluntary Code of Commitment to Customers and Code of Commitment to Micro & Small Enterprises and has internal standards to confirm to this code. The codes elaborate procedures and systems established to help customers understand the relationship with the Bank. KMBL is a member of Banking Codes and Standards Board of India (BCSBI). A customer grievance mechanism is established with defined escalation procedures and is available on the website of the Bank to provide easy access to customers. The Bank conforms to the defined guidelines (RBI & regulatory) on customer related grievance mechanisms. Details of nodal officers are published on the Bank's website and are also placed at its branches for effective grievance reporting. The customer complaints are reported to the Board Committee, Customer Services Committee and a Non-Board Committee. KMBL is the second bank in India to achieve the distinction of being certified for ISO 10002:2004 for Complaints Management System in Consumer Banking which includes Retail Liabilities, Retail Assets and Credit Cards, reinforcing the Bank's commitment to unmatched service quality.

KMBL's products and services are designed to suit varying customer needs – from small farmers to big-ticket investors, from Micro, Small and Medium Enterprises (MSMEs) to large corporations, from salaried employees to entrepreneurs. The 'Silk' product is a savings programme which is designed with features and rewards catering specifically to women.

KMBL does not have any Public Interest Litigation (PIL) or cases filed against the Bank by any stakeholder or regulatory agency for unfair trade practices and anti-competitive behaviour.

To know more about the Bank's business responsibility agenda or provide the Bank with valuable feedback, please email at cr@kotak.com

Clause 55 Annexure-1

Section A: General Information about the Company

1	Corporate Identity Number (CIN) of the Company	L65110MH1985PLC038137
2	Name of the Company	Kotak Mahindra Bank Limited
3	Registered address	36-38A, Nariman Bhavan, 227, Nariman Point, Mumbai 400 021
4	Website	www.kotak.com
5	Email id	cr@kotak.com
6	Financial year reported	2012-13
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	Banking
8	Three key products/services of the Company (as in balance sheet)	Deposits, Advances and Investment Advisory.
9 (i)	Number of international locations	None
9 (ii)	Number of National locations	The Bank had 437 full-fledged branches across 255 locations and 961 ATMs
10	Markets served by the Company – Local/State/National/International/	India

Section B: Financial Details of the Company

1	Paid up capital (INR Crore)	373
2	Total turnover (INR Crore)	9,203 (Bank's standalone)
3	Total profit after taxes (INR Crore)	1,361 (Bank's standalone)
4	CSR spend as percentage of profit after tax (%)	0.3%
5	List of CSR activities	Refer 'Inclusive growth' section of 'Business Responsibility Report'. Page No.124

Section C: Other details

1	Company subsidiaries / joint-ventures	Refer Related Party Disclosures of the Annual Report, Page No. 178
2	Subsidiaries participating in Company's BR initiatives	Nil
3	Other entities ((e.g. suppliers, distributors etc.) participating in Company's BR initiatives	Nil

Section D (1): BR Information

1.a	Director responsible for implementation of BR policies (DIN)	00012214
	Director responsible for implementation of BR policies (Name)	Mr. C. Jayaram
	Director responsible for implementation of BR policies (Designation)	Joint Managing Director
1.b	BR Head (DIN, if applicable)	N.A.
	BR Head (Name)	Mr. Rohit Rao
	BR Head (Designation)	Executive Vice President, Head – Corporate Communications, Business Responsibility & CSR
	BR Head (Telephone number)	+91-22-6720-6720
	BR Head (email id)	rohit.rao@kotak.com

Section D (2): BR Information - Principle-wise (as per NVGs) BR Policy/policies (Yes/No)

		P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1.	Policy/policies for....	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Policy being formulated in consultation with the relevant stakeholders . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Policy conforming to national /international standards . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
4.	Policy approved by the Board and signed by MD/CEO/appropriate Director . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Committee of the Board/ Director/Official to oversee the implementation of the policy . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Link for the policy to be viewed online . . .	All policies are available on the Bank's Intranet.								
7.	Policy formally communicated to all relevant internal and external stakeholders . . .	Yes. Policies have been communicated to all key internal stakeholders of the Bank. The communication on policies covering all relevant internal and external stakeholders is an ongoing process.								
8.	In-house structure to implement the policy/policies . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Independent audit/evaluation of the working of this policy by an internal or external agency . . .	Evaluation done through internal audit mechanism.								

Section D (2.a): BR Information - Principle-wise (as per NVGs) explanation if the answer to S.No 1 under Section D (2) against any principle is "No" – Not Applicable

Section D (3): BR Governance

3.a	Frequency of Board of Directors, Committee of the Board or CEO review of BR performance	Business Responsibility Committee was formed on March 15, 2013. However, the Bank has been reporting its CSR initiatives to the Board every quarter.
3.b	BR report or sustainability report (frequency and hyperlink)	BR Report Frequency: Annual. Hyperlink: www.kotak.com

Section E: Principle wise performance

Principle 1

1	Policy relating to ethics, bribery and corruption covering the Company and Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others	Refer 'Policy framework' section of the 'Business Responsibility Report.' Page No. 117
2	Stakeholder complaints received in FY 2012-13 (Complaints include investor complaints received through the bank's investor grievance mechanism. For customer complaints / consumer cases please refer Principle 9)	33.
3	Percentage of stakeholder complaints resolved (Complaints include investor complaints received through the bank's investor grievance mechanism. For customer complaints / consumer cases please refer Principle 9)	100% as of 08/04/2013 (Off the 33, 2 were unresolved as of March 31, 2013. The same were resolved on 01/04/2013 and 08/04/2013).

Principle 2

1	Products and services designed with social or environmental concerns, risks and/or opportunities incorporate Upto three products or services	1. Basic Savings Bank Deposits Accounts 2. Agri business banking products 3. Tractor financing Additionally, refer 'Financial Inclusion' section of the 'Business Responsibility Report' for the Bank's products designed with social concerns, risks and/or opportunities (Financial Inclusion) Page No. 118
2	i. Reduction with respect to resource use (energy, water, raw material etc.,) per unit of product during sourcing/production/distribution achieved since the previous year throughout the value ch ain (optional) ii. Reduction during usage by customers (energy, water) has been achieved since the previous year (optional)	N.A.
3	Procedures for sustainable sourcing (including transportation)	N.A.
4	Procurement of goods and services from local & small producers, including local communities	The Bank does not procure any goods for processing. The manpower services for offices and branches are generally hired from local agencies. At the Bank's new upcoming premises at Bandra-Kurla Complex in Mumbai, approximately 50% of the building materials are sourced through local vendors/suppliers.
5	Mechanism to recycle products and waste	Refer 'Green endeavours' section of the 'Business Responsibility Report'. Page No. 122

Principle 3

1	Total number of employees (as at 31.03.2013)	13,669
2	Total number of employees hired on temporary/contractual/casual basis (as at 31.03.2013)	7,618
3	Total number of permanent women employees (as at 31.03.2013)	2,557
4	Total number of permanent employees with disabilities (as at 31.03.2013)	11
5	Employee association recognised by management	Through employee engagement mechanism the Bank directly engages with all employees on various aspects of employee well-being. For more details, pl refer 'Employee well-being' section of the 'Business Responsibility Report'. Page No. 119
6	Percentage of permanent employees part of employee association	N.A.
7.1	Child labour/forced labour/involuntary labour related complaints filed during the financial year Child labour/forced labour/involuntary labour related complaints pending as on end of the financial year	Nil
7.2	Sexual harassments related complaints filed during the financial year Sexual harassments related complaints pending as on end of the financial year	Nil
7.3	Discriminatory employment related complaints filed during the financial year Discriminatory employment related complaints pending as on end of the financial year	Nil
8.1	Percentage of permanent employees who were given safety & skill upgradation training (permanent employees)	100%
8.2	Percentage of permanent female employees who were given safety & skill upgradation training	100%
8.3	Percentage of casual/temporary/contractual employees who were given safety & skill upgradation training	100%
8.4	Percentage of employees with disabilities who were given safety & skill upgradation training	100%

Principle 4

1	Mapping of internal and external stakeholders	Yes. Refer 'Materiality and Stakeholder Engagement' section of 'Business Responsibility Report'. Page No. 120
2	Identification of the disadvantaged, vulnerable & marginalised stakeholders.	The Bank is guided by the RBI directives on Financial Inclusion to identify the key disadvantaged, vulnerable & marginalised stakeholders whom it can positively impact through its Financial Inclusion Products.
3	Special initiatives to engage disadvantaged, vulnerable & marginalised stakeholders	Refer 'Financial inclusion' section of 'Business Responsibility Report'. Page No. 118

Principle 5

1	Policy relating to Human Rights covering the Company and Group/Joint Ventures/ Suppliers/ Contractors/NGOs /Others	The Policy statement on Human Rights and Anti Discrimination is applicable for the Bank. Refer 'Policy framework' section of 'Business Responsibility Report'. Page No. 117
2	Stakeholder complaints on human rights received in the past financial year and percentage satisfactorily resolved by the management	Nil

Principle 6

1	Policy relating to Environment covering the Company and Group/Joint Ventures/ Suppliers/ Contractors/NGOs /Others	The Policy Statement on Environment is applicable for the Bank. Refer 'Policy framework' section of 'Business Responsibility Report'. Page No. 117
2	Strategies/ initiatives to address global environmental issues such as climate change, global warming, etc	Refer 'Green endeavours' section of 'Business Responsibility Report'. Page No. 122
3	Identification and assessment of potential environmental risks	Refer 'Green endeavours' section of 'Business Responsibility Report'. Page No. 122
4	Projects related to Clean Development Mechanism	None
5	Initiatives on clean technology, energy efficiency, renewable energy, etc.	Refer 'Green endeavours' section of 'Business Responsibility Report'. Page No. 122
6	Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB	N.A.
7	Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial year	Nil

Principle 7

1	Trade or chamber association memberships	Refer 'Policy advocacy' section of 'Business Responsibility Report'. Page No. 123
2	Advocacy through above associations for the advancement or improvement of public good	Refer 'Policy advocacy' section of 'Business Responsibility Report'. Page No. 123

Principle 8

1	Programmes / initiatives / projects in pursuit of inclusive growth	Refer 'Inclusive growth' section of 'Business Responsibility Report'. Page No. 124
2	Programmes/projects undertaken through in-house team/own foundation/external NGO/ government structures/any other organization	Refer 'Inclusive growth' section of 'Business Responsibility Report'. Page No. 124
3	Impact assessment of initiatives	Refer 'Inclusive growth' section of 'Business Responsibility Report'. Page No. 124
4	Direct contribution to community development projects- Amount in INR and the details of the projects undertaken	CSR contribution by KMBL during FY 2012-13: Rs. 4,09,91,385.00, and by employees across Kotak Mahindra group, under payroll giving programme contributed Rs. 36,02,683.48 & raised pledges amounting to Rs. 13,18,319.00 for NGOs during Mumbai Marathon 2013. Additionally, refer 'Inclusive growth' section of the 'Business Responsibility Report'. Page No. 124
5	Successful adoption of community initiatives by communities	Refer 'Inclusive growth' section of the Business Responsibility Report. Page No. 124

Principle 9

1	Percentage of customer complaints/consumer cases that are pending as on the end of financial year	1.7%
2	Product information display on the product label, over and above what is mandated as per local laws	Refer 'Customer value and service' section of 'Business Responsibility Report'. Page No. 125
3	Cases filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year	Nil
4	Consumer survey/ consumer satisfaction trends	Refer 'Customer value and service' section of 'Business Responsibility Report' Page No. 125

Report on Corporate Governance

The Bank believes in adopting and adhering to the best standards of corporate governance to all the stakeholders. The Bank's corporate governance is, therefore based on the following principles:

- Appropriate composition, size of the Board and commitment to adequately discharge its responsibilities and duties.
- Transparency and independence in the functions of the Board.
- Independent verification and assured integrity of financial reporting.
- Adequate risk management and Internal Control.
- Protection of shareholders' rights and priority for investor relations.
- Timely and accurate disclosure on all matters concerning operations and performance of the Bank.

The Bank's philosophy on corporate governance enshrines the goal of achieving the highest levels of transparency, accountability and equity in all spheres of its operations and in all its dealing with the shareholders, employees, the government and other parties. The Bank understands and respects its fiduciary role and responsibility to shareholders.

The Bank was one of the 6 companies to be adjudged as "India's Best Managed Boards 2012" by the maiden Aon Hewitt – Mint Study. Further, the Bank was also ranked among the Top 5 in India in the category of best ranked Financial Disclosure in India in the IR Global Rankings 2012 conducted by the MZ Consult NY, a leading investor relations and financial communications firm.

The report on the Bank's corporate governance, as per the applicable provisions of the Clause 49 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 Clause 49 of the Listing Agreement. The Board of Directors, comprising a combination of executive and non-executive Directors, presently consists of nine members, of whom six are non-executive Directors. The Chairman of the Board is a Non-Executive Independent Director and five out of nine Directors are 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 policies, taking new initiatives, performance review, monitoring of plans, pursuing of policies and procedures.

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 2013 are furnished hereunder:

Dr. Shankar Acharya, Non-Executive Chairman

Dr. Shankar Acharya, B.A. (Hons.) from Oxford University and Ph.D. (Economics) from Harvard University, aged 67 years, has considerable experience in various fields of economics and finance. He is a Honorary Professor at the Indian Council for Research on International Economic Relations (ICRIER) and a Member of the Court of Governors at the Administrative Staff College of India (ASCI). He was Chief Economic Adviser, Ministry of Finance, Member, Securities and Exchange Board of India (SEBI) and Member, Twelfth Finance Commission. He has held several senior positions in the World Bank, including Director of World Development Report (1979) and Research Adviser. He was re-appointed as the Non-Executive Chairman of the Bank at the Annual General Meeting held on 19th July 2012 for a period of three years with effect from 20th July 2012.

He is on the Board of Eros International Media Ltd. and South Asia Institute for Research and Policy (Private) Limited, Sri Lanka. Dr. Acharya is the Chairman of the Audit Committee of the Bank, Member of the Audit Committee of Eros International Media Limited and the Chairman of the Shareholders' Grievance/Investors' Relations Committee of Eros International Media Ltd.

Mr. Uday Kotak, Executive Vice-Chairman and Managing Director

Mr. Uday Kotak, aged 54 years, holds a Bachelors degree in Commerce and an MBA from Jamnalal Bajaj Institute of Management Studies, Mumbai. He is the Executive Vice-Chairman and Managing Director of the Bank and its principal founder and promoter. Under Mr. Kotak's leadership, over the past 27 years, Kotak Mahindra group established a prominent presence in every area of financial services from stock broking, investment banking, car finance, life insurance and mutual funds. Mr. Kotak is the recipient of several prestigious awards. He is a member of the Government of India's high level committee on Financing Infrastructure, the Primary Market Advisory Committee of SEBI, Member of the Board of Governors of Indian Council for Research on International Economic Relations, National Institute of Securities Markets and National Council of CII. He is also a Governing Member of the Mahindra United World College of India.

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 Forex Brokerage Limited
Kotak Mahindra Old Mutual Life Insurance Limited	Kotak Securities Limited

Mr. Uday Kotak is also a member of the Investor Relations (Shareholders'/Investors' Grievance) Committee of the Bank, Chairman of the Audit Committees of Kotak Mahindra Capital Company Limited and Kotak Securities Limited and member of the Audit Committee of Kotak Mahindra Asset Management Company Limited.

Mr. C. Jayaram, Joint Managing Director

Mr. C. Jayaram, B. A. (Economics), PGDM-IIM, Kolkata, aged 57 years, is Joint Managing Director of the Bank and currently heads the wealth management business and international operations for Kotak Mahindra group. He also oversees the alternative investments business which includes private equity funds and real estate funds, as well as the institutional equities business. He has varied experience of over 35 years in many areas of finance and business and was earlier the Managing Director of Kotak Securities Limited. He has been with the Kotak Group for 23 years and has been 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 is also on the Board of the following companies:

Kotak Investment Advisors Limited
Kotak Mahindra Asset Management Company Limited
Kotak Mahindra Investments Limited
Kotak Mahindra Inc
Kotak Mahindra Prime Limited
Kotak Mahindra (UK) Limited
Kotak Securities Limited

Mr. C. Jayaram is a member of the Investor Relations (Shareholders'/Investors' Grievance) Committee of the Bank and Audit Committee of Kotak Securities Limited.

Mr. Dipak Gupta, Joint Managing Director

Mr. Dipak Gupta, B.E. (Electronics), PGDM-IIM, Ahmedabad, aged 52 years, is the Joint Managing Director of the Bank and has over 27 years of experience in the financial services sector, 21 years of which have been with the Kotak Group. He is responsible for Group HR, administration, infrastructure, operations and IT. He is also responsible for asset reconstruction business of the Bank. 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 for approximately six years. He is on the Board of the following companies:

Kotak Forex Brokerage Limited
Kotak Mahindra Capital Company Limited
Kotak Mahindra Investments Limited
Kotak Mahindra Prime Limited
Kotak Mahindra Old Mutual Life Insurance Limited

Mr. Dipak Gupta is also member of the Investor Relations (Shareholders'/Investors' Grievance) Committee of the Bank, Audit Committee of Kotak Mahindra Prime Limited, Kotak Mahindra Capital Company Limited and Kotak Mahindra Old Mutual Life Insurance Limited. He is the Chairman of the Audit Committee of Kotak Mahindra Investments Limited.

Mr. Asim Ghosh

Mr. Asim Ghosh, aged 65 years, is a B.Tech, IIT Delhi and MBA from the Wharton School, University of Pennsylvania. Mr. Ghosh commenced his career in consumer goods marketing with Procter & Gamble in the U.S. and Canada and worked subsequently with Rothmans International as a Senior Vice President of one of Canada's major breweries. He moved to Asia in 1989 as CEO of the Frito Lay (Pepsi Foods) start up in India. Thereafter, he was in executive positions with Hutchison in Hong Kong and India for 16 years. He continued as the CEO of Vodafone Essar Limited till 31st March 2009 and as a Non-Executive Director till 9th February 2010. He is also on the Board of Husky Energy Inc., other Husky Group Companies and some Hutchison Whampoa Group Companies.

Mr. Prakash Apte

Mr. Prakash Apte, B.E. (Mechanical), aged 58 years, is presently the Chairman of Syngenta India Limited, one of the leading agri business companies in India. Mr. Apte, in a career spanning over 36 years has considerable experience in various areas of management and business leadership.

During more than 16 years of very successful leadership experience in agri business, he has gained varied knowledge in various aspects of Indian Agri Sector and has been involved with many initiatives for technology, knowledge and skills up gradation in this sector, which is so vital for India's food security. 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 is a Director of Syngenta Foundation India and Kotak Mahindra Old Mutual Life Insurance Limited.

Mr. Apte is a member of Audit Committee of Bank and Syngenta India Limited.

Mr. Amit Desai

Mr. Amit Desai, B.Com, LLB, aged 53 years, is an eminent professional with 31 years of experience. He is also on the Board of Kotak Mahindra Trustee Company Limited and Terra DeKM Pvt. Ltd.

Mr. N.P. Sarda

Mr. N.P. Sarda, B.Com, F.C.A., aged 67 years, is a Chartered Accountant for more than 40 years. He is a former partner of M/s. Deloitte Haskin & Sells, Chartered Accountants, the past President of the Institute of Chartered Accountants of India (in 1993) and was a public representative Director of the Stock Exchange, Mumbai (BSE).

Mr. Sarda is a member of the Audit Committee of the Bank.

Prof. S. Mahendra Dev

Prof. S. Mahendra Dev, PhD from the Delhi School of Economics, aged 55 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, Govt. of India. He is also member of the newly constituted Expert Panel on poverty estimates chaired by Dr. C. Rangarajan.

Prof. Dev is the Chairman of the Investor Relations (Shareholders'/Investors' Grievance) Committee of the Bank.

Note: The Committee Memberships of only Audit Committee and Shareholders'/Investors' Grievance Committee have been considered.

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 during the year ended 31st March 2013:

Name of Directors	Position	No. of Directorships in other Companies		No. of Committee Positions held in Bank and other Public Companies	
		Indian Public Companies	Other Indian Companies	Chairman	Member
Dr. Shankar Acharya	Independent Non-Executive Chairman	1	-	2	1
Mr. Uday Kotak	Executive Vice-Chairman & Managing Director, Promoter	6	1	2	2
Mr. C. Jayaram	Joint Managing Director	5	-	-	2
Mr. Dipak Gupta	Joint Managing Director	5	-	1	4
Mr. Asim Ghosh	Independent Non-Executive Director	-	-	-	-
Mr. Prakash Apte	Independent Non-Executive Director	2	1	-	2
Mr. Amit Desai	Independent Non-Executive Director	1	1	-	-
Mr. N.P. Sarda	Non-Executive Director	-	-	-	1
Prof. S. Mahendra Dev*	Independent Non-Executive Director	-	-	1	-

* Appointed as an Additional Director with effect from 15th March 2013

Notes:

1. The Committee Memberships mentioned above are of only Statutory Committees as per Clause 49 of the Listing Agreement with Stock Exchanges, namely Audit Committee and Shareholders'/Investors' Grievance Committee.
2. 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 Shareholders' Grievance Committee have been taken into consideration). All the Directors have made disclosures regarding their membership on various committees in other companies.
3. In compliance with the Clause 49 of the Listing Agreement, Mr. Prakash Apte, an independent director on the Board of the Bank was appointed on the Board of Kotak Mahindra Old Mutual Life Insurance Limited, a material non listed 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 Executive Vice-Chairman and Managing Director. The Board meets at least once a quarter to review the results and other items on the agenda and also on the occasion of the annual shareholders' meeting. 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/s and/or Executive Vice-Chairman and Managing Director. Agenda papers are circulated to the Board by the Company Secretary. Additional items on the agenda are permitted with the permission of the Chairman.

The Board also passes resolutions by circulation on need basis. Pursuant to the circular dated 20th May 2011 issued by the Ministry of Corporate Affairs, the Bank has been providing the Directors with an option to participate in the board meetings through electronic mode.

Minutes of the proceedings of the Board meeting are prepared within 48 hours of the meeting. Draft minutes are circulated to the Chairman for his comments. 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 stand alone 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 Executive Vice-Chairman and Managing Director 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, six meetings of the Board of Directors were held on 8th May 2012, 19th July 2012, 25th October 2012, 6th December 2012, 22nd January 2012 and 15th March 2013. The maximum time gap between any two meetings was not more than four months. The average duration of the board meetings held is approximately three hours.

The details of directors' attendance at board meetings held during the year commencing 1st April 2012 and ending 31st March 2013 and at the last AGM are as under:

Sr. No.	Directors	Board Meetings held during the tenure of the member	Board Meetings attended during the year 2012-13	Whether attended last AGM held on 19th July 2012
1.	Dr. Shankar Acharya	6	6	YES
2.	Mr. Uday Kotak	6	6	YES
3.	Mr. C. Jayaram	6	6	YES
4.	Mr. Dipak Gupta	6	6	YES
5.	Mr. Asim Ghosh	6	3	NO
6.	Dr. Sudipto Mundle*	5	5	YES
7.	Mr. Prakash Apte	6	6	YES
8.	Mr. Amit Desai	6	3	NO
9.	Mr. N. P. Sarda	6	5	YES
10.	Prof. S. Mahendra Dev**	1	1	-

* Resigned as a Director of Company with effect from 1st February 2013

** Appointed as an Additional Director with effect from 15th March 2013.

Information supplied to the Board is as under:

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 or collaboration agreements 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

The details of remuneration to the Executive Directors for the year ended 31st March 2013 is as follows:

Particulars	Mr. Uday Kotak (₹ '000) *	Mr. C. Jayaram (₹ '000) *	Mr. Dipak Gupta (₹ '000) *
Basic	13,128.00	13,020.00	12,831.00
Allowances	2,150.00	2,150.00	2,150.00
Provident Fund	1,575.36	1,562.40	1,539.72
Superannuation	-	-	100.00
Annual Incentive	5,000.00	5,000.00	5,000.00
Number of stock options granted during the year	-	34,020 (Series 36)	53,340 (Series 35)

*The amount shown above excludes gratuity payable under the Payment of Gratuity Act and value of car perquisites under the Income Tax Act, 1961.

The details of the options granted during the year under the Kotak Mahindra Equity Option Scheme 2007 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 35 of Kotak Mahindra Equity Option Scheme 2007						
Mr. Dipak Gupta	16th May 2012	53,340	₹ 350/- per share	4th December 2013 to 31st March 2014	20%	4th December 2013
				31st May 2014 to 30th November 2014	30%	31st May 2014
				30th June 2015 to 31st December 2015	25%	30th June 2015
				31st December 2015 to 30th June 2016	25%	31st December 2015
Series 36 of Kotak Mahindra Equity Option Scheme 2007						
Mr. C. Jayaram	16th May 2012	34,020	₹ 350/- per share	4th December 2013 to 31st March 2014	20%	4th December 2013
				31st May 2014 to 30th November 2014	30%	31st May 2014
				30th June 2015 to 31st December 2015	50%	30th June 2015

Note: The above stock options have been granted at a discount to the then prevailing market price.

Dr. Shankar Acharya was re-appointed as the Non-Executive Chairman of the Bank at the Annual General Meeting held on 19th July 2012. During the year, Dr. Shankar Acharya was paid remuneration of ₹ 17,09,678/-.

The Reserve Bank of India has approved (i) the revision in remuneration to Mr. Uday Kotak, Executive Vice-Chairman & Managing Director, Mr. C. Jayaram and Mr. Dipak Gupta, the Joint Managing Directors (ii) the annual incentive payable for the financial year ended 31st March 2012 (iii) the stock options granted (as indicated above) to Mr Dipak Gupta and Mr C Jayaram (iv) the remuneration to Dr Shankar Acharya, Non-Executive Chairman.

The details of sitting fees paid to the non-executive directors for the year ended 31st March 2013 is as follows:

Sr. No.	Name of Director	Sitting fees (₹ '000)
1.	Dr. Shankar Acharya	280.00
2.	Mr. Asim Ghosh	80.00
3.	Dr. Sudipto Mundle*	280.00
4.	Mr. Prakash Apte	270.00
5.	Mr. Amit Desai	80.00
6.	Mr. N.P. Sarda	205.00
7.	Prof. S. Mahendra Dev**	20.00

* Resigned as a Director of Company with effect from 1st February 2013

** Appointed as an Additional Director with effect from 15th March 2013.

Notes:

1. The performance incentives to the Joint Managing Directors are based on the recommendation of the Executive Vice-Chairman and Managing Director of the Bank. The Board of Directors of the Bank decides the performance bonus to be paid to the Executive Vice-Chairman and Managing Director and the Joint Managing Directors on the basis of the performance of the Bank and the fulfilment of responsibilities assigned to them.
2. The terms of employment of Mr. Uday Kotak, Mr. C. Jayaram and Mr. Dipak Gupta provide for termination by mutual consent or by giving not less than 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 Non-Executive Directors of the Bank, except Dr. Shankar Acharya, are not paid any remuneration other than the sitting fees.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board has constituted several committees to deal with specific matters and delegated powers for different functional areas. The Audit Committee and Shareholders'/Investors' Grievance Committee have been constituted in accordance with the guidelines issued by the Reserve Bank of India, Securities and Exchange Board of India read with requirements of the Companies Act, 1956. Besides the above, the Board has also set up other committees such as ESOP/ Compensation Committee, Share Transfer and Routine Transactions Committee (START), Management Committee, Premises Committee, Asset Liability Committee (ALCO), Nomination Committee, Investment Committee, Risk Management Committee, Information Technology Committee, First Tier Audit Committee, Customer Services Committee and Committee on Frauds.

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:

a. 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.

b. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.

c. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

d. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
   - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
   - Changes, if any, in accounting policies and practices and reasons for the same.
   - Major accounting entries involving estimates based on the exercise of judgment by management.
   - Significant adjustments made in the financial statements arising out of audit findings.
   - Compliance with listing and other legal requirements relating to the financial statements.
   - Disclosure of any related party transactions.
   - Qualifications in the draft audit report.

e. Reviewing with the management, the quarterly financial statements before submission to the board for approval.

f. Reviewing with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.

g. Reviewing 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.

h. Discussion with internal auditors any significant findings and follow up there on.

i. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

k. To review the functioning of the Whistle Blower mechanism.

l. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee was reconstituted on 15th March 2013 and presently consists of Dr. Shankar Acharya (Chairman), Mr. N.P. Sarda and Mr. Prakash Apte.

All the members of the Committee are Non-Executive Directors and two out of the three members are Independent Directors. All the members of the Committee are financially literate within the meaning of the Clause 49 of the listing agreement. Mr. N.P. Sarda possesses accounting and financial management expertise.

The Company Secretary acts as the Secretary to the Committee. The Chairman of the Audit Committee Dr. Shankar Acharya was present at the last Annual General Meeting to answer the queries of the shareholders.

During the year, eight meetings of the Committee were held on 7th May 2012, 8th May 2012, 19th July 2012, 20th July 2012, 25th October 2012, 26th October 2012, 7th December 2012 and 22nd January 2013. The Committee meets for approximately two hours. The maximum time gap between any two meetings was not more than four months. The meetings were attended by the members of the Committee, as detailed below:

Name of Members of Audit Committee	Meetings held during the tenure of the member	Meetings Attended during the year 2012-13
Dr. Shankar Acharya (Chairman)	8	8
Mr. N. P. Sarda	8	7
Dr. Sudipto Mundle*	8	8
Mr. Prakash Apte	N.A.	N.A.

* Ceased to be a member with effect from 1st February 2013

The Bank has constituted a First Tier Audit Committee as per the guidelines issued by the Reserve Bank of India. The Committee consists of four members viz., Mr. Dipak Gupta, Joint Managing Director, Mr. Jaimin Bhatt – President & Group CFO, Mr. Shyam Sunder, Advisor Compliance and Mr. Arvind Kathpalia – Group Head Risk. 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. During the year, eleven meetings of the Committee were held. The Committee meets for approximately three hours.

Investor Relations (Shareholders'/Investors' Grievance) Committee

The Investor Relations Committee of the Bank comprised of four members, Mr. Prakash Apte (Chairman), Mr. Uday Kotak, Mr. C. Jayaram and Mr. Dipak Gupta, with any two forming the quorum. The Committee reviews the complaints received from the shareholders and ensures redressal thereof. The constitution and composition of the Committee is in accordance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges and the criteria specified by the Reserve Bank of India. The Company Secretary acts as the Secretary and has been appointed as the Compliance Officer of the Committee.

During the year, three meetings of the Committee were held on 21st June 2012, 26th September 2012 and 2nd January 2013. The Committee meets for approximately thirty minutes. All the four members attended all the three meetings.

The Committee was re-constituted by the Board on 15th March 2013 and presently consists of Prof. S. Mahendra Dev (Chairman), Mr. Uday Kotak, Mr. C. Jayaram, and Mr. Dipak Gupta.

Subsequently, one meeting of the Committee was held on 17th April 2013 and was attended by all the four members.

On a monthly basis, the members of the Committee are sent investor grievance reports giving brief details of the complaints received by the Bank. During the year under review, 33 investor complaints were received. All of these have been resolved as on date of this report. As on 31st March 2013, one instrument of transfer of shares, comprising 2000 shares was pending and since then the same has been processed and resolved. 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.

ESOP/Compensation Committee

The ESOP/Compensation Committee of the Bank comprised of four members, Mr. Amit Desai (Chairman), Dr. Shankar Acharya, Mr. Prakash Apte and Dr. Sudipto Mundle, with any two forming the quorum. The constitution and composition of the Committee is in accordance with the guidelines issued by Reserve Bank of India.

The ESOP/Compensation Committee has been constituted to recommend/review overall compensation structure and policies; consider grant of stock options to employees; review compensation levels vis-à-vis other banks and industry in general and determine the compensation payable to the Directors including performance/achievement bonus and perquisites. The performance bonus to the Joint Managing Directors is based on the recommendation of the Executive Vice-Chairman and Managing Director of the Bank. The Board of Directors of the Bank decides the performance bonus to be paid to the Executive Vice-Chairman and Managing Director and the Joint Managing Directors on the basis of the performance of the Bank and the fulfilment of responsibilities assigned to them. Non-Executive Directors at present, are not paid commission over and above the sitting fees. The Bank has issued stock options to its employees and the employees of its subsidiaries under various stock option plans, details of which are provided in the Directors' Report.

During the year, two meetings of the Committee were held on 16th May 2012 and 22nd January 2013. All the four members attended all the meetings Consequent to his resignation as a Director of the Bank, Dr. Sudipto Mundle ceased to be a member of the Committee w.e.f. 1st February 2013.

Share Transfer and Routine Transactions (START) Committee

The START 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 START Committee is 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.

During the year, twenty seven meetings of the Committee were held. Mr. Uday Kotak attended all the meetings, Mr. C. Jayaram attended twenty four meetings and Mr. Dipak Gupta attended twenty two meetings. Subsequently, three meetings of the Committee were held. Mr. Uday Kotak and Mr. Dipak Gupta attended all the three meetings and Mr. C. Jayaram attended two meetings.

Nomination Committee

The Nomination Committee of the Bank consists of three members, with any two forming the quorum. Presently, the Committee consists of Mr. Uday Kotak (Chairman), Mr. C. Jayaram and Mr. Dipak Gupta. The terms of reference of the Committee include appointment of senior management personnel and making recommendations to the Board for appointment of Directors or filling of vacancies on the Board. In addition, the Committee also evaluates whether the members of the Board of Directors of the Bank adhere to the 'fit and proper' criteria as prescribed by the Reserve Bank of India.

During the year, two meetings of the Committee were held on 7th May 2012 and 5th March 2013. All the three members attended both the meetings. Subsequently, one meeting of the Committee was held on 2nd May 2013 and was attended by all the three members.

Management Committee

The Management Committee of the Bank consists of four members, with any three forming the quorum. The Committee has been constituted to review all important matters to be placed before the Board, assess adequacy of policies on an on-going basis, review business operations, corporate governance, implementation of policies, to establish systems for facilitating efficient operations and to approve donations. Further, the Board of Directors of the Bank at their meeting held on 20th October 2010 authorized the Management Committee to exercise the supervisory powers in connection with the risk management of the Bank which interalia includes, monitoring of the exposures, reviewing adequacy of risk management process and upgradation thereof, reviewing the internal control system and ensuring compliance with the statutory/regulatory framework of the risk management process.

The Committee presently consists of Mr. Uday Kotak, Mr. Dipak Gupta, Mr. C. Jayaram and Mr. Prakash Apte as members of the Committee.

During the year, three meetings of the Committee were held on 21st June 2012, 26th September 2012 and 2nd January 2013. All the four members attended all the three meetings.

Committee on Frauds

Pursuant to the directives of the Reserve Bank of India, the Bank has constituted a Committee on Frauds on 27th January 2004 for monitoring and reviewing all the frauds involving amounts of ₹ 1 crore and above. The Committee comprised of four members, Mr. Uday Kotak, Mr. Dipak Gupta, Mr. N.P. Sarda and Dr. Sudipto Mundle.

During the year, no fraud of an amount exceeding ₹ 1 crore was reported and as a result, no meeting of the Committee was held during the year.

The Committee was re-constituted by the Board on 15th March 2013 and presently consists of Mr. Uday Kotak, Mr. Dipak Gupta, Mr. N.P. Sarda and Mr. Prakash Apte as members of the Committee.

Subsequently, one meeting of the Committee was held on 2nd May 2013 and was attended by all the four members.

The Bank has also constituted a First Tier Committee on Frauds to assist the Committee on Frauds of Board of Directors in discharging their responsibilities with respect to prevention, detection, reporting and monitoring of large value frauds. The Committee presently consists of eleven Bank officials with five bank officials forming the quorum. During the year, four meetings of the Committee were held.

Customer Services Committee

The Bank has, pursuant to the directives issued by the Reserve Bank of India, constituted a Customer Services Committee on 22nd September 2004. The Committee comprised of three members viz; Mr. Prakash Apte (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 21st June 2012, 26th September 2012 and 2nd January 2013. All the three members attended all the three meetings

The Committee was re-constituted by the Board on 15th March 2013 and presently consists of three members viz; Prof. S. Mahendra Dev (Chairman), Mr. Uday Kotak, and Mr. Dipak Gupta.

Subsequently, one meeting of the Committee was held on 17th April 2013 and was attended by all the three members.

Code of Conduct

The Board of Directors of the Bank at its meeting held on 18th March 2011 adopted the revised Code of Conduct for the purpose of Clause 49 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, i.e. www.kotak.com.

General Meetings

During the last three years, the general meetings of the equity shareholders as detailed below, were all held at Indian Merchants' Chamber, Walchand Hirachand Hall, 4th Floor, Churchgate, Mumbai 400 020:

General Meetings	Day, Date and Time	Special Resolutions passed thereat
Twenty Seventh Annual General Meeting	Thursday, 19th July 2012 at 11.30 a.m.	Special Resolution pursuant to the applicable provisions of the Companies Act, 1956, Foreign Exchange Management Act, 1999 ("FEMA"), Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000, for increase in the ceiling limit on total holdings of Foreign Institutional Investors (FIIs)/ Securities and Exchange Board of India approved sub-account of FIIs in the equity share capital of the Bank, through primary or secondary route, from 33% to 35% of the paid-up equity capital of the Bank
Twenty Sixth Annual General Meeting	Thursday, 21st July 2011 at 12 Noon.	No special resolution
Extraordinary General Meeting	Tuesday, 27th July 2010 at 3.30 p.m.	Special Resolution u/s 81 (1A) of the Companies Act, 1956 for issue and allotment of 1,64,00,000 equity shares of the Bank of face value of ₹ 10/- each to Sumitomo Mitsui Banking Corporation on a preferential basis at a price per share of ₹ 833/-.
Twenty Fifth Annual General Meeting	Wednesday, 21st July 2010 at 11.30 a.m.	No special resolution

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 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.

SHAREHOLDERS' INFORMATION

Date of Incorporation : 21st November 1985.

Registration No. : 11-38137 TA

Corporate Identification No. : L65110MH1985PLC038137

Address for Correspondence :

Registered Office : 36-38A, Nariman Bhavan, 227, Nariman Point,
Mumbai- 400 021.
Tel. No.(022) 66581100
Fax No. : (022) 22855577
Website: www.Kotak.com

Contact : Ms. Bina Chandarana,
Company Secretary & Executive Vice President

Registrar & Share Transfer Agent : Karvy Computershare Private Limited

(i) Plot No: 17-24 Vittal Rao Nagar
Madhapur, Hyderabad-500081
Tel Nos. : (040) 44655000
Fax No. : (040) 23420814

(ii) 7, Andheri Industrial Estate, Off Veera Desai Road,
Andheri (West), Mumbai-400 058.
Tel Nos. : (022) 2636 7226 /2636 9044
Fax No. : (022) 26310882
Website : www.karvy.com

Annual General Meeting:

Date and Time : Thursday, 18th July, 2013 at 11.30 a.m.

Venue : Indian Merchants' Chamber, Walchand Hirachand Hall,
4th Floor, Churchgate, Mumbai - 400 020.

Financial Year : 1st April to 31st March

Date of Book Closure : 8th July, 2013 to 18th July, 2013 (both days inclusive) for payment of dividend.

Dividend Payment Date : On or after Friday, 19th July, 2013.

INVESTOR RELATIONS

The Bank publishes consolidated results on a quarterly basis. The same are also reviewed by the Audit Committee before submission to the Board**.** The consolidated financial results of the Banks 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 an earnings update is also posted on the website of the Bank. Every quarter, the Executive Vice-Chairman and Managing Director and the Joint Managing Director(s) 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 around the last week of the month subsequent to the end of the quarter. The audited 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 second quarter of the financial year.

Stock Exchanges on which listed:

Sr. No.	Name & Address of Stock Exchange	Market Scrip Code
1.	The Bombay Stock Exchange 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
3.	Luxembourg Stock Exchange BP 165, L-2011 Luxembourg	US50071Q2003

The annual fees for 2013-14 have been paid to the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, where the shares of the Bank are listed. Also maintenance charges are being paid periodically to Luxembourg Stock Exchange.

Trading of shares to be in compulsorily dematerialized form: The Securities and Exchange Board of India has included the equity shares of the Bank in the list of shares in which trading is compulsorily in dematerialized form, from 29th November 1999. 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 vide ISIN INE237A01010. Pursuant to the sub-division of the equity shares of the Bank, w.e.f. 15th September 2010, the new ISIN is INE237A01028.

Share Transfer System: Applications for transfers, transmission and transposition are received by the Bank at its Registered Office or at the office(s) of its Registrars & Share Transfer Agents. As the shares of the Bank are in dematerialised form, the transfers are duly processed by NSDL/CDSL in electronic form through the respective depository participants. Shares which are in physical form are processed by the Registrars & Share Transfer Agents on a regular basis and the certificates despatched directly to the investors.

Investor Helpdesk: Share transfers, dividend payments and all other investor related activities are attended to and processed at the office of our Registrars & Share Transfer Agents. For lodgement of Transfer Deeds and any other documents or for any grievances/complaints, kindly contact Karvy Computershare Private Limited, contact details of which are provided elsewhere in the Report.

For the convenience of the investors, transfers 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 : 36-38A, Nariman Bhavan,
227, Nariman Point, Mumbai 400 021.
Tel. No.: (022) 66581100
Fax : (022) 2285 5577
E-mail : investor.grievances@kotak.com
Website : www.kotak.com

Transfer to Investor Education and Protection Fund:
Pursuant to Section 205C of the Companies Act, 1956, dividends that are unclaimed for a period of seven years get transferred to the Investor Education and Protection Fund administered by the Central Government. The table given below gives the dates of dividend declaration since 2004-05 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government.

Year	Dividend-Type	Date of Declaration	Due Date of Transfer
2005-06	Final	20th July 2006	19th August 2013
2006-07	Final	5th July 2007	4th August 2014
2007-08	Final	28th July 2008	27th August 2015
2008-09	Final	28th July 2009	27th August 2016
2009-10	Final	21st July 2010	20th August 2017
2010-11	Final	21st July 2011	20th August 2018
2011-12	Final	19th July 2012	18th August 2019

SHARE PRICE DETAILS

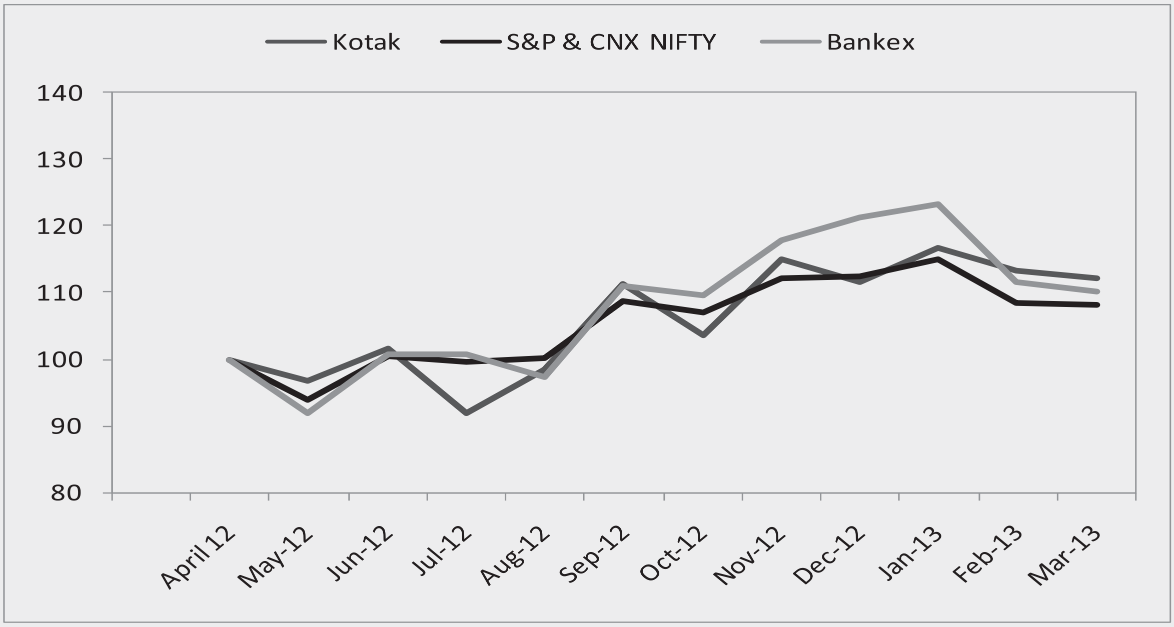
The Monthly high and low quotation of shares traded on BSE :

Month	High (₹)	Low (₹)	Close (₹)	Sensex	Bankex
April 2012	603.00	531.20	583.05	17,318.81	11,828.63
May 2012	593.50	528.60	562.15	16,218.53	10,884.53
June 2012	593.00	533.00	592.25	17,429.98	11,908.71
July 2012	612.40	525.00	535.55	17,236.18	11,910.46
August 2012	597.00	536.00	579.85	17,429.56	11,515.94
September 2012	650.15	561.20	647.90	18,762.74	13,138.71
October 2012	651.80	591.30	604.10	18,505.38	12,947.29
November 2012	673.80	597.85	668.70	19,339.90	13,951.88
December 2012	676.95	640.65	649.60	19,426.71	14,344.99
January 2013	683.10	618.75	677.95	19,894.98	14,580.26
February 2013	694.40	647.35	657.70	18,861.54	13,203.87
March 2013	678.80	625.05	651.40	18,835.77	13,033.35

The Monthly high and low quotation of shares traded on NSE :

Month	High (₹)	Low (₹)	Close (₹)	S&P & CNX NIFTY	CNX Bank
April 2012	602.75	531.00	582.80	5,248.15	10,276.80
May 2012	593.90	527.40	563.50	4,924.25	9,441.00
June 2012	594.40	532.00	592.30	5,278.90	10,340.65
July 2012	612.90	524.10	535.75	5,229.00	10,384.10
August 2012	600.00	535.05	574.10	5,258.50	9,990.50
September 2012	650.90	562.95	648.75	5,703.30	11,456.80
October 2012	652.50	546.90	603.75	5,619.70	11,268.80
November 2012	675.00	597.10	670.45	5,879.85	12,158.90
December 2012	677.00	640.10	650.05	5,905.10	12,474.25
January 2013	684.80	617.45	680.35	6,034.75	12,708.60
February 2013	697.20	649.00	659.60	5,693.05	11,487.35
March 2013	678.85	625.10	653.00	5,682.55	11,361.85

Kotak Vs Bankex and S&P CNX Nifty



SHARE HOLDING:

Shareholding Pattern

Category		As on 31st March 2013		As on 31st March 2012	
		No. of Shares Held	Percentage of Shares	No. of Shares Held	Percentage of Shares
A.	**Promoters Holding**				
	Promoters	335,681,624	44.96	335,683,224	45.32
	Sub-Total	**335,681,624**	**44.96**	**335,683,224**	**45.32**
B.	**Non-Promoters Holding**				
	1. Institutional Investors				
	a. Mutual Funds & UTI	90,19,128	1.21	18,383,424	2.48
	b. Banks, Financial Institutions, Insurance Companies (State / Central Govt. Institutions)	72,60,530	0.97	16,158,644	2.18
	c. Foreign Institutional Investors	240,036,670	32.15	209,176,082	28.24
	Sub-Total	**256,316,328**	**34.33**	**243,718,150**	**32.90**
C.	**Others**				
	a. Private Corporate Bodies	230,29,539	3.08	27,845,767	3.76
	b. Indian Public including Directors & Relatives	88,817,118	11.90	90,982,870	12.29
	c. NRIs / OCBs/Foreign Bodies	83,68,389	1.12	84,89,414	1.15
	d. Global Depository Shares (GDS)	12,32,607	0.17	6,19,954	0.08
	e. Foreign Bank	3,28,00,000	4.39	3,28,00,000	4.43
	f. Clearing Members	3,63,421	0.05	5,50,131	0.07
	Sub-Total	**154,611,074**	**20.71**	**161,288,136**	**21.78**
	Grand Total	**746,609,026**	**100**	**740,689,510**	**100**

Note: The increase in capital is due to allotment of 59,19,516 equity shares of ₹ 5/- each under various ESOP Schemes of the Bank .

SHAREHOLDING OF DIRECTORS OF THE BANK:

Name of the Director	As on 31st March 2013	
	No. of Shares Held	Percentage of Shares
Dr. Shankar Acharya, Independent Non- Executive Chairman	-	-
*Mr. Uday Kotak, Executive Vice Chairman and Managing Director	30,62,63,550	41.02
Mr. Asim Ghosh, Independent Non-Executive Director	-	-
Mr. Amit K. Desai, Independent Non-Executive Director	7,74,250	0.10
Mr. Prakash Apte, Independent Non-Executive Director	-	-
Mr. N.P. Sarda, Non-Executive Director	-	-
Prof. S. Mahendra Dev, Independent Non-Executive Director (appointed as an Additional Director w.e.f 15th March 2013)	-	-
Mr. C. Jayaram, Joint Managing Director	6,17,250	0.08
Mr. Dipak Gupta, Joint Managing Director	6,51,250	0.09

Note : *In addition, as on 31st March 2013, Kotak Trustee Company Pvt. Ltd. holds 2,68,97,060 equity shares of the Bank representing 3.60 % of the paid up capital of the Bank. Kotak Trustee Company Pvt. Ltd. holds these shares as trustee for USK Benefit Trust – 1 of which Mr. Uday Kotak is the sole beneficiary.

List of Top 10 Shareholders of Kotak Mahindra Bank Limited as on 31st March 2013.

Sr. No.	Name of the investor	Total shares held	%	Categories
1	Uday Suresh Kotak	30,62,63,550	41.02	Indian Promoter
2	Sumitomo Mitsui Banking Corporation	3,28,00,000	4.39	Foreign Bank
3	Europacific Growth Fund	3,14,67,137	4.21	FII
4	Kotak Trustee Company Pvt. Ltd	2,68,97,060	3.60	Indian Promoter's Co.
5	Anuradha Mahindra	1,41,20,702	1.89	Public
6	Emerging Markets Growth Fund, Inc.	94,43,783	1.26	FII
7	National Westminster Bank Plc as depository of First State Asia Pacific Leaders Fund a sub fund of First State Investments icvc	91,38,555	1.22	FII
8	Genesis Asset Managers, LLP A/c The Genesis Emerging Markets Investment Company	88,07,927	1.18	FII
9	Matthews Pacific Tiger Fund	87,67,491	1.17	FII
10	The Genesis Group Trust for Employee Benefit Plans	79,52,037	1.07	FII

Distribution Schedule as on 31st March 2013

Sr. No	Category from to	No. of Holders	% of Holders	No. of Shares	% of Shares
1	1 - 100	39,938	57.58	14,22,018	0.19
2	101 - 200	6,808	9.82	11,58,565	0.16
3	201 - 300	2,367	3.41	6,24,328	0.08
4	301 - 400	2,083	3.00	7,94,191	0.11
5	401 - 500	1,900	2.74	9,25,756	0.12
6	501 - 1000	5,493	7.92	46,07,139	0.62
7	1001 - 2000	5,673	8.18	97,69,366	1.31
8	2001 - 3000	2,105	3.03	53,98,566	0.72
9	3001 - 4000	870	1.25	32,75,774	0.44
10	4001 - 5000	556	0.80	26,79,355	0.36
11	5001 - 10000	594	0.86	41,17,568	0.55
12	10001 and above	974	1.40	71,18,36,400	95.34
	TOTAL	**69,361**	**100.00**	**74,66,09,026**	**100.00**

Shares held in physical and electronic mode by the promoters and others as on 31st March, 2013 are given in the below mentioned table:

Category	Physical mode		Electronic mode	
	Total Shares	**% to Equity**	**Total Shares**	**% to Equity**
Promoters	-	-	335,681,624	44.96
Others	78,53,433*	1.05	403,091,969	53.99
TOTAL	**78,35,433**	**1.05**	**738,773,593**	**98.95**

*Includes 7,93,735 equity shares allotted on exercise of options by employees, on 21st March 2013 and 30th March 2013 for which the credit was pending as on 31st March 2013.

Outstanding GDS:

The Bank has 12,32,607 GDS outstanding as at 31st March 2013.

The Bank has complied with all the mandatory and some of the non mandatory requirements of the Code of Corporate Governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS:

(1) The Board

The office of Non-Executive Chairman of the Bank who is also the chairman of the Audit Committee is maintained by the Bank at its expenses and all the expenses incurred in performance of his duties are reimbursed by the Bank. Pursuant to Section 10(2A) of the Banking Regulation Act, 1949 all Directors other than its Chairman and/or Whole-time Directors cannot hold office continuously for a period exceeding eight years.

(2) Remuneration Committee

The Bank has set up ESOP/Compensation Committee of Directors to recommend/review overall compensation structure and policies of the Bank. Details of the said Committee have already been provided hereinabove.

(3) Shareholders' Rights

The quarterly results of the Bank are published in one English and one Marathi newspaper, having wide circulation in Maharashtra. Further, the quarterly results are also posted on the website of the Bank – www.kotak.com. Along with the quarterly results, detailed earnings updates are also given on the website of the Bank. Further, the quarterly investors'/analysts' conference call is made to discuss the financial results and performance of the Bank and the Group. The results are also available on www.corpfiling.co.in. In view of the foregoing, the half-yearly results of the Bank are not sent to the shareholders individually.

(4) Audit qualifications

During the period under review, there were no audit qualifications in the Bank's 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.

(5) Training of Board Members

During the period under review, Mr. Prakash Apte attended the training programme arranged by the Institute for Development and Research in Banking Technology on 'Independent Directors of Banks'

(6) Mechanism for evaluating Non-Executive Board Members

The Bank has constituted the Nomination Committee which evaluates every year whether the Members of the Board adhere to the 'fit and proper' criteria as prescribed by the Reserve Bank of India. The adherence to the 'fit & proper' criteria by the Members of the Nomination Committee, i.e. the Executive Directors is evaluated by the Board of Directors.

(7) Whistle Blower Policy

The Bank has adopted the Whistle Blower Policy pursuant to which employees 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 Bank hereby affirms that no personnel has been denied access to the Audit Committee.

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 one month of the quarter and the results are promptly forwarded to the stock exchanges and are generally published in Business Standard in English and Sakal, Mumbai in Marathi (Regional Language), within 48 hours of the conclusion of the Board Meeting. The results as well as other press releases are simultaneously displayed on the Bank's website www.kotak.com. 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. In addition to this, the quarterly results and earnings update are also prepared and posted on the website of the Bank. 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.

Vide circulars dated on April 21, 2011 and April 29, 2011, the Ministry of Corporate Affairs, Government of India has taken a Green Initiative in Corporate Governance, allowing paperless compliances by companies, and permitting service of documents by a company through electronic modes. In light of same, the Bank proposes to send documents like the notice calling the annual general meeting, audited financial statements, directors' report, auditors' report etc. to its shareholders for the year ended March 31, 2013 and thereafter, in electronic form, to the email address provided by the shareholders and / or made available to the Bank by the Depositories.

The Bank has also posted information relating to its financial results and shareholding pattern on Corporate Filing and Dissemination System (Corp filing) at www.corpfiling.co.in

DECLARATION

In accordance with Clause 49 of the Listing Agreement 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 31^{st} March 2013.

For **Kotak Mahindra Bank Limited**

Uday Kotak
Executive Vice Chairman and Managing Director

Place : Mumbai,
Date : 2^{nd} May 2013

AUDITORS' CERTIFICATE

To the Members of KOTAK MAHINDRA BANK LIMITED

We have examined the compliance of conditions of Corporate Governance by **KOTAK MAHINDRA BANK LIMITED** ("the Bank") for the year ended on 31^{st} March 2013, as stipulated in Clause 49 of the Listing Agreement of the Bank with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance 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.

For **S. B. Billimoria & Co.**
Chartered Accountants
(Firm Registration No. 101496W)

Kalpesh J. Mehta
Partner
Membership No. 48791

Mumbai, 20^{th} May, 2013

Independent Auditors' Report

TO THE MEMBERS OF KOTAK MAHINDRA BANK LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **KOTAK MAHINDRA BANK LIMITED** ("the Bank"), which comprise the Balance Sheet as at 31st March 2013, the Profit and Loss Account and the Cash Flow Statement of the Bank for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Bank's Management is responsible for the preparation of these 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 Standards referred to in Section 211 (3C) of the Companies Act, 1956 in so far as they apply to the banks and the Guidelines issued by Reserve Bank of India and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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; the Companies Act, 1956 in the manner so required for banking companies and the Guidelines issued by the Reserve Bank of India from time to time and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March 2013;

(b) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 227(3) of the Companies Act,1956 and 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 purposes of our audit and found them to be satisfactory.
   (b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.
   (c) The financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by the Branches.
   (d) 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.
   (e) 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.
   (f) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 in so far as they apply to banks.
2. On the basis of the written representations received from the Directors as on 31st March 2013 taken on record by the Board of Directors and as per the information and representation provided to us by the Bank, we report that none of the Directors is disqualified as on 31st March 2013 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.
3. We report that during the course of our audit we have visited 30 Branches. Since the key operations of the Bank are completely automated with the key applications integrated to the core banking systems, the audit is carried out centrally at the Head Office as all the necessary records and data required for the purposes of our audit are available therein and the Branches are not required to submit any financial returns.

For S. B. BILLIMORIA & CO.
Chartered Accountants
(Firm Registration No. 101496W)

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai, 2nd May 2013

Balance Sheet as at 31st March 2013

(₹ in thousands)

	Schedule	As at 31st March 2013	As at 31st March 2012
CAPITAL AND LIABILITIES			
Capital	1	**3,733,045**	3,703,448
Reserves and Surplus	2	**90,736,517**	75,755,942
Employees' Stock Options (Grants) Outstanding		**175,336**	348,207
Deposits	3	**510,287,663**	385,365,206
Borrowings	4	**204,106,221**	165,955,205
Other Liabilities and Provisions	5	**27,898,086**	25,539,915
Total		**836,936,868**	656,667,923
ASSETS			
Cash and Balances with Reserve Bank of India	6	**22,079,033**	20,164,945
Balances with Banks and Money at Call and Short Notice	7	**14,812,575**	6,180,601
Investments	8	**288,734,270**	215,668,123
Advances	9	**484,689,828**	390,792,322
Fixed Assets	10	**4,644,222**	4,499,658
Other Assets	11	**21,976,940**	19,362,274
Total		**836,936,868**	656,667,923
Contingent Liabilities	12	**402,039,903**	384,758,617
Bills for Collection		**19,134,811**	15,766,592
Significant Accounting Policies and Notes to the 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.

For S. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 2nd May 2013

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman
and Managing Director

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Bina Chandarana
Company Secretary

Profit and Loss Account for the year ended 31st March 2013

(₹ in thousands)

		Schedule	Year ended 31st March 2013	Year ended 31st March 2012
I.	**INCOME**			
	Interest earned	13	**80,424,896**	61,802,362
	Other Income	14	**11,606,649**	9,773,458
	Total		**92,031,545**	71,575,820
II.	**EXPENDITURE**			
	Interest expended	15	**48,368,183**	36,677,460
	Operating expenses	16	**22,097,310**	18,348,299
	Provisions and Contingencies [Refer Note 11 - Schedule 18 B]		**7,958,880**	5,699,531
	Total		**78,424,373**	60,725,290
III.	**PROFIT**			
	Net Profit for the year (I - II)		**13,607,172**	10,850,530
	Add: Balance in Profit and Loss Account brought forward from previous year		**21,627,912**	14,945,189
	Total		**35,235,084**	25,795,719
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		**3,401,800**	2,712,700
	Transfer to General Reserve		**680,400**	542,600
	Transfer to Capital Reserve		**-**	200
	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		**285,000**	250,000
	Transfer to / (from) Investment Reserve Account		**105,200**	145,200
	Proposed Dividend		**523,754**	444,929
	Corporate Dividend Tax		**72,943**	72,178
	Balance carried over to Balance Sheet		**30,165,987**	21,627,912
	Total		**35,235,084**	25,795,719
V.	**EARNINGS PER SHARE (Face value of ₹ 5/-)**			
	Basic (Refer Note 2 - Schedule 18 B)		**18.31**	14.69
	Diluted (Refer Note 2 - Schedule 18 B)		**18.24**	14.61
Significant Accounting Policies and Notes to the 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 Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For and on behalf of the Board of Directors

For S. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 2nd May 2013

Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman
and Managing Director

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Bina Chandarana
Company Secretary

Cash Flow Statement for the year ended 31st March 2013

(₹ in thousands)

	Year ended 31st March 2013	Year ended 31st March 2012
CASH FLOW FROM OPERATING ACTIVITIES		
Profit after tax	**13,607,172**	10,850,530
Add: Provision for income-tax	**6,113,034**	5,148,396
Net Profit Before Taxes	**19,720,206**	15,998,926
Adjustments for :-		
Employee Stock Options Expense	**60,780**	95,572
Depreciation on Bank's property	**1,325,308**	1,167,565
Diminution in the value of investments written back	**(210,905)**	(180,504)
Dividend from Subsidiaries / Joint Ventures	**(99,000)**	(99,342)
Amortization of Premium on HTM Investments	**805,235**	898,197
Provision for Non Performing Assets, Standard Assets and Other Provisions	**2,056,361**	731,300
Wealth Tax	**390**	339
Loss / (Profit) on sale of fixed assets	**(11,328)**	(5,590)
	23,647,047	18,606,463
Adjustments for :-		
Increase in Investments [Other than Subsidiaries, Joint Ventures and Other Long term Investments]	**(60,578,942)**	(38,169,455)
Increase in Advances	**(95,531,560)**	(97,986,799)
Increase in Other Assets	**(2,058,317)**	(4,466,667)
Increase in Deposits	**124,922,457**	92,755,520
Increase / (Decrease) in Other Liabilities and Provisions	**1,613,138**	(5,071,710)
	(31,633,224)	(52,939,111)
Direct Taxes Paid	**(6,068,470)**	(4,896,554)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**(14,054,647)**	(39,229,202)
CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES		
Purchase of Fixed Assets	**(1,844,458)**	(1,549,704)
Sale of Fixed Assets	**45,398**	32,821
Investments in Subsidiaries	**(560,577)**	(1,868)
Investments in HTM securities	**(12,520,958)**	(7,000,098)
Dividend from Subsidiaries / Joint Ventures	**99,000**	99,342

Cash Flow Statement for the year ended 31st March 2013

(₹ in thousands)

	Year ended 31st March 2013	Year ended 31st March 2012
NET CASHFLOW USED IN INVESTMENT ACTIVITIES (B)	**(14,781,595)**	(8,419,507)
CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES		
Increase / (Decrease) in Subordinated Debt	**(346,550)**	1,732,600
Increase / (Decrease) in Refinance	**(2,139,328)**	17,886,030
Increase in Borrowings [Other than Refinance and Sub-ordinated debt]	**40,636,894**	29,097,091
Money received on exercise of stock options	**1,733,047**	981,372
Dividend paid including Corporate Dividend Tax	**(501,759)**	(412,687)
NET CASHFLOW FROM FINANCING ACTIVITIES (C)	**39,382,304**	49,284,406
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	**10,546,062**	1,635,697
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Refer Note below)	**26,345,546**	24,709,849
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Refer Note below)	**36,891,608**	26,345,546
Note:		
Balance with Banks in India in Fixed Deposit (As per Schedule 7 I (i) (b))	**3,750,625**	630
Balance with Banks in India in Current Account (As per Schedule 7 I (i) (a))	**911,439**	1,257,147
Money at Call and Short Notice in India (As per Schedule 7 I (ii))	**4,564,563**	-
Cash in hand (including foreign currency notes) (As per Schedule 6 I.)	**3,303,206**	3,116,407
Balance with RBI in Current Accounts (As per Schedule 6 II.)	**18,775,827**	17,048,538
Balance with Banks Outside India:		
(i) In Current Account (As per Schedule 7 II (i))	**266,018**	344,074
(ii) In Other Deposit Accounts (As per Schedule 7 II (ii))	**5,319,930**	4,578,750
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**36,891,608**	26,345,546

As per our report of even date.

For S. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 2nd May 2013

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman
and Managing Director

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Bina Chandarana
Company Secretary

Schedules forming part of Balance Sheet as at 31st March 2013

(₹ in thousands)

		As at 31st March 2013	As at 31st March 2012
SCHEDULE 1 - CAPITAL			
	Authorised Capital		
	80,00,00,000 Equity Shares of ₹ 5/- each	**4,000,000**	4,000,000
	Issued, Subscribed and Paid-up Capital		
	74,66,09,026 (31st March, 2012: 74,06,89,510) Equity Shares of ₹ 5/- each fully paid-up (Refer Note 1 - Schedule 18 B)	**3,733,045**	3,703,448
	Total	**3,733,045**	3,703,448
SCHEDULE 2 - RESERVES AND SURPLUS			
I.	**Statutory Reserve**		
	Opening Balance	**9,228,900**	6,516,200
	Add: Transfer from Profit and Loss Account	**3,401,800**	2,712,700
	Total	**12,630,700**	9,228,900
II.	**Capital Reserve**		
	Opening balance	**289,303**	289,103
	Add: Transfer from Profit and Loss Account	**-**	200
	Total	**289,303**	289,303
III.	**General Reserve**		
	Opening Balance	**4,049,652**	3,507,052
	Add: Transfer from Profit and Loss Account	**680,400**	542,600
	Total	**4,730,052**	4,049,652
IV.	**Investment Reserve Account**		
	Opening Balance	**305,814**	160,614
	Add: Transfer from / (to) Profit and Loss Account	**105,200**	145,200
	Total	**411,014**	305,814
V.	**Special Reserve Account u/s 36(1)(viii) of Income Tax Act, 1961**		
	Opening Balance	**940,000**	690,000
	Add: Transfer from Profit and Loss Account	**285,000**	250,000
	Total	**1,225,000**	940,000
VI.	**Share Premium Account**		
	Opening Balance	**39,314,361**	38,172,204
	Add: Received during the year	**1,970,100**	1,142,157
	Total	**41,284,461**	39,314,361
VII.	**Balance in the Profit and Loss Account**	**30,165,987**	21,627,912
	Total (I to VII)	**90,736,517**	75,755,942

Schedules forming part of Balance Sheet as at 31st March 2013

(₹ in thousands)

			As at 31st March 2013	As at 31st March 2012
SCHEDULE 3 - DEPOSITS				
A I.	**Demand Deposits**			
	(i)	From Banks	**1,596,176**	1,205,825
	(ii)	From Others	**74,905,327**	72,317,331
	Total		**76,501,503**	73,523,156
II.	**Savings Bank Deposits**		**72,681,276**	50,501,164
III.	**Term Deposits**			
	(i)	From Banks	**8,842,057**	3,424,856
	(ii)	From Others [Refer Note 12 - Schedule 18 B]	**352,262,827**	257,916,030
	Total		**361,104,884**	261,340,886
Total Deposits of branches (I to III)			**510,287,663**	385,365,206
B.	(i)	Deposits of branches in India	**510,287,663**	385,365,206
	(ii)	Deposits of branches outside India	**-**	-
	Total		**510,287,663**	385,365,206
SCHEDULE 4 - BORROWINGS				
I.	**Borrowings in India**			
	(i)	Reserve Bank of India	**85,168,500**	56,094,800
	(ii)	Other Banks	**25,668,405**	19,903,748
	(iii)	Other Institutions and Agencies (Refer Note 13 - Schedule 18 B)	**47,429,767**	50,069,094
	Total		**158,266,672**	126,067,642
II.	**Borrowings outside India**			
	Banks & Other Institutions (Refer Note 13 - Schedule 18 B)		**45,839,549**	39,887,563
	Total		**45,839,549**	39,887,563
Total Borrowings (I and II)			**204,106,221**	165,955,205
Secured Borrowings under CBLO included in I (iii) above			**-**	-
Tier II Bonds included in I (iii) above			**6,967,000**	7,467,000
Tier II Bonds included in II above			**2,442,825**	2,289,375
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS				
I.	Bills Payable		**6,569,088**	5,700,567
II.	Interest Accrued		**4,479,353**	4,050,153
III.	Provision for tax (Net of advance tax and tax deducted at source)		**263,979**	3,191
IV.	Others (including provisions)		**15,974,219**	15,269,495
V.	Proposed Dividend (Includes tax on dividend)		**611,447**	516,509
	Total		**27,898,086**	25,539,915

Schedules forming part of Balance Sheet as at 31st March 2013

(₹ in thousands)

	As at 31st March 2013	As at 31st March 2012
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (Including foreign currency notes)	**3,303,206**	3,116,407
II. Balances with RBI in Current Account	**18,775,827**	17,048,538
Total	**22,079,033**	20,164,945
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks		
(a) In Current Accounts	**911,439**	1,257,147
(b) In Other Deposit Accounts	**3,750,625**	630
Total	**4,662,064**	1,257,777
(ii) Money at Call and Short Notice		
(a) With Banks	**4,564,563**	-
Total	**4,564,563**	-
Total (i and ii)	**9,226,627**	1,257,777
II. Outside India		
(i) In Current Accounts	**266,018**	344,074
(ii) In other Deposit Accounts	**5,319,930**	4,578,750
Total	**5,585,948**	4,922,824
Total (I and II)	**14,812,575**	6,180,601
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in		
(i) Government Securities	**215,620,625**	165,872,410
(ii) Other Approved Securities	**-**	-
(iii) Shares	**181,542**	40,325
(iv) Debentures and Bonds	**42,364,058**	16,300,142
(v) Subsidiaries and Joint Ventures	**3,850,524**	3,289,947
(vi) Others [Units, Certificate of Deposits (CD), Commercial Paper (CP), Security Receipts, RIDF Deposit & Pass Through Certificates (PTC)]	**26,576,545**	30,026,612
Total	**288,593,294**	215,529,436
II. Investments outside India in		
(i) Shares	**3,332**	1,043
(ii) Subsidiaries and Joint Ventures	**137,644**	137,644
Total	**140,976**	138,687
Total Investments (I and II)	**288,734,270**	215,668,123

Schedules forming part of Balance Sheet as at 31st March 2013

(₹ in thousands)

		As at 31st March 2013	As at 31st March 2012
SCHEDULE 9 - ADVANCES			
A.	(i) Bills purchased and discounted#	**13,718,739**	16,263,785
	(ii) Cash Credits, Overdrafts and loans repayable on demand	**97,709,713**	73,942,057
	(iii) Term Loans	**373,261,376**	300,586,480
	Total	**484,689,828**	390,792,322
	# Bills purchased and discounted is net off Bills Rediscounted		
	₹ 1,460.72 crore (Previous Year ₹ 1,667.03 crore)		
B.	(i) Secured by tangible assets *	**414,223,002**	325,798,956
	(ii) Unsecured	**70,466,826**	64,993,366
	Total	**484,689,828**	390,792,322
	* including advances against book debts		
C.	Advances in India		
	(i) Priority Sector	**140,192,931**	122,965,518
	(ii) Public Sector	**1,921,947**	1,450,126
	(iii) Banks	**-**	-
	(iv) Others	**342,574,950**	266,376,678
	Total	**484,689,828**	390,792,322
SCHEDULE 10 - FIXED ASSETS			
A.	**Premises (Including Land)**		
	Gross Block		
	At cost on 31st March of the preceding year	**2,190,236**	2,190,236
	Additions during the year	**25,425**	-
	Less: Deductions during the year	**-**	-
	Total	**2,215,661**	2,190,236
	Depreciation		
	As at 31st March of the preceding year	**434,698**	397,684
	Add: Charge for the year	**38,690**	37,014
	Less: Deductions during the year	**-**	-
	Depreciation to date	**473,388**	434,698
	Net Block	**1,742,273**	1,755,538
B.	**Other Fixed Assets (Including Furniture and Fixtures)**		
	Gross Block		
	At cost on 31st March of the preceding year	**7,363,907**	6,127,792
	Additions during the year	**1,478,516**	1,438,381
	Less: Deductions during the year	**157,602**	202,266
	Total	**8,684,821**	7,363,907
	Depreciation		
	As at 31st March of the preceding year	**4,619,787**	3,664,271
	Add: Charge for the year	**1,286,618**	1,130,551
	Less: Deductions during the year	**123,533**	175,035
	Depreciation to date	**5,782,872**	4,619,787
	Net Block (Refer Note 6 - Schedule 18 B)	**2,901,949**	2,744,120
	Total (A) + (B)	**4,644,222**	4,499,658

Schedules forming part of Balance Sheet as at 31st March 2013

(₹ in thousands)

		As at 31st March 2013	As at 31st March 2012
SCHEDULE 11 - OTHER ASSETS			
I.	Interest accrued	**8,222,916**	5,980,594
II.	Advance tax (Net of provision for tax)	**-**	-
III.	Stationery and Stamps	**25,367**	35,139
IV.	Cheques in course of collection	**135,511**	140,370
V.	Non banking assets acquired in satisfaction of claims	**67,824**	67,824
VI.	Others (Refer Note 5 - Schedule 18 B)	**13,525,322**	13,138,347
	Total	**21,976,940**	19,362,274
SCHEDULE 12 - CONTINGENT LIABILITIES			
I.	Claims not acknowledged as debts	**11,433,065**	10,982,659
II.	Liability on account of Outstanding Forward Exchange Contracts	**148,666,844**	108,673,321
III.	Guarantees on behalf of Constituents in India	**68,208,150**	52,858,829
IV.	Acceptances, Endorsements and other obligations	**45,570,177**	45,893,382
V.	Other Items for which the Bank is contingently liable :		
	a. Liability in respect of interest rate and currency swaps and forward rate agreements	**124,273,059**	162,839,425
	b. Liability in respect of Options Contracts	**2,916,070**	2,830,602
	c. Capital commitments not provided	**972,538**	680,399
	Total	**402,039,903**	384,758,617

Schedules forming part of Profit and Loss Account for the year ended 31st March 2013

(₹ in thousands)

		As at 31st March 2013	As at 31st March 2012
SCHEDULE 13 - INTEREST EARNED			
I.	Interest / discount on Advances / Bills	**61,460,932**	48,674,431
II.	Income on Investments	**18,698,346**	13,063,514
III.	Interest on balances with RBI and other inter-bank funds	**243,250**	40,672
IV.	Others	**22,368**	23,745
	Total	**80,424,896**	61,802,362
SCHEDULE 14 - OTHER INCOME			
I.	Commission, exchange and brokerage	**7,371,928**	5,781,372
II.	Profit / (Loss) on sale of Investments (Net)	**1,546,039**	816,116
III.	Profit / (Loss) on sale of building and other assets (Net)	**11,328**	5,590
IV.	Profit on exchange transactions (Net)	**962,647**	1,193,875
V.	Income earned from Subsidiaries / Joint Ventures	**591,605**	548,592
VI.	Profit on recoveries of non-performing assets acquired	**826,357**	1,289,289
VII.	Miscellaneous Income	**296,745**	138,624
	Total	**11,606,649**	9,773,458
SCHEDULE 15 - INTEREST EXPENDED			
I.	Interest on Deposits	**33,461,115**	25,040,971
II.	Interest on RBI / Inter-Bank Borrowings	**10,552,600**	7,748,710
III.	Others (Refer Note 13 - Schedule 18 B)	**4,354,468**	3,887,779
	Total	**48,368,183**	36,677,460
SCHEDULE 16 - OPERATING EXPENSES			
I.	Payments to and provision for employees (Refer Note 10 - Schedule 18 B)	**10,751,397**	9,023,620
II.	Rent, taxes and lighting (Refer Note 4(a) - Schedule 18 B)	**2,215,029**	1,739,832
III.	Printing and Stationery	**331,814**	272,699
IV.	Advertisement, Publicity and Promotion	**708,489**	563,759
V.	Depreciation on Banks' property	**1,325,308**	1,167,565
VI.	Directors' fees, allowances and expenses	**2,925**	2,389
VII.	Auditors' fees and expenses	**15,198**	13,675
VIII.	Law Charges	**115,696**	115,867
IX.	Postage, telephone etc.	**514,667**	427,441
X.	Repairs and maintenance	**1,216,956**	958,499
XI.	Insurance	**371,216**	285,936
XII.	Travel and Conveyance	**549,522**	473,225
XIII.	Professional Charges	**1,716,023**	1,440,063
XIV.	Brokerage	**839,520**	744,863
XV.	Stamping Expenses	**129,831**	117,465
XVI.	Other Expenditure	**1,792,740**	1,498,424
		22,596,331	18,845,322
	Less: Recovery of Costs from Group Companies	**499,021**	497,023
	Total	**22,097,310**	18,348,299

Schedules forming part of the Balance Sheet and Profit and Loss Account

Schedule 17 – Significant Accounting policies

A. BACKGROUND

In February 2003, Kotak Mahindra Finance Limited was given license for banking business by the Reserve Bank of India (RBI). It was the first NBFC Company in India to be converted into a Bank. Kotak Mahindra Bank provides the full suite of banking services to its customers encompassing Retail Banking, Treasury and Corporate Banking.

B. ACCOUNTING METHODOLOGY

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 Limited ("the Bank") used in the preparation of these financial statements is the accrual method of accounting and historical cost convention and it conforms with Generally Accepted Accounting Principles in India ("Indian GAAP"), the guidelines issued by Reserve Bank of India ("RBI") from time to time, the Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') and notified by the Companies (Accounting Standards) Rules, 2006 "as amended" to the extent applicable and practices generally prevalent in the banking industry in India.

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.

C. REVENUE RECOGNITION

a. Interest income is recognised on accrual basis except in case of non-performing assets where it is recognised, upon realisation, as per RBI guidelines. Penal interest is recognised as income on realisation.

b. 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 net investment outstanding on the contract.

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

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

e. 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 when a significant act / milestone is completed.

f. Dividend income is accounted on an accrual basis when the Bank's right to receive the dividend is established.

g. 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.

h. 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.

D. FIXED ASSETS AND DEPRECIATION

a. Fixed assets have been stated at cost inclusive of freight, duties and incidental expenses less accumulated depreciation / amortisation. Cost includes cost of purchase 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.

b. Depreciation / Amortisation: The Bank adopts the Straight Line Method of depreciation / amortisation so as to write off 100% of the cost of assets at rates higher than those prescribed under Schedule XIV to the Companies Act, 1956 for all assets other than premises, based on the Management's estimate of useful lives of these assets. Estimated useful lives over which assets are depreciated are as follows:

Asset Type	Estimated Useful life in years
Premises	58
Improvement to leasehold premises	Over the primary period of lease subject to a maximum of 6 years.
Office equipments (Chillers, Transformers, UPS & DG set)	10
Office equipments (other than above)	5
Computers	3
Furniture and Fixtures	6
Vehicles	4
ATMs	5
Software (including development) expenditure	3

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

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

E. EMPLOYEE BENEFITS

a. **Provident Fund – Defined Contribution Plan**

Contribution as required by the statute made to the government provident fund is debited to the Profit and Loss Account when incurred.

b. **Gratuity – Defined Benefit Plan**

The Bank accounts for the liability for future gratuity benefits based on an actuarial valuation. The Bank makes contribution to a Gratuity Fund administered by trustees and managed by a life insurance company. The net present value of the Bank's obligation towards the same is actuarially determined based on the projected unit credit method as at the Balance Sheet date. Actuarial gains and losses are immediately recognised in the Profit and Loss Account and are not deferred.

c. **Superannuation Fund – Defined Contribution Plan**

The Bank contributes a sum equivalent to 15% of eligible employees' salary, subject to a maximum of ₹ 1 lakh per employee per annum to a Fund administered by trustees and managed by a life insurance company. The Bank recognises such contributions as an expense in the year they are incurred.

d. **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 based on the projected unit credit method as at the Balance Sheet date.

e. **New Pension Scheme - Defined Contribution Plan**

The Bank contributes up to 10% of eligible employees' salary per annum, to the New Pension Fund administered by a PFRDA appointed pension fund manager. The Bank recognises such contributions as an expense in the year they are incurred.

f. **Other Employee Benefits**

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. 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 / lending as the case may be with the interest paid / received classified as interest expense / income and is accounted on an accrual basis.

G. INVESTMENTS

1. Classification

a. In accordance with the RBI guidelines, investments are categorised at the date of purchase into "Held for Trading", "Available for Sale" and "Held to Maturity" and further classified under six groups, namely, Government Securities, Other approved securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Others for the purposes of disclosure in the Balance Sheet. The Bank follows 'Settlement Date' accounting for recording purchase and sale of transactions in securities.

b. Investments which are held for resale within 90 days from the date of purchase are classified as "Held for Trading".

c. Investments which the Bank intends to hold till maturity are classified as "Held to Maturity". The Bank has classified investments in subsidiaries, joint ventures and associates as "Held to Maturity".

d. Investments which are not classified in either of the above two categories are classified as "Available for Sale".

2. Valuation

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 charged to Profit and Loss Account.

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

a. **Held for Trading / Available for Sale –** Each security except treasury bills in this category is revalued at the market price or fair value on a monthly basis and the net depreciation of each group is recognised in the Profit and Loss Account. Net appreciation, if any, is ignored. Further, provision for diminution other than temporary is made for, at the individual security level.

b. **Held to Maturity –** These are carried at their acquisition cost. Any premium on acquisition of debt instruments / government securities are 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.

c. The market / fair value of quoted investments included in the "Available for Sale" and "Held for Trading" categories is measured with respect to the market price of the scrip as available from the trades / 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. The market value of investments where market quotations are not available is determined as per the norms laid down by the RBI. Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost.

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

d. **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 / interest expense over the period of the transaction.

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

f. Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.

g. Investments in subsidiaries / joint ventures are categorised as HTM and assessed for impairment to determine other than temporary diminution, if any, in accordance with the RBI guidelines.

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

i. 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 YTM 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;

ii. 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 RBI;

iii. 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 Company;

iv. 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;

v. Security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company / Securitisation Company.

3. Transfer between Categories

Transfer between categories is done, in accordance with RBI guidelines at the lower of the acquisition cost / carrying value / market value on the date of the transfer and depreciation, if any, on such transfer is fully provided for.

4. Profit or Loss on sale / redemption of Investments

a. **Held for Trading and Available for Sale -** Profit or loss on sale / redemption is included in the Profit and Loss Account.

b. **Held to Maturity -** Profit on sale / redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale / redemption is charged off to the Profit and Loss Account.

H. FOREIGN CURRENCY AND DERIVATIVE TRANSACTIONS

a. 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).

b. Income and Expenditure items are translated at the rates of exchange prevailing on the date of the transactions except in respect of representative office expenses, which are translated at monthly average exchange rate.

c. Foreign Exchange contracts (other than deposit and placement swaps) outstanding at the Balance Sheet date are revalued at rates notified by FEDAI and resulting profits or losses are included in the Profit and Loss Account. Foreign exchange swaps "linked" to foreign currency deposits and placements are translated at the prevailing spot rate at the time of swap. The premium / 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.

d. Notional amounts of derivative transactions comprising of forwards, swaps, futures and options are disclosed as off Balance Sheet exposures. The swaps are segregated into trading or hedge transactions. Trading swaps 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. 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 / received is accounted for in the Profit and Loss Account on expiry of the option. Option contracts are marked to market on every reporting date.

e. Contingent liabilities as at the Balance Sheet date on account of outstanding foreign exchange contracts are restated at year end rates notified by FEDAI.

I. ADVANCES

a. Advances are classified into standard, sub-standard, doubtful and loss assets in accordance with the RBI guidelines and are stated net of provisions made towards non-performing advances.

b. Provision for non-performing advances comprising sub-standard, doubtful and loss assets is made in accordance with the RBI guidelines. In addition, the Bank considers accelerated provisioning that is based on past experience, evaluation of security and other related factors.

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

c. In accordance with RBI guidelines the bank has provided general provision on standard advances - direct advances to sectors agricultural & SME at 0.25%, commercial real estate at 1.00%, restructured standard advances at 2.75%, teaser rate housing loans at 2.00% and for other sectors at 0.40%.

d. 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 overdue. If the overdue is in excess of 90 days, then the assets are classified into sub-standard, doubtful or loss as required by the RBI guidelines on purchase of non-performing assets.

J. 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" notified by the Companies (Accounting Standards) Rules, 2006 "as amended".

The profit / 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.

K. 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 adjustments comprise of changes in the deferred tax assets and liabilities. 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 periods. Deferred tax assets are recognised only to the extent that there is reasonable certainty 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 are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax asset can be realised against future profits.

Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially 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.

L. 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" notified under the Companies (Accounting Standard) Rules, 2006 "as amended", the Banks' business has been segregated into the following segments whose principal activities were as under:

Segment	Principal activity
Treasury and BMU	Money market, forex market, derivatives, investments and primary dealership of government securities and Balance Sheet Management Unit (BMU) responsible for Asset Liability Management.
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 criterias' 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.

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

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 concentrated in India, the Bank is considered to operate only in the domestic segment.

M. LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, 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.

N. 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).

O. 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.

P. PROVISIONS AND CONTINGENCIES

A provision is recognised when the Bank has a present obligation as a result of past event; 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 determined based on best estimate 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. Provision is made for credit card reward points based on reward points accrued to the customer at Balance Sheet date.

Contingent Liabilities are not recognised but are disclosed in the notes unless the outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements.

Q. 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 Profit and Loss account to the extent of carrying amount of assets exceeds their estimated recoverable amount.

R. EMPLOYEE SHARE BASED PAYMENTS

Equity-settled scheme:

The Bank has formulated Employee Stock Option Schemes (ESOSs) in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. 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 SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by The Institute of Chartered Accountants of India, the excess, if any, of the fair market price of the share preceding the date of grant of the option under ESOSs over the exercise price of the option is amortised on a straight-line basis over the vesting period. The fair market price is the latest available closing price, prior to the date of grant, 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) 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 settlement date with changes in intrinsic value recognised in Profit and Loss Account in 'Payments to and provision for employees'.

S. SHARE ISSUE EXPENSES

Share issue expenses are adjusted from Share Premium Account in terms of Section 78 of the Companies Act, 1956.

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

Schedule 18 – Notes to Accounts

A. DISCLOSURES AS LAID DOWN BY RBI CIRCULARS:

1. Capital Adequacy Ratio:

The Bank's Capital Adequacy Ratios calculated in accordance with the RBI Guidelines are as follows:

(₹ in crores)

	BASEL I		BASEL II	
	As at 31st March 2013	As at 31st March 2012	**As at 31st March 2013**	As at 31st March 2012
Tier I Capital	**8,977.43**	7,533.92	**8,977.43**	7,533.92
Tier II Capital	**814.56**	850.67	**814.56**	850.67
Total Capital	**9,791.99**	8,384.59	**9,791.99**	8,384.59
Total Risk weighted assets and contingencies	**64,589.38**	50,782.58	**61,028.23**	47,856.34
Capital Ratios:				
(i) CRAR - Tier I Capital (%)	**13.90%**	14.84%	**14.71%**	15.74%
(ii) CRAR - Tier II Capital (%)	**1.26%**	1.67%	**1.34%**	1.78%
(iii) CRAR %	**15.16%**	16.51%	**16.05%**	17.52%
(iv) Percentage of the shareholding of the Government of India	**-**	-	**-**	-
(v) Amount raised by issue of IPDI	**-**	-	**-**	-
(vi) Amount raised by issue of Upper Tier II instruments	**-**	-	**-**	-
Amount of subordinated debt considered in Tier II capital	**373.66**	448.64	**373.66**	448.64
Amount of subordinated debt considered in Upper Tier II Capital	**380.28**	364.94	**380.28**	364.94

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 crores)

	As at 31st March 2013				As at 31st March 2012			
	HFT	**AFS**	**HTM**	**Total**	HFT	AFS	HTM	Total
Government Securities *	**1,467.70**	**12,430.27**	**7,664.09**	**21,562.06**	414.65	9,740.19	6,432.40	16,587.24
Other Approved Securities	**-**	**-**	**-**	**-**	-	-	-	-
Shares	**-**	**18.49**	**-**	**18.49**	-	4.14	-	4.14
Debentures and Bonds	**1,041.62**	**3,194.79**	**-**	**4,236.41**	138.08	1,491.93	-	1,630.01
Subsidiaries, Associates and Joint Ventures	**-**	**-**	**398.82**	**398.82**	-	-	342.76	342.76
Units, Certificate of Deposits, CP, SRs, RIDF, PTCs etc.	**1,242.06**	**898.51**	**517.08**	**2,657.65**	1,582.11	843.36	577.19	3,002.66
Total	**3,751.38**	**16,542.06**	**8,579.99**	**28,873.43**	2,134.84	12,079.62	7,352.35	21,566.81

** Includes securities with face Value of ₹ 8,865 crores (previous year ₹ 5,968 crores) pledged and encumbered for availment of fund transfer facility, clearing facility and margin requirements.*

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

3. **The details of investments and the movement of provisions held towards depreciation of investments of the Bank as on 31st March 2013 and 31st March 2012 are given below:**

(₹ in crores)

				As on 31st March 2013	As on 31st March 2012
1.	Value of Investments				
	i.	Gross value of Investments			
		a.	In India	**28,879.13**	21,594.93
		b.	Outside India	**14.10**	13.87
	ii.	Provision for Depreciation			
		c.	In India	**(19.80)**	(41.99)
		d.	Outside India	**-**	-
	iii.	Net value of Investments			
		e.	In India	**28,859.33**	21,552.94
		f.	Outside India	**14.10**	13.87
2.	Movement of provisions held towards depreciation on investments				
	i.	Opening balance		**41.99**	60.05
	ii.	Add: Provisions made during the year		**8.65**	21.24
	iii.	Less: Write-off / write-back of excess provisions during the year		**30.84**	39.30
	iv.	Closing balance		**19.80**	41.99

4. **Details of Repo / Reverse Repo (excluding LAF transactions for the year) deals (in face value terms):**

Year ended 31st March 2013:

(₹ in crores)

Particulars	**Minimum outstanding during the year**	**Maximum outstanding during the year**	**Daily Average outstanding during the year**	**As at 31st March 2013**
Securities sold under repos				
i. Government securities	-	5,072.79	859.92	19.50
ii. Corporate debt securities	-	100.00	0.27	-
Securities purchased under reverse repos				
i. Government securities	-	1,006.00	231.54	451.55
ii. Corporate debt securities	-	130.00	5.01	-

Year ended 31st March 2012:

(₹ in crores)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As at 31st March 2012
Securities sold under repos				
i. Government securities	122.80	4,524.07	1,786.89	122.80
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repos				
i. Government securities	-	60.00	10.36	-
ii. Corporate debt securities	-	235.00	9.39	-

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

5. Disclosure in respect of Non-SLR investments:

(i) Issuer composition of Non-SLR investments as at 31st March 2013:

(₹ in crores)

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	**275.21**	**265.20**	**-**	**8.00**	**8.00**
2	FIs	**1,332.30**	**1,013.28**	**-**	**517.08**	**640.78**
3	Banks	**1,470.99**	**585.44**	**-**	**-**	**1,470.99**
4	Private Corporates	**3,451.71**	**2,245.60**	**328.96**	**25.93**	**502.20**
5	Subsidiaries, Associates and Joint Ventures	**401.22**	**401.22**	**-**	**401.22**	**401.22**
6	Others	**399.50**	**327.79**	**281.63**	**35.46**	**399.50**
7	Provision held towards depreciation	**(19.57)**	**-**	**-**	**-**	**-**
	Total	**7,311.36**	**4,838.53**	**610.59**	**987.69**	**3,422.69**

Issuer composition of Non-SLR investments as at 31st March 2012:

(₹ in crores)

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	25.01	15.00	-	-	-
2	FIs	1,074.24	651.19	-	576.19	676.12
3	Banks	1,457.23	334.57	-	-	1,457.23
4	Private Corporates	1,715.74	1,009.19	79.25	20.69	759.04
5	Subsidiaries, Associates and Joint ventures	344.95	344.95	-	344.95	344.95
6	Others	379.73	245.44	84.50	126.39	379.73
7	Provision held towards depreciation	(17.33)	-	-	-	-
	Total	4,979.57	2,600.34	163.75	1,068.22	3,617.07

Above does not include Non SLR Government Securities ₹ Nil (Previous Year ₹ 62.20 crores) which are included under Government Securities in the Schedule 8 – Investments.

(ii) Non-performing Non-SLR investments:

(₹ in crores)

Particulars	**31st March 2013**	31st March 2012
Opening balance	**16.76**	1.14
Additions during the year since 1st April	**-**	15.62
Reductions during the year	**1.10**	-
Closing balance	**15.66**	16.76
Total provisions held	**15.66**	11.16

6. During the year the movement to / from HTM category does not exceed 5% of the book value of the investments held in HTM category at the beginning of the year.

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

7. **Derivatives:**

A. **Forward Rate Agreements / Interest Rate Swaps:**

(₹ in crores)

Particulars	31st March 2013	31st March 2012
The notional principal of swap agreements	**11,792.18**	15,727.96
Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**29.22**	80.69
Collateral required by the Bank upon entering into swaps	**NA**	NA
Concentration of credit risk arising from the swaps	**99.82%(Banks)**	95.12%(Banks)
The fair value of the swap book	**(7.73)**	4.19

B. **Exchange Traded Interest Rate Derivatives:**

(₹ in crores)

Particulars	31st March 2013	31st March 2012
Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument wise)	**Nil**	Nil
Notional principal amount of exchange traded interest rate derivatives outstanding	**Nil**	Nil
Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)	**NA**	NA
Mark to market value of exchange traded interest rate derivatives outstanding and not "highly effective"	**NA**	NA

C. **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 and the Market Risk Management Department are entrusted with the management of risks in derivative trading.

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-trading. It also reviews the market risk exposures of derivatives-trading against the limits. The Risk Management Committee reviews all risks on a consolidated basis and also reviews Stress Testing.

The Senior Management Committee for Derivatives is responsible for reviewing and approving any new derivative products (within the regulatory framework provided by the RBI). The Board approved 'Customer Suitability and Appropriateness Policy for Derivatives' provides guidelines for the assessment of customers and the appropriateness of products offered to the customer.

The monitoring and measurement of risk in derivatives trading is carried out by the Market Risk Management Department. The Market Risk Management Department is independent of the Treasury Front-Office & Back-Office and directly reports into the Head of Risk.

b) **Scope and nature of risk measurement, risk reporting and risk monitoring systems:**

All significant risks of the derivative portfolio are monitored and measured daily. The Market Risk Management Department measures and reports Market Risk metrics like VaR, PV01, Option Greeks like Delta, Gamma, Vega, Theta, Rho etc. The Credit Risk from the derivatives portfolio is also measured daily.

The Market Risk Management Department monitors these exposures against the set limits and also reviews profitability on a daily basis. MIS is sent to ALCO on a periodic basis. Exception reports are also sent so that emerging risks are reviewed and managed on a timely basis. The Bank continuously invests in technology to enhance the Risk Management architecture.

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

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 under derivative contracts comprising of crystallised receivables as well as positive Mark to Market (MTM) in respect of future receivables which remain overdue for more than 90 days are reversed through the Profit and Loss Account. The derivative limit sanctioned to clients is part of the overall limit sanctioned post credit appraisal. Collateral is accepted on a case to case basis considering the volatility of the price of the collateral and any increase in operational, legal and liquidity risk.

Quantitative Disclosures:

(₹ in crores)

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**	15,793.42	11,792.18
	a) For hedging	3,827.09	0.00
	b) For trading	11,966.33	11,792.18
2	**Marked to Market Positions ****		
	a) Asset (+)	19.62	0.00
	b) Liability (-)	0.00	7.73
3	**Credit Exposure**	599.30	111.16
4	**Likely impact of one percentage change in interest rate (100*PV01) #**		
	a) On hedging derivatives	5.06	0.00
	b) On trading derivatives	2.46	70.57
5	**Maximum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	8.73	0.00
	b) On trading derivatives	4.98	82.58
6	**Minimum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	3.93	0.00
	b) On trading derivatives	0.33	33.23

Currency interest rate swaps have been included under currency derivatives.

 # Excludes PV01 on options.

*** MTM has been considered at product level.*

The net position is shown under asset / liability, as the case is for each type of derivatives.

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

The nature and terms of the Interest Rate Swaps (IRS) as on 31st March 2013 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	1	20.00	INBMK	Receive Floating Vs. Pay Fixed
Trading	56	3,894.31	MIBOR	Receive Fixed Vs. Pay Floating
Trading	116	6,391.68	MIBOR	Receive Floating Vs. Pay Fixed
Trading	17	575.00	MIFOR	Receive Fixed Vs. Pay Floating
Trading	9	250.00	MIFOR	Receive Floating Vs. Pay Fixed
Trading	2	84.95	LIBOR	Receive Fixed Vs. Pay Floating
Trading	11	576.24	LIBOR	Receive Floating Vs. Pay Fixed
Total	**212**	**11,792.18**		

The nature and terms of the Cross Currency Swaps (CCS) as on 31st March 2013 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Hedging	2	108.57		Pay Fixed
Hedging	5	461.42	LIBOR	Receive Floating Vs. Pay Fixed
Trading	1	65.14	LIBOR	Receive Fixed Vs. Pay Floating
Total	**8**	**635.13**		

The overnight Net open position as at 31st March 2013 is ₹ 48.96 crores (previous year ₹ 79.09 crores).

8. **Credit default swaps:**

The Bank has not entered into any Credit Default Swap transactions.

9. **Movements in Non Performing Advances (Funded):**

(₹ in crores)

Particulars		Year ended 31st March 2013	Year ended 31st March 2012
i.	Net NPAs to Net Advances %	**0.64%**	0.61%
ii.	Net NPAs to Net Advances % (excluding NPAs acquired from other Banks / FIs and NBFCs)	**0.63%**	0.57%
iii.	Movement of NPAs (Gross)		
	Gross NPAs as on 1st April (opening balance)	**614.19**	603.49
	Additions (Fresh NPAs) during the year	**464.32**	303.61
	Sub-total (A)	**1,078.51**	907.10
	Less:		
	(i) Upgradations	**34.05**	49.72
	(ii) Recoveries (excluding recoveries made from upgraded accounts)	**152.91**	144.21
	(iii) Write-offs	**133.44**	98.98
	Sub-total (B)	**320.40**	292.91
	Gross NPAs as on 31st March (closing balance) (A-B)	**758.11**	614.19
iv.	Movement of Net NPAs		
	a. Opening balance	**237.38**	211.16
	b. Additions during the year	**178.03**	131.63
	c. Reductions during the year	**(104.00)**	(105.41)
	d. Closing balance	**311.41**	237.38
v.	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a. Opening balance	**376.81**	392.33
	b. Provisions made during the year	**286.29**	171.98
	c. Write-off / write-back of excess provisions	**(216.40)**	(187.50)
	d. Closing balance	**446.70**	376.81

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

10. Gross NPA, Provisions for NPA and Net NPA above include the following in respect of non-performing assets acquired from other Banks / FIs and NBFCs:

(₹ in crores)

Particulars	As at 31st March 2013	As at 31st March 2012
Gross NPA	**126.00**	136.41
Provision for NPA	**(118.14)**	(123.36)
Net NPA	**7.86**	13.05

11. The Provision Coverage Ratio (PCR) of the Bank after considering technical write-off is 68.21% as at 31st March 2013 (previous year: 70.14%).

12. Concentration of NPAs:

(₹ in crores)

Particulars	As at 31st March 2013	As at 31st March 2012
Total Exposure to top four NPA accounts	**156.01**	84.26

Above represents Gross NPA

13. Sector-wise NPAs:

Sr. No.	Sector	Percentage of NPAs to Total Advances in that sector	
		As at 31st March 2013	As at 31st March 2012
1.	Agriculture & Allied activities	**1.13%**	1.04%
2.	Industry (Micro & small, Medium and Large including corporate stressed assets purchased)	**1.59%**	2.98%
3.	Services	**2.12%**	1.20%
4.	Personal Loans including Credit Cards and retail stressed assets purchased	**2.47%**	2.49%

Above % represents Gross NPA to Gross Advances for respective sectors.

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management) which has been relied upon by the auditors.

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

14. Details of Loan Assets subjected to Restructuring:

As at 31st March 2013

(₹ in crores)

Sl. No.	Type of Restructuring		Others				
	Asset Classification						
	Details		Standard	Sub-standard	Doubtful	Loss	Total
1	Restructured Accounts as on 1st April of the FY (opening figures)*	No. of borrowers	92	1,027	1,462	-	2,581
		Amount outstanding	20.01	14.30	17.96	-	52.27
		Provision thereon	2.92	6.02	13.13	-	22.07
1A	Movement in Opening Balances (Recoveries)	No. of borrowers	(65)	(299)	(267)	-	(631)
		Amount outstanding	(11.97)	(6.23)	(3.37)	-	(21.57)
		Provision thereon	(0.03)	(0.38)	(1.67)	-	(2.08)
2	Fresh Restructuring during the year	No. of borrowers	3	1,002	28	-	1,033
		Amount outstanding	2.73	16.01	15.66	-	34.40
		Provision thereon	-	4.32	6.93	-	11.25
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
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	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	No. of borrowers	(1)	(199)	200	-	-
		Amount outstanding	(0.05)	(6.80)	6.85	-	-
		Provision thereon	-	(4.00)	4.04	-	0.04
6	Write-offs of restructured accounts during the FY	No. of borrowers	(1)	(526)	(1,033)	-	(1,560)
		Amount outstanding	(0.01)	(1.22)	(6.22)	-	(7.45)
		Provision thereon	-	(1.22)	(6.22)	-	(7.44)
7	Restructured Accounts as on 31st March of the FY (closing figures)*	No. of borrowers	28	1,005	390	-	1,423
		Amount outstanding	10.71	16.06	30.88	-	57.65
		Provision thereon	2.89	4.74	16.21	-	23.84

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

There are no cases restructured on account of CDR mechanism or SME debt restructuring in the current or previous year.

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

15. Overseas Assets, NPAs and Revenue:

(₹ in crores)

Particulars	31st March 2013	31st March 2012
Total Assets	**Nil**	Nil
Total NPAs	**Nil**	Nil
Total Revenue	**Nil**	Nil

Above does not include assets of overseas representative office.

16. Details of non-performing financial assets purchased:

(₹ in crores)

	Particulars	As at 31st March 2013	As at 31st March 2012
(a)	Number of accounts purchased during the year*	**5**	13
(b)	Aggregate outstanding in the Banks books**	**187.08**	175.71

* *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).

There were no non-performing financial assets sold by the Bank during the current year (previous year Nil).

The Bank has not sold any financial asset to Securitisation or Reconstruction Company for asset reconstruction (previous year Nil).

17. There are no unsecured loans for which intangible security such as charge over the rights, licenses, authority, etc. are accepted as collateral by the Bank.

18. Provisions on Standard Assets

(₹ in crores)

Particulars	Year ended 31st March 2013	Year ended 31st March 2012
Provisions towards Standard Assets	**218.92**	177.89

19. Business ratios / information:

Particulars	Year ended 31st March 2013	Year ended 31st March 2012
Interest income as a percentage of working funds	**10.69%**	10.41%
Non interest income as a percentage of working funds	**1.54%**	1.65%
Operating profit as a percentage of working funds	**2.87%**	2.79%
Return on assets (average)	**1.81%**	1.83%
Business (deposit plus advance) per employee (₹ in crores)	**6.86**	6.13
Profit per employee (₹ in crores)	**0.10**	0.09
Definitions:		
(A) Working funds is the monthly average of total assets as reported by the Bank's Management to the RBI under Section 27 of the Banking Regulation Act, 1949.		
(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. Inter bank deposits are excluded for the purposes of computation of this ratio.		
(D) Productivity ratios are based on average number of employees.		

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

20. Maturity pattern of certain items of assets and liabilities:

As at 31st March 2013:

(₹ in crores)

	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 *	677.65	1,345.37	1,441.70	1,094.90	4,417.40	4,058.30	4,914.93	18,977.55	4,584.83	6,943.01	48,455.64
Investments	9,350.83	1,194.31	1,541.65	796.13	4,122.71	1,993.50	2,111.90	5,559.13	898.01	1,305.26	28,873.43
Deposits	295.70	3,623.18	3,852.57	2,682.55	11,450.59	6,703.04	6,209.24	14,573.31	1,225.82	412.77	51,028.77
Borrowings	75.42	9,457.84	183.38	641.37	2,519.68	1,443.35	2,952.79	2,166.39	404.30	566.10	20,410.62
Foreign Currency Assets	69.41	552.18	26.80	53.19	433.84	747.81	32.13	12.80	1.29	54.63	1,984.08
Foreign Currency Liabilities	84.40	58.37	146.72	238.30	1,387.64	928.81	1,520.69	578.79	15.43	244.28	5,203.43

** Advances shown above are net of the Advance EMI received amounting to ₹ 13.34 crores*

In computing the above information, certain estimates and assumptions have been made by the Bank's Management which have been relied upon by the auditors.

As at 31st March 2012:

(₹ in crores)

	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 Months	Over3 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 *	350.37	937.21	1,228.01	1,043.67	3,121.28	3,065.17	5,208.69	14,669.15	3,535.55	5,907.26	39,066.36
Investments	6,494.14	1,345.83	1,345.37	803.97	1,881.03	1,837.00	2,076.73	4,085.48	704.47	992.79	21,566.81
Deposits	299.78	2,443.09	3,295.99	2,348.62	6,029.40	4,379.45	5,397.51	12,826.13	1,285.82	230.73	38,536.52
Borrowings	44.18	6,429.00	760.88	749.40	1,649.48	1,203.14	2,196.73	2,034.08	898.00	630.63	16,595.52
Foreign Currency Assets	62.00	473.89	23.52	85.44	266.05	393.58	14.51	21.33	6.93	51.05	1,398.30
Foreign Currency Liabilities	60.07	252.35	173.10	644.39	1,093.19	560.34	1,058.75	676.94	2.24	229.33	4,750.70

** Advances shown above are net of the Advance EMI received amounting to ₹ 12.87 crores*

21. Lending to sensitive sectors:

(a) Real Estate Sector*:

(₹ in crores)

Particulars			**As at 31st March 2013**	As at 31st March 2012
a)	Direct exposure		**11,237.58**	9,757.16
	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 2013 ₹ 308.36 crores and as at 31st March 2012 ₹ 457.01 crores)	**5,152.60**	4,630.77
	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	**6,084.98**	5,126.39
	iii	Investments in Mortgage Backed Securities (MBS) and other securitised exposures-	**-**	-
		- Residential	**-**	-
		- Commercial Real Estate	**-**	-
b)	Indirect Exposure		**1,077.45**	75.21
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		**1,077.45**	75.21
Total Exposure to Real Estate Sector			**12,315.03**	9,832.37

** On limit basis or outstanding basis whichever is higher*

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

(b) Exposure to Capital Market*:

(₹ in crores)

	Particulars	As at 31st March 2013	As at 31st March 2012
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;	**41.02**	35.77
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;	**71.35**	30.44
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;	**-**	-
v.	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	**1,051.35**	916.24
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**	19.63
xi.	Others (Financial Guarantees)	**118.11**	50.00
	Total Exposure to Capital Market*	**1,281.86**	1,052.08

** On limit basis or outstanding basis whichever is higher*

(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 2013. (Nil provision for the year ended 31st March 2012)

(₹ in crores)

Risk Category	Exposure (net) as at 31st March 2013	Provision held as at 31st March 2013	Exposure (net) as at 31st March 2012	Provision held as at 31st March 2012
Insignificant	648.49	**-**	610.03	-
Low	13.86	**-**	7.99	-
Total	**662.35**	-	618.02	**-**

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

22. Concentration of deposits:

(₹ in crores)

	As at 31st March 2013	As at 31st March 2012
Total deposits of twenty largest depositors	**11,037.67**	7,860.40
Percentage of deposits of twenty largest depositors to total deposits of the bank	**21.63%**	20.40%

23. Concentration of advances*:

(₹ in crores)

	As at 31st March 2013	As at 31st March 2012
Total advances to twenty largest borrowers	**11,344.87**	9,411.94
Percentage of advances to twenty largest borrowers to total advances of the bank	**13.14%**	12.78%

** Advances represents Credit Exposure including derivatives furnished in Master Circular on Exposure Norms DBOD.No.Dir.BC.3/13.03.00/2012-13 dated July 2, 2012*

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management) which has been relied upon by the auditors.

24. Concentration of exposures:**

(₹ in crores)

	As at 31st March 2013	As at 31st March 2012
Total exposure to twenty largest borrowers / customers	**12,182.51**	9,975.82
Percentage of exposures to twenty largest borrowers / customers to total exposure of the bank on borrowers / customers	**13.29%**	13.02%

*** Exposures represents credit, derivatives and investment exposure as prescribed in Master Circular on Exposure Norms DBOD.No.Dir.BC. 3/13.03.00/2012-13 dated July 2, 2012*

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management) which has been relied upon by the auditors.

25. During the year ended 31st March 2013 the bank has not exceeded the Single Borrower Limit (SBL)

For the year ended 31st March 2012 the Bank had exceeded the Single Borrower Limit with the approval of the Board in case of following borrowers:

(₹ in crores)

Name of Party	**Total Exposure**	% of Capital Funds
Larsen & Toubro Ltd.	**1,170.00**	16.54

During the year ended 31st March 2013 and year ended 31st March 2012 the Bank has not exceeded the prudential exposure limits as laid down by RBI guidelines for the Group Borrower Limit (GBL).

26. Provision made for taxes during the year:

(₹ in crores)

	31st March 2013	31st March 2012
Current tax	**632.89**	493.15
Deferred tax	**(21.58)**	21.69
Wealth Tax	**0.03**	0.03
Total	**611.34**	514.87

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

27. No financial penalties have been imposed on the Bank during the year by RBI.

28. During the year there was one incident of SGL shortfall in the transactions in Government Securities. On 5th March 2013, the Bank had submitted a non -competitive Bid for 8.64% Andhra Pradesh 2023 in e-kuber (hereafter referred as "system") on behalf of its client for an amount of ₹ 1.79 crores. The allotment of the security was for value date 6th March 2013. While submitting the bid in the system, inadvertently CSGL account was selected for transfer of security instead of SGL account. Hence securities were allotted in Bank's CSGL account instead of SGL account. The said security was sold on 5th March on a T+1 basis i.e. for value date 6th March However since the security was lying in Bank's CSGL account but the trade was settled in Bank's SGL account, it resulted in shortage of security in Bank's SGL account. Bank has subsequently transferred security from CSGL to SGL account and delivery was given to client on 8th March 2013. There was no monetary loss either to the customer or to the Bank.

29. There are no Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms).

30. Bancassurance Business:

(₹ in crores)

Sr. No.	Nature of Income	For the year ended 31st March 2013	For the year ended 31st March 2012
1.	For selling life insurance policies	**41.36**	22.32
2.	For selling non life insurance policies	**1.05**	0.57
3.	For selling mutual fund products	**94.21**	50.84
4.	Others	**-**	-

31. Floating Provisions:

(₹ in crores)

Particulars		31st March 2013	31st March 2012
(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

32. Draw Down from Reserves:

In accordance with the RBI requirement on creation and utilisation of reserves, no reserve has been utilised in the current year and in the previous year.

33. a) Status of Shareholder Complaints:

		31st March 2013	31st March 2012
(a)	No. of complaints pending at the beginning of the year	**Nil**	2
(b)	No. of complaints received during the year	**33**	38
(c)	No. of complaints redressed during the year	**31**	40
(d)	No. of complaints pending at the end of the year *	**2**	Nil

** The pending complaints were resolved on 01.04.2013 & 08.04.2013 respectively.*

b) Status of Customer Complaints:

		31st March 2013	31st March 2012
(a)	No. of complaints pending at the beginning of the year	**67**	30
(b)	No. of complaints received during the year	**3,408**	2,292
(c)	No. of complaints redressed during the year	**3,370**	2,255
(d)	No. of complaints pending at the end of the year	**105**	67

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

c) Status of Awards passed by the Banking Ombudsman:

		31st March 2013	31st March 2012
(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**	1
(c)	No. of Awards implemented during the year	**Nil**	1
(d)	No. of unimplemented Awards at the end of the year	**Nil**	Nil

The above details are as furnished by the Management and relied upon by the auditors.

34. The Bank has issued letters of awareness on behalf of a wholly owned, non-banking finance subsidiary in respect of its borrowings made or proposed to be made. These letters are in nature of factual statements or confirmation of facts and do not create any financial obligation or impact on the Bank. During the year, the Bank has issued letters of awareness aggregating to ₹ 1,500 crores (previous year ₹ 1,150 crores). As at 31 March 2013 cumulative value of outstanding letters of awareness aggregate to ₹ 2,552 crores (previous year ₹ 3,188 crores).

35. DISCLOSURES ON REMUNERATION

A. Qualitative Disclosures:

a) Information relating to the composition and mandate of the Remuneration Committee:

The remuneration committee comprises of independent directors of the Bank. Key mandate of the 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:

- 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 to 4 years.

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 (KRSAs), 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 Banks' 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:

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

Category I and 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, on a pro-rata basis.

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 Remuneration Committee)
- 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 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): 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 2013 two meetings of remuneration committee were held. Members of the remuneration committee are paid a sitting fee of ₹ 10,000 per meeting.

b) **Number of employees having received a variable remuneration award during the financial year.**

Quantitative disclosure restricted to CEO, two whole time Directors and five Operating management committee members 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**

Nil

e) **Details of severance pay, in addition to accrued benefits, if any.**

Nil

f) **Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms**

Outstanding SARs as at 31st March 2013 - 115,516 rights

Outstanding ESOPs as at 31st March 2013 - 1,121,976 equity shares

g) **Total amount of deferred remuneration paid out in the financial year.**

Payment towards SARs during year ended 31st March 2013 ₹ 1.53 crores

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

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 2013 - ₹ 13.66 crores

Deferred Variable Pay*

SARs – 53,428 rights

ESOPs – 219,110 equity shares

Non Deferred variable pay* ₹ 3.38 crores

** Details relating to variable pay pertains to remuneration awards for the financial year 2011-12 awarded during current financial year. Remuneration award for the year ended 31st March 2013 are yet to be reviewed and approved by the remuneration committee.*

B. OTHER DISCLOSURES:

1. Subsequent to the year end, the Bank has entered into an agreement with Heliconia Pte Ltd., a private company limited by shares incorporated and existing under the laws of Singapore, an affiliate of Government of Singapore Investment Corporation Pte Ltd. for a preferential issue of 2 crores equity shares of the Bank at a price of ₹ 648 per share, aggregating to ₹ 1,296 crores. The proposed preferential issue is subject to shareholder and other necessary regulatory approvals.

2. Earnings per Equity Share:

Particulars	**Year ended 31st March 2013**	Year ended 31st March 2012
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	**743,304,984**	738,573,973
Effect of potential equity shares for stock options outstanding	**2,816,120**	4,072,993
Weighted average number of equity shares used in computation of diluted earnings per share	**746,121,104**	742,646,966
Following is the reconciliation between basic and diluted earnings per share		
Nominal value per share	**5.00**	5.00
Basic earnings per share	**18.31**	14.69
Effect of potential equity shares for stock options	**0.07**	0.08
Diluted earnings per share	**18.24**	14.61
Earnings used in the computation of basic and diluted earnings per share (₹ in crores)	**1,360.72**	1,085.05

3. Segment Reporting:

The Summary of the operating segments of the Bank for the year ended 31st March 2013 are as given below.

(₹ in crores)

		31st March 2013	31st March 2012
1.	**Segment Revenue**		
	a. Treasury and BMU	**2,522.97**	1,981.00
	b. Corporate / Wholesale Banking	**3,445.72**	2,696.85
	c. Retail Banking	**5,906.18**	4,523.61
	d. Other Banking business	**-**	-
	Sub-total	**11,874.87**	9,201.46
	Less : Inter-segmental revenue	**2,672.95**	2,045.68
	Add : Unallocated Income	**1.24**	1.80
	Total	**9,203.16**	7,157.58

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

(₹ in crores)

		31st March 2013	31st March 2012
2.	**Segment Results**		
	a. Treasury and BMU	**145.51**	35.15
	b. Corporate / Wholesale Banking	**1,211.49**	997.14
	c. Retail Banking	**613.82**	565.84
	d. Other Banking business	**-**	-
	Sub-total	**1,970.82**	1,598.13
	Add : Unallocated Income	**1.24**	1.80
	Total Profit Before Tax	**1,972.06**	1,599.93
	Provision for Tax	**611.34**	514.88
	Total Profit After Tax	**1,360.72**	1,085.05
3.	**Segment Assets**		
	a. Treasury and BMU	**33,036.92**	23,659.36
	b. Corporate / Wholesale Banking	**25,296.93**	20,014.00
	c. Retail Banking	**52,890.05**	42,226.27
	d. Other Banking business	**-**	-
	Sub-total	**111,223.90**	85,899.63
	Less : Inter-segmental Assets	**27,729.74**	20,410.78
	Total	**83,494.16**	65,488.85
	Add : Unallocated Assets	**199.53**	177.62
	Total Assets as per Balance Sheet	**83,693.69**	65,666.47
4.	**Segment Liabilities**		
	a. Treasury and BMU	**32,311.74**	22,657.55
	b. Corporate / Wholesale Banking	**21,558.83**	17,041.87
	c. Retail Banking	**48,027.22**	38,345.42
	d. Other Banking business	**-**	-
	Sub-total	**101,897.79**	78,044.84
	Less : Inter-segmental Liabilities	**27,729.74**	20,410.78
	Total	**74,168.05**	57,634.06
	Add : Unallocated liabilities	**78.68**	86.47
	Add : Share Capital & Reserves & surplus	**9,446.96**	7,945.94
	Total Liabilities as per Balance Sheet	**83,693.69**	65,666.47
5.	**Capital Expenditure**		
	a. Treasury and BMU	**41.77**	66.86
	b. Corporate / Wholesale Banking	**8.29**	6.48
	c. Retail Banking	**100.33**	70.50
	d. Other Banking business	**-**	-
	Total	**150.39**	143.84
6.	**Depreciation / Amortisation**		
	a. Treasury and BMU	**59.41**	55.02
	b. Corporate / Wholesale Banking	**5.08**	4.25
	c. Retail Banking	**68.04**	57.49
	d. Other Banking business	**-**	-
	Total	**132.53**	116.76

Segmental Information is provided as per the MIS available for internal reporting purposes, which includes certain estimates and assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

4. **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 ₹ 173.43 crores (previous year ₹ 137.82 crores). The sub-lease income recognised in the Profit and Loss Account is ₹ 6.76 crores (previous year ₹ 6.50 crores).

   b. The future minimum lease payments under non cancellable operating lease – not later than one year is ₹ 158.52 crores (previous year ₹ 118.34 crores), later than one year but not later than five years is ₹ 649.86 crores (previous year ₹ 495.62 crores) and later than five years ₹ 219.90 crores (previous year ₹ 121.87 crores).

   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.

5. **Deferred Taxes:**

   "Others" in Other Assets (Schedule 11 (VI)) includes deferred tax asset (net) of ₹ 199.52 crores (previous year ₹ 177.94 crores). The components of the same are as follows:

(₹ in crores)

Particulars	Year ended 31st March 2013	Year ended 31st March 2012
Provision for NPA and general provision on standard assets	**151.15**	145.23
Expenditure allowed on payment basis	**36.52**	28.29
Depreciation	**11.85**	4.42
Net Deferred Tax Asset	**199.52**	177.94

6. **Fixed Assets as per Schedule 10 B include intangible assets relating to software and system development expenditure which are as follows :**

(₹ in crores)

Particulars	Year ended 31st March 2013	Year ended 31st March 2012
Gross Block		
At cost on 31st March of the preceding year	**122.70**	93.85
Additions during the year	**19.45**	28.85
Deductions during the year	**—**	—
Total	**142.15**	122.70
Depreciation / Amortisation		
As at 31st March of the preceding year	**90.58**	70.38
Charge for the year	**22.08**	20.20
Deductions during the year	**—**	—
Depreciation to date	**112.66**	90.58
Net Block	**29.49**	32.12

7. **Related Party Disclosures :**

   A. **Parties where control exists:**

Nature of relationship	Related Party
Individual having control over the enterprise	Mr. Uday S. Kotak along with relatives and enterprises in which he has beneficial interest holds 44.96% of the equity share capital of Kotak Mahindra Bank Limited as on 31st March 2013
Subsidiary Companies	Kotak Mahindra Prime Limited
	Kotak Securities Limited
	Kotak Mahindra Capital Company Limited
	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.
	Global Investment Opportunities Fund Limited
	Kotak Investment Advisors Limited
	Kotak Mahindra Trusteeship Services Limited

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

Nature of relationship	Related Party
	Kotak Forex Brokerage Limited
	Kotak Mahindra Pension Fund Limited
	Kotak Mahindra Financial Services Limited

B. Other Related Parties:

Nature of Relationship	Related Party
Associates	ACE Derivatives and Commodity Exchange Ltd.
	Infina Finance Private Limited
	Matrix Business Services India Private Limited
	Phoenix ARC Private Limited
	Add Albatross Properties Private Limited (Effective 28th Nov 2011)
Key Management Personnel*	Mr. Uday S. Kotak, Executive Vice Chairman and Managing Director
	Mr. C Jayaram, Joint Managing Director
	Mr. Dipak Gupta, Joint Managing Director
Enterprise over which Key Management Personnel have significant Influence*	Aero Agencies Limited Kotak & Company Limited Komaf Financial Services Limited Asian Machinery & Equipment Pvt. Ltd. Insurekot Investments Pvt. Ltd. Kotak Trustee Company Pvt. Ltd. Cumulus Trading Company Pvt. Ltd. Palko Properties Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Limited Kotak Commodity Services Limited Harisiddha Trading and Finance Private Limited Puma Properties Limited (Effective 6th July 2012)
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 Ms. Usha Jayaram

(₹ in crores)

Items / Related Party	Individual having Control	Subsidiary Companies	Associates	Key Management Personnel	Enterprise over which Relative of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel	Total
Liabilities							
Deposits		**1,639.63** (2,075.79)	**369.02** (341.19)	**1.11** (10.99)	**127.44** (131.95)	**1.52** (1.02)	**2,138.72** (2,560.94)
Interest Payable		**12.39** (10.73)	**3.83** (3.23)	**0.01** (0.19)	**1.30** (1.13)	**0.01** (-)	**17.54** (15.28)
Other Liabilities		**7.28** (8.79)			**0.01** (-)		**7.29** (8.79)
Assets							
Advances		**9.60** -					**9.60** -
Investments-Gross		**766.02** (574.76)	**45.25** (45.25)				**811.27** (620.01)
Diminution on Investments		**2.19** (2.19)	**15.27** (9.67)				17.46 (11.86)

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

(₹ in crores)

Items / Related Party	Individual having Control	Subsidiary Companies	Associates	Key Management Personnel	Enterprise over which Relative of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel	Total
Commission Receivable		**10.32** (5.15)					**10.32** (5.15)
Others		**29.19** (20.17)	**0.35** (0.26)				**29.54** (20.43)
Expenses							
Salaries / fees (Include ESOP)				**9.09** (8.64)			**9.09** (8.64)
Interest Paid		**129.50** (138.55)	**47.38** (48.66)	**0.22** (1.06)	**14.00** (11.66)	**0.06** (0.05)	**191.16** (199.98)
Others		**1.38** (2.27)	**2.01** (1.89)		**3.17** (2.41)		**6.56** (6.57)
Income							
Dividend		**9.90** (9.93)					**9.90** (9.93)
Interest Received		**36.36** (24.59)					**36.36** (24.59)
Others		**94.07** (69.28)	**0.40** (0.35)				**94.47** (69.63)
Other Transactions							
Sale of investment		**2,127.07** (1,687.77)					**2,127.07** (1,687.77)
Purchase of Investment		**572.03** (407.76)	**-** (18.38)				**572.03** (426.14)
Repo - Borrowings		**-** (149.59)					**-** (149.59)
Repo- Paid		**-** (149.63)					**-** (149.63)
Dividend paid				**20.06** (16.72)		**0.12** (0.10)	**20.18** (16.82)
Reimbursement to companies		**15.70** (9.41)	**0.01** (-)				**15.71** (9.41)
Reimbursement from companies		**75.24** (77.86)	**0.57** (2.60)				**75.81** (80.46)
Purchase of Fixed assets		**0.04** (0.31)	**0.09** (-)				**0.13** (0.31)
Sale of Fixed assets		**0.22** (-)					**0.22** (-)
Swaps / Forward / options contracts		**-** (72.57)					**-** (72.57)
Guarantees / Lines of credit		**0.24** (0.14)					**0.24** (0.14)
I. Liabilities:							
Other liabilities							
Other Payable							
Kotak Mahindra Capital Company		**-** (0.25)					**-** (0.25)
Kotak Mahindra (International) Limited		**6.95** (8.32)					**6.95** (8.32)
Other Subsidiaries / Associates		**0.33** (0.22)			**0.01** (-)		**0.34** (0.22)

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

(₹ in crores)

Items / Related Party	Individual having Control	Subsidiary Companies	Associates	Key Management Personnel	Enterprise over which Relative of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel	Total
II. Assets:							
Investments							
Kotak Mahindra Old Mutual Life Insurance Limited		**260.25** (260.25)					**260.25** (260.25)
Kotak Mahindra Prime Ltd.		**396.77** (261.78)					**396.77** (261.78)
Other Subsidiaries / Associates		**109.00** (52.73)					**109.00** (52.73)
ACE Derivatives and Commodity Exchange Ltd.			**29.98** (29.98)				**29.98** (29.98)
Add Albatross Properties Private Limited			**15.27** (15.27)				**15.27** (15.27)
Diminution on Investments							
Kotak Forex Brokerage Limited		**2.19** (2.19)					**2.19** (2.19)
Add Albatross Properties Private Limited			**15.27** (9.67)				**15.27** (9.67)
Commission Receivable							
Kotak Mahindra Old Mutual Life Insurance Limited		**10.32** (5.15)					**10.32** (5.15)
Others							
Kotak Mahindra Prime Limited		**25.68** (18.42)					**25.68** (18.42)
Kotak Securities Limited		**0.84** (0.85)					**0.84** (0.85)
Other Subsidiaries / Associates		**2.67** (0.90)	**0.35** (0.26)				**3.02** (1.16)
III. Expenses:							
Salaries / fees (Include ESOP)							
Mr. Uday Kotak				**2.19** (2.08)			**2.19** (2.08)
Mr. C Jayaram				**3.28** (3.16)			**3.28** (3.16)
Mr.Dipak Gupta				**3.62** (3.40)			**3.62** (3.40)
Other Expenses							
Brokerage							
Kotak Securities Limited		**0.09** (0.32)					**0.09** (0.32)
Kotak Mahindra Financial Services Limited		**-** (1.32)					**-** (1.32)

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

(₹ in crores)

Items / Related Party	Individual having Control	Subsidiary Companies	Associates	Key Management Personnel	Enterprise over which Relative of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel	Total
Premium							
Kotak Mahindra Old Mutual Life Insurance Limited		**1.16** (0.63)					**1.16** (0.63)
Other Expenses:							
Kotak Mahindra Prime Limited		**0.13** (-)					**0.13** (-)
Aero Agencies Limited					**2.77** (1.96)		**2.77** (1.96)
Kotak & Company Limited					**0.40** (0.45)		**0.40** (0.45)
Other Associates			**2.01** (1.89)				**2.01** (1.89)
IV. Income:							
Dividend							
Kotak Mahindra Asset Management Company Limited		**9.90** (6.93)					**9.90** (6.93)
Kotak Mahindra Trustee Co. Ltd.		**-** (3.00)					**-** (3.00)
Other Income							
Insurance Commission and Rental Income							
Kotak Mahindra Old Mutual Life Insurance Limited		**55.89** (34.12)					**55.89** (34.12)
Rental and other Income							
Kotak Securities Limited		**10.60** (10.11)					**10.60** (10.11)
Kotak Mahindra Capital Company Limited		**5.13** (4.83)					**5.13** (4.83)
Kotak Mahindra Asset Management Company Limited		**7.20** (5.60)					**7.20** (5.60)
Kotak Mahindra Prime Limited		**5.71** (5.03)					**5.71** (5.03)
Other Subsidiaries / Associates		**9.54** (9.59)	**0.40** (0.35)				**9.94** (9.94)
V. Other Transactions:							
Sale of Investment							
Kotak Mahindra Old Mutual Life Insurance Ltd.		**2,089.74** (1,627.77)					**2,089.74** (1,627.77)
Kotak Mahindra Prime Limited		**-** (60.00)					**-** (60.00)

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

(₹ in crores)

Items / Related Party	Individual having Control	Subsidiary Companies	Associates	Key Management Personnel	Enterprise over which Relative of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel	Total
Kotak Investment Advisor Limited		**15.31** (-)					**15.31** (-)
Kotak Securities Limited		**22.02** (-)					**22.02** (-)
Purchase of Investments							
Kotak Mahindra Old Mutual Life Insurance Ltd.		**278.88** (147.76)					**278.88** (147.76)
Kotak Mahindra Prime Limited		**170.00** (260.00)					**170.00** (260.00)
Kotak Securities Limited		**71.28** (-)					**71.28** (-)
Kotak Investment Advisor Limited		**51.87** (-)					**51.87** (-)
Add Albatross Properties Private Limited			**-** (18.38)				**-** (18.38)
Repo Borrowings							
Kotak Mahindra Old Mutual Life Insurance Ltd.		**-** (149.59)					**-** (149.59)
Repo Paid							
Kotak Mahindra Old Mutual Life Insurance Ltd.		**-** (149.63)					**-** (149.63)
Dividend paid							
Mr. Uday Kotak				**19.99** (16.66)			**19.99** (16.66)
Mr. C. Jayaram				**0.03** (0.03)			**0.03** (0.03)
Mr. Dipak Gupta				**0.04** (0.03)			**0.04** (0.03)
Ms. Pallavi Kotak						**0.03** (0.03)	**0.03** (0.03)
Ms. Indira Kotak						**0.07** (0.06)	**0.07** (0.06)
Others						**0.02** (0.01)	**0.02** (0.01)
Reimbursements to companies							
Kotak Mahindra Capital Company Limited		**1.40** (1.45)					**1.40** (1.45)
Kotak Mahindra Prime Limited		**5.66** (4.16)					**5.66** (4.16)
Kotak Mahindra Old Mutual Life Insurance Limited		**0.12** (0.75)					**0.12** (0.75)
Kotak Securities Limited		**5.53** (3.00)					**5.53** (3.00)

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

(₹ in crores)

Items / Related Party	Individual having Control	Subsidiary Companies	Associates	Key Management Personnel	Enterprise over which Relative of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel	Total
Kotak Mahindra Financial Services Limited		**2.96** (-)					**2.96** (-)
Other Subsidiaries / Associates		**0.03** (0.05)	**0.01** (-)				**0.04** (0.05)
Reimbursements from companies							
Kotak Mahindra Capital Company Limited		**4.06** (4.41)					**4.06** (4.41)
Kotak Mahindra Prime Limited		**10.57** (9.59)					**10.57** (9.59)
Kotak Mahindra Old Mutual Life Insurance Limited		**12.69** (11.66)					**12.69** (11.66)
Kotak Securities Limited		**38.31** (40.25)					**38.31** (40.25)
Other Subsidiaries / Associates		**9.61** (11.95)	**0.57** (2.60)				**10.18** (14.55)
Purchase of Fixed assets							
Kotak Mahindra Prime Limited		**-** (0.15)					**-** (0.15)
Kotak Securities Limited		**-** (0.05)					**-** (0.05)
Kotak Mahindra Capital Company Limited		**-** (0.10)					**-** (0.10)
Kotak Mahindra Investment Limited		**0.04** (-)					**0.04** (-)
Other Subsidiaries / Associates		**-** (0.01)					**-** (0.01)
ACE Derivatives and Commodity Exchange Limited			**0.09** (-)				**0.09** (-)
Sale of Fixed assets							
Kotak Mahindra Capital Company Limited		**0.12** (-)					**0.12** (-)
Kotak Mahindra Trusteeship Services Limited		**0.05** (-)					**0.05** (-)
Kotak Securities Limited		**0.05** (-)					**0.05** (-)
Swaps / Forward / Options contract							
Kotak Mahindra Prime Limited		**-** (62.57)					**-** (62.57)
Kotak Mahindra (International) Ltd.		**-** (10.00)					**-** (10.00)

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

(₹ in crores)

Items / Related Party	Individual having Control	Subsidiary Companies	Associates	Key Management Personnel	Enterprise over which Relative of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel	Total
Guarantees / Lines of credit							
Kotak Mahindra Prime Limited		**0.04** (0.04)					**0.04** (0.04)
Kotak Mahindra Asset Management Company Limited		**0.10** (0.10)					**0.10** (0.10)
Kotak Mahindra Pension Fund Ltd.		**0.10** (-)					**0.10** (-)

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 amount less than ₹ 50,000.
4. * List of related parties identified by management and relied upon by the auditors.

Maximum Balance outstanding during the year

(₹ in crores)

Items / Related Party	Individual having Control	Subsidiary Companies	Associates	Key Management Personnel	Enterprise over which Relative of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel
Liabilities						
Deposits		**2,810.36** (3,224.33)	**3,500.68** (2,282.79)	**17.88** (23.93)	**257.83** (239.08)	**2.28** (2.25)
Other Liabilities		**2.17** (2.52)				
Assets						
Advances		**251.21** (170.15)				
Investments-Gross		**766.02** (574.76)	**45.25** (45.25)			
Commission Receivable		**10.32** (5.15)				
Others		**12.84** (21.32)	**0.36** (0.86)			

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

8. **EMPLOYEE SHARE BASED PAYMENTS:**

At the General Meetings of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had unanimously passed Special Resolutions on 28th July 2000, 26th July 2004, 26th July 2005, 5th July 2007 and 21st August 2007, to grant options to the eligible employees of the Bank and its subsidiaries companies. Pursuant to these resolutions, the following four 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; and

d) Kotak Mahindra Equity Option Scheme 2007.

Consequent to the above, the Bank has granted stock options to the employees of the Bank and its subsidiaries. The Bank under its various plan / schemes, has granted in aggregate 60,207,360 options as on 31st March 2013 (previous year 57,275,810).

Stock appreciation rights

The management has approved the grant of stock appreciation rights (SARs) to eligible employees as and when deemed fit. 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 0.80 to 4.36 years.

Detail of activity under SARs is summarized below:

	Year ended 31st March 2013	Year ended 31st March 2012
Outstanding at the beginning of the year	**763,887**	445,998
Granted during the year	**593,093**	512,170
Additions / Reduction due to transfer of employees	**(15,254)**	18,550
Exercised during the year	**440,899**	210,271
Lapsed during the year	**68,155**	2,560
Outstanding at the end of the year	**832,672**	763,887

Equity-settled options

The Bank has granted options to its employees vide various employee stock option schemes. During the year ended 31st March 2013, the following schemes were in operation:

	Plan 2007
Date of grant	Various Dates
Date of Board Approval	Various Dates
Date of Shareholder's approval	5th July 2007 as amended on 21st August 2007
Number of options granted	30,317,160
Method of Settlement (Cash / Equity)	Equity
Vesting Period	1 – 4.31 years
Exercise Period	0.17 – 1.01 years
Vesting Conditions	Graded / Cliff vesting

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

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

	Year ended 31st March 2013		Year ended 31st March 2012	
	Number of Shares	**Weighted Average Exercise Price (₹)**	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	**11,785,693**	**311.71**	13,420,010	271.88
Granted during the year	**2,931,550**	**588.77**	3,251,130	413.86
Forfeited during the year	**337,162**	**361.94**	1,027,154	317.59
Exercised during the year	**5,919,516**	**346.48**	3,818,006	257.04
Expired during the year	**41,033**	**310.88**	40,287	316.20
Outstanding at the end of the year	**8,419,532**	**419.49**	11,785,693	311.71
Out of the above exercisable at the end of the year	**959,181**	**241.72**	2,193,562	287.67
Weighted average remaining contractual life (in years)	**1.76**		1.43	
Weighted average fair value of options granted	**211.57**		167.80	

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 609.59 (previous year ₹ 469.24)

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

31st March 2013

Range of exercise prices (₹)	**Number of options outstanding**	**Weighted average remaining contractual life of options (in years)**	**Weighted average exercise price (₹)**
0-100	**5,436**	**0.75**	**5.00**
101-200	**729,788**	**0.95**	**152.27**
201-300	**348,058**	**1.49**	**250.00**
301-400	**2,558,757**	**0.87**	**325.76**
401-500	**2,006,783**	**1.59**	**421.00**
501-600	**1,240,710**	**2.20**	**545.00**
601-700	**1,530,000**	**3.59**	**640.00**

31st March 2012

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
0-100	13,368	1.25	5.00
101-200	1,745,222	1.50	146.36
201-300	1,452,643	1.22	222.75
301-400	5,763,470	1.13	331.62
401-500	2,810,990	2.13	421.00

Stock Options granted

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 the each reporting date. The following table lists the inputs to the model used for equity-settled and cash-settled options:

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

	Year ended 31st March 2013		Year ended 31st March 2012	
	Equity-settled	**Cash-settled**	Equity-settled	Cash-settled
Exercise Price ₹	**350-640**	**5**	305-421	5
Weighted Average Share Price ₹	**602.56**	**554.46**	414.70	411.24
Expected Volatility	**29.65%-50.51%**	**18.30%-29.25%**	30.72%-58.10%	31.61%-36.23%
Historical Volatility	**29.65%-50.51%**	**18.30%-29.25%**	30.72%-58.10%	31.61%-36.23%
Life of the options granted (Vesting and exercise period) in years				
-At the grant date	**1.16-4.12**		1.16-3.88	
-As at 31st March		**0.08-2.75**		0.08-2.75
Risk-free interest rate	**7.94%-8.43%**	**7.89%-8.10%**	8.30%-8.52%	8.11%-8.87%
Expected dividend rate	**0.09%-0.11%**	**0.09%**	0.11%-0.12%	0.09%

The expected volatility was determined based on historical volatility data and the Bank expects the volatility of its share price to 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.

The above information has been prepared by the Bank and relied upon by the auditors.

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

(₹ in crores)

	Year ended 31st March 2013	Year ended 31st March 2012
Total Employee Compensation Cost pertaining to share-based payment plans	**42.16**	29.95
Compensation Cost pertaining to equity-settled employee share-based payment plan included above	**6.08**	9.56
Liability for employee stock options outstanding as at year end	**24.53**	50.45
Deferred Compensation Cost	**6.99**	15.63
Closing balance of liability for cash-settled options	**31.58**	21.50
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	**4.16**	2.89

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 ₹ 24.28 crores (previous year ₹ 27.39 crores) and the profit after tax would have been lower by ₹ 16.40 crores (previous year ₹ 18.50 crores). Consequently the basic and diluted EPS would have been ₹ 18.09 (previous year ₹ 14.44) and ₹ 18.02 (previous year ₹ 14.36) respectively.

In computing the above information, certain estimates and assumptions have been made by the Management which have been relied upon by the auditors.

9. **Advances securitised by the Bank :**

(₹ in crores)

Particulars	**As at 31st March 2013**	As at 31st March 2012
Book value of advances securitized	**-**	-
Number of accounts	**-**	-
Sale consideration received for the accounts securitised	**-**	-
Gain on securitisation amortised during the year*	**0.06**	0.30
Credit enhancement, liquidity support provided	**-**	-
Provision on securitised assets	**-**	-
Nature of post securitisation support	**Collection and paying agent or servicer**	Collection and paying agent or servicer

** Represents amortisation of previous years' securitisation transactions.*

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

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:

Provident Fund	₹ 41.56 crores
	(previous year ₹ 35.77 crores)
Superannuation Fund	₹ 0.50 crores
	(previous year ₹ 0.52 crores)
New Pension Fund	₹ 0.64 crores
	(previous year Nil)

ii. In accordance with law, the Bank provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employees' salary and the years of employment with the Bank subject to maximum of ₹ 0.10 crores. There is no ceiling on gratuity payable to Directors.

The gratuity benefit is provided to the employees of the Bank through a fund administered by a Board of Trustees and managed by its life insurance subsidiary. The Bank is responsible for settling the gratuity obligation through contributions to the fund. The plan is fully funded.

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

(₹ in crores)

Particulars	**As at 31st March 2013**	As at 31st March 2012
Change in benefit obligations		
Liability at the beginning of the year	**46.29**	39.85
Current Service cost	**10.66**	10.47
Interest cost	**4.80**	3.91
Actuarial Losses / (Gain)	**7.42**	(3.09)
Past Service Cost	**-**	-
Liability assumed on acquisition / (Settled on divestiture)	**0.07**	0.25
Benefits paid	**(6.59)**	(5.10)
Liability at the end of the year	**62.65**	46.29
Change in plan assets		
Fair value of plan assets at the beginning of the year	**41.31**	34.66
Expected return on plan assets	**3.08**	2.60
Actuarial Gain / (Losses)	**1.32**	(2.75)
Benefits paid	**(6.59)**	(5.10)
Employer contributions	**21.55**	11.90
Fair value of plan assets at the end of the year	**60.67**	41.31

(₹ in crores)

Reconciliation of present value of the obligation and the fair value of the plan assets	**31st March 2013**	31st March 2012
Fair value of plan assets at the end of the year	**60.67**	41.31
Liability at the end of the year	**62.65**	46.29
Net Asset / (Liability)	**(1.98)**	(4.98)
Expense recognised for the year		
Current Service cost	**10.66**	10.47
Interest cost	**4.80**	3.91
Expected return on plan assets	**(3.08)**	(2.60)
Actuarial (Gain) / Loss	**6.10**	(0.34)
Past Service Cost	**-**	-
Net gratuity expense	**18.48**	11.44
Actual return on plan assets	**4.40**	(0.15)

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

(₹ in crores)

Reconciliation of the Liability recognised in the Balance Sheet	31st March 2013	31st March 2012
Net Liability / (Asset) at the beginning of the year	**4.98**	5.19
Expense recognised	**18.48**	11.44
Liability assumed on acquisition / (Settled on divestiture)	**0.07**	0.25
Employer contributions	**(21.55)**	(11.90)
Net Liability / (Asset)	**1.98**	4.98

Investment details of plan asset

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 2013 %	31st March 2012 %
Government securities	**17.16%**	10.89%
Bonds, debentures and other fixed income instruments	**16.75%**	15.91%
Money market instruments	**11.40%**	13.30%
Equity shares	**54.69%**	59.90%
Total	**100.00%**	100.00%

Actuarial assumptions used

Discount rate	8.24% p.a. (Previous Year 8.94% p.a.)
Salary escalation rate	8.50% p.a. (Previous Year 15% p.a. for first 2 years, 10% p.a. for next 2 years & 6% p.a. thereafter)
Expected return on plan assets	7.50% p.a. (Previous Year 7.50% 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.

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

Experience adjustments

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

(₹ in crores)

	Gratuity				
	Year ended 31st March				
	2013	2012	2011	2010	2009
Defined benefit obligation	**62.65**	46.29	39.85	22.19	19.75
Plan assets	**60.67**	41.31	34.66	25.63	15.39
Surplus / (Deficit)	**(1.98)**	(4.98)	(5.19)	3.44	(4.36)
Experience adjustments on plan liabilities	**(1.41)**	2.37	3.07	(0.47)	(2.59)
Experience adjustments on plan assets	**1.32**	(2.75)	0.64	4.61	(3.58)

The Company expects to contribute ₹ 6.00 crores to gratuity fund in 2013-14.

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

Compensated absences

The actuarially determined liability for compensated absences of accumulated leaves of the employees of the Bank is given below:

(₹ in crores)

	31st March 2013	31st March 2012
Total actuarial liability	**44.28**	38.12
Assumptions:		
Discount rate	**8.24% p.a.**	8.94% p.a
Salary escalation rate	**8.50% p.a.**	15% p.a. for first 2 yrs, 10% p.a. for next 2 yrs & 6% p.a. thereafter

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 crores)

Particulars	31st March 2013	31st March 2012
Provisions for Depreciation on Investments	**(21.09)**	(18.05)
Provision towards NPA	**163.41**	48.75
Provision towards Restructured Assets	**-**	-
Provision towards Standard Assets	**41.03**	25.57
Provision for Taxes	**611.34**	514.88
Other Provision and Contingencies	**1.20**	(1.20)
Total Provisions and Contingencies	**795.89**	569.95

12. The Bank receives deposits from customers as part of margin requirements in respect of its professional clearing member (PCM) business with National Securities Clearing Corporation Ltd. (NSCCL). Correspondingly, the Bank is required to maintain margins / deposits with NSCCL. For the said purpose of placing margins / deposits, the Bank has issued its own Fixed Deposit receipts amounting to ₹ 249.34 crores (previous year ₹ 414.91 crores) in favour of NSCCL which have not been included in "Term Deposits from Others" [Schedule 3 (III) (ii)].

13. Tier II Bonds

a) Lower Tier II Bonds outstanding as at 31st March 2013 ₹ 560.70 crores (previous year ₹ 610.70 crores).

During the year, the Bank had not issued lower Tier II bonds. During the previous year lower Tier II bonds aggregating ₹ 150 crores were issued by the Bank . In accordance with the RBI requirements lower Tier II bonds of ₹ 187.04 crores (previous year ₹ 162.06 crores) are not considered as Tier II capital for the purposes of capital adequacy computation.

b) Upper Tier II Bonds outstanding as at 31st March 2013 are ₹ 380.28 crores (previous year ₹ 364.94 crores) of which bonds issued outside India are ₹ 244.28 crores (previous year ₹ 228.94 crores).

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) ₹ 71.06 crores (previous year ₹ 72.72 crores).

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

14. 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 Banks' financial conditions, result of operations or cash flows. Against the above ₹ 42.74 crores have been paid, which shall be refunded to the Bank, if the outcome of the legal proceedings will be in the favour of 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 in India	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 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.

* *Also refer Schedule 12 – Contingent Liabilities*

15. 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 2013, 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.

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

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman
and Managing Director

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Bina Chandarana
Company Secretary

Mumbai, 2nd May 2013

Awards won by Kotak Annual Report 2011-12

Won four awards at the **LACP Vision Awards, USA.**

- Gold Award – Best in the Banking Category
- Bronze Award – Most Creative Report, APAC
- Ranked No. 30 – Among the top 50 Reports, APAC
- Among the Top 10 Indian Reports

Ranked among the Top 5 in India in the **IR Global Rankings 2012** conducted by the MZ Consult NY, a leading investor relations and financial communications firm in the category of best ranked Financial Disclosure in India

ICAI Awards, India

The Institute of Chartered Accountants of India awarded Kotak Mahindra Bank the silver shield for Excellence in Financial Reporting under the Category II- Private Sector Banks (including Co-operative Banks and Foreign Banks) for FY 2011-12

Gobind Jain, Senior Vice President, Group Accounts & Consolidation, (left), Jaimin Bhatt, President & Group CFO, (centre) and Devang Gheewala, Executive Vice President, Financial Controller, (extreme right) receive the award, on behalf of Kotak Mahindra Bank Ltd., from V. N. Kaul, former Comptroller and Auditor General of India

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