kotak

MULTIPLYING BY ADDING

ANNUAL REPORT 2015 - 16

Across This Report

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COMPANY SECRETARY
Bina Chandarana,
Company Secretary and
Senior Executive Vice President

AUDITORS
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Chartered Accountants,
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29, Senapati Bapat Marg,
Dadar West,
Mumbai 400 028

RESGISTRAR AND TRANSFER AGENT
Karvy Computershare Private Limited,
Karvy Selenium Tower B, Plot 31-32,
Gachibowli, Financial District,
Nanakramguda,
Hyderabad 500 032

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

Integration of businesses creates an interplay of addition and multiplication.

Adding Presence, Multiplying Reach
Adding Capacities, Multiplying Capabilities
Adding Competencies, Multiplying Skills
Adding Experience, Multiplying Expertise

We are at an exciting cusp. With the successful integration of Kotak Mahindra Bank and erstwhile ING Vysya Bank last year, we have added branches, people and strengths.

We look ahead at an unprecedented opportunity in the banking space as the Indian economy powers ahead.

We are **MULTIPLYING BY ADDING**

The Integration Journey

Successful integration of businesses is full of complexities. There are many challenges that have to be resolved with focus, determination, perseverance, and above all, teamwork.

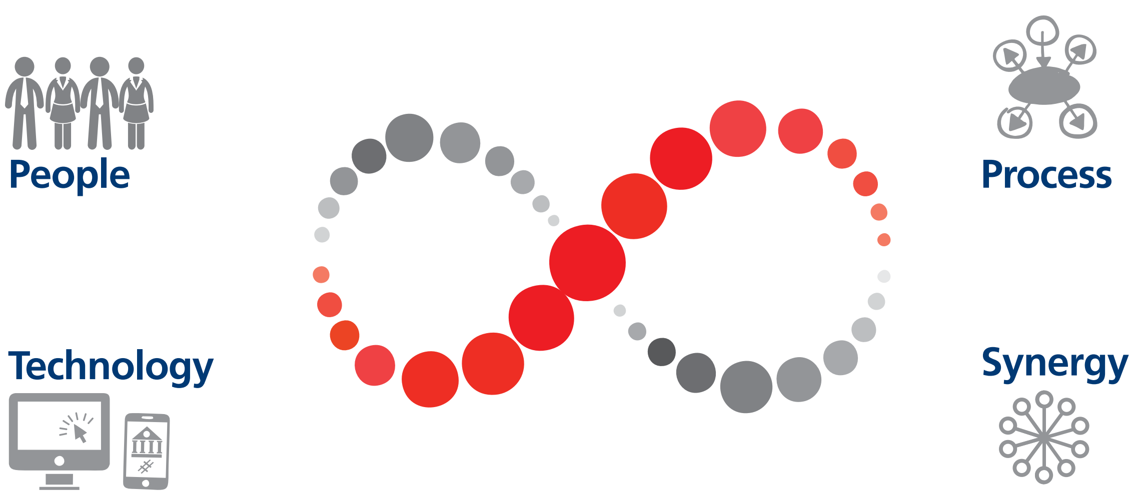
The integration journey of Kotak Mahindra Bank and erstwhile ING Vysya Bank began with the formation of an Integration Management Office (IMO). This dedicated and single-point office spearheaded and supervised the integration of different units. The IMO team had permanent members responsible for all aspects of integration and were supported by members from respective business units.

'One Team One Dream'

The teams came together as a 'family' with a shared vision of 'One Team One Dream'. This paved the way for a smooth and seamless integration with swift execution and minimal disruption of day-to-day activities. Further, it allowed for fair and transparent implementation of policy changes and optimal utilisation of infrastructure and resources.

This will ensure multiplication of synergies, thereby unlocking high value for all stakeholders.

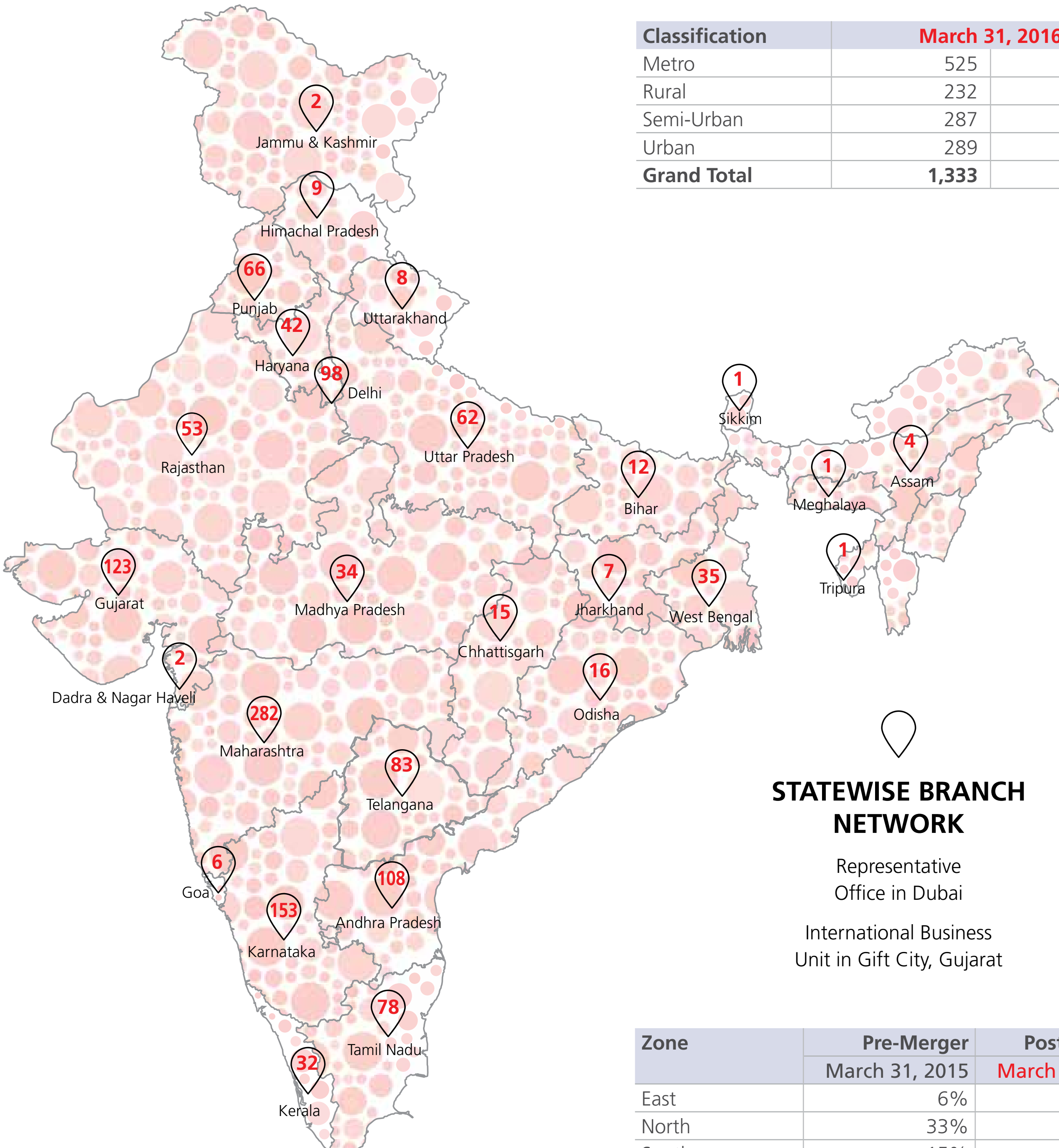
The Integration Management Office's mandate had four dimensions:



The journey progressed steadily with a thought-through, step-by-step approach. Business units were integrated in a phased manner on diverse parameters, including regulatory constraints and complexities. Some units were merged on the first day of the merger itself.

The core banking system's migration, regarded as one of the most complex banking IT migrations in India, has been successfully completed by Kotak Mahindra Bank.

Stronger Reach



Map not to scale - for illustration purposes only

Classification	March 31, 2016	
Metro	525	39%
Rural	232	17%
Semi-Urban	287	22%
Urban	289	22%
Grand Total	**1,333**	**100%**

STATEWISE BRANCH NETWORK

Representative Office in Dubai

International Business Unit in Gift City, Gujarat

Zone	Pre-Merger	Post-Merger
	March 31, 2015	March 31, 2016
East	6%	6%
North	33%	29%
South	15%	34%
West	46%	31%
Grand Total	**100%**	**100%**

Adding Strength, Multiplying Synergies

On the back of a successful integration, we are well positioned to leverage the multiplier effect as we build upon the numerous synergies of processes, products and presence.

Adding Products, Multiplying Capabilities

The combined product suite of the merged entity is more comprehensive and will further strengthen the core of its business model:

Concentrated India, Diversified Financial Services.

4th Largest Private Sector Bank in India

₹ 2.4 Trillion Institution

2,032 ATMs

46,500+ Employees

₹ 1,34,210 Cr+ Market Capitalisation*

1,40,000+ Shareholders

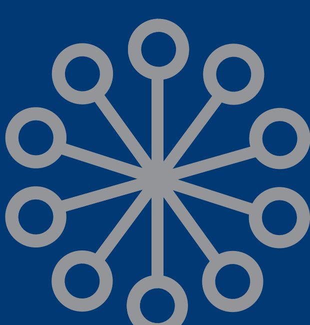
1,333 Branches

* As on May 11, 2016

The whole is greater than the sum of its parts

Distribution synergies

- Driving Savings Account (SA) with 6%
- Distribution of Life Insurance, Asset Management Products
- Distribution of Asset Products
- Distribution of Brokerage Products
- Increased Transaction Banking Business
- Accelerated Small and Medium-sized Enterprises (SME) business growth
- Integrating SME with branches for driving Current Account (CA) growth
- Advantage of network effect



Rationalisation synergies

- Creating an efficient organisational structure
- Eliminating overlapping systems, consolidating data centres, etc.
- Rationalising policies, vendors, achieving better pricing
- Rationalising overlapping branches, co-locating teams, vacating high cost premises

New customer synergies

- Deeper penetration into the SME segment
- Increased lending to weaker sections and direct agri lending

Productivity synergies

- Leveraging the erstwhile ING Vysya Bank branch network to drive higher SA, CA, Term Deposits (TD), Third Party Products (TPP) distribution, assets and revenue
- Lower funding costs
- Efficiencies through optimised operating models for various business verticals

Best practices

- Strong credit and risk management practices
- Increasing process efficiencies through adoption of best practices

Once we have achieved combinational synergies, our focus will move towards realising higher growth through transformational synergies for the integrated organisation

Adding People, Multiplying Talent

It is the integration of people, which we believe, would be the biggest multiplying factor of our future growth as we stand to gain from an immense pool of high quality talent.

The integration has expanded Kotak Mahindra Bank's family to a strong and talented workforce of over 46,500 individuals. Our pool of experience and expertise is larger and deeper as diverse skillsets and different talents collectively bond into One Team and share One Dream.

From the beginning of the integration, our focus was on softer aspects as much as the others. HR systems were enabled to ease seamless alignment amongst departments and functions. Further, an efficient structure was designed for each division to match the right profile with the right person.

Strong and talented workforce of

46,500+

individuals

Some of the initiatives taken for smooth HR integration involved :

1. Training

Exhaustive classroom, on-the-job training & online programmes were organised for over 6,500 employees across sales, operations, credit and mid-office functions, enabling the combined team to function as a cohesive unit.

2. Culture Harmonisation

We gained deeper insights through a survey – PULSE, on cultural harmonisation which brought forth the diversity of both organisations. Good practices were identified and assimilated for increased collaboration and productivity.

3. Cross-pollination

Employees across various frontline and operations verticals were swapped between the two networks for learning each other's best practices.

4. Employee Survey

After integration of major units, an employee satisfaction survey was undertaken to ascertain the efficacy of the integration process. The outcome of the survey indicated high levels of satisfaction amongst all erstwhile ING Vysya employees surveyed. Aspects that needed more attention were also highlighted.

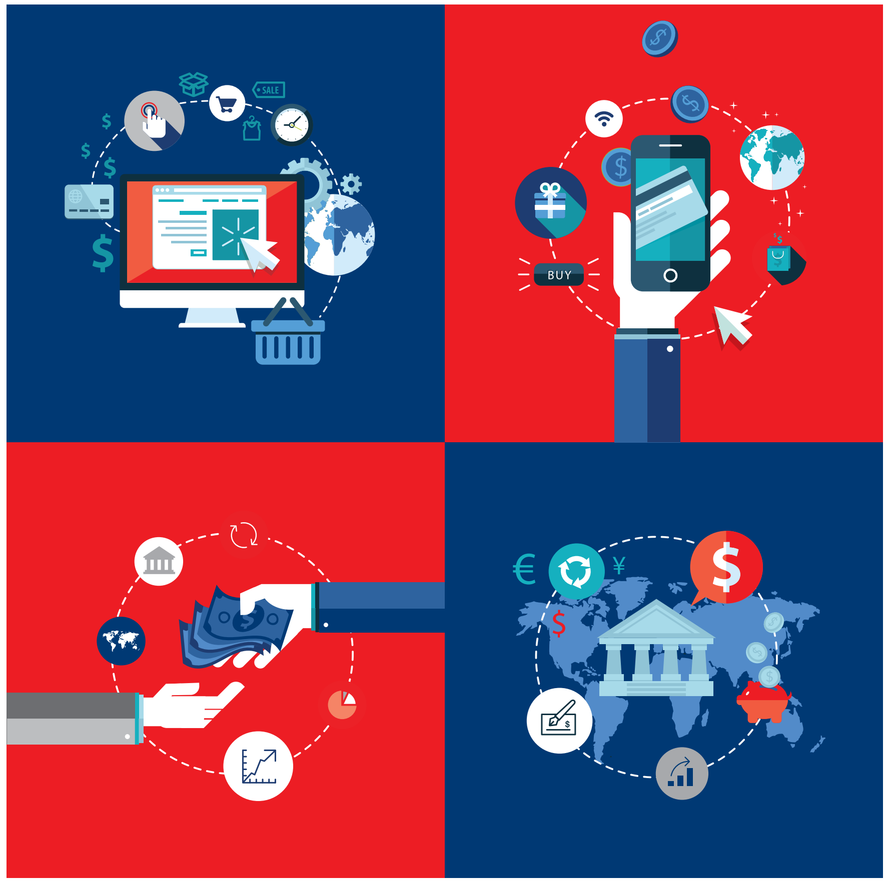
5. Optimised Organisational Structure

5.1 A "Bank in a Bank" structure was created comprising large business units of erstwhile ING Vysya Bank with continued leadership to minimise disruption till completion of the integration journey.

5.2 The next stage had a two-pronged approach. For all common units, a single senior leadership was finalised and the units operated in parallel at both Kotak Mahindra Bank and erstwhile ING Vysya Bank. Upon integration of the units, an optimised structure was put in place for each unit.

Adding Technology, Multiplying Performance

In one of the largest and most complex technology integration exercises undertaken in Indian banking, multiple IT systems and IT infrastructure environments were seamlessly integrated. The integration also helped achieve significant synergies through elimination of overlapping systems and optimised usage of the IT infrastructure.



The technology integration started with engaging a premier consulting firm to conduct performance and utility evaluations of both available systems. The firm studied, analysed and selected the best solution for the integrated organisation.

One Team Helpdesk

activated from Day Zero to enable hassle-free processing of crucial cross-network transactions.

A systematic process of source data mapping and extraction, validation for completeness and destination data upload was followed by multiple rounds of user acceptance testing. The well planned methodical approach, continuous monitoring and validation through external partners ensured that disruption was minimum. The IT infrastructure has also been upgraded to handle anticipated increased loads.

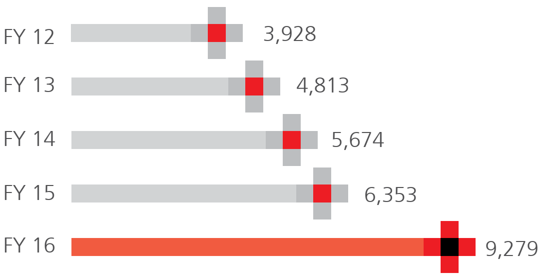
The integration of systems was done in a phased manner in sync with integration of respective businesses.

A One Team Helpdesk (OTH) was activated from Day Zero to enable hassle-free processing of crucial cross-network transactions such as cash withdrawals, deposits, card hot-listing etc.

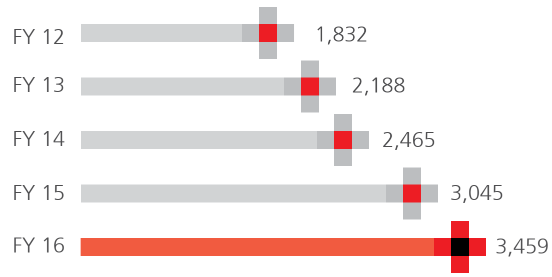
The selected Core Banking System – Finacle, was rolled out in a phased manner to all erstwhile ING Vysya Bank branches, well before full system migration.

Financial Performance

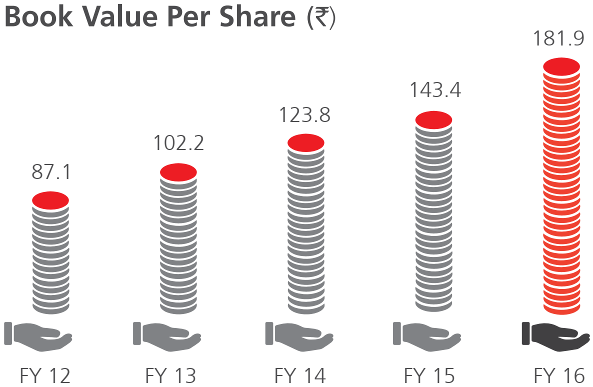
Net Interest Income (₹ Cr)



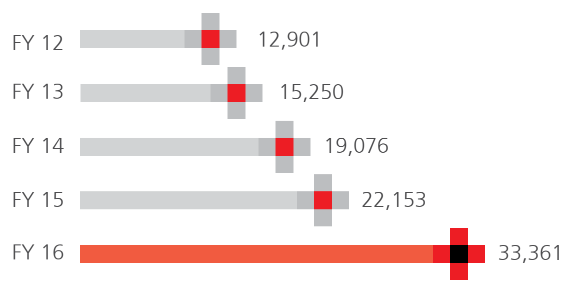
Net Profit (₹ Cr)



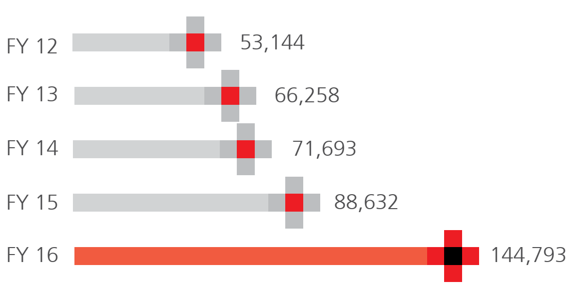
Book Value Per Share (₹)



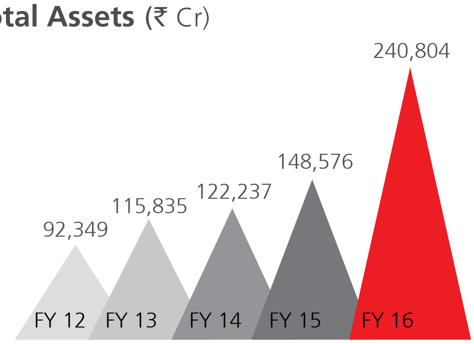
Net Worth (₹ Cr)



Advances (₹ Cr)

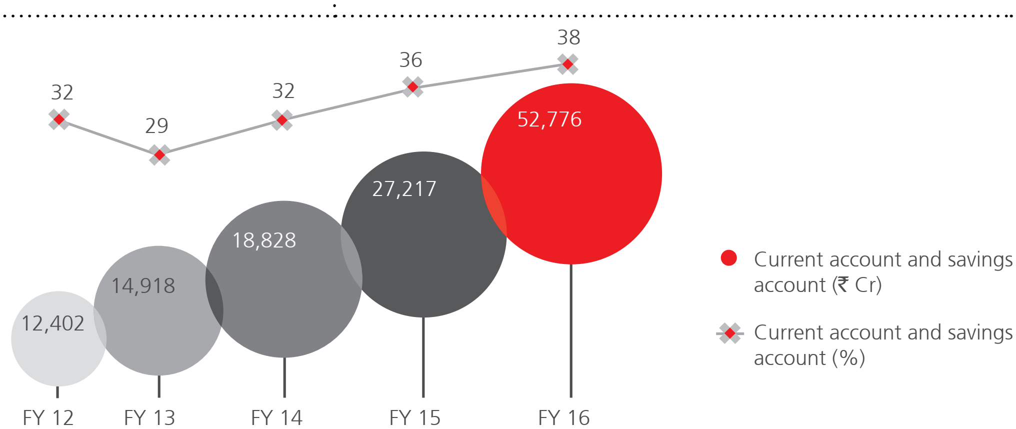


Total Assets (₹ Cr)

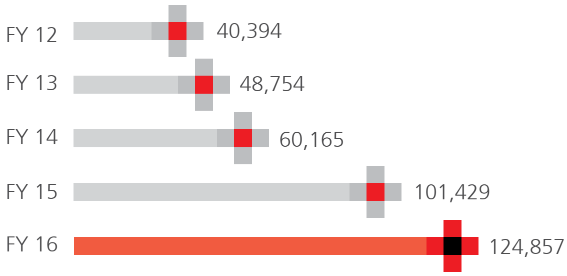


Current Account And Savings Account Balances

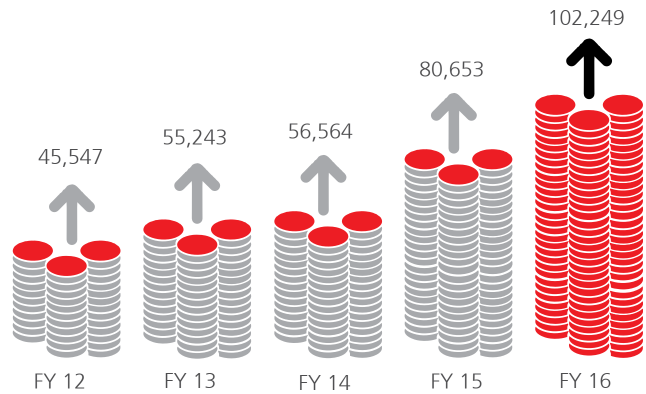
(Bank Standalone)



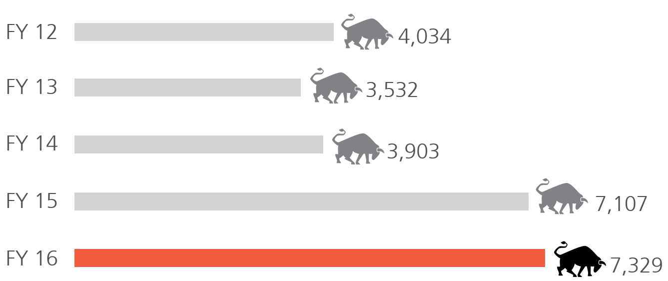
Market Capitalisation (₹ Cr)



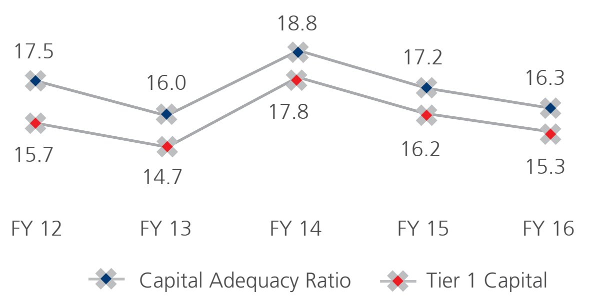
Total Assets Under Management (₹ Cr)



Kotak Securities Average Daily Volume (₹ Cr)

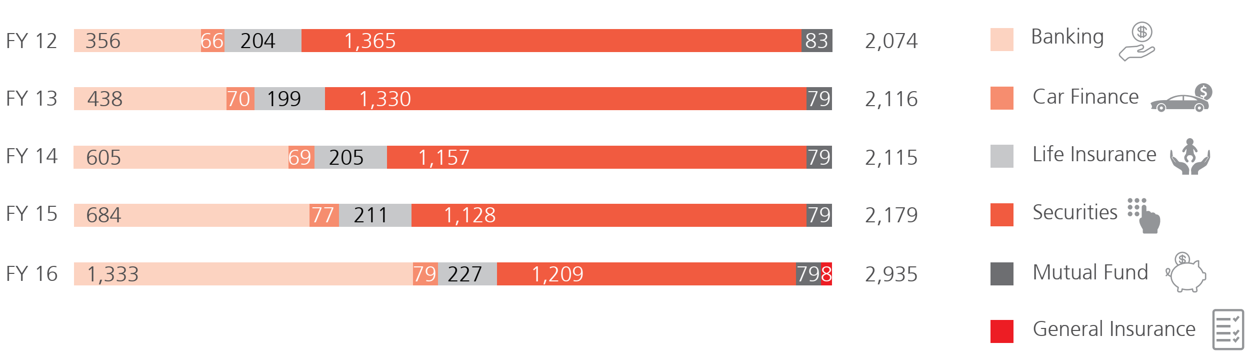


Bank Capital Adequacy Ratio And Tier 1 Capital (%)



FY 14, FY 15, FY 16 numbers are as per Basel III

Group Network (Nos.)



All nos. are consolidated except where stated

Merger of erstwhile ING Vysya Bank effective April 1, 2015, previous year periods not comparable

Strategic Overview

Group Business Overview

Consumer Banking
(Kotak Mahindra Bank Limited)

- Provides bouquet of liability and asset products to retail customers, small businesses
- Offers variety of products and services ranging from savings accounts to innovative digital solutions, investment services, transactional services and loan products
- Delivers comprehensive business solutions to the business community, such as current accounts, trade services, cash management services and credit facilities
- Comprehensive banking, investment and insurance solutions for non-resident Indians

Commercial Banking
(Kotak Mahindra Bank Limited)

- 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 SMEs in the country

Corporate Banking
(Kotak Mahindra Bank Limited)

- Caters to the diverse needs of major Indian corporate bodies, financial institutions, public sector undertakings, multinational companies, mid-market companies and realty businesses across nine key locations in India
- Offers a comprehensive portfolio of products and services – working capital financing, medium term finance, export credit, transaction banking, custody services, debt capital markets, forex and treasury services

Wealth Management
(Kotak Mahindra Bank Limited)

- One of the largest and most respected wealth management businesses in India providing customised financial solutions to high net worth families (covers 40% of India's top 100 families in Forbes India Rich List 2015)

Car Loans
(Kotak Mahindra Prime Limited)

- Offers car finance options in the form of loans and lease for the entire range of passenger cars and multi-utility vehicles
- Provides complete finance solutions through single window to car dealers for their working capital & infrastructure set up requirements in the form of inventory funding and term loans

Life Insurance
(Kotak Mahindra Old Mutual Life Insurance Limited)

- Among the early private life insurers to break even
- Robust management practices and customer-centric philosophy
- Emphasis on need-based selling from a wide range of innovative insurance products
- Consistent progress in a competitive environment through sustained value creation, effectual use of capital and better output of distribution channels
- Focus on enhancing value proposition for customers through a meaningful product suite that combines protection and long-term savings, multimodal outreach and superior services

General Insurance
(Kotak Mahindra General Insurance Company Limited)

- Commenced business within 12 months of submitting license application to Insurance Regulatory and Development Authority of India (IRDAI)
- Launched a network of 8 branches catering to 250 locations
- Initial focus on retail line of business, with steady growth in commercial over a period of time
- Emphasis on following four strategic pillars to achieve growth:
  - Underwriting & Risk Management
  - Distribution (Bancassurance, Online & Agency)
  - Customer Centricity & Claims Servicing
  - Cost Management

Asset Management
(Kotak Mahindra Asset Management Company Limited)

- Offers schemes that cater to investors with varying risk-return profiles
- Diversified product portfolio across a wide range of equity, debt and exchange traded funds (ETFs)

Brokerage
(Kotak Securities Limited)

- Offers investment opportunities in equities, derivatives, distribution of IPOs, Gold ETFs and mutual funds
- Emerged as India's leading institutional broker

- Offers secondary market broking services and Indian equity offerings to domestic and foreign institutional investors. It has a full-fledged, highly-ranked research division, engaged in macro-economic studies, and industry and company-specific equity research

Investment Banking

(Kotak Mahindra Capital Company Limited)

- A leading full-service investment bank in India, offering integrated solutions encompassing high-quality financial advisory services and financing solutions
- Services include Equity Capital Market issuances, M&A Advisory and Private Equity Advisory

Alternate Assets

(Kotak Investment Advisors Limited)

- Building its business successfully across five verticals – Private Equity, Realty Fund, Infrastructure Fund, Listed Equity Strategies and the Special Situations Credit Fund – all led by independent investment teams

International Business

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

- Dedicated fund management team overseas that manages a wide range of India dedicated funds through which international investors can invest in India
- Operates in overseas markets through international subsidiaries in the US, UK, Mauritius, Dubai and Singapore

Group Business Highlights

Consumer Banking

- First bank to launch a multilingual banking app - Kotak Bharat, that does not require internet connectivity
- First bank to launch Social Commerce – ordering books and movie tickets via Twitter
- Partnered with author Amish to launch 'Scion of Ikshvaku' themed debit card
- Launched Alpha savings account - which combines savings and investment solutions
- Launched My Family - a bouquet of Kotak Mahindra Bank's flagship savings accounts allowing families to pool their savings account balances for better collective benefits
- Launched Kotak Silk Inspire - a credit card with a host of features and benefits exclusively for women, which can be availed without income documents
- Set up payment gateway for Indore Municipal Corporation to facilitate tax collection and providing a system generated MIS for better monitoring and governance
- Launched "Kotak Now Banking" at Andheri Metro Station, Mumbai - offers digital banking experience via e-lobby at the premises

Commercial Banking

- Added around seven lakh individual women customers with average loan size of ₹ 15,000 by lending directly and indirectly to Joint Liability Group (JLG)
- Improved market share and significant increase in commercial vehicle financing as compared to the previous financial year
- Agri business portfolio including tractor loans and crop loans stood close to ₹ 18,000 crore
- Business Banking portfolio of over ₹ 23,000 crore makes us one of the leading private sector banks in this space

Corporate Banking

- To increase efficiencies, the bank started operation "SAHAJ" that focuses on measuring turnaround times and improving the client facing and back-end processes
- A new service support team was set up to provide single point of contact on documentation and service-related issues, and faster turnaround time
- To protect against frauds on internet, a dynamic token number is now offered to internet banking users

while accessing accounts and initiating transactions

- Automated the walk-in cheque and cash collection services at branches with 'Kashpay'
- Tied-up with multiple off shore banks for facilitating client transactions like offshore guarantees, ECA financing, ECB funding, offshore subsidiary funding etc. Preferred trade partner for top banks in Europe and US region for their India - centric business. Financial/ Performance Guarantees, Letter of Credit and remittances of these banks now are handled at counters

Life Insurance

- Launched Kotak Premier Pension Plan & Kotak Premier Life Plan for guaranteed annual income and protection needs of customers
- New brand promise - *Koi Hai… Hamesha* was implemented
- Implemented an improved out-calling system at contact centres to enhance agent productivity and efficiency, and reduce data leakage risks that were associated with the earlier system
- Continued effort in migrating from paper-based communication to electronic mode with *Think Green* initiative, to reduce carbon footprint

Strategic Overview (Contd.)

- Employed tab-based sales solution named 'Genie' to handle requirements from lead management and pre-sales to sales fulfilment

General Insurance

- Launched Kotak Car Secure, Kotak Commercial Vehicle Secure & Kotak Health Care to meet channel partner requirements
- Embarked on the digitisation process by launching lead tracker & mobile sales app for its bancassurance partner to make selling easier

Asset Management

- Basis percentage growth in quarterly average assets under management (QAAUM), KMAMC is among the fastest growing Mutual Fund houses
- Among the top 10 fund houses by size i.e. quarterly average assets under management
- As per AMFI's quarterly average AUM numbers, the AMC has progressed from the 9th largest fund house in the country to the 8th largest
- Market share stood at 5.16%, on net equity inflows
- Exceptional performance in the equity arbitrage category
- Market share of around 4.16% on yearly average assets under management (YAAUM)

Brokerage

- Launched robust tools such as TradeSmart Derivatives and TradeSmart Insights, via TradeSmart store, which provides data points. These tools have helped our clients to make more informed trading and investment decisions
- Launched DealSmart, an analytical tool to equip dealers reach out to more clients for research recommendations. It has also enabled customers to get specific alerts on various parameters such as ledger balance, scrip gain/loss, portfolio gain/loss and much more
- Launched LEAP - a mobile app that reiterates our customer readiness commitment. It enables our sales employees to share real-time status of account opening with customers, demos and forms, track client meetings and get investment education to aid investment decisions of clients
- Launched digital account opening, where clients can open a stock trading account in 15 minutes provided they are KRA verified
- Launched new Image-based Trinity Account Opening process in which Trading/CASA & Demat Accounts are opened faster, resulting in better service and value for customers
- Inked strategic alliance with Oriental Bank of Commerce (OBC), wherein OBC customers can access the new age trading platforms facilitated by Kotak Securities. This alliance has strengthened the foothold of Kotak Securities in North India. This collaboration has opened doors for more such alliances in future
- Handled 98 Public Issue offerings (IPOs/NCDs/OTBs/OFS) *BSE

Investment Banking

- Completed a diverse set of marquee transactions across various product formats in the Indian equity capital markets, raising a total of ₹ 35,981 crore*
- Ranked #1 in IPOs and #2 across all equity offerings (IPOs, FPOs, QIPs, OFS, IPPs and Rights issues) (Source: Prime Database)
- Advised on a diverse array of 20 M&A and PE transactions across a wide range of products and sectors, for a total deal value of USD 3.6 billion (₹ 2,39,400 million)*
- Ranked #2 by volume of deals and #8 by value of deals in the M&A league tables

  (Source: Bloomberg, amongst investment banks only)

  * Includes HDFC warrants on fully converted basis and warrant premium collected upfront

Alternate Assets

- Successfully raised a commitment of USD 1 billion (₹ 66,500 million)* across asset classes from marquee Indian and international investors:
- Kotak Mahindra Group signed an agreement with Canada Pension Plan Investment Board (CPPIB) for investments in stressed assets in India of up to USD 525 million (₹ 34,913 million)*. This investment will address the growing opportunity arising from the current stress in the Indian banking and corporate sectors
- Kotak Realty Fund raised its sixth fund of USD 250 million (₹ 16,625 million)* from offshore institutional investors to primarily make equity investments in residential projects in Tier 1 cities in India
- Kotak Listed Equities raised its maiden fund called 'The India Whizdom Fund' from Indian investors. The fund will adopt a long term approach and combine its private equity and public market experience to invest in Indian listed equities
- Successfully completed exits of USD 120 million (₹ 7,980 million)* across our real estate and private equity portfolio

International Business

- Mobilised over USD 800 million (₹ 53,200 million)* through various equity and debt offerings

*USD 1 = ₹ 66.5

Message from Uday Kotak

Indian Banking: Journey Ahead

Dear Friend,

The last financial year saw the Indian economy stretched between two ends of the string, good macro tailwinds but a difficult micro situation.

India's inflation, current account and fiscal deficit were all under control, but many sectors and individual businesses struggled. Infrastructure, agriculture, commodities, real estate and businesses in the rural sector had a difficult time. The urban consumer held up well, and in my view, small and medium businesses in urban India did better than bigger businesses.

This scenario is likely to change from hereon. With Brent recovering to USD 50 levels, the benefits of lower prices will reduce, and this has the potential to increase our current account deficit and bottoming out of inflation. I see a well-settled government now but it could do more to build confidence and trust among businessmen and rekindle animal spirits into the economy. It is time for the Indian micro to gear up and get back into the game.

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

"The urban consumer held up well, and in my view, small and medium businesses in urban India did better than bigger businesses.

Message from Uday Kotak (Contd.)

The weak underbelly of Indian banking, something which I have been consistently pointing out through the years, has resurfaced strongly. Both public and some private sector banks have revealed stress on their balance sheets. The story is not over yet, and we can expect to see more bad news on this front. But it is also a fact that banks have started cleaning up their balance sheets.

What can we learn from this?

1) Banks as leveraged institutions are not private equity investors. Currently, in many cases their position is worse: downside risks with no upside gains.

2) Recovery of money should be at the heart of lending. Return of capital is more important than return on capital. If banks think they cannot recover money, they should not lend in the first place.

3) Indian recovery mechanism needs a serious relook. If a loan gets into trouble, recovering it should not be a nightmare. This makes the impact cost of loss much higher.

4) For the last many years, Indian banks have been postponing the pain. To a certain extent, this is also a fallout of the allowances offered by policy makers through restructuring, 5/25, rectification under JLF etc., which has had a ballooning effect on exposures.

5) Banks were nationalised 47 years ago. One of the reasons for this was that private banks were lending disproportionately to big businesses. Access to funds from banks was not easy for the common man. Nationalisation was supposed to change this. Today's irony is that the biggest losses booked by banks, including public sector banks (PSBs), are on account of lending to big businesses.

6) Effectively, public policy actions supposedly done 'in public interest', are instead going 'against public interest'.

Being Responsible for Future

It is time for us as a nation to define accountability, if not for the past, at least for the future.

As I think about the future, I believe the Bankruptcy Code is a good step but it will take at least a year to become fully effective as the entire ecosystem needs to be created. When I look at our challenges across BIFR, SARFAESI, DRTs, DRATs, and the judicial system, I hope we do better this time. Good intent needs to be backed by good people and execution.

Simultaneously, the country needs to rethink the architecture of Indian banking boldly.

In the overall context, our economy, which is dependent on a 70:30 mix between public and private sector banking, could face headwinds because of banking capacity constraints.

Apart from these issues, there is an onslaught of technology which is changing the contours of banking. It is interesting that at the same time the banking sector has been opened up and new players will soon open shop. In a short time, we are likely to see 20 to 30 new banks between payment banks, small finance banks, and new on-tap banks. There will be many more new banks than before, and while this is good for capacity building, it will come with its issues.

In India we still do not have an exit mechanism for banks. Whenever there was a problem, the policy makers chose to merge the troubled entity with another bank, in most cases a public sector bank (PSB). Now PSBs are no more in a position to absorb such entities easily because of the high non-performing assets (NPAs) which have put their capital under severe strain. In this context, the banking industry needs a defined framework, where easy entry is accompanied by an exit mechanism.

The entire banking sector therefore needs to be reconfigured and re-engineered. This requires political will and consensus which is not easy.

At Home

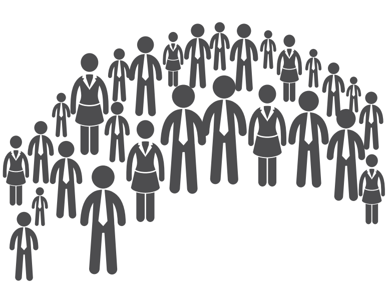
I would now like to focus on us - Kotak Mahindra Bank. The journey has been exciting. The most important event was the merger of ING Vysya Bank with Kotak Mahindra Bank on April 1, 2015. The last financial year was the year of integration. I am happy to inform that integration of most of our businesses and operations, including our technology is now complete, and we are well on our way to a full and complete integration by June 2016. That is, we would complete the integration in 15 months. I compliment the team for having done an outstanding job. It has also significantly reinforced my confidence in our team's execution capability.

Going forward, I see synergy and merger benefits flowing through this year and beyond. We now have capacity in place for a Bigger, Bolder, Better tomorrow.

₹ 1,00,000 Crore
Assets Under Management

19.9%
Investment in Airtel M-Commerce

Integration of most of our businesses and operations, including our technology is now complete, and we are well on our way to a full and complete integration by June 2016.



Our credit costs shot up to over 0.8% of advances because of the stress we inherited from the merger. I see this normalising in FY 2016 - 17. Further, I expect to see pick-up in our loan growth as I see the pie increasing, and also our share in the pie.

Points of Focus

As technology and digital take centre-stage, we are focused on the bank's transformation. Our bank's mobile application is rated amongst the best in Indian banking. We look at digital as a way to not only improve our processes and productivity but also as the cutting edge tool for better customer experience and growth in customer acquisition.

Another area of focus for us going forward is the area of analytics. We are gearing up the organisation for increased intelligence, speed of response and increased productivity on asset, liability, and services areas.

New Steps and Initiatives

To ensure increased transparency, we were one of the first banks to disclose our SMA-2 (Special Mention Accounts) numbers. At ₹ 153 crore or 0.13% of advances, it is probably the lowest in the Indian banking sector.

We have recently launched our International Banking Unit in GIFT City, Gandhinagar, Gujarat, to meet growing demands for foreign currency facilities to corporates.

I am happy to inform that we have invested 19.9% in Airtel M-Commerce, which has been granted a payment bank license by the RBI. We have also launched our general insurance venture, as a 100% subsidiary.

Group Businesses

Last year I expressed my confidence in Life Insurance and Asset Management businesses. I am happy to report that our Life Insurance business which was ranked at #9 in FY 2014 - 15 for individual new business premium has moved up to #5 in FY 2015 - 16. We have grown this business at a rate exceeding 50% in an industry where the growth rate is still in early teens.

Our Assets Under Management (AUM) across the group now exceed ₹ 1,00,000 crore. Our mutual fund business has increased its market share in the last year with a 42% growth in average AUM. Further, the alternate assets business is seeing renewed interest. In the last quarter itself, we have raised a commitment of approximately USD 1 billion.

From Here

Where next? We aspire to achieve a leadership position in Indian financial services. Our core model of *'Concentrated India, Diversified Financial Services'* continues. We look at this as running a marathon with some *'defying gravity'* moments along the way.

As for myself, I enjoy the journey and not the destination, especially when the guiding principle is - *'what you create must outlive yourself'*.

Best Wishes,

May 27, 2016

Board of Directors

First Row (Left to Right)

1. N.P. Sarda
   Director
2. Uday Kotak
   Executive Vice Chairman & Managing Director
3. Dr. Shankar Acharya
   Chairman
4. Farida Khambata
   Director
5. Dipak Gupta
   Joint Managing Director
6. Amit Desai
   Director

Second Row (Left to Right)

1. Prof. S. Mahendra Dev
   Director
2. Mark Edwin Newman
   Director
3. C. Jayaram
   Director
4. Prakash Apte
   Director

Our Digital Journey

Tab Banking

As part of digital transformation, Kotak Mahindra Bank undertook automation of its savings account onboarding process for the corporate salary segment. The front end acquisition staff was provided tab devices for instant application processing by infield scanning and digital document transfer.

Benefits

- Unified Lead Management System – End-to-end customer acquisition, capture & monitoring
- Improved customer experience and enhanced customer stickiness
- Reduced turnaround time – speed of delivery to the customer

Instant Pre-Approved Personal Loan

Customers can now get a pre-approved personal loan, instantly, through a completely paperless process. All they need to do is log into their account through the net banking platform and look for a pre-approved link made available.

Thereafter, customers can apply for the loan by choosing the tenure and desired loan amount within the maximum loan eligibility. An e-agreement is generated along with other terms and conditions. On acceptance, the loan amount is credited instantly into the account.

Benefits

- The end-to-end process takes less than 90 seconds for existing customers eligible for the pre-approved loan
- A complete digital experience, which is paperless and offers best customer experience

Credit Decision Engine

Our new credit decision engine for personal loans has led to significant improvements in managing the origination of personal loans. Sales, credit, field investigation, risk and operations can access the cases real-time on the engine which decides and auto allocates work instantly.

- Shorter turnaround timelines
- Instant online in-principle approval

Benefits

- Systems support real-time customer acquisition from both online and digital channels
- Applications flow instantly to the decision engine, real-time bureau details are fetched
- Know Your Customer (KYC) details like Aadhar and PAN card are electronically verified

New Initiatives

Social Commerce – enabling customers to buy movie tickets and books via Twitter

A service based on the concept of '*ask once and it's done*'. With the launch of social commerce, customer only needs to link his / her Twitter handle as an indentifier and authenticate with existing banking password.

Benefits

- Online purchase of movie tickets, special launches / screenings in partnership with PVR
- Hassle-free purchase of books with a simple tweet

mStore and eStore on Mobile and Net Banking platforms

Launched mStore and eStore on Mobile and Net Banking platforms respectively.

Benefits

- Convenience of a fast and easy checkout for booking bus and air tickets, and hotel reservations with all details pre-filled on the booking page
- A single click multi authentication factor-based payment
- Options to choose between any account and credit card on a single screen

Kotak Bharat Banking app - India's first internet-free multilingual banking app

Kotak Bharat Banking app is a multi-lingual mobile banking app which can be used without internet connectivity. With this, customers from under-banked and unbanked regions can transact even on low-cost mobile phones powered by lower version of Android. Kotak Mahindra Bank is India's first bank to offer instant funds transfer without internet connectivity, and without adding beneficiary, thereby aiding financial inclusion.

Two new acquisition platforms

- National Pension Scheme (NPS)
- Holiday Recurring Deposit (RD)

Kotak Bharat Banking app

A multi-lingual banking app available in English, Hindi, Gujarati, Marathi, Kannada & Tamil enabling customer to bank from anywhere without internet connectivity.

ESG Practices

Doing Business Responsibly

Kotak Mahindra Bank has incorporated responsible Environmental, Social and Governance (ESG) practices into its business operations. Its Business Responsibility agenda guides its actions in fulfilling responsibilities towards its stakeholders.

Kotak Mahindra Bank's Code of Conduct emphasises on adopting ethical and responsible business practices in its dealing with stakeholders. Driven by this code, it ensures customer delight in keeping with its principles of integrity, transparency and accountability.

Employees are an integral part of Kotak Mahindra Bank's growth and success. With the merger of erstwhile ING Vysya Bank with Kotak Mahindra Bank on April 1, 2015, the management has put in place a strong culture integration plan for employees of Kotak Mahindra Bank and erstwhile ING Vysya Bank called 'One Team One Dream'.

Kotak Mahindra Bank's Fair Practice Code makes it imperative to provide services and products without any discrimination on the basis of caste, creed, colour, religion, sex, etc.

Inclusive growth continues to be a key agenda for Kotak Mahindra Bank. It reaches out to the unbanked and under-banked population of the country through various financial inclusion initiatives. Through the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme 1,84,144 savings accounts were opened.

Kotak Mahindra Bank's environmental management practices focus on reducing carbon footprint and paper consumption in addition to encouraging the use of energy-efficient technology. Some of the key initiatives include adoption of LED lights, which has led to a 20% reduction in power consumption, virtualisation of 80% servers and the LEED certification received for its 27BKC building in Mumbai.

Kotak Education Foundation (KEF) continues its work in the area of providing education and livelihood for the underprivileged. It reached out to approximately 50,000 children and youth through various interventions to empower them, enhance employable skills and improve access to higher education.

The floods in Chennai brought life to a standstill in the city. The Bank extended support to its affected employees through various initiatives, and worked on rehabilitation of flood-affected families in Thiruporur block, Kanchipuram district of Tamil Nadu through the NGO, The Banyan.

'April is the cruellest month' from T.S. Eliot's poem *The Waste Land* became the reflection of the plight faced by the people of Latur. The region has witnessed one of the severest droughts in the decade. In a collaborative relief operation, the Bank and its employees supplied potable water through tankers. From mid-April to end-May 2016, three tankers of 6,000 litres of water each per day were made available to 10 drought-affected villages in and around Latur.

KEY HIGHLIGHTS

- The Bank's CSR spend for FY 2015 - 16 has increased to ₹ 1,641 lakh from ₹ 1,197 lakh in FY 2014 - 15
- 1,373 candidates were trained at the Rural Self Employment Training Institute (RSETI), Karnataka
- Kotak Mahindra Bank's micro-loan portfolio has reached over ₹ 1,300 crore, catering to more than eight lakh women borrowers, who are primarily from rural India

Potable water distribution in drought-affected areas

1,84,144
savings accounts

were opened through the Pradhan Mantri Jan Dhan Yojana Scheme (PMJDY)

3.9 million
A4 size papers saved

through 'M Collection' app, and provision of e-statements, tab-based account opening

50,000

approximate no. of children and youth reached out, by KEF through various interventions to empower them, enhance employable skills and improve access to higher education

Awards & Accolades

Money Master

Uday Kotak is the only Indian financier to feature in Money Masters: The Most Powerful People in The Financial World, by Forbes magazine, USA (May 2016)

Entrepreneur of the Year

Uday Kotak won Entrepreneur of the Year award at Forbes India Leadership Awards 2015

Business Leader of the Year

Uday Kotak received ET Business Leader of the Year award at ET Awards 2015 for Corporate Excellence from Hon'ble Finance Minister Shri Arun Jaitley

AIMA-JRD Tata Corporate Leadership Award

Uday Kotak received AIMA-JRD Tata Corporate Leadership Award 2015 at AIMA's 2nd National Leadership Conclave

Best Transformational Leader

Uday Kotak recognised as Best Transformational Leader Award 2015 by Asian Centre for Corporate Governance & Sustainability in 2016

Most Future Ready Bank

Kotak Mahindra Bank recognised as the Most Future Ready Bank in Business Today-KPMG's Best Bank Study. Dipak Gupta accepted the award on behalf of the bank

Best Retail Growth Performance

Kotak Mahindra Bank recognised with the Best Retail Growth Performance award at Dun & Bradstreet Banking Awards. KVS Manian accepted the award on behalf of the bank

ICAI Award 2015

Jaimin Bhatt, President & Group CFO, recognised with ICAI Award 2015 under the CA CFO - Banking sector category

Highest Pledge Raiser

Kotak Mahindra Bank recognised as the 2nd highest Fundraiser in the Corporate Challenge category at Mumbai Marathon, 2016. Shanti Ekambaram and Manish Kothari recognised as the highest and the 2nd highest individual plegde raisers respectively

Amongst the Most Powerful Women

Shanti Ekambaram, President, Consumer Banking, recognised as one of the Most Powerful Women 2015 by Business Today

Marketer of the Year

Karthi Marshan recognised as Marketer of the Year in the Banking category by the International Advertising Association (IAA) Leadership Awards

Amongst the best in Insurance category

KLI recognised as Runner-up in the Best Insurer category at Outlook Money Awards. Sunil Sharma, Suresh Agarwal and Elizabeth Venkatraman accepted the award on behalf of the company

CFO100 Roll of Honour 2016

CFO India magazine recognised four Kotakites in the CFO100 Roll of Honour 2016:

Rajeev Saptarshi, COO, Kotak Investment Advisors Limited, in the Funds Management category

Trivikram Kamath, EVP & Head Operations, Finance & Technology, Kotak Securities, in the Integration of Technology category

Himanshu Vasa, EVP & Financial Controller & Chief of Internal Vigilance, Kotak Mahindra Bank, in the Mergers & Acquisitions category

Gobind Jain, EVP - Group Finance, Kotak Mahindra Bank, in the Corporate Governance category

- Karthi Marshan recognised as Digital Marketer of the Year in the Banking category at Digital Marketers' Awards organised by Internet and Mobile Association of India's (IAMAI) Digital Marketers' Awards 2016
- Elizabeth Venkatraman got special mention in IMPACT's list of Influential Women in Media, Marketing and Advertising 2016
- Prakash Nayak, EVP, Corporate Banking awarded Outstanding Manager Award 2015 by Ahmedabad Management Association (AMA)
- Arif Khan recognised as India's Future CIO at Next100 2015 Awards by IT Next
- Agnelo Dsouza and Jaypaul Reddy won CSO Next 2015 Award by 9.9 Media
- Kulin Thaker and Arif Khan recognised by Citrix Technologies for Best Desktop Virtualisation Implementation

- Kulin Thaker and Ashok Singh recognised by EMC Corporation as EMC Outstanding Customer Award 2015 and EMC Transformer Award 2015

- Bhargesh Ojha recognised in the Top GC Power List (February - March 2016) by Legal Era magazine

- Institutional Investor's 2015 All-India Research Team: Kawaljeet Saluja - Ranked #1 in Information Technology, Samar Sarda - Ranked #1 in Real Estate, Rohit Chordia - Ranked #2 in Telecommunications, Harish Bihani - Ranked #2 in Capital Goods, Hitesh Goel - Ranked #2 in Autos & Auto Parts, Sanjeev Prasad - Ranked #3 in Portfolio Strategy, M B Mahesh - Ranked #3 in Financials, Rohit Chordia - Ranked #3 in Consumer/ Staples, Tarun Lakhotia - Runner-up in Oil & Gas, Chirag Talati - Runner-up in Healthcare & Pharmaceuticals and Rohit Chordia - Runner-up in Consumer / Discretionary

- Asiamoney Brokers Poll 2015: Kawaljeet Saluja - Ranked #1 in Software, Internet & Services, Rohit Chordia - Ranked #1 in Telecommunications, Samar Sarda - Ranked #1 in Real Estate, Nischint Chawathe - Ranked #1 in Diversified Financials, M B Mahesh - Ranked #2 in Banks, Nischint Chawathe - Ranked #2 in Insurance, Jasdeep Walia - Ranked #2 in Small Caps and Sanjeev Prasad - Ranked #3 in Strategy

Kotak Mahindra Bank

- Best Medium Sized Bank in the Businessworld Best Bank Survey 2014 - 15

- Bank of the year - 2015 at the 12th India International Gold Convention in the Emerging Nominated Agency - Bullion Category

- Best Local Cash Management Bank across all categories for Small, Medium and Large Size Corporates, Best Overall Domestic Cash Management Services for Small, Medium and Large Size Corporates and Best Overall Cross-Border Cash Management Services for Small and Large Size Corporate in the Asiamoney Cash Management Poll 2015

- STP Award 2014 for Outstanding Payment Formatting and Straight Through Rate in the Trade Finance category by Bank of New York (BNY) Mellon

- Best Debit Cards Portfolio Growth award for India and South Asia at Visa's Future of Digital Payments Forum 2015

- Best Project Financing Deal in Asia for refinancing the Pune-Solapur Expressway project at GlobalCapital Asia Regional Capital Markets Awards 2015

- Excellent Performance in CTS (small banks category) and Excellent Performance in IMPS (small banks category) at NPCI's National Payments Excellence Awards 2015

- Recognised by Global Custodian India Domestic Survey 2015 as Market Outperformer and Best in Technology

- Finnoviti Award 2016 for Bharat Banking app by Banking Frontier's magazine

- Best Bond Deal for financing of SP JUHi project awarded at IJ Global (Euromoney) Awards (Asia Pacific)

- Recognised by Global Custodian in 2015 Survey of Agent Banks in Emerging Markets, in the Indian market as Category Outperformer, notching highest scores in all seven categories, namely Relationship & Client Service, Value Delivered, Settlement, Asset Servicing, Ancillary Services, Reporting and Technology, Market Outperformer and Global Outperformer

Kotak Wealth Management (KWM)

- Best Private Banking Services Overall, India and Succession Planning Advice and Trusts* by Euromoney Private Banking and Wealth Management Survey 2015

  * Through Kotak Mahindra Trusteeship Services Ltd.

- Best Bank in India by Euromoney Awards for Excellence, Asia 2015

- Best Private Bank India by FinanceAsia Country Awards 2015 for the 7th consecutive time

Kotak Institutional Equities (KIE)

- Ranked #1 across domestic and foreign brokerages by Institutional Investor's 2015 All-India Research Team

- Ranked #2 across foreign and domestic brokerages by Institutional Investors 2015 All-India Sales Team

- Ranked #1 in Overall Research for India across foreign and domestic brokerages, Ranked #1 in Execution for India across foreign and domestic brokerages and Most

Independent Research Brokerage - Ranked #2 in Asiamoney Brokers Poll 2015

Kotak Mahindra Capital Company (KMCC)

- Best Domestic Equity House by Asiamoney - 2015
- SKOCH BSE Aspiring Nation Award 2015 and the SKOCH BSE Order-of-Merit Award 2015
- Securities Advisory Firm of the Year in India, in the Corporate INTL Global Awards - 2016, 2014, 2012

Kotak Securities (KSL)

- Best Broker in India, FinanceAsia Country Awards for Achievement 2015 for the 2nd consecutive time
- Best SEO for Website at India Digital Media Awards (IDMA) 2015
- Silver award Best SEO for Website at DMAI 2015
- Favourite Analyst Awards at Researchbytes IC Awards 2015 in Research House, Financials, Materials and Multi Sector categories
- Gold for Effective Use of Market research, Bronze for Effectiveness in Radio and Bronze for Innovation in Cupshup campaign awarded to Agar Magar Campaign at Asia Pacific Customer Engagement Award 2015 - 16
- Bronze for Best Single Radio Commercial in Insurance, Banking & Financial services at Golden Mikes Awards 2016 by Exchange4media

Kotak Mahindra Asset Management Company (KMAMC)

- Best new ETF India and ETF Manager of the Year India award from Asia Asset Management ETF & Indexing Awards 2016
- Kotak Nifty ETF and Kotak Select Focus Fund ranked as the #1 Mutual Fund by CRISIL for the quarter ended December 2015

Kotak Life Insurance (KLI)

- VmWare IT Excellence Award for the Financial Services Industry vertical, for successful implementation of desktop virtualisation

FINANCIAL STATEMENTS AND STATUTORY REPORTS

CONSOLIDATED FINANCIAL HIGHLIGHTS 2015-16

(₹ in crore)

FINANCIAL HIGHLIGHTS	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Advances	53,144	66,258	71,693	88,632	144,793
Investments*$	22,685	30,823	26,685	31,910	55,304
Total Assets	92,349	115,835	122,237	148,576	240,804
Net Profit	1,832	2,188	2,465	3,045	3,459
KEY FINANCIAL INDICATORS					
Net Interest Margin (NIM)	4.83%	4.70%	4.97%	4.93%	4.37%
Return on Average Assets (RoAA)	2.2%	2.1%	2.1%	2.3%	1.6%
Book Value Per Share (₹)	87	102	124	143	182
Earnings Per Share (EPS) Face Value ₹ 5 per share	12.3	14.7	16.1	19.7	18.9
Return on Equity (RoE)	15.4%	15.6%	14.0%	14.8%	11.0%
Capital Adequacy Ratio**	17.9%	17.0%	18.9%	17.6%	17.0%
Gross NPA (₹ crore)	700	848	1,178	1,392	3,017
Net NPA (₹ crore)	273	361	634	697	1,353
Gross NPA Ratio	1.3%	1.3%	1.6%	1.6%	2.1%
Net NPA Ratio	0.5%	0.6%	0.9%	0.8%	0.9%

* Excludes Policyholders' investments

$ Pursuant to RBI guidelines, the Bank has included its deposits placed with NABARD, SIDBI and NHB on account of shortfall in lending to priority sector under "Other Assets", earlier included under "Investments".

** For the Year 2014, 2015 & 2016 Capital Adequacy Ratio and Tier I Ratio is computed on the basis of BASEL III Norms issued by RBI & for previous period based on BASEL II Norms.

(₹ in crore)

MARKET RELATED RATIOS	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Market Price (₹) #	273	327	391	657	681
Market Capitalisation (₹ crore)	40,394	48,754	60,165	101,429	124,857
Price to Book Ratio	3.1	3.2	3.2	4.6	3.7
Price to Earnings Ratio	22.1	22.3	24.3	33.3	36.1

Adjusted for bonus issued in July, 2015

STANDALONE FINANCIAL HIGHLIGHTS 2015-2016

(₹ in crore)

Financial Highlights	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Deposits	38,537	51,029	59,072	74,860	138,643
Advances	39,079	48,469	53,028	66,161	118,665
Investments$	20,991	28,356	24,381	28,659	51,260
Total Assets	65,666	83,694	87,585	106,012	192,260
Net Interest Income	2,512	3,206	3,720	4,224	6,900
Fee Income	578	737	853	1,226	1,764
Other Non Interest Income	400	424	547	802	848
Operating profit	1,655	2,157	2,577	2,997	4,041
Provisions and Contingencies	55	185	304	164	917
Tax Provision	515	611	770	967	1,034
Net Profit	1,085	1,361	1,503	1,866	2,090
Key Financial Indicators					
Net Interest Margins	4.7%	4.6%	4.9%	4.9%	4.3%
Cost to Income Ratio	53%	51%	50%	52%	58%
Return on Average Assets	1.8%	1.8%	1.8%	2.0%	1.2%
Fee / NII Plus other Income	16.6%	16.9%	16.7%	19.6%	18.5%
NII / NII Plus other Income	72.0%	73.4%	72.7%	67.6%	72.5%
Capital Adequacy Ratio*	17.5%	16.0%	18.8%	17.2%	16.3%
Tier I *	15.7%	14.7%	17.8%	16.2%	15.3%
Gross NPA Ratio	1.6%	1.6%	2.0%	1.9%	2.4%
Net NPA Ratio	0.6%	0.6%	1.1%	0.9%	1.1%

$ Pursuant to RBI guidelines, the Bank has included its deposits placed with NABARD, SIDBI and NHB on account of shortfall in lending to priority sector under "Other Assets", earlier included under "Investments".

*For the Year 2014, 2015 & 2016 Capital Adequacy Ratio and Tier I Ratio is computed on the basis of BASEL III Norms issued by RBI & for previous period based on BASEL II Norms.

CONSOLIDATION AT A GLANCE

₹ in Crore

	2015-2016		2014-2015		March 31, 2016	March 31, 2015
	Profit before Tax	**Profit after Tax**	Profit before Tax	Profit after Tax	**Networth**	Networth
Kotak Mahindra Bank Limited	3,123.72	2,089.78	2,832.96	1,865.98	23,959.06	14,141.09
Subsidiaries						
Kotak Mahindra Prime Limited	772.64	502.31	773.95	507.36	3,851.66	3,349.72
Kotak Securities Limited	380.97	250.66	441.40	289.58	2,634.68	2,384.02
Kotak Mahindra Capital Company Limited	46.42	32.40	16.39	12.42	447.62	415.22
Kotak Mahindra Old Mutual Life Insurance Limited	281.93	250.75	261.22	228.89	1,521.44	1,291.03
Kotak Mahindra General Insurance Company Limited	(9.73)	(9.73)	(0.27)	(0.27)	125.00	0.78
Kotak Mahindra Investments Limited	235.90	153.90	158.20	106.35	841.12	617.22
Kotak Mahindra Asset Management Company Limited	71.94	59.33	(35.91)	(36.18)	109.59	51.13
Kotak Mahindra Trustee Company Limited	18.38	12.72	10.77	7.14	63.27	50.55
Kotak Mahindra (International) Limited	52.13	50.22	38.28	35.34	424.75	353.10
Kotak Mahindra (UK) Limited	60.65	53.51	12.02	11.63	165.24	104.82
Kotak Mahindra, Inc.	2.55	2.53	(1.85)	(1.87)	18.38	14.92
Kotak Investment Advisors Limited	7.47	4.66	30.02	26.03	270.93	266.27
Kotak Mahindra Trusteeship Services Limited	1.44	0.99	0.29	0.28	12.30	6.31
Kotak Forex Brokerage Limited	(0.10)	(0.10)	(0.28)	(0.28)	(0.05)	0.05
Kotak Mahindra Pension Fund Limited	0.34	0.30	(0.25)	(0.25)	25.55	25.26
Kotak Mahindra Financial Services Limited	(1.71)	(1.71)	6.17	6.17	5.71	7.01
Kotak Mahindra Asset Management (Singapore) Pte. Limited	0.42	0.42	-	-	9.80	-
IVY Product Intermediaries Limited (formerly known as 'ING Vysya Financial Services Limited')	0.66	0.46	-	-	4.92	-
Total	**5,046.02**	**3,453.40**	**4,543.11**	**3,058.32**	**34,490.97**	**23,078.50**
Add: Associates		92.93		39.88	679.53	585.90
Less: Dividend, Minority interest, Inter company and other adjustment		87.48		52.75	1,809.86	1,511.08
Consolidated Profit After Tax / Networth		**3,458.85**		**3,045.45**	**33,360.64**	**22,153.32**
Consolidated Earnings per Share (₹) *		18.87		19.70		
Consolidated Book Value per Share (₹) *					181.86	143.41

Note:

* Adjusted for Bonus Issue

INDEPENDENT AUDITOR'S REPORT

To the Members of Kotak Mahindra Bank Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kotak Mahindra Bank Limited (hereinafter referred to as the "Bank"), its subsidiaries (the Bank and its subsidiaries together referred to as "the Group") and its associates, comprising of the consolidated Balance Sheet as at March 31, 2016, the consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements (hereinafter referred to as 'the consolidated financial statements').

Management's Responsibility for the Consolidated Financial Statements

The Bank's Board of Directors is responsible for the preparation of these consolidated financial statements in terms with the requirement of the Companies Act, 2013 (the "Act") 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 accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with 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 disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, 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 internal financial control relevant to the Bank's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph (a) of the Other Matters below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group and its associates as at March 31, 2016, their consolidated profit, and their consolidated cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, we report, to the extent applicable, that:

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

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

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

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

(e) On the basis of the written representations received from the directors of the Bank as on March 31, 2016 taken on record by the Board of Directors of the Bank and the reports of the auditors who are appointed under Section 139 of the Act, of its subsidiary companies and associate companies incorporated in India, none of the directors of the Group's companies and its associates incorporated in India is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Bank and its subsidiary companies and associate companies incorporated in India, refer to our separate report in "Annexure 1" to this report;

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group and its associates– Refer Schedule 12.I, Schedule 17-Note 2W and Schedule 17-Note 10 to the consolidated financial statements;

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer (a) Schedule 17-Note 2W and Schedule 17-Note 8 to the consolidated financial statements in respect of such items as it relates to the Group and its associates and (b) the Group's share of net profit in respect of its associates;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank, its subsidiaries and associates incorporated in India.

Other Matter

(a) The accompanying consolidated financial statements include total assets of Rs.531,870,237 (thousands) as at March 31, 2016, and total revenues and net cash inflows of Rs.93,616,572 (thousands) and Rs.6,655,401 (thousands) for the year ended on that date, in respect of 17 subsidiaries, which have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. The consolidated financial statements also include the Bank's share of net profit of Rs.929,217 (thousands) for the year ended March 31, 2016, as considered in the consolidated financial statements, in respect of 4 associates, whose financial statements, other financial information have been audited by other auditors and whose reports have been furnished to us by the Management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associates, is based solely on the reports of such other auditors.

(b) The accompanying consolidated financial statements also include the Bank's share of net profit of Rs.11,649 (thousands) for the year ended March 31, 2016, as considered in the consolidated financial statements, in respect of 2 associates, whose financial statements, other financial information have not been audited and whose unaudited financial statements, other unaudited financial information have been furnished to us by the Management. Our opinion, in so far as it relates amounts and disclosures included in respect of these subsidiaries, and associates, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid associates, is based solely on such unaudited financial statement and other unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements and other financial information are not material to the Group.

(c) The auditors of a subsidiary 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 the premium has been discontinued but liability exists as at March 31, 2016 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 and Development Authority of India ("IRDAI"/"Authority") and the Institute of Actuaries of India in concurrence with the Authority. We have relied upon the Appointed Actuary's certificate in this regard for forming our opinion on the valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists on standalone financial statements of the Company".

(d) The auditors of Kotak Mahindra General Insurance Company Limited ("KGIL") have reported in their opinion "The actuarial valuation of liabilities in respect of Incurred But Not Reported ("IBNR") and Incurred But Not Enough Reported ("IBNER") claims is the responsibility of KGIL's Appointed Actuary ("the Appointed Actuary"). The estimate of claims IBNR and IBNER included claims outstanding as at 31 March 2016 has been duly certified by the Appointed Actuary of KGIL and valuation is in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India ("IRDAI") and the Institute of Actuaries of India in concurrence with the Authority. We have relied upon the Appointed Actuary's certificate in this regard for forming our opinion on the financial statements of KGIL".

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

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

per Viren H. Mehta
Partner
Membership Number: 048749
Place of Signature: Mumbai
Date: 11 May 2016

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

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

To the Members of Kotak Mahindra Bank Limited

In conjunction with our audit of the consolidated financial statements of Kotak Mahindra Bank Limited as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of Kotak Mahindra Bank Limited (hereinafter referred to as the "Bank"), its subsidiary companies and its associate companies, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Bank, its subsidiary companies and its associate companies, which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

a) Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Bank, in so far as it relates to these 12 subsidiary companies and 2 associate companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiary and associates incorporated in India.

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

c) The auditors of the Group’s life insurance subsidiary Kotak Mahindra Old Mutual Life Insurance Company Limited have reported, “The actuarial valuation of liabilities for life policies in force and policies where premium is discontinued is required to be certified by the Appointed Actuary as per the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor’s Report of Insurance Companies) Regulations 2002 (the “IRDA Financial Statements Regulations”), and has been relied upon by us, as mentioned in “Other Matter” para of our audit report on the financial statements of the Company as at and for the year ended March 31, 2016. Accordingly, the internal financial controls over financial reporting in respect of the valuation and accuracy of the aforesaid actuarial valuation is also certified by the Appointed Actuary and has been relied upon by us”. Accordingly, our opinion on the internal financial controls over financial reporting does not include reporting on the adequacy and operating effectiveness of the internal controls over the valuation and accuracy of the aforesaid actuarial liabilities.

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

per Viren H. Mehta
Partner
Membership Number: 048749
Place of Signature: Mumbai
Date: 11 May 2016

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2016

(₹ in thousands)

	Schedule	As at 31st March, 2016	As at 31st March, 2015
CAPITAL AND LIABILITIES			
Capital	1	9,171,911	3,861,763
Reserves and Surplus	2	324,434,499	217,671,387
Minority Interest	2A	3,955,985	3,356,912
Employees' Stock Options (Grants) Outstanding		34,136	29,969
Deposits	3	1,359,487,601	728,434,592
Borrowings	4	437,297,936	314,148,793
Policyholders' Funds		151,482,783	137,926,095
Other Liabilities and Provisions	5	122,170,908	80,328,109
Total		**2,408,035,759**	**1,485,757,620**
ASSETS			
Cash and Balances with Reserve Bank of India	6	69,249,004	39,451,165
Balances with Banks and Money at Call and Short Notice	7	46,745,080	29,583,250
Investments	8	702,738,989	455,888,861
Advances	9	1,447,928,152	886,322,146
Fixed Assets	10	17,575,969	13,815,528
Other Assets	11	123,764,371	60,662,476
Goodwill on Consolidation		34,194	34,194
Total		**2,408,035,759**	**1,485,757,620**
Contingent Liabilities	12	2,447,118,640	664,470,942
Bills for Collection		149,640,490	44,199,924
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. R. Batliboi & Co. LLP
Firm Registration No. 301003E/E300005
Chartered Accountants

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai, 11th May, 2016

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, 2016

(₹ in thousands)

		Schedule	For the year ended 31st March, 2016	For the year ended 31st March, 2015
I.	**INCOME**			
	Interest earned	13	204,016,360	133,188,886
	Other Income	14	76,307,283	81,521,957
	Total		**280,323,643**	**214,710,843**
II.	**EXPENDITURE**			
	Interest expended	15	111,229,729	69,661,022
	Operating expenses	16	108,940,849	97,492,643
	Provisions and Contingencies (Refer Note 8 - Schedule 17)		25,841,852	16,906,389
	Total		**246,012,430**	**184,060,054**
III.	**PROFIT**			
	Net Profit for the year		34,311,213	30,650,789
	Less: Share of Minority Interest		651,942	595,122
	Add: Share in profit / (loss) of Associates		929,217	398,835
	Consolidated Profit for the year attributable to the Group		**34,588,488**	**30,454,502**
	Add: Balance in Profit and Loss Account brought forward from previous year		118,641,309	97,191,920
	Add: Additions on Amalgamation		18,041,086	-
	Less: Adjustments on Amalgamation (Refer Note 3 - Schedule 17)		1,253,799	-
	Total		**170,017,084**	**127,646,422**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		5,224,500	4,665,000
	Transfer to Special Reserve u/s 45 IC of RBI Act, 1934		1,312,700	1,227,800
	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		450,000	280,000
	Transfer to General Reserve		-	940,500
	Transfer to Capital Reserve		91,700	59,100
	Transfer (from) / to Investment Reserve Account		(415,180)	866,500
	Proposed Dividend		918,355	820,654
	Corporate Dividend Tax		196,211	145,559
	Balance carried over to Balance Sheet		162,238,798	118,641,309
	Total		**170,017,084**	**127,646,422**
V.	**EARNINGS PER SHARE [Refer Note 11 - Schedule 17]**			
	Basic (₹)		18.91	19.75
	Diluted (₹)		18.87	19.70
	Face value per share (₹)		5.00	5.00
	Significant Accounting Policies and Notes to the Consolidated Financial Statements	17		

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

As per our report of even date.
For S. R. Batliboi & Co. LLP
Firm Registration No. 301003E/E300005
Chartered Accountants

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai, 11th May, 2016

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 CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2016

(₹ in thousands)

	Year Ended 31st March, 2016	Year Ended 31st March, 2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit for the year	34,311,213	30,650,789
Add: Provision for tax	15,926,231	14,849,035
Net Profit before taxes	**50,237,444**	**45,499,824**
Adjustments for:-		
Employee Stock Options expense	29,489	22,594
Depreciation on Group's property	3,445,129	2,368,933
Amortisation of Premium on Investments	1,622,064	838,179
Diminution / (write back) in the value of investments	1,399,726	(1,165,700)
Loss / (Profit) on revaluation of investments (net)	6,407,316	(6,771,482)
Profit on sale of Investments (net)	(7,163,719)	(17,620,174)
Provision for Non Performing Assets, Standard Assets and Other Provisions	8,515,895	3,223,054
Profit on sale of fixed assets	(45,846)	(150,781)
Increase in Foreign Currency Translation Reserve [Refer Note 2 (G) (xi) - Schedule 17]	296,543	192,957
	64,744,041	**26,437,404**
Adjustments for:-		
Increase in investments [other than HTM and Long Term investment]	(33,712,822)	(11,704,181)
Increase in Advances	(166,121,456)	(171,827,971)
Increase in Other Assets	(4,638,931)	(12,734,024)
Increase in Deposits	174,257,640	159,137,057
Increase in Policyholders' Funds	13,353,343	27,780,513
Increase in Other Liabilities and Provisions	19,251,050	20,111,436
	2,388,824	**10,762,830**
Direct Taxes Paid (net of refunds)	**(16,887,018)**	**(14,183,023)**
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**50,245,847**	**23,017,211**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(3,251,002)	(2,919,067)
Proceeds from sale of Fixed assets	147,132	240,625
Dividend received from Associates	1,977	-
Proceeds from sale of investment in Associates	-	26,580
Investments in Associates	(22,680)	(485,339)
Increase in HTM and Long Term Investments	(83,499,366)	(41,533,585)
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	**(86,623,939)**	**(44,670,786)**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2016

(₹ in thousands)

	Year Ended 31st March, 2016	Year Ended 31st March, 2015
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid including corporate dividend tax	(990,701)	(699,288)
Money received on issue of shares / exercise of stock options	3,639,075	878,788
Share issue expenses	(5,578)	-
Increase / (Decrease) in borrowings	17,601,283	24,077,429
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES (C)	**20,244,079**	**24,256,929**
NET CASH AND CASH EQUIVALENTS TAKEN OVER FROM ERSTWHILE ING VYSYA BANK LIMITED ON AMALGAMATION (D)	**63,093,682**	**-**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D)	**46,959,669**	**2,603,354**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Refer Note below)	**69,034,415**	**66,431,061**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Refer Note below)	**115,994,084**	**69,034,415**
Note:		
Balance with banks in India in Fixed Deposit (As per Schedule 7 I (i) (b))	1,853,575	3,569,367
Balance with banks in India in Current Account (As per Schedule 7 I (i) (a))	3,107,727	1,683,476
Money at call and short notice in India with Banks (As per Schedule 7 I (ii) (a))	18,272,970	17,639,173
Money at call and short notice in India with Other Agencies (As per Schedule 7 I (ii) (b))	3,000,000	-
Cash in hand (As per Schedule 6 I)	9,686,586	5,431,071
Balance with RBI in Current Account (As per Schedule 6 II)	59,562,418	34,020,094
Balance with banks Outside India:		
(i) In Current Account (As per Schedule 7 II (i))	9,097,701	1,429,759
(ii) In Other Deposit Accounts (As per Schedule 7 II (ii))	11,413,107	5,261,475
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**115,994,084**	**69,034,415**

As per our report of even date.
For S. R. Batliboi & Co. LLP
Firm Registration No. 301003E/E300005
Chartered Accountants

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai, 11th May, 2016

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, 2016

SCHEDULE 1 - CAPITAL

(₹ in thousands)

	As at 31st March, 2016	As at 31st March, 2015
Authorised Capital		
3,000,000,000 Equity Shares of ₹ 5/- each (31st March, 2015: 1,400,000,000 Equity Shares of ₹ 5 each)	**15,000,000**	**7,000,000**
Issued, Subscribed and Paid-up Capital		
1,834,382,158 Equity Shares of ₹ 5/- each (31st March, 2015: 772,352,664 Equity Shares of ₹ 5 each) fully paid-up (Refer Note 3 - Schedule 17)	9,171,911	3,861,763
During the year, 912,841,920 Equity shares have been issued as bonus shares by capitalisation of Reserves		
Total	**9,171,911**	**3,861,763**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
I.	**Statutory Reserve**		
	Opening Balance	21,052,000	16,387,000
	Add: Additions on Amalgamation	10,078,283	-
	Add: Transfer from Profit and Loss Account	5,224,500	4,665,000
	Total	**36,354,783**	**21,052,000**
II.	**Capital Reserve**		
	Opening Balance	352,403	293,303
	Add: Additions on Amalgamation	1,274,383	-
	Add: Transfer from Profit and Loss Account	91,700	59,100
	Total	**1,718,486**	**352,403**
III.	**General Reserve**		
	Opening Balance	6,180,055	5,238,804
	Add: Additions on Amalgamation	325,632	-
	Add: Transfer from Profit and Loss Account	-	940,500
	Add: Amount transferred from Debenture Redemption Reserve	250	-
	Add: Transfer on ESOPs expired unexercised	-	751
	Total	**6,505,937**	**6,180,055**
IV.	**Securities Premium Account**		
	Opening Balance	59,926,097	58,987,381
	Add: Additions on Amalgamation	43,206,510	-
	Add: Received during the year	3,614,553	945,767
	Less: Utilised for Share Issue Expenses	5,578	-
	Less: Adjustment for Associate's Share issue expenses	-	7,051
	Less: Utilised for issue of bonus shares	4,564,210	-
	Total	**102,177,372**	**59,926,097**
V.	**Special Reserve under Section 45IC of the RBI Act, 1934**		
	Opening Balance	5,970,556	4,742,756
	Add: Transfer from Profit and Loss Account	1,312,700	1,227,800
	Total	**7,283,256**	**5,970,556**

SCHEDULES
FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2016

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
VI.	**Debenture Redemption Reserve**		
	Opening Balance	250	250
	Less: Amount transferred to General Reserve	250	-
	Total	**-**	**250**
VII.	**Capital Reserve on Consolidation**		
	Opening Balance	1,474,546	1,474,546
	Add: Additions on Amalgamation	1,125	-
	Total	**1,475,671**	**1,474,546**
VIII.	**Foreign Currency Translation Reserve**		
	(Refer Note 2(G)(xi) - Schedule 17)		
	Opening Balance	1,225,396	1,040,719
	Increase during the year	296,552	184,677
	Total	**1,521,948**	**1,225,396**
IX.	**Investment Reserve Account**		
	Opening Balance	866,500	-
	Add: Additions on Amalgamation	33,582	-
	Add: Transfer from / (to) Profit and Loss Account	(415,180)	866,500
	Total	**484,902**	**866,500**
X.	**Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961**		
	Opening Balance	1,825,000	1,545,000
	Add: Additions on Amalgamation	1,167,000	-
	Add: Transfer from Profit and Loss Account	450,000	280,000
	Total	**3,442,000**	**1,825,000**
XI.	**Capital Redemption Reserve**		
	Opening Balance	6,800	6,800
	Total	**6,800**	**6,800**
XII.	**Revaluation Reserve - Investment Property**		
	Opening Balance	150,475	-
	Additions during the year	-	203,344
	Transfer from / (to) Minority interest	52,869	(52,869)
	Less: Transfer to Policy Holder's Reserve	203,344	-
	Total	**-**	**150,475**
XIII.	**Amalgamation Reserve**		
	Opening Balance	-	-
	Add: Additions on Amalgamation	1,224,046	-
	Total	**1,224,046**	**-**
XIV.	**Investment Allowance (Utilised) Reserve**		
	Opening Balance	-	-
	Add: Additions on Amalgamation	500	-
	Total	**500**	**-**
XIII.	**Balance in the Profit and Loss Account**	162,238,798	118,641,309
	Total	**324,434,499**	**217,671,387**

SCHEDULES
FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2016

SCHEDULE 2A - Minority Interest

(₹ in thousands)

	As at 31st March, 2016	As at 31st March, 2015
Minority Interest at the date on which parent subsidiary relationship came into existence	396,700	396,700
Subsequent Increase	3,559,285	2,960,212
Total	**3,955,985**	**3,356,912**

SCHEDULE 3 - DEPOSITS

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
A.			
I.	Demand Deposits		
	i. From Banks	3,951,425	2,551,379
	ii. From Others	226,635,753	127,562,598
	Total	**230,587,178**	**130,113,977**
II.	**Savings Bank Deposits**	**294,947,214**	**140,361,089**
III.	**Term Deposits**		
	i. From Banks	7,476,262	10,575,512
	ii. From Others	826,476,947	447,384,014
	Total	**833,953,209**	**457,959,526**
	Total Deposits (I + II + III)	**1,359,487,601**	**728,434,592**
B.			
I.	Deposits of Branches in India	1,359,487,601	728,434,592
II.	Deposits of Branches Outside India	-	-
	Total Deposits (I + II)	**1,359,487,601**	**728,434,592**

SCHEDULE 4 - BORROWINGS

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
I.	**Borrowings in India**		
	(i) Reserve Bank of India	15,670,000	17,634,500
	(ii) Other Banks	102,625,564	98,641,382
	(iii) Institutions, Agencies and others (Refer Note 13 - Schedule 17)	235,952,624	150,278,583
	Total	**354,248,188**	**266,554,465**
II.	**Borrowings outside India**		
	Banks, Institutions, Agencies and others (Refer Note 13 - Schedule 17)	83,049,748	47,594,328
	Total	**83,049,748**	**47,594,328**
Total Borrowings (I + II)		**437,297,936**	**314,148,793**
Secured Borrowings included in I & II above		**159,866,105**	**141,107,333**

SCHEDULES

FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2016

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
I.	Bills Payable	10,475,636	9,716,565
II.	Interest Accrued	13,866,688	10,532,468
III.	Provision for tax (net of advance tax and tax deducted at source)	545,451	1,236,467
IV.	Standard Asset provision	5,932,768	3,558,540
V.	Others (including provisions) (Refer Note 4, 7 and 22 - Schedule 17)	90,237,598	54,294,765
VI.	Proposed Dividend (includes tax on dividend)	1,112,767	989,304
	Total	**122,170,908**	**80,328,109**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
I.	Cash in hand (including foreign currency notes)	9,686,586	5,431,071
II.	Balances with RBI in current account	59,562,418	34,020,094
	Total	**69,249,004**	**39,451,165**

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

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
I.	**In India**		
	(i) Balances with Banks [Refer Note 5 - Schedule 17]		
	(a) In Current Accounts	3,107,727	1,683,476
	(b) In Other Deposit Accounts	1,853,575	3,569,367
	Total	**4,961,302**	**5,252,843**
	(ii) Money at Call and Short Notice		
	(a) With Banks	18,272,970	17,639,173
	(b) With Other Agencies	3,000,000	-
	Total	**21,272,970**	**17,639,173**
	Total (i + ii)	**26,234,272**	**22,892,016**
II.	**Outside India**		
	(i) In Current Accounts	9,097,701	1,429,759
	(ii) In Other Deposit Accounts	11,413,107	5,261,475
	Total	**20,510,808**	**6,691,234**
Total (I + II)		**46,745,080**	**29,583,250**

SCHEDULES
FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2016

SCHEDULE 8 - INVESTMENTS

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
I.	**Investments in India in [Refer Note 6 - Schedule 17]**		
i.	Government Securities	477,660,120	278,689,801
ii.	Other approved Securities	-	-
iii.	Shares	63,405,434	69,557,572
iv.	Debentures and Bonds	96,720,232	79,700,479
v.	Associates *	8,288,741	7,347,037
vi.	Others [Units, Certificate of Deposits, Commercial Paper (CP), Security Receipts and Pass Through Certificates (PTC)]	55,523,341	19,384,987
	Total	**701,597,868**	**454,679,876**
II.	**Investments Outside India in**		
i.	Shares	8,754	6,789
ii.	Others [Venture, Private Equity and other similar funds]	1,132,367	1,202,196
	Total	**1,141,121**	**1,208,985**
	Total Investments (I + II)	**702,738,989**	**455,888,861**
	***Investment in Associates**		
	Equity Investment in Associates	1,494,886	1,470,555
	Add: Goodwill on acquisition of Associates (Share of pre-acquisition losses)	20,856	20,856
	Less: Capital reserve on Consolidation (Share of pre-acquisition profits)	5,098	3,447
	Cost of Investment in Associates	**1,510,644**	**1,487,964**
	Add: Post-acquisition profit / loss and Reserve of Associates (Equity method)	6,778,097	5,859,073
	Total	**8,288,741**	**7,347,037**

SCHEDULE 9 - ADVANCES

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
A.	(i) Bills purchased and discounted #	38,324,103	19,723,762
	(ii) Cash Credits, Overdrafts and Loans repayable on demand	404,120,100	150,328,609
	(iii) Term Loans	1,005,483,949	716,269,775
	Total	**1,447,928,152**	**886,322,146**
	# Bills purchased and discounted is net of bills rediscounted ₹ 835.58 crore (previous year ₹ 1,258.05 crore)		
B.	(i) Secured by tangible assets *	1,155,838,281	726,542,833
	(ii) Covered by Bank / Government guarantees	342,386	-
	(ii) Unsecured	291,747,485	159,779,313
	Total	**1,447,928,152**	**886,322,146**
	* including advances secured against book debts		
C.	Advances in India		
	(i) Priority Sector	413,449,029	204,959,648
	(ii) Public Sector	1,747,083	7,149,036
	(iii) Banks	-	-
	(iv) Others	1,032,732,040	674,213,462
	Total	**1,447,928,152**	**886,322,146**

SCHEDULES

FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2016

SCHEDULE 10 - FIXED ASSETS

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
A.	**Premises (Including Land)**		
	Gross Block		
	At cost on 31st March of the preceding year	8,760,455	7,829,943
	Additions during the year (including on amalgamation)	4,098,678	943,927
	"Deductions during the year (including on amalgamation) [Refer Note 3 - Schedule 17]"	1,194,863	13,415
	Total	**11,664,270**	**8,760,455**
	Depreciation		
	As at 31st March of the preceding year	766,553	642,936
	Add: Charge for the year (including on amalgamation)	717,389	133,110
	"Deductions during the year (including on amalgamation) [Refer Note 3 - Schedule 17]"	118,233	9,493
	Depreciation to date	**1,365,709**	**766,553**
	Net Block	**10,298,561**	**7,993,902**
B.	**Other Fixed Assets (including furniture and fixtures)**		
	Gross Block		
	At cost on 31st March of the preceding year	17,955,382	16,021,727
	Additions during the year (including on amalgamation)	10,035,057	2,723,678
	Deductions during the year	760,252	790,023
	Total	**27,230,187**	**17,955,382**
	Depreciation		
	As at 31st March of the preceding year	12,133,756	10,602,034
	Add: Charge for the year (including on amalgamation)	8,635,104	2,235,823
	Deductions during the year	659,097	704,101
	Depreciation to date	**20,109,763**	**12,133,756**
	Net Block (Refer Note 23 - Schedule 17)	**7,120,424**	**5,821,626**
C.	**Leased Fixed Assets**		
	Gross Block		
	At cost on 31st March of the preceding year	-	-
	Additions during the year (including on amalgamation)	1,540,585	-
	Less: Deductions during the year	-	-
	Total	**1,540,585**	**-**
	Depreciation		
	As at 31st March of the preceding year	-	-
	Add: Charge for the year (including on amalgamation)	1,383,601	-
	Less: Deductions during the year	-	-
	Depreciation to date	**1,383,601**	**-**
	Net Block	**156,984**	**-**
Total (A) + (B) + (C)		**17,575,969**	**13,815,528**

SCHEDULES

FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2016

SCHEDULE 11 - OTHER ASSETS

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
I.	Interest accrued	23,255,586	14,856,467
II.	Advance tax (net of provision for tax)	3,918,637	537,951
III.	Stationery and stamps	23,154	12,558
IV.	Cheques in course of collection	86,667	224,787
V.	Non Banking assets acquired in satisfaction of claims	67,824	67,824
VI.	Others (Refer Note 4 and 22 - Schedule 17)	96,412,503	44,962,889
	Total	**123,764,371**	**60,662,476**

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
I.	Claims not acknowledged as debts	16,396,690	14,282,519
II.	Liability on account of outstanding forward exchange contracts	1,658,110,187	298,744,982
III.	Guarantees on behalf of constituents in India	240,137,173	121,100,798
IV.	Guarantees on behalf of constituents outside India	98,855	91,256
V.	Acceptances, Endorsements and Other Obligations	106,140,681	63,711,640
VI.	Other items for which the Group is contingently liable:		
	Liability in respect of interest rate, currency swaps and forward rate agreements	381,124,022	129,284,088
	Liability in respect of other derivative contracts	41,762,808	32,082,653
	Unclaimed customer balances transferred to RBI DEAF Scheme	1,140,436	24,199
	Capital commitments not provided	2,207,788	5,148,807
	Total	**2,447,118,640**	**664,470,942**

SCHEDULES

FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2016

SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)

		Year ended 31st March, 2016	Year ended 31st March, 2015
I.	Interest / discount on advances / bills	154,123,677	101,211,916
II.	Income from investments	44,082,777	29,682,442
III.	Interest on balances with RBI and other Inter-Bank funds	1,320,509	610,184
IV.	Others	4,489,397	1,684,344
	Total	**204,016,360**	**133,188,886**

SCHEDULE 14 - OTHER INCOME

(₹ in thousands)

		Year ended 31st March, 2016	Year ended 31st March, 2015
I.	Commission, exchange and brokerage	29,705,192	22,902,910
II.	Profit on sale of Investments (net)	7,163,719	17,620,174
III.	Profit on revaluation of investments of Insurance business	(6,407,316)	6,771,482
IV.	Profit on sale of building and other assets (net)	45,846	150,781
V.	Profit on exchange on transactions (net) (including derivatives)	4,912,028	2,050,975
VI.	Premium on Insurance business	39,112,885	29,750,560
VII.	Profit on recoveries of non-performing assets acquired	1,130,265	1,356,477
VIII.	Miscellaneous Income	644,664	918,598
	Total	**76,307,283**	**81,521,957**

SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)

		Year ended 31st March, 2016	Year ended 31st March, 2015
I.	Interest on Deposits	76,493,893	43,998,499
II.	Interest on RBI / Inter-Bank Borrowings	14,582,755	10,187,691
III.	Others (Refer Note 14 - Schedule 17)	20,153,081	15,474,832
	Total	**111,229,729**	**69,661,022**

SCHEDULE 16 - OPERATING EXPENSES

(₹ in thousands)

		Year ended 31st March, 2016	Year ended 31st March, 2015
I.	Payments to and provision for employees (Refer Note 4 and 12 - Schedule 17)	38,540,504	23,754,643
II.	Rent, taxes and lighting (Refer Note 17 - Schedule 17)	5,881,393	3,994,215
III.	Printing and Stationery	944,883	674,783
IV.	Advertisement, Publicity and Promotion	2,596,172	2,181,713
V.	Depreciation on Group's property	3,445,129	2,368,933
VI.	Directors' fees, allowances and expenses	19,732	9,315
VII.	Auditors' fees and expenses *	65,573	54,252
VIII.	Law Charges	321,797	230,429

SCHEDULES

FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2016

(₹ in thousands)

		Year ended 31st March, 2016	Year ended 31st March, 2015
IX.	Postage, telephones etc.	1,603,816	1,172,465
X.	Repairs and maintenance	3,655,155	2,532,050
XI.	Insurance	1,234,494	644,403
XII.	Travel and Conveyance	1,530,981	1,107,702
XIII.	Professional Charges	5,252,771	3,723,686
XIV.	Brokerage	4,610,478	4,382,999
XV.	Stamping Expenses	550,044	417,731
XVI.	Policyholders' Reserves	13,504,069	27,869,901
XVII.	Insurance Business Expenses (claims and benefits paid)	18,242,446	17,852,154
XVIII.	Other Expenditure	6,941,412	4,521,269
	Total	**108,940,849**	**97,492,643**

* The audit fees is aggregate of statutory audit fees of Kotak Mahindra Bank Limited and its subsidiaries.

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 comprising of the financial statements of Kotak Mahindra Bank ("the Bank" or "KMBL", its subsidiaries, which constitute "the Group") and its associates 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" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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. Further, the Group accounts for investments in entities where it holds 20% to 50% of the voting rights or exercises significant influence by the equity method of accounting in accordance with AS-23. The financial statements of the subsidiaries, 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, 2016.

b. The list of subsidiaries is as under:

Name of the Subsidiary	**Country of Origin**	**% Shareholding of group (31st March, 2016)**	% Shareholding of group (31st March, 2015)
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
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
Kotak Mahindra Asset Management (Singapore) PTE. Ltd. $	Singapore	100.00	100.00
Kotak Mahindra General Insurance Company Limited # (Incorporated on 20th December, 2014)	India	100.00	100.00
IVY Product Intermediaries Limited (formerly known as 'ING Vysya Financial Services Limited')*	India	100.00	–

$ *The Company has obtained Capital Market Services license for fund management under the Securities and Futures Act (Chapter 289) from the Monetary Authority of Singapore on 14th March, 2016 and is yet to commence operations.*

The Company has received the certificate of registration from Insurance Regulatory and Development Authority of India on 18th November, 2015 and subsequently commenced operations on 17th December, 2015.

* *Became a subsidiary of the Bank on amalgamation.*

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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, 2016)**	% Shareholding of group (31st March, 2015)
Infina Finance Private Limited	India	49.99	49.99
Phoenix ARC Private Limited #	India	49.90	49.00
ACE Derivatives & Commodity Exchange Limited (ACE) (Unaudited)	India	40.00	40.00
Matrix Business Services India Private Limited (Unaudited) $	India	19.77	19.77

\# *During the year, the Group increased its stake in Phoenix ARC Private Limited from 49.00% to 49.90%.*

$ *Significant influence exercised through Board representation.*

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 comply in all material aspects with the Accounting Standards specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act, 2013, in so far as they apply, guidelines issued by the Reserve Bank of India ("RBI"), Insurance Regulatory and Development Authority of India ("IRDAI") from time to time as applicable to relevant companies and the generally accepted accounting principles prevailing in India. The Ministry of Corporate Affairs ("MCA") has notified the Companies (Accounting Standards) Amendment Rules, 2016 vide its notification dated 30th March, 2016. As per clarification of MCA dated 27th April, 2016, the said rules are applicable to accounting period commencing on or after the date of notification i.e. 1st April, 2016. In case the accounting policies followed by consolidating entities are different from those followed by Bank, the same have been disclosed separately.

B. USE OF ESTIMATES

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

C. REVENUE RECOGNITION

a. Banking / Investing:

i. Interest income (other than in respect of retail advances) is recognised on accrual basis.

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

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

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

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

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

SCHEDULES

FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

vii. Upon an asset becoming non-performing assets ("NPAs") the income accrued gets reversed, and is recognised only on realisation, as per RBI guidelines. Penal interest is recognised as income on realisation.

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

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

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

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

b. Investment Banking:

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

c. Life Insurance:

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

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

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

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

v. Reinsurance premium ceded is accounted on due basis at the time when related premium income is accounted for. Commission on reinsurance ceded is accounted in accordance with the terms and conditions of the reinsurance treaties in the year in which reinsurance is ceded. Profit commission on reinsurance ceded is accounted as income in the year of final determination of profit.

vi. The lending fee (net of brokerage) earned on equity securities lent under Security Lending & Borrowing ("SLB") is accrued over the contract period on a straight line basis.

d. General Insurance :

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

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

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

iv. Reinsurance premium ceded is accounted on due basis at the time when related premium income is accounted for. Any revisions in reinsurance premium ceded are recognised in the period in which it occurs. On cancellation of policies, related reinsurance premium ceded are recognised in the same period in which they occur. Premium on excess of loss reinsurance is accounted as per the terms of the reinsurance arrangements.

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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

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

e. Broking:

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

ii. Brokerage Income (net of 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 received.

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:

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

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

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

f. 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 the total expenses, including management fees do not exceed the rates prescribed within the provision of the Securities and Exchange Board of India (“SEBI”) (Mutual Fund) Regulations, 1996 on an annual basis.

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.

D. FIXED ASSETS (TANGIBLE AND INTANGIBLE)

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

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

DEPRECIATION / AMORTISATION:

Depreciation / amortisation is provided on a pro-rata basis on a Straight Line Method over the estimated useful life of the assets at rates which are higher than the rates derived from useful lives prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the 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 (High capacity chillers, Transformers, UPS, DG set, Fire Suppression, HVAC, PAC & Elevators)	10
Office equipments (other than above)	5
Computers	3
Furniture and Fixtures	6
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
Asset Management Rights	5

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

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

E. EMPLOYEE BENEFITS

i Defined Benefit Plans:

Gratuity –

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

Pension -

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

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

The contribution made to the trust is recognised as planned assets. The defined benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as reduced by the fair value of the plan assets.

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

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

ii Defined Contribution Plans:

Provident Fund–

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

Superannuation Fund -

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

New Pension Scheme -

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

iii Compensated Absences - Other Long-Term Employee Benefits:

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

iv Other Employee Benefits:

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

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

F. INVESTMENTS

For the Bank

1. Classification:

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

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

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

Basis of classification:

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

SCHEDULES

FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

2. Acquisition Cost:

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

3. Disposal of investments:

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

4. Valuation:

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

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

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

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

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

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

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

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

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

- 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;

- Security receipts are valued as per the NAV obtained from the issuing Asset Reconstruction Company or Securitisation Company.

g. Non-performing investments are identified and valued based on the RBI guidelines.

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

For the Life insurance company:

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

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

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

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

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

e. Listed equity shares as at the Balance Sheet dates are stated at fair value being the quoted closing price on National Stock Exchange Limited ("NSE"). If an equity share is not listed or traded on NSE, the share price of Bombay Stock Exchange Limited ("BSE") is used. Equity shares awaiting listing are stated at historical cost subject to provision for diminution, if any.

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

f. Investments in mutual funds are valued at the previous day's NAV of the funds in which they are invested. Investments in Alternative Investment Funds are valued at the NAV.

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

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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

Valuation – Unit linked Business

i. All Government securities, except treasury bills, held in linked business are valued at prices obtained from Credit Rating Information Service of India Limited (“CRISIL”). Debt Securities other than Government Securities are valued on the basis of CRISIL Bond valuer. The discount on purchase of treasury bills, certificate of deposit, commercial papers and CBLO are amortised over the period to maturity on an internal rate of return basis.

j. Listed equity shares and Exchange traded funds (“ETF”) are valued at fair value, being the last quoted closing price on the NSE (In case of securities not listed on NSE, the last quoted closing price on the BSE is used). Equity shares awaiting listing are stated at historical cost subject to provision for diminution, if any, in the value of such investments. Such diminution is determined separately for each individual investment. Unrealised gains and losses are recognised in the Profit and Loss Account.

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

l. All redeemable preference shares are considered as held to maturity and stated at historical cost, subject to amortisation of premium or accretion of discount over the period of maturity / holding on a straight line basis.

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

For General Insurance Company

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

b. Debt securities and non-convertible preference shares are considered as ‘held to maturity’ and stated at historical cost adjusted for amortization of premium or accretion of discount determined on a straight line basis over the holding / maturity period.

c. Mutual fund units are stated at their ‘Net Asset Value’ as at the balance sheet date. Any unrealised gain / loss will be accounted for under fair value change account and are included in the carrying value of investment.

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

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

For other entities:

As required by Accounting Standard 13 (AS-13) “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 from the date, on which the investments are made, are classified as long term investments and investments, which are intended to be held for less than one year from the date, on which the investments are made, are classified as current investments. Long term investments are carried at cost and provision for diminution in value is made to recognise a decline other than temporary in the value of investment, such reduction being determined and made for each investment individually. Current investments are valued at cost (calculated by applying weighted average cost method) or market and fair value whichever is lower. In case of investments in units of a mutual fund, the NAV of units is considered as market or fair value. The Securities acquired with the intention to trade are 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. The profit or loss on sale of investments is recognised on trade date in the Profit and loss account.

Securities lending and borrowing

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

b) The mark to market on securities lending and borrowing instrument is determined on a scripwise 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".

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

G. FOREIGN CURRENCY AND DERIVATIVE TRANSACTIONS

For the Bank:

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

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

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

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

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

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

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

For other entities:

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

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

x. 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 or received on forward exchange contracts is amortised as expense or income over the life of the contract. Any profit or loss on cancellation or renewal of such a forward exchange contract is recognised as income or as expense.

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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

Interest rate / Currency swaps:

xii. 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 or income of the underlying liability or 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 and are disclosed as off Balance Sheet exposures.

Currency options:

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

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

xiv. 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.

xv. 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. 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".

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

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

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

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

H. ADVANCES

Classification:

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

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

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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

Provisioning:

For Bank:

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

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

vi. In accordance with RBI guidelines the Bank has provided general provision on standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, and gold at levels stipulated by RBI from time to time - direct advances to sectors agricultural and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5.00%, teaser rate housing loans at 2.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.

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

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

For other entities:

ix. The Non-Banking Finance Company ("NBFC") subsidiaries provide general provision on standard assets at 0.30% in accordance with the RBI guidelines.

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

I. STRUCTURED LIABILITIES

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

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

J. LIABILITY FOR POLICIES

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

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

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

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

K. 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, IRDAI regulations and the prescribed guidance notes of the Institute of Actuaries of India by the appointed actuary. In respect of unit linked policies, a unit reserve equal to the value of units as on the Balance Sheet date and an additional non-unit reserve calculated on gross premium prospective valuation method is created. The method adopted for par policies (accumulation contracts) is the value of the accumulated fund and an additional non-unit reserve calculated on gross premium prospective valuation method. In respect of individual conventional business / Group where premiums are guaranteed for more than one year, gross premium prospective method is used. Additional reserve on lapsed unit-linked policies is created and shown as ‘Policyholders’ Funds’.

ii The assumptions used in the Gross Premium valuation are based on 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 one year renewable policies are calculated as the risk premium for the unexpired term with an allowance for expenses and a margin for adverse deviations. The actuarial liability for Group fund based / VIP fund is equal to premiums net of deductions accumulated with guaranteed interest plus a non-unit reserve to provide for expense and mortality.

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

L. Reserve for Unexpired Risk – General Insurance

Reserve for unexpired risk is recognised net of reinsurance ceded and represents premium written that is attributable and to be allocated to succeeding accounting periods for risks to be borne by the Group under contractual obligations on a contract period basis or risk period basis, whichever is applicable. For other lines it is calculated on a daily pro-rata basis. In accordance with Section 64 V(1)(ii)(b) of the Insurance Act, 1938, the unexpired risk reserve is accounted, subject to a minimum premium of 50% of the aggregate premium written on policies during the twelve months preceding the Balance Sheet date for fire, marine cargo and miscellaneous business and 100% for marine hull business, on all unexpired policies at Balance Sheet date.

M. DISCOUNTED INSTRUMENTS

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

N. ACQUISITION COSTS

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

O. BULLION

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

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

P. TAXES ON INCOME

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

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

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

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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

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

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

Q. SEGMENT REPORTING

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

Segment	Principal activity
Treasury, BMU and Corporate centre	Dealing in debt, equity, money market, forex market, derivatives and investments and primary dealership of Government securities and Balance Sheet Management unit (BMU) responsible for Asset Liability Management and Corporate Centre which primarily comprises of support functions.
Retail Banking	Includes: (1) Lending Commercial vehicle finance, personal loans, home loans, agriculture finance, other loans / services and exposures which fulfill the four criteria for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (2) Branch Banking Retail borrowings covering savings, current and term deposit accounts and Branch Banking network and services including distribution of financial products. (3) Credit cards Receivables / loans relating to credit card business.
Corporate / Wholesale Banking	Wholesale borrowings and lendings and other related services to the corporate sector which are not included in Retail Banking.
Vehicle Financing	Retail vehicle finance and wholesale trade finance to auto dealers.
Other Lending Activities	Financing against securities, securitisation and other loans / services not included under Retail Banking and Corporate / Wholesale Banking.
Broking	Brokerage income on market transactions done on behalf of clients, interest on delayed payments, distribution of financial products and forex broking.
Advisory and Transactional Services	Providing financial advisory and transactional services such as mergers and acquisition advice and equity / debt issue management services and revenue from being a professional clearing member.
Asset Management	Management of investments on behalf of clients and funds.
Insurance	Life insurance and General Insurance (Incorporated on 20th December, 2014)

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

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Segment results are net of segment revenue and segment expenses.

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

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

R. EMPLOYEE SHARE BASED PAYMENTS

Equity-settled:

The Employee Stock Option Schemes ("ESOSs") of the Bank are in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The Schemes provide for grant of options to employees of the Group to acquire the equity shares of the Bank that vest in cliff vesting or in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share-based payments" issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the intrinsic value method. The intrinsic value being the excess, if any, of the fair market price of the share under ESOSs over the exercise price of the option is recognised as deferred employee compensation with a credit to Employee's Stock Option (Grant) Outstanding account. The deferred employee compensation cost is amortised on a straight-line basis over the vesting period of the option. The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation equal to the unamortised portion. In respect of the options which expire unexercised the balance standing to the credit of Employee's Stock Option (Grant) Outstanding account is transferred to General Reserve. The fair market price is the latest available closing price, preceding the date of grant of the option, on the stock exchange on which the shares of the Bank are listed.

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

Cash-settled:

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

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

S. CLAIMS / BENEFITS

In respect of life insurance subsidiary, benefits paid comprise of policy 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.

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

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

Estimated liability for IBNR and IBNER is based on actuarial estimates applying generally accepted actuarial principles, methodologies and standards and is duly certified by the appointed actuary.

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

T. LOSS ON SALE OF ADVANCES TO ASSET RECONSTRUCTION COMPANY

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

U. SECURITISATION

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

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

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

V. LEASES

As Lessee

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

As Lessor

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.

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

W. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

X. SCHEME EXPENSES

Annual recurring expenses relating to schemes of Kotak Mahindra Mutual Fund which the schemes are unable to bear are borne by the Group. Further, scheme expenses also include new fund offer expenses, and other expenses relating to the schemes which do not fall under regulation 52(4) of the SEBI (Mutual Funds) Regulations, 1996.

SCHEDULES

FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Y. CONTRIBUTION TO SOLATIUM FUND

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

Z. SHARE ISSUE EXPENSES

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

AA. 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.

AB. IMPAIRMENT

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

AC. 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. Merger of ING Vysya Bank Limited

The Board of Directors of KMBL and the Board of Directors of ING Vysya Bank Ltd ("eIVBL") at their respective meetings held on 20th November, 2014 approved an amalgamation of eIVBL with KMBL. Subsequently, the shareholders of KMBL and eIVBL have approved the scheme of amalgamation at their respective Extra Ordinary General Meetings held on 7th January, 2015.The amalgamation was approved by the Reserve Bank of India (the "RBI") under subsection (4) of Section 44A of the Banking Regulation Act, 1949 and the Competition Commission of India. The amalgamation is effective from the day beginning 1st April, 2015. While both the entities are banking companies which are licensed by the RBI under the Banking Regulation Act, 1949, KMBL is a company incorporated under the Companies Act, 1956, and eIVBL is a company incorporated under Mysore Companies Regulation, 1917.

As per the Scheme, upon its coming into effect from the appointed date i.e. 1st April, 2015, the entire undertaking of eIVBL including all its assets, liabilities and reserves and surplus stood transferred / deemed to be transferred to and vest in KMBL. Further, in consideration of the transfer of and vesting of the undertaking of eIVBL, 725 equity shares of KMBL of the face value of ₹ 5/- each fully paid-up was issued to shareholders of eIVBL for every 1,000 equity shares of the face value of ₹ 10/- each of eIVBL held by them on the record date i.e. 17th April, 2015. Accordingly 139,205,159 equity shares of ₹ 5/- each of KMBL were allotted at par to the shareholders of eIVBL vide board resolution dated 21st April, 2015.

The excess of the paid up value of equity shares of eIVBL over the paid up value of equity shares issued as consideration amounting to ₹ 122.40 crore has been transferred to Amalgamation Reserve as per the Scheme of Amalgamation.

The amalgamation has been accounted using the pooling of interest method under Accounting Standard 14 (AS-14), "Accounting for amalgamation" and the principles laid down in Part VII – paragraph 19 of the approved Scheme of Amalgamation.

The assets, liabilities and reserves and surplus of eIVBL were recorded by Bank at their carrying amounts as on 1st April, 2015 except for adjustments which were made to bring uniformity of accounting policies as required under AS-14. The impact of these adjustments was ₹ 189.95 crore which has been adjusted in the balance of Profit and Loss Account. Timing differences, if any, arising on these adjustments have been accounted with corresponding adjustment to Deferred Tax Asset. Further, with respect to revaluation of fixed assets, the revaluation reserve amounting to ₹ 101.37 crore held by eIVBL was reversed and the Gross Block of Fixed Assets were credited back with ₹ 101.37 crore. The accumulated depreciation on such reserve amounting to ₹ 11.15 crore was also reversed in Gross Block of Fixed Assets. Certain other reclassifications of items were carried out to ensure consistency in presentation.

The results for the year ended 31st March, 2016 are not comparable with that of the previous year.

4. 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	₹ 118.55 crore (Previous Year ₹ 85.91 crore)
Superannuation Fund	₹ 3.01crore (Previous Year ₹ 0.75 crore)
New Pension Fund	₹ 3.85 crore (Previous Year ₹ 3.03 crore)

b. The gratuity plan provides a lumpsum payment to vested employees at retirement or on termination of employment based on respective employee's salary and years of employment with the Group subject to a maximum of ₹ 0.10 crore. There is no ceiling on gratuity payable to directors and certain categories of employees subject to service regulations and service awards.

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

(₹ in crore)

	As on 31st March, 2016		As on 31st March, 2015	
	Funded	**Unfunded**	Funded	Unfunded
Change in benefit obligations				
Liability as at the beginning of the year	123.85	7.65	96.10	6.36
Current Service cost	35.57	0.88	17.32	0.63
Interest cost	21.66	0.62	9.97	0.62
Actuarial (gain) / loss on obligations	41.50	0.07	16.71	1.64
Past Service cost	-	-	-	-
Addition due to amalgamation	145.48	0.14	-	-
Liabilities assumed on acquisition / (settled on divestiture)	(0.02)	0.24	(0.13)	0.04
Benefits paid	(47.39)	(2.11)	(16.12)	(1.64)
Liability as at the end of the year	**320.65**	**7.49**	**123.85**	**7.65**
Change in plan assets				
Fair value of plan assets as at the beginning of the year	120.56	-	101.27	-
Expected return on plan assets	22.84	-	7.47	-
Actuarial Gain / (loss)	(7.74)	-	20.30	-
Addition due to amalgamation	146.88	-	-	-
Benefits paid	(47.39)	(2.11)	(16.12)	(1.64)
Employer contributions	59.95	2.11	7.64	1.64
Fair value of plan assets as at the end of the year	**295.10**	**-**	**120.56**	**-**

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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

(₹ in crore)

	As on 31st March, 2016		As on 31st March, 2015	
	Funded	Unfunded	Funded	Unfunded
Fair value of plan assets as at the end of the year	295.10	-	120.56	-
Liability at the end of the year	320.65	7.49	123.85	7.65
Net Asset / (Liabilities) included in "Others" under "Other Assets" or "Other Liabilities"	**(25.55)**	**(7.49)**	**(3.29)**	**(7.65)**
Expenses recognised for the year				
Current service cost	35.57	0.88	17.32	0.63
Interest cost	21.66	0.62	9.97	0.62
Expected return on plan assets	(22.84)	-	(7.47)	-
Actuarial (gain) / loss	49.24	0.07	(3.59)	1.64
Effect of the limit in Para 59(b)	-	-	-	-
Net gratuity expense included in "[payments to and provision for employees]" under "Operating Expenses" [Schedule 16.I]	**83.63**	**1.57**	**16.23**	**2.89**
Actual return on plan assets	**15.11**	**-**	**27.78**	**-**

Reconciliation of the Liability recognised in the Balance Sheet

(₹ in crore)

	As on 31st March, 2016		As on 31st March, 2015	
	Funded	Unfunded	Funded	Unfunded
Net (Asset) / Liability as at the beginning of the year	3.29	7.65	(5.17)	6.36
Addition due to amalgamation	(1.40)	0.14	-	-
Expense recognised	83.63	1.57	16.23	2.89
Liabilities assumed on acquisition/ (settled on divestiture)	(0.02)	0.24	(0.13)	0.04
Employer contributions	(59.95)	(2.11)	(7.64)	(1.64)
Effect of the limit in Para 59(b)	-	-	-	-
Net (Asset) / Liability included in "Others" under "Other Assets" or "Other Liabilities"	**25.55**	**7.49**	**3.29**	**7.65**

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:

	31st March, 2016 %	31st March, 2015 %
LIC managed funds #	40.01	-
Government securities	21.06	27.66
Bonds, debentures and other fixed income instruments	10.86	14.68
Money market instruments	8.04	8.85
Equity shares and other current assets	20.03	48.81
Total	**100.00**	**100.00**

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

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Actuarial assumptions used

	As on 31st March, 2016	As on 31st March, 2015
Discount rate	7.85% - 7.95% p.a.	7.98% p.a.
Salary escalation rate	5.50% (IBA) and 8.50% (others) p.a.	8.50% p.a.
Expected rate of return on plan assets	7.50% - 8.75% p.a.	7.50% p.a.

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

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

Experience adjustments

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

(₹ in crore)

Gratuity	Year ended 31st March,				
	2016	2015	2014	2013	2012
Defined benefit obligation	328.14	131.50	102.46	97.54	76.94
Plan assets	295.10	120.56	101.27	88.87	56.54
Surplus / (deficit)	(33.04)	(10.94)	(1.19)	(8.67)	(20.40)
Experience adjustments on plan liabilities	42.28	4.25	1.84	(4.72)	(0.30)
Experience adjustments on plan assets	(8.14)	20.30	4.04	1.66	(2.61)

The Group expects to contribute ₹ 40.46 crore to gratuity fund in financial year 2016-2017.

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

Pension

Pension liability relates to employees of eIVBL which was merged with Bank, hence there are no corresponding figures for the previous year.

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

(₹ in crore)

	As on 31st March, 2016 Funded
Change in benefit obligations	
Liability as at the beginning of the year	-
Addition due to amalgamation	503.60
Transfer of liabilities funded during the year	-
Current Service cost	29.69
Interest cost	34.31
Actuarial (gain) / loss on obligations	347.58
Past Service cost	-
Benefits paid	(133.16)
Liability as at the end of the year	**782.02**
Change in plan assets	
Fair value of plan assets as at the beginning of the year	-
Addition due to amalgamation	504.17
Expected return on plan assets	54.75
Actuarial Gain / (loss)	(13.79)
Benefits paid	(133.16)
Employer contributions	335.27
Fair value of plan assets as at the end of the year	**747.24**

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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

(₹ in crore)

	As on 31st March, 2016 Funded
Fair value of plan assets as at the end of the year	747.24
Liability as at the end of the year	782.02
Net Liability included in "Others" under "Other Liabilities"	**(34.78)**
Expenses recognised for the year	
Current service cost	29.69
Interest cost	34.31
Expected return on plan assets	(54.75)
Actuarial (gain) / loss	361.37
Effect of the limit in Para 59(b)	-
Net pension expense included in "[payments to and provision for employees]" under "Operating Expenses" [Schedule 16.I]	**370.62**
Actual return on plan assets	**40.96**

Reconciliation of the Liability recognised in the Balance Sheet

(₹ in crore)

	As on 31st March, 2016 Funded
Net (Asset) / Liability as at the beginning of the year	-
Addition due to amalgamation	(0.57)
Expense recognised	370.62
Employer contributions	(335.27)
Effect of the limit in Para 59(b)	-
Net Liability included in "Others" under "Other Liabilities"	**34.78**

Investment details of plan assets

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

Actuarial assumptions used

	As on 31st March, 2016
Discount rate	7.85% p.a.
Salary escalation rate	5.50% p.a.
Expected rate of return on plan assets	8.75% p.a.
Inflation	6.00% p.a.

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

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

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Experience adjustments

Amounts for the current year are as follows:

(₹ in crore)

Pension	Year ended 31st March, 2016
Defined benefit obligation	782.02
Plan assets	747.24
Surplus / (deficit)	(34.78)
Experience adjustments on plan liabilities	344.62
Experience adjustments on plan assets	(15.35)

The Bank expects to contribute ₹ 110.72 crore to pension fund in financial year 2016-2017.

Compensated absences

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

(₹ in crore)

	31st March, 2016	31st March, 2015
Total actuarial liability	205.25	86.14
Assumptions:		
Discount rate	7.85% - 7.95% p.a.	7.98% p.a.
Salary escalation rate	5.5% (IBA) and 8.50% (others) p.a.	8.50% p.a.

Long Service Award

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

(₹ in crore)

	31st March, 2016	31st March, 2015
Total actuarial liability	9.30	6.70
Assumptions:		
Discount rate	7.95% p.a.	7.98% p.a.

5. **DEPOSIT UNDER LIEN:**

Balance with Banks in other deposit accounts include ₹ 66.89 crore (previous year ₹ 66.90 crore) which are under lien.

6. **SECURITIES PLEDGED AND ENCUMBERED:**

(a) Investments include Government Securities with face value of ₹ 2,288.05 crore (previous year ₹ 1,905.24 crore) pledged and encumbered for availment of fund transfer facility, clearing facility, margin requirements and with RBI for liquidity adjustment facility ("LAF").

(b) Stock in Trade pledged with National Securities Clearing Corporation Limited towards Exposure in Derivatives Segment as on 31st March, 2016 ₹ 107.18 crore (previous year ₹ 230.00 crore).

(c) In order to meet the requirement of IRDAI, the Life insurance subsidiary has earmarked securities in constituent SGL Account with its Bankers having face value Nil (previous year – 7.17% Government of India, 2015 having face value of ₹ 0.02 crore).

SCHEDULES

FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

7. "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, 2015	Addition during the year	Reversed / paid during the year	**Balance as on 31st March, 2016**
Stamp duty on Trades	3.21	-	-	3.21
Total	**3.21**	**-**	**-**	**3.21**
Previous year	3.21	-	-	3.21

8. PROVISIONS AND CONTINGENCIES:

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

(₹ in crore)

Year ended 31st March,	**2016**	2015
Provision for Taxation (Refer Note 9 below)	1,592.62	1,484.90
Provision for Non-performing Assets and Contingencies (including write-offs and net of recoveries)	752.42	225.29
Provision for Standard Assets	64.96	73.77
Provision for Unhedged Foreign Currency Exposure	20.88	17.82
Provision for Diminution in value of Investments	139.97	(116.57)
Provision Others	13.34	5.43
Total	**2,584.19**	**1,690.64**

9. PROVISION MADE FOR TAXES DURING THE YEAR:

(₹ in crore)

Year ended 31st March,	**2016**	2015
Current Tax	1,607.50	1,414.51
Deferred Tax	(15.08)	70.18
Wealth Tax	0.20	0.21
Total	**1,592.62**	**1,484.90**

10. DESCRIPTION OF CONTINGENT LIABILITIES:

Sr. No.	Contingent Liability*	Brief Description
1.	Claims not acknowledged as debts	This includes liability on account of income tax, sales tax, lease tax demands, property tax demands and legal cases filed against the Group. The Group is a party to various legal proceedings in the normal course of business. The Group does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, result of operations or cash flows. In respect of appeals filed by the Income Tax department with higher authorities, where the matter was settled in favour of the Group at the first appellate stage, and where in view of the Management, it gives rise to an item of timing difference, no contingent liability is envisaged by the Group.
2.	Liability on account of outstanding forward exchange contracts	The Group enters into foreign exchange contracts with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Sr. No.	Contingent Liability*	Brief Description
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 include: • Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Group • Bills re-discounted by the Group and cash collateral provided by the Group on assets which have been securitised. • Underwriting commitments in respect of Debt Syndication.
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 or principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are amounts used as a benchmark for the calculation of interest component of the contracts. • Liability in respect of Capital commitments relating to fixed assets and undrawn commitments in respect of investments.

* Also refer Schedule 12 – Contingent Liabilities.

11. EARNINGS PER EQUITY SHARE:

Particulars	**As on 31st March, 2016**	As on 31st March, 2015
Reconciliation between weighted shares used in the computation of basic and diluted earnings per share:		
Weighted average number of equity shares used in computation of basic earnings per share	1,829,184,376	1,542,280,318
Effect of potential equity shares for stock options outstanding	4,134,235	3,708,032
Weighted average number of equity shares used in computation of diluted earnings per share	1,833,318,611	1,545,988,350
Following is the reconciliation between basic and diluted earnings per share:		
Nominal value per share (₹)	5.00	5.00
Basic earnings per share (₹)	18.91	19.75
Effect of potential equity shares for stock options (₹)	0.04	0.05
Diluted earnings per share (₹)	18.87	19.70
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	3,458.85	3,045.45

Following the approval of the shareholders at the annual general meeting on 29th June, 2015, a committee of the Board of Directors at the meeting held on 10th July, 2015, allotted bonus shares in the ratio of one equity share for every equity share held. In accordance with Accounting Standard 20 (AS-20), "Earnings Per Share", the earnings per share for the previous year ended 31st March, 2015 have been reworked, as if the bonus shares were in existence during the said period.

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

12. EMPLOYEE SHARE BASED PAYMENTS:

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

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

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

(c) Kotak Mahindra Equity Option Scheme 2005;

(d) Kotak Mahindra Equity Option Scheme 2007; and

(e) Kotak Mahindra Equity Option Scheme 2015

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 140,327,654 options (including options issued in exchange on amalgamation) as on 31st March, 2016 (Previous year 124,798,000). In aggregate 8,757,098 options are outstanding as on 31st March, 2016 under the aforesaid schemes.

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

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

In aggregate 3,082,806 options are outstanding as on 31st March, 2016 under the aforesaid adopted schemes.

Equity-settled options

The Bank has granted options to employees of the Group vide various employee stock option schemes. During the year ended 31st March, 2016, the following schemes were in operation:

	Plan 2007	Plan 2015
Date of grant	Various Dates	Various Dates
Date of Board Approval	Various Dates	Various Dates
Date of Shareholder's approval	5th July, 2007 as amended on 21st August, 2007	29th June, 2015
Number of options granted	68,873,000	14,000
Method of Settlement (Cash / Equity)	Equity	Equity
Vesting Period	1 – 4.14 years	1.07 – 3.57 years
Exercise Period	0.30 – 1.08 years	0.50 years
Vesting Conditions	Graded / Cliff vesting	Graded / Cliff vesting

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

* Pursuant to the Scheme of Amalgamation of eIVBL with the Bank, the options granted under each of the above schemes and outstanding as on 1st April, 2015 have been exchanged for equivalent options of the Bank. The number of options and the exercise price have been adjusted to reflect the swap ratio. The said ESOP Schemes were adopted and approved by the Board of Directors of the Bank at its meeting held on 3rd April, 2015. The Scheme provided for accelerated vesting of options and all the aforesaid stock options are exercisable within a period of 5 years from the date of vesting.

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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

	Year ended 31st March, 2016		Year ended 31st March, 2015	
	Number of Shares	**Weighted Average Exercise Price (₹)**	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	8,301,918	332.35	10,707,340	272.27
Granted during the year	3,801,400	661.73	2,154,960	400.50
Forfeited during the year	651,752	552.38	462,622	298.51
Exercised during the year	2,708,204	305.30	4,083,326	215.21
Expired during the year	264	371.00	14,434	162.34
Outstanding at the end of the year	8,743,098	467.54	8,301,918	332.35
Out of the above exercisable at the end of the year	1,501,046	310.96	496,180	203.86
Weighted average remaining contractual life (in years)		1.33		1.55
Weighted average fair value of options granted		184.86		123.68

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

	Year ended 31st March, 2016		Year ended 31st March, 2015	
	Number of Shares	**Weighted Average Exercise Price (₹)**	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	14,000	690.00	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	14,000	690.00	-	-
Out of the above exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)		2.28		-
Weighted average fair value of options granted		189.63		-

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

	Year ended 31st March, 2016	
	Number of Shares	**Weighted Average Exercise Price (₹)**
Addition on amalgamation	1,245,010	328.76
Forfeited during the year	-	-
Exercised during the year	837,324	296.39
Expired during the year	2	151.50
Outstanding at the end of the year	407,684	395.25
Out of the above exercisable at the end of the year	407,684	395.25
Weighted average remaining contractual life (in years)		3.46

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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

	Year ended 31st March, 2016	
	Number of Shares	**Weighted Average Exercise Price (₹)**
Addition on amalgamation	5,773,046	283.17
Forfeited during the year	2	252.00
Exercised during the year	4,380,058	285.67
Expired during the year	-	-
Outstanding at the end of the year	1,392,986	275.34
Out of the above exercisable at the end of the year	1,392,986	275.34
Weighted average remaining contractual life (in years)		2.90

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

	Year ended 31st March, 2016	
	Number of Shares	**Weighted Average Exercise Price (₹)**
Addition on amalgamation	4,642,198	389.87
Forfeited during the year	536	379.50
Exercised during the year	3,359,526	390.80
Expired during the year	-	-
Outstanding at the end of the year	1,282,136	387.44
Out of the above exercisable at the end of the year	1,282,136	387.44
Weighted average remaining contractual life (in years)		4.02

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 665.07 (Previous year ₹ 563.02).

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

31st March, 2016

Range of exercise prices (₹)	**Number of options outstanding**	**Weighted average remaining contractual life of options (in years)**	**Weighted average exercise price (₹)**
5-100	5,800	0.67	92.50
101-200	20,000	0.25	175.00
201-300	1,629,369	2.08	252.22
301-400	4,572,955	1.47	343.46
401-500	2,298,360	2.34	413.08
601-700	3,313,420	2.05	665.11

31st March, 2015

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
101-200	146,936	0.64	165.49
201-300	1,770,714	0.92	259.13
301-400	4,479,608	1.61	335.46
401-500	1,904,660	2.05	406.00

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Stock appreciation rights

During the year, at the General Meeting, the shareholders of the Bank had unanimously passed Special Resolution on 29th June, 2015 to grant SARs to the eligible employees of the Bank, its subsidiary and associate companies. Pursuant to this resolution, Kotak Mahindra Stock Appreciation Rights Scheme 2015 has been formulated and adopted. The new SARs will be granted under the above scheme post the date of approval.The SARs granted and outstanding before the date of approval will continue. The Group under its various plans/series has granted 1,992,080 SARs during FY2016.

The SARs are settled in cash and vest on the respective due dates in a graded manner as per the terms and conditions of grant. The contractual life of the SARs outstanding range from 1.10 to 4.23 years.

Detail of activity under SARs is summarised below:

	Year Ended 31st March, 2016	Year Ended 31st March, 2015
Outstanding at the beginning of the year	1,926,254	2,685,620
Granted during the year	1,992,080	1,983,530
Settled during the year	1,498,960	2,537,228
Lapsed during the year	206,020	205,668
Outstanding at the end of the year	2,213,354	1,926,254

Fair value of Employee stock options

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

Year ended 31st March,	**2016**		2015	
	Equity-settled	**Cash-settled**	Equity-settled	Cash-settled
Exercise Price ₹	400-690	5-665	300-406	5-406
Weighted Average Share Price ₹	664.59	665.85	409.26	437.18
Expected Volatility	26.55%-29.55%	21.42%-28.58%	28.13%-31.11%	24.19%-29.62%
Historical Volatility	26.55%-29.55%	21.42%-28.58%	28.13%-31.11%	24.19%-29.62%
Life of the options granted (Vesting and exercise period)				
- At the grant date	1.18-3.90		1.41-3.90	
- As at 31st March		0.08-3.59		0.08-3.08
Risk-free interest rate	7.64%-8.07%	7.08%-7.52%	8.31%-8.89%	7.97%-8.28%
Expected dividend rate	0.07%	0.07%	0.09%-0.10%	0.06%

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

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

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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,	2016	2015
Total Employee compensation cost pertaining to share-based payment plans	105.07	141.46
Compensation cost pertaining to equity-settled employee share-based payment plan included above	2.95	2.26
Liability for employee stock options outstanding as at year end	4.82	4.75
Deferred Compensation Cost	1.41	1.76
Closing balance of liability for cash-settled options	76.08	71.51
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	34.08	55.33

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 ₹ 103.70 crore (previous year ₹ 31.35 crore) and the profit after tax would have been lower by ₹ 67.81 crore (previous year ₹ 20.69 crore). Consequently, the basic and diluted EPS would have been ₹ 18.54 (previous year ₹ 19.61) and ₹ 18.50 (previous year ₹ 19.57) respectively.

The above numbers of ESOPs / SARs, exercise price, fair value and share price have been adjusted for bonus shares - one share for every share allotted on 10th July, 2015. The effect of the bonus share has been given in computation for the previous periods.

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

13. Tier II Bonds

a. Lower Tier II Bonds outstanding as on 31st March, 2016 ₹ 1,152.50 crore (previous year ₹ 664.80 crore).

b. Upper Tier II Bonds outstanding as on 31st March, 2016 ₹ 806.31crore (previous year ₹ 417.25 crore) of which bonds issued outside India ₹ 670.31crore (previous year ₹ 281.25 crore).

14. Interest Expended-Others {Schedule 15.III} includes interest on subordinated debt (Lower and Upper Tier II) ₹ 145.00 crore (previous year ₹ 81.89 crore).

15. 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 ₹ 115.12 crore (previous year ₹ 113.05 crore) is carried forward in the Balance Sheet under "Other Assets".

16. Segment reporting

The Summary of the operating segments of the Group for the year ended 31st March, 2016 are as given below:

(₹ in crore)

31st March,	2016	2015
Segment Revenues:		
Treasury, BMU and Corporate Centre	4,663.95	2,958.43
Retail Banking	9,345.42	8,193.53
Corporate / Wholesale Banking	6,825.36	4,438.80
Vehicle Financing	2,042.26	1,887.70
Other Lending Activities	1,272.57	1,101.81
Broking	810.14	820.41

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

31st March,	2016	2015
Advisory and Transactional Services	120.43	100.11
Asset Management	571.15	384.36
Insurance	4,550.08	5,708.04
Sub-total	**30,201.36**	**25,593.19**
Add: Unallocated Income	2.65	13.62
Less: inter-segment revenues	(2,171.65)	(4,135.72)
Total Income	**28,032.36**	**21,471.09**
Segment Results:		
Treasury, BMU and Corporate Centre	414.09	675.62
Retail Banking	916.58	957.01
Corporate / Wholesale Banking	2,030.39	1,402.11
Vehicle Financing	450.90	426.62
Other Lending Activities	489.13	473.43
Broking	199.60	278.81
Advisory and Transactional Services	32.12	13.17
Asset Management	216.27	52.43
Insurance	272.20	257.59
Sub-total	**5,021.28**	**4,536.79**
Add: Unallocated Income/ (Expense)	2.46	13.19
Total Profit before tax, minority interest and associates	**5,023.74**	**4,549.98**
Provision for tax	1,592.62	1,484.90
Net Profit before share of Associates and Minority	**3,431.12**	**3,065.08**
Segment Assets:		
Treasury, BMU and Corporate Centre	73,614.47	39,803.12
Retail Banking	119,417.46	79,499.41
Corporate / Wholesale Banking	66,331.50	38,386.95
Vehicle Financing	17,208.93	15,436.91
Other Lending Activities	11,353.35	8,418.03
Broking	1,608.24	1,675.66
Advisory and Transactional Services	54.00	35.81
Asset Management	1,768.99	1,360.73
Insurance	17,491.85	15,527.08
Sub-total	**308,848.79**	**200,143.70**
Less: inter-segment assets	(68,694.73)	(51,749.64)
Total	**240,154.06**	**148,394.06**
Add: Unallocated Assets	649.52	181.70
Total Assets as per Balance Sheet	**240,803.58**	**148,575.76**
Segment Liabilities:		
Treasury, BMU and Corporate Centre	73,260.93	37,559.14
Retail Banking	109,222.85	73,859.51
Corporate / Wholesale Banking	56,139.58	33,458.01
Vehicle Financing	13,564.50	12,327.16

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

31st March,	2016	2015
Other Lending Activities	5,413.55	4,131.82
Broking	1,251.36	1,368.06
Advisory and Transactional Services	19.67	21.62
Asset Management	761.06	566.48
Insurance	15,939.13	14,319.53
Sub-total	**275,572.63**	**177,611.33**
Less: inter-segment liabilities	(68,694.73)	(51,749.64)
Total	**206,877.90**	**125,861.69**
Add: Unallocated liabilities	169.44	225.06
Add: Share Capital, Reserves and Surplus and Minority Interest	33,756.24	22,489.01
Total Capital and Liabilities as per Balance Sheet	**240,803.58**	**148,575.76**
Capital Expenditure:		
Treasury, BMU and Corporate Centre	52.67	157.89
Retail Banking	169.88	124.64
Corporate / Wholesale Banking	12.53	16.69
Vehicle Financing	4.19	1.77
Other Lending Activities	1.35	0.71
Broking	31.57	16.74
Advisory and Transactional Services	1.48	2.07
Asset Management	8.99	21.67
Insurance	42.09	24.58
Total	**324.75**	**366.76**
Depreciation/ Amortisation:		
Treasury, BMU and Corporate Centre	130.69	77.86
Retail Banking	144.43	105.85
Corporate / Wholesale Banking	13.18	10.48
Vehicle Financing	2.66	2.25
Other Lending Activities	0.79	0.40
Broking	19.24	12.84
Advisory and Transactional Services	1.76	1.70
Asset Management	8.90	5.23
Insurance	22.86	20.28
Total	**344.51**	**236.89**

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.

SCHEDULES

FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

17. 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 ₹ 444.01 crore (previous year ₹ 302.92 crore).

(ii) The future minimum lease payments under non-cancelable operating lease not later than one year is ₹ 392.95 crore (previous year ₹ 277.07 crore), later than one year but not later than five years is ₹ 1,134.58 crore (previous year ₹ 788.03 crore) and later than five years ₹ 916.02 crore (previous year ₹ 685.34 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.

18. Assets given on lease

The lease income recognised in the Profit and Loss Account in respect of premises and equipment under operating lease is ₹ 0.00 crore (previous year ₹ 0.03 crore).

The future minimum lease payments expected to be received under non-cancelable operating lease – not later than one year is ₹ 0.63 crore (previous year ₹ 0.58 crore), later than one year but not later than five years is ₹ 2.81 crore (previous year ₹ 2.68 crore) and later than five years ₹ 1.89 crore (previous year ₹ 2.65 crore).

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

(₹ in crore)

As on 31st March,	2016	2015
Gross Investments (A):		
(i) Not later than 1 year	82.99	87.52
(ii) Between 1-5 years	133.34	136.30
Total	**216.33**	**223.82**
Unearned Finance Income (B):		
(i) Not later than 1 year	19.10	20.12
(ii) Between 1-5 years	19.17	19.43
Total	**38.27**	**39.55**
Present Value of Rentals (A-B):		
(i) Not later than 1 year	63.89	67.41
(ii) Between 1-5 years	114.17	116.85
Total	**178.06**	**184.26**
Accumulated provision on the Gross Investments	**1.06**	**1.65**

19. In accordance with the IRDAI Regulations, 2002 (Preparation of Financial Statements and Auditors' Report of Insurance Companies), the Life Insurance subsidiary has revalued its investment property at the market value. Such market value is considered at lower of valuations performed by two independent valuers and is done once in three years. The last valuation was done on 31st March, 2015. The real estate investment property is accordingly valued at ₹ 69.84 crore at 31st March, 2016 (previous year ₹ 69.84 crore). The historical cost of the property is ₹ 49.51 crore (previous year ₹ 49.51 crore). The revaluation gains have been included in policyholders' funds.

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

20. 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, 2016

As on 31st March,	2016	2015	Purpose
Particulars of Derivatives	**Quantity**	Quantity	
Futures			
S&P CNX Nifty Futures Short	237,000	85,375	Trading
S&P CNX Nifty Futures	-	400	Hedging
Bank Nifty Futures Long	3,630	3,600	Trading
Stock Futures Long	3,198,325	4,529,890	Trading
Stock Futures Short	386,000	6,077,000	Trading
USD-INR Long	119,000	-	Trading
Commodity Futures	-	200	Hedging
Options			
S&P CNX Nifty Options Long	341,175	470,275	Trading
S&P CNX Nifty Options Short	418,500	713,600	Trading
Stock Options Long	18,600	148,750	Trading
Stock Options Short	-	20,750	Trading
Bank Nifty Options Long	-	15,150	Trading
Bank Nifty Options Short	-	11,200	Trading
USD-INR Long	643,000	-	Trading
USD-INR Short	725,000	-	Trading
Credit Default Swaps	**USD 40,000,000**	**USD 35,000,000**	**Trading**
Forward Exchange Contracts			
USD-INR Long	USD13,000,000	USD13,500,000	Hedging
USD-INR Short	-	USD 1,500,000	Hedging
Interest Rate Swap	**USD 40,500,000**	**USD 37,000,000**	**Hedging**
Total Return Swap	**USD 8,003,978**	**USD 8,003,978**	**Trading**

Unhedged forex exposure outstanding as on the Balance Sheet date

(₹ in crore)

Particulars	As on 31st March, 2016	As on 31st March, 2015
Amount Receivable in foreign currency	1.62 (USD 244,672) 0.53 (JPY 9,039,474) 0.00 (GBP 100) 0.01 (EUR 1,060)	8.76 (USD 1,401,598) 0.00 (GBP 100)
Amount Payable in foreign currency	1.13 (USD 170,130)	

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

21. Additional information to consolidated accounts at 31st March, 2016, (Pursuant to Schedule III of the Companies Act, 2013)

(₹ in crore)

Name of the Subsidiary	Net Assets*				Share in profit or loss			
	2015 - 2016		2014 -2015		**2015 - 2016**		2014 -2015	
	As % of Consolidated Net Assets	**Amount**	As % of Consolidated Net Assets	Amount	**As % of Consolidated Net Assets**	**Amount**	As % of Consolidated Profit or Loss	Amount
Kotak Mahindra Bank Limited	71.82%	23,959.06	63.83%	14,141.09	60.42%	2,089.78	61.27%	1,865.98
Indian Subsidiaries:								
Kotak Mahindra Prime Limited	11.55%	3,851.66	15.12%	3,349.72	14.52%	502.31	16.66%	507.36
Kotak Securities Limited	7.90%	2,634.68	10.76%	2,384.02	7.25%	250.66	9.51%	289.58
Kotak Mahindra Capital Company Limited	1.34%	447.62	1.87%	415.22	0.94%	32.40	0.41%	12.42
Kotak Mahindra Old Mutual Life Insurance Limited	4.56%	1,521.44	5.83%	1,291.03	7.25%	250.75	7.52%	228.89
Kotak Mahindra General Insurance Company Limited	0.37%	125.00	0.00%	0.78	(0.28%)	(9.73)	(0.01%)	(0.27)
Kotak Mahindra Investments Limited	2.52%	841.12	2.79%	617.22	4.45%	153.90	3.49%	106.35
Kotak Mahindra Asset Management Company Limited	0.33%	109.59	0.23%	51.13	1.72%	59.33	(1.19%)	(36.18)
Kotak Mahindra Trustee Company Limited	0.19%	63.27	0.23%	50.55	0.37%	12.72	0.23%	7.14
Kotak Investment Advisors Limited	0.81%	270.93	1.20%	266.27	0.13%	4.66	0.85%	26.03
Kotak Mahindra Trusteeship Services Limited	0.04%	12.30	0.03%	6.31	0.03%	0.99	0.01%	0.28
Kotak Forex Brokerage Limited	0.00%	(0.05)	0.00%	0.05	0.00%	(0.10)	(0.01%)	(0.28)
Kotak Mahindra Pension Fund Limited	0.08%	25.55	0.11%	25.26	0.01%	0.30	(0.01%)	(0.25)
IVY Product Intermediaries Limited (formerly known as 'ING Vysya Financial Services Limited')	0.01%	4.92	0.00%	-	0.01%	0.46	0.00%	-
Foreign Subsidiaries:								
Kotak Mahindra (International) Limited	1.27%	424.75	1.59%	353.10	1.45%	50.22	1.16%	35.34
Kotak Mahindra (UK) Limited	0.50%	165.24	0.47%	104.82	1.55%	53.51	0.38%	11.63
Kotak Mahindra, Inc.	0.06%	18.38	0.07%	14.92	0.07%	2.53	(0.06%)	(1.87)
Kotak Mahindra Financial Services Limited	0.02%	5.71	0.03%	7.01	(0.05%)	(1.71)	0.20%	6.17
Kotak Mahindra Asset Management (Singapore) Pte. Ltd	0.03%	9.80	0.00%	-	0.01%	0.42	0.00%	-
Minority Interest in subsidiary	(1.19%)	(395.60)	(1.52%)	(335.69)	(1.88%)	(65.19)	(1.95%)	(59.51)
Associate:								
Infina Finance Private Limited					2.35%	81.21	1.22%	37.24
Phoenix ARC Private Limited					0.31%	10.55	0.30%	9.26
ACE Derivatives & Commodity Exchange Limited (ACE)					0.00%	0.14	(0.27%)	(8.13)
Matrix Business Services India Private Limited					0.03%	1.03	0.05%	1.51
Inter-company and Other adjustments	(2.21%)	(734.73)	(2.64%)	(589.49)	(0.66%)	(22.29)	0.24%	6.76
Total	**100.00%**	**33,360.64**	**100.00%**	**22,153.32**	**100.00%**	**3,458.85**	**100.00%**	**3,045.45**

* Total assets minus total liabilities

SCHEDULES

FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

22. "Others – 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, 2016**	Year Ended 31st March, 2015
Deferred Tax Assets		
Provision for non-performing and doubtful debts, standard advances and contingencies	340.06	117.70
Depreciation on assets	37.23	32.71
Provision for investments	3.74	2.72
Unamortised Income	0.08	0.18
Expenditure allowed on payment basis and others	47.76	82.85
Total Deferred Tax Assets	**428.87**	**236.16**
Deferred Tax Liabilities		
Deferred expenses	42.48	39.12
Depreciation on assets	16.88	9.46
Others	118.32	63.43
Total Deferred Tax Liabilities	**177.68**	**112.01**
Net Deferred Tax Assets/(Liabilities)	**251.19**	**124.15**

23. Fixed Assets

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

(₹ in crore)

Particulars	**Year Ended 31st March, 2016**	Year Ended 31st March, 2015
PURCHASED SOFTWARE AND SYSTEM DEVELOPMENT EXPENDITURE		
Gross Block		
At cost on 31st March of the preceding year	326.34	307.97
Additions during the year (including on amalgamation)	266.13	32.41
Deductions during the year	4.35	14.04
Total	**588.12**	**326.34**
Amortisation		
As on 31st March of the preceding year	276.59	251.81
Charge for the year (including on amalgamation)	218.42	38.82
Deductions during the year	2.68	14.04
Amortisation to date	**492.33**	**276.59**
Net Block	**95.79**	**49.75**
MEMBERSHIP CARDS OF STOCK EXCHANGE		
Gross Block		
At cost on 31st March of the preceding year	4.66	4.66
Total	**4.66**	**4.66**
Amortisation		
As on 31st March of the preceding year	4.03	3.82
Charge for the year	0.17	0.21
Amortisation to date	**4.20**	**4.03**
Net Block	**0.46**	**0.63**

SCHEDULES

FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

Particulars	Year Ended 31st March, 2016	Year Ended 31st March, 2015
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	**-**	**-**
ASSET MANAGEMENT RIGHTS		
Gross Block		
At cost on 31st March of the preceding year	15.90	-
Additions during the year	-	15.90
Deductions during the year	-	-
Total	**15.90**	**15.90**
Amortisation		
As on 31st March of the preceding year	0.52	-
Charge for the year	3.18	0.52
Deductions during the year	-	-
Amortisation to date	**3.70**	**0.52**
Net Block	**12.20**	**15.38**

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

24. Related Party Disclosures:

	Nature of relationship	Name of Related Party
A	**Individual having significant influence over the enterprise**	Mr. Uday S. Kotak along with his relatives and enterprises in which he has beneficial interest holds 33.64% of the equity share capital of Kotak Mahindra Bank Limited as on 31st March, 2016.
B	**Other Related Parties:**	
	Associates / Others	ACE Derivatives and Commodity Exchange Limited Infina Finance Private Limited Phoenix ARC Private Limited Matrix Business Services India Private Limited Kotak Education Foundation ING Vysya Foundation
	Investing Party of the subsidiaries	Old Mutual Plc. Old Mutual Life Assurance Company (South Africa) Limited
	Enterprises over which KMP / relatives of KMP have control / significant influence	Aero Agencies Limited Allied Auto Accessories Private Limited Business Standard Private Limited Business Standard Online Limited (From 27th March, 2015) Kotak and Company Private 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 Sports Private Limited Puma Properties Private Limited USK Benefit Trust II Uday S Kotak HUF Suresh A Kotak HUF
	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 Mr. K. Madhavan Kutty Mr. Vivek Menon Ms. Nayantara Menon Mehta Ms. Anita Gupta Ms. Urmila Gupta Mr. Arnav Gupta Mr. Parthav Gupta Mr. Prabhat Gupta Ms. Jyoti Banga

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Details of related party transactions:

(₹ in crore)

Items/Related Party		Associates / Others	Investing Party of the subsidiaries	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel
I.	**Liabilities**					
	Other Liabilities	0.79	0.52	0.16	0.01	-
		(0.03)	(0.62)	(0.16)	(0.01)	-
	Deposits	303.17	-	436.13	55.82	11.43
		(231.37)	-	(218.89)	(26.17)	(10.44)
	Interest Payable	2.45	-	2.52	0.41	0.10
		(1.78)	-	(2.06)	(0.42)	(0.18)
II.	**Assets**					
	Investments - Gross	151.12	-	0.00	-	-
		(149.95)	-	(0.03)	-	-
	Diminution on Investments	0.78	-	#	-	-
		(-)	-	(#)	-	-
	Others	0.13	-	0.34	-	-
		(0.58)	-	(-)	-	-
III.	**Expenses**					
	Salaries / fees (Include ESOP cost)*	-	-	-	10.99	-
		-	-	-	(9.48)	-
	Others	10.44	-	5.49	0.08	-
		(6.53)	-	(4.32)	(0.08)	-
	Interest Paid	28.69	-	28.07	4.93	0.82
		(27.84)	-	(11.96)	(1.70)	(0.47)
IV.	**Income**					
	Others	3.20	-	3.23	0.01	-
		(2.43)	-	(3.02)	(0.02)	(0.06)
V.	**Other Transactions**					
	Dividend paid	-	-	#	27.68	0.17
		-	-	-	(24.58)	(0.16)
	Reimbursement to companies	0.26	-	1.48	-	-
		(0.29)	-	(0.87)	-	-
	Reimbursement from companies	0.33	-	2.08	-	-
		(0.73)	-	(1.54)	-	-
	Purchase of Investments	30.62	-	-	-	-
		(48.54)	-	-	-	-
	Loan disbursed during the year	3.00	-	-	-	-
		(31.00)	-	-	-	-
	Loan repaid during the year	4.00	-	-	-	-
		(30.00)	-	-	-	-
	Purchase of Fixed Assets	-	-	-	-	-
		(-)	-	(0.01)	-	-
	Sale of Fixed Assets	-	-	-	-	-
		(0.20)	-	(0.02)	-	-
	Deposits taken during the year	-	-	0.01	-	-
		-	-	(0.02)	-	-
	Deposits given during the year	0.02	-	-	-	-
		(0.02)	-	-	-	-
	Deposits repaid during the year	-	-	0.01	-	-
		-	-	(#)	-	-
	Guarantees / Lines of credit	-	-	1.00	-	-
		(2.13)	-	-	-	-

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Material transactions with related parties:

(₹ in crore)

	Items/Related Party	Associates / Others	Investing Party of the subsidiaries	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
I.	**Liabilities:**						
	Other liabilities						
	Old Mutual Life Assurance Company (South Africa) Limited		0.52 (0.62)				0.52 (0.62)
	Aero Agencies Limited			0.02 (0.10)			0.02 (0.10)
	Kotak Commodity Services Limited			0.14 (0.06)			0.14 (0.06)
	Infina Finance Private Limited	0.78 (-)					0.78 (-)
	Others	0.01 (0.03)			0.01 (0.01)		0.02 (0.04)
II.	**Assets:**						
	Investments						
	ACE Derivatives and Commodity Exchange Limited	47.62 (47.62)					47.62 (47.62)
	Phoenix ARC Private Limited	101.18 (98.91)					101.18 (98.91)
	Others	2.32 (3.42)		0.00 (0.03)			2.32 (3.45)
	Diminution on investments						
	ACE Derivatives and Commodity Exchange Limited	0.78 (-)					0.78 (-)
	Others			# (#)			# (#)
	Others						
	Kotak Commodity Services Limited			0.15 (-)			0.15 (-)
	Kotak & Company Private Limited			0.19 (-)			0.19 (-)
	ACE Derivatives and Commodity Exchange Limited	0.02 (0.02)					0.02 (0.02)
	Infina Finance Private Limited	0.04 (0.48)					0.04 (0.48)
	Others	0.07 (0.08)		# (-)			0.07 (0.08)

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

Items/Related Party		Associates / Others	Investing Party of the subsidiaries	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
III.	**Expenses:**						
	Salaries (Includes ESOP cost)						
	Mr. Uday Kotak*				2.70 (2.47)		2.70 (2.47)
	Mr. C. Jayaram*				4.14 (3.00)		4.14 (3.00)
	Mr. Dipak Gupta*				4.15 (4.01)		4.15 (4.01)
	Interest Paid						
	Infina Finance Private Limited	25.84 (25.38)					25.84 (25.38)
	Kotak Commodity Services Limited			5.34 (5.35)			5.34 (5.35)
	USK Benefit Trust II			21.42 (6.22)			21.42 (6.22)
	Others	2.85 (2.46)		1.31 (0.39)	4.93 (1.70)	0.82 (0.47)	9.91 (5.02)
	Others						
	Aero Agencies Limited			5.49 (4.30)			5.49 (4.30)
	Kotak Education Foundation	9.64 (5.63)					9.64 (5.63)
	Matrix Business Services India Private Limited	0.80 (0.90)					0.80 (0.90)
	Others			0.01 (0.01)	0.08 (0.08)		0.09 (0.09)
IV.	**Income:**						
	Others						
	Fee and Other Income						
	Phoenix ARC Private Limited	0.50 (0.52)					0.50 (0.52)
	ACE Derivatives and Commodity Exchange Limited	0.37 (0.22)					0.37 (0.22)
	Kotak Commodity Services Limited			2.32 (2.16)			2.32 (2.16)
	USK Benefit Trust II			0.89 (0.83)			0.89 (0.83)
	Others	0.08 (0.01)		# (#)	# (-)		0.08 (0.01)

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

	Items/Related Party	Associates / Others	Investing Party of the subsidiaries	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
	Premium Income						
	Phoenix ARC Private Limited	0.01 (#)					0.01 (#)
	Kotak Commodity Services Limited			0.01 (0.02)			0.01 (0.02)
	Others				- (0.01)	- (0.06)	- (0.07)
	Brokerage Income						
	Infina Finance Private Limited	2.24 (1.68)					2.24 (1.68)
	Others			0.01 (#)	0.01 (0.01)		0.02 (0.01)
V.	**Other Transactions:**						
	Dividend Paid						
	Mr. Uday Kotak				27.56 (24.50)		27.56 (24.50)
	Ms. Pallavi Kotak					0.05 (0.04)	0.05 (0.04)
	Ms. Indira Kotak					0.11 (0.10)	0.11 (0.10)
	Suresh A Kotak HUF			# (-)			# (-)
	Others				0.12 (0.08)	0.01 (0.02)	0.13 (0.10)
	Reimbursements made						
	Infina Finance Private Limited	0.21 (0.21)					0.21 (0.21)
	Matrix Business Services India Private Limited	0.04 (0.05)					0.04 (0.05)
	Kotak Commodity Services Limited			1.04 (0.48)			1.04 (0.48)
	Kotak & Company Private Limited			0.44 (0.39)			0.44 (0.39)
	Others	# (0.03)					# (0.03)
	Reimbursements received						
	Kotak Commodity Services Limited			2.08 (1.54)			2.08 (1.54)
	ACE Derivatives and Commodity Exchange Limited	0.12 (0.51)					0.12 (0.51)

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

Items/Related Party	Associates / Others	Investing Party of the subsidiaries	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
Infina Finance Private Limited	0.11 (0.11)					0.11 (0.11)
Phoenix ARC Private Limited	0.10 (0.11)					0.10 (0.11)
Purchase of / subscription to Investments						
Phoenix ARC Private Limited	30.62 (46.31)					30.62 (46.31)
ACE Derivatives and Commodity Exchange Limited	- (2.23)					- (2.23)
Loan Disbursed during the year						
Phoenix ARC Private Limited	- (30.00)					- (30.00)
ACE Derivatives and Commodity Exchange Limited	3.00 (1.00)					3.00 (1.00)
Loan Repaid during the year						
Phoenix ARC Private Limited	- (30.00)					- (30.00)
ACE Derivatives and Commodity Exchange Limited	4.00 (-)					4.00 (-)
Purchase of Fixed Assets						
Kotak Commodity Services Limited			- (0.01)			- (0.01)
Sale of Fixed Assets						
Phoenix ARC Private Limited	- (0.20)					- (0.20)
Others			- (0.02)			- (0.02)
Deposits taken during the year						
Kotak Commodity Services Limited			0.01 (0.02)			0.01 (0.02)
Deposits given during the year						
ACE Derivatives and Commodity Exchange Limited	0.02 (0.02)					0.02 (0.02)

SCHEDULES
FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

Items/Related Party	Associates / Others	Investing Party of the subsidiaries	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
Deposits repaid during the year						
Kotak Commodity Services Limited			0.01 (#)			0.01 (#)
Guarantees / Lines of credit	- (2.13)		1.00 (-)			1.00 (2.13)

*includes incentive paid during the year

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

Maximum balance outstanding

(₹ in crore)

	Items/Related Party	Associates/ Others	Investing Party of the subsidiaries	Enterprises over which KMP /relatives of KMP have control /significant influence	Key Management Personnel	Relatives of Key Management Personnel
I.	**Liabilities**					
	Deposits	2,809.78 (2,780.28)		713.15 (308.40)	87.66 (34.25)	14.61 (17.65)
	Other Liabilities	0.79 (0.25)	0.62 (0.69)	0.16 (0.16)	0.01 (0.01)	-
II.	**Assets**					
	Investments-Gross	151.12 (149.95)		0.03		
	Advances	3.00 (30.00)				
	Others	0.57 (0.57)		0.34 (0.53)		

Note: Figures of previous year are given in bracket.

25. Figures for the previous year have been regrouped / reclassified wherever necessary to conform to current years' presentation. The previous year comparative numbers were audited by a firm of Chartered Accountants other than S.R.Batliboi & Co. LLP.

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, 11th May, 2016

FORM AOC - 1

Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014
Statement containing salient features of the financial statement of subsidiaries/associate companies

PART "A" : Subsidiaries

(₹ in crore)

Particulars	Kotak Mahindra Prime Limited	Kotak Securities Limited	Kotak Mahindra Capital Company Limited	Kotak Mahindra Old Mutual Life Insurance Limited	Kotak Mahindra General Insurance Company Limited	Kotak Mahindra Investments Limited	Kotak Mahindra Asset Management Company Limited	Kotak Mahindra Trustee Company Limited	Kotak Mahindra (International) Limited	Kotak Mahindra (UK) Limited	Kotak Mahindra, Inc.	Kotak Investment Advisors Limited	Kotak Mahindra Trusteeship Services Limited	Kotak Forex Brokerage Limited	Kotak Mahindra Pension Fund Limited	Kotak Mahindra Financial Services Limited	Kotak Mahindra Asset Management (Singapore) Pte. Limited	IVY Product Intermediaries Limited
Share Capital	3.50	1.60	3.44	510.29	135.00	5.17	29.80	0.05	16.16	7.01	0.07	4.59	0.09	4.10	28.00	8.45	9.40	2.21
Reserves & Surplus	3,848.16	2,633.08	444.18	1,011.15	(10.00)	835.95	79.79	63.22	408.59	158.23	18.31	266.34	12.21	(4.15)	(2.45)	(2.74)	0.40	2.71
Total Networth	3,851.66	2,634.68	447.62	1,521.44	125.00	841.12	109.59	63.27	424.75	165.24	18.38	270.93	12.30	(0.05)	25.55	5.71	9.80	4.92
Total Assets	23,925.95	3,966.86	463.97	17,580.97	138.57	5,366.70	152.70	63.82	820.46	467.80	19.67	302.51	13.05	0.67	25.93	10.68	9.85	9.57
Total Liabilites	20,074.29	1,332.18	16.35	16,059.53	13.57	4,525.58	43.11	0.55	395.71	302.56	1.29	31.58	0.75	0.72	0.38	4.97	0.05	4.65
Investments (excluding investment in subsidiaries)	1,104.25	517.16	132.58	16,760.08	114.43	521.60	23.61	62.10	668.36	-	5.49	214.76	10.40	-	25.74	-	-	-
Turnover	2,761.56	974.57	113.79	4,542.34	6.56	603.71	239.96	19.41	73.63	129.88	19.64	87.84	4.24	0.16	2.15	14.98	0.46	6.73
Profit before taxation	772.64	380.97	46.42	281.93	(9.73)	235.90	71.94	18.38	52.13	60.65	2.55	7.47	1.44	(0.10)	0.34	(1.71)	0.42	0.66
Provision for taxation	270.33	130.31	14.02	31.18	-	82.00	12.61	5.66	1.91	7.14	0.02	2.81	0.45	-	0.04	-	-	0.20
Profit after taxation	502.31	250.66	32.40	250.75	(9.73)	153.90	59.33	12.72	50.22	53.51	2.53	4.66	0.99	(0.10)	0.30	(1.71)	0.42	0.46
Proposed Dividend (Equity)	0.21	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	3.32
% of Shareholding	100.00	100.00	100.00	74.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note:

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

(2) Total liabilities include current liabilities and provision, Preference Share Capital and excludes Equity Share Capital and Reserves.

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

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

(5) Dividend excludes corporate dividend tax.

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

(7) Kotak Mahindra General Insurance Limited (KMGIL) has received the certificate of registration from Insurance Regulatory and Development Authority of India (IRDAI) on 18th November, 2015 and subsequently commenced operations on 17th December, 2015

(8) The figures in respect of Kotak Mahindra, Inc., Kotak Mahindra (UK) Limited, Kotak Mahindra (International) Limited, Kotak Mahindra Financial Services Limited and Kotak Mahindra Asset Management (Singapore) Pte. Limited are based on the accounts prepared under Indian Accounting Standards. The reporting currency of these subsidiaries is US$ and exchange rate as on the last day of the financial year ending 31st March, 2016 is 1 USD = 66.26 INR

(9) Kotak Mahindra Asset Management (Singapore) Pte. Limited has obtained Capital Market Services license for fund management under the Securities and Futures Act (Chapter 289) from Monetary Authority of Singapore (the 'MAS') on 14th March, 2016 and is yet to commence operations.

(10) IVY Product Intermediaries Limited formely known as ING Vysya Financial Services Limited, became a subsidiary of Bank on amalgamation.

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

PART "B" : Associates

(₹ in crore)

Particulars	Infina Finance Private Limited	Phoenix ARC Private Limited	ACE Derivatives and Commodities Exchange Limited [1 & 5]	Matrix Business Services India Private Limited [1 & 4]
Latest Audited Balance Sheet date	31-Mar-16	31-Mar-16	31-Mar-15	31-Mar-15
Shares of Associate held by the Group on the year end				
No of Equity Shares	1,100,240	83,832,000	43,795,700	103,255
Amount of Investment in Associates	1.10	100.02	46.84	2.08
Extend of Holding %	49.99%	49.90%	40.00%	19.77%
Description of how there is significance influence	Ownership of 20% or more of the voting power	Ownership of 20% or more of the voting power	Ownership of 20% or more of the voting power	Significant influence through Board Representation
Reason why the associate is not consolidated	Ownership of less than 50% of the Voting Power and no control over the Board	Ownership of less than 50% of the Voting Power and no control over the Board	Ownership of less than 50% of the Voting Power and no control over the Board	Ownership of less than 50% of the Voting Power and no control over the Board
Networth attributable to Shareholding as per latest audited Balance Sheet [4 & 5]	672.08	143.02	5.87	7.09
Profit / Loss for the year	162.45	21.23	0.34	5.20
i) Considered in the Consolidation	81.21	10.55	0.14	1.03
ii) Not considered in the Consolidation	81.24	21.23	0.20	4.17

Note:

(1) For the purpose of preparation of consolidation financial statements, the group has considered unaudited financial statement.

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

(3) During the year, the Group has increased its stake in Phoenix ARC Private Limited from 49.00% to 49.90%.

(4) Share of audited Networth based on share holding as on 31st March, 2015 of 19.77% is ₹ 6.05 Crs

(5) Share of audited Networth based on share holding as on 31st March, 2015 of 40.00% is ₹ 6.85 Crs

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
Mumbai, 11th May, 2016

Bina Chandarana
Company Secretary

BASEL III (PILLAR 3) DISCLOSURES (CONSOLIDATED) AS AT 31ST MARCH, 2016

In accordance with RBI circular DBOD.No.BP.BC.1/21.06.201/2015-16 dated 1st July, 2015 on 'Basel III Capital Regulations' read together with the RBI circular DBR.No.BP.BC.80/21.06.201/2014-15 dated 31st March, 2015 on 'Prudential Guidelines on Capital Adequacy and Liquidity Standards-Amendments' requires banks to make applicable Pillar 3 disclosures including leverage ratio and liquidity coverage ratio under the Basel III framework.

The Bank has made these disclosures which are available on its website at the following link: http://ir.kotak.com/financials/regulatory-disclosure-section.

The disclosures have not been subjected to review by the statutory auditors of the Bank.

DIRECTORS' REPORT

To the Members of

KOTAK MAHINDRA BANK LIMITED

The Directors present their Thirty-first Annual Report together with the audited accounts of your Bank for the year ended 31st March 2016.

FINANCIAL HIGHLIGHTS

Pursuant to the approval of the Reserve Bank of India to the Scheme of Amalgamation of ING Vysya Bank Ltd. (IVBL) with Kotak Mahindra Bank Ltd. (the Bank), IVBL merged with the Bank effective from 1st April 2015. The current year consolidated and standalone figures include operations of the erstwhile IVBL. Hence, the previous year figures are not comparable.

The financial highlights are summarized below:

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

	31st March 2016 ₹ crore	31st March 2015 ₹ crore
Total income	28,032.36	21,471.08
Total expenditure, excluding provisions and contingencies	22,017.06	16,715.37
Operating Profit	6,015.30	4,755.71
Provisions and contingencies, excluding provision for tax	991.56	205.73
Profit before tax	5,023.74	4,549.98
Provision for taxes	1,592.62	1,484.90
Profit after tax	3,431.12	3,065.08
Less: Share of minority interest	65.19	59.51
Add: Share in profit of Associates	92.92	39.88
Consolidated profit for the Group	3,458.85	3,045.45
Earnings per Equity Share:		
Basic (₹)	18.91	19.75
Diluted (₹)	18.87	19.70

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

	31st March 2016 ₹ crore	31st March 2015 ₹ crore
Total Income	18,996.42	11,748.32
Total expenditure, excluding provisions and contingencies	14,955.33	8,750.86
Operating Profit	4,041.09	2,997.46
Provisions and contingencies, excluding tax provisions	917.37	164.50
Profit before tax	3,123.72	2,832.96
Provision for taxes	1,033.94	966.98
Profit after tax	2,089.78	1,865.98
Add: Surplus brought forward from the previous year	5,095.26	4,005.29
Add: Net Additions on Amalgamation	1,674.71	-
Amount available for appropriation	8,859.75	5,871.27
Appropriations:		
Statutory Reserve under Section 17 of the Banking Regulation Act, 1949	522.45	466.50
General Reserve	-	93.30
Transfer to / (from) Investment Reserve Account	(41.52)	86.65
Transfer to Capital Reserve	9.17	5.91
Transfer to Special Reserve	45.00	28.00
Proposed Dividend	91.84	82.07
Corporate Dividend Tax	18.69	13.58
Surplus carried to Balance Sheet	8,214.12	5,095.26

BONUS ISSUE OF SHARES

During the year, pursuant to approval of the shareholders of the Bank at the Annual General meeting held on 29th June 2015, your Bank issued 91,28,41,920 Bonus shares in the ratio of 1:1 i.e. one equity share for every one equity share held on the Record Date, to the Members on 10th July 2015.

DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 0.50 per equity share entailing a payout of ₹ 110.53 crore including dividend distribution tax. 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 99,91,715 equity shares (adjusted for bonus) arising out of the exercise of Employees Stock Options granted to the employees and whole-time directors of your Bank and its subsidiaries. As per the ESOP Schemes of erstwhile ING Vysya Bank Ltd. (eIVBL), the stock options granted to the employees vested on an accelerated basis upon the merger. Consequently, the number of stock options on which vesting was accelerated was 1,04,91,900 (on a post swap basis, adjusted for bonus shares).

Post allotment of equity shares as aforesaid and the bonus allotment, the issued, subscribed and paid-up share capital of your Bank stands at ₹ 9,17,19,10,790 comprising of 1,83,43,82,158 equity shares of ₹ 5 each as on 31st March 2016.

Your Bank is well capitalised and has a Capital Adequacy Ratio (‘CAR’) under Basel III as at 31st March 2016 of 16.34% with Tier I being 15.28%.

During the year, your Bank has not issued any capital under Tier II. As on 31st March 2016, outstanding Unsecured, Redeemable Non-Convertible, Subordinated Debt Bonds were ₹ 969.7 crore and outstanding Unsecured, Non-Convertible, Redeemable Debt Capital Instruments Upper Tier II stood at ₹ 806.31 crore.

TERMINATION OF GDS PROGRAM

The Global Depository Shares (GDS) of the Bank were listed on Luxembourg Stock Exchange. Consequent to the issuance of notice of termination of the GDS program by the Bank to the Custodian and the Depository, the Depository Agreement entered into between the Bank and the Depository was terminated. Subsequently, the GDS program has been terminated with effect from 4th September 2015.

OPERATIONS

Consumer Banking

The merger of ING Vysya Bank (IVBL) with your Bank brought in 577 branches and 657 ATMs from the erstwhile IVBL.

Your Bank consolidated its network presence through a measured expansion of its footprint across the country and as of 31st March 2016 had 1333 branches and 2032 ATMs, covering 706 locations. Of the 74 new branches commissioned this year, 32 were in rural and semi-urban locations. Your Bank added about 10.96 lac new customers this year across core banking products of savings and checking accounts, term deposits, overdrafts and non-resident accounts.

Your Bank rolled out several initiatives aimed at offering a superior and differentiated customer experience. Some key ones are:

<u>Products and Services</u>

- Launched its first E-Lobby at Andheri Metro Station, Mumbai. The e-lobby offers a host of self service capabilities such as ATM, Banking Kiosk, Tablets, Surface Table, etc. which can be used by both customers and non-customers.

- Enhanced its suite of products positioned at specific customer segments and launched two new propositions, MY FAMILY - a savings bank proposition tailored exclusively for the entire family. The proposition gives the benefit of pooling in balances across family members & also gives them the benefit of a dedicated relationship manager for the family, and, ALPHA - a savings bank proposition linked to investments. The customer gets the benefit of a NMC waived savings account when they choose an RD (or) MF SIP (or) NPS along-with a term insurance premium of ₹ 300 per month (which offers a cover of ₹20 lac) linked to their savings account. The proposition also offers Cash Back on Debit Card spends & is targeted for the age group of 18-55.

- Tied up with Thomas Cook and Kuoni Travels to offer a Holiday Savings Account linked to a Recurring Deposit. Customers get benefit of various schemes & offers launched by these travel companies and the banking linkage enables them to save on a monthly basis to facilitate the holiday expense.

- Appointed as Authorised Collection Centre (ACC) by Stock Holding Corporation of India Ltd (SHCIL) for providing E-stamping facility in the states of Punjab and Rajasthan.

- Appointed as one of the collecting Banks for Government of India's Sovereign Gold Bonds and was actively involved in raising subscriptions across all three tranches.

- Launched three new Current Account products - Kotak Pro Plus, Kotak Elite Plus and Kotak Ace Plus offering more efficient cash management in select locations.

- Introduced Kotak Cheque Protect, a calibrated credit oriented program for offering cheque protection facility to existing customers for honouring cheques in the event of shortfall in the bank account, based on certain pre-approved parameters.

- Implemented Foreign Account Tax Compliance Act (FATCA) / Common Reporting Standard (CRS) which requires the Bank to carry out due diligence of its customers to identify the individuals and entities which fulfill the indices as prescribed by the regulatory bodies and reporting to the Indian tax authorities for onward submission of information to foreign authorities as appropriate.

<u>Business Lines</u>

a) Non Resident Indian Business

Some of the key initiatives taken this year are:

- Extended C2R money transfer mode for Canada. Your Bank's NRI clients can now use this medium to transfer money from Canada to their Kotak Bank account in India.

- Further expanded the network of exchange house relationships and the count now stands at 26.

- As a platform to reach out to the overseas Indian community, your Bank has participated in various international business forums organized by the Indian community in various countries.

- In order to work closely with the mariner community & shipping companies your Bank has participated in various mariner events nationally.

b) Priority Banking Business

Privy League program, positioned to cater to the affluent segment, now services 3.4 lac customers. A new tier-"Insignia" was launched at select locations to cater to customers with group relationship value of at least ₹ 1 crore. A Corporate Credit card with exclusive benefits for Privy League Business banking customers was introduced to increase the segmental focus in the program. To address customers' need for legacy planning, Smart Will, an automated online will writing solution was launched in association with Kotak Securities.

c) Corporate Salary Business

Salary2Wealth – Your Bank's corporate salary business now caters to over 17 lac customers across 13,700 corporates. The Salary2Wealth book grew by 33% Y-o-Y to close the year at ₹ 3,988 crore and acquired 4.90 lac new customers with more than 1,700 new corporate sign-up's.

d) Consumer Assets

Your Bank has continued to grow the product lines under the Consumer Assets business.

Credit Card: Credit card business has issued 6.34 lac cards by March 2016 and is in its seventh year of operations. The premium range of our products – VISA Signature and VISA Platinum have driven the spends growth in the portfolio and it contributes to 42% of spends. The credit card business has clocked total spends of ₹ 4,543 crore for the year at 42% growth Y-o-Y with a book size of ₹942 crore.

Salaried Personal Loan: Salaried personal loan business offers salaried individuals personal loans with a tenure of upto 60 months. This year the business has grown by 70% with outstanding loans of ₹ 1,416 crore as of March 2016. The total customer base stands at 47,500 customers.

Home Finance: Home finance business clocked growth of 19% in disbursements with loan book growth of 19%. Your Bank has expanded its home finance business further in Tier II cities. Cross Sell through Bank Branches, Corporate Salary, Privy, and Wealth Teams contributed to around 38% of total volume. This year also witnessed very low losses on account of effective recovery and collection processes and policies adopted.

e) Business Banking Assets (BBA)

Your Bank through its BBA division offers secured and unsecured Business loans, Loans against Property & Working Capital Finance to self-employed professionals / non-professionals and Small & Medium Enterprises. This has been a landmark year for your Bank's BBA business with its book growing by 30%. It continues to maintain its best in class portfolio quality through it effective and efficient risk management and recovery policies and practices. Capitalizing on the growing retail branch network, your Bank managed to expand its BBA product offering in over 450 branches.

Wholesale Banking

Your Bank through its consolidated franchise has focussed on serving customers' requirements across segments with its wide array of customized financial products and services that are driven through best-in-class technology platforms. Your Bank is a trusted banking franchise consistently delivering right and customised solutions to high quality customers through a passionate and entrepreneurial team.

Focussed approach on client selection and constant portfolio monitoring has ensured a healthy portfolio through both volatile economic situation and tough credit environment in the last financial year. In order to give more focus to our client activities, your Bank created a separate Corporate, Institutional & Investment Banking vertical which covers selected large Indian corporate houses with a view to provide a single platform to service both their corporate banking and investment banking needs. Consequent to the merger of ING Vysya Bank Limited with your Bank, we now have a strong presence in the multinational segment i.e. as a banker to various multinational companies present in India.

The Integrated Global Transaction Banking with enhanced suite of products and solutions is steered by innovation, technology & "Kona Kona Kotak". The merger has opened up new opportunities to cater to needs of customer segments such as Insurance, Corresponding Banking and Multinational Companies. In addition to serving existing customers as well as being bankers' Bank on Global Transaction Banking, your Bank has led from the front in offering services to new age segments viz. E-com and M-com. Your Bank recognises the dynamic landscape in Transaction Banking and the evolving Banking space and has suitably invested in fintech initiatives. It is your Bank's endeavour to continue to provide simple, secure, reliable solutions leading to superior customer experience.

Your Bank has been in the limelight for its people, products and services. It has been adjudged Best Cash Management Bank across business categories – Small, Medium and Large Corporates. The Global Custodian magazine has conferred a dual recognition for the Custody Business in the India Domestic Survey and later in the Survey of Agent Banks in Emerging Markets.

Your Bank has introduced the following key initiatives to serve customers better:

- Service Support: To ensure a faster customer response, a Service Solutions vertical was set up during the year. This vertical is the single point of contact for all service related and documentation issues for wholesale customers with personnel present across all key major 9 locations across the country.

- Secure Internet Banking: Given the growing online frauds, the security of the net banking platform has been further strengthened by offering secured token for logging in. Customers can use the dynamic number on the token along with the password to access the account online and transact thereafter.

- KashPay: Offers "walkin" cash and cheque collection services through branch network thereby enhancing the reach and convenience for the customer. The product is capable of validating the collection data pre-fed by customer to ensure only valid requests are processed. The transaction processing is supported by comprehensive MIS for ease of reconciliation and instant status of collection.

- Operation SAHAJ: In order to gain increased efficiencies, your Bank has started Operation SAHAJ. This focusses on improving existing client facing or back-end process in order to deliver superior service to the client with a lower turnaround time without compromising on credit / operational risk. One of our client facing endeavours has been able to open any account in one day post receiving the complete documentation. As of today, courtesy Operation SAHAJ, accounts are being opened within the target of one day. Further, various products are implementing monitoring and control systems to measure and improve service parameters.

- Trade: Tie up with multiple offshore banks for facilitating client transactions like offshore guarantees, ECA financing, ECB funding, offshore subsidiary funding etc. Your Bank is preferred trade partner for top banks for Europe and US region for their India centric business. Financial/ Performance Guarantees, Letter of Credit and remittances of these banks now are handled at your Bank counters.

Commercial Banking

The Commercial Banking business has registered a reasonable growth in FY 2015-16 despite subdued market sentiments and erratic monsoon.

Commercial Vehicles (CV) and Construction Equipment (CE) sectors, which have been witnessing slowdown since 2011, showed strong signs of recovery. The CV situation has improved significantly over the previous year, especially in the case of Medium Commercial Vehicle (MCV) & Heavy Commercial Vehicle (HCV) sales across segments, which was driven by replacement demand. Your Bank has increased exposure significantly to this sector in FY 2015-16. Light Commercial Vehicle (LCV) segment has also grown over the previous year. Further, decrease in energy prices and all round improvement of load factors have improved viability for transport operations and also reduced levels of delinquency. Small Commercial Vehicles (SCV) segment is also showing signs of recovery with marginal growth in the last quarter.

Despite a second back to back dry spell last year, the agri business (including the tractor finance business) managed to grow last year with the loans outstanding of ₹17,993 crore. The agri business increased its focus on financial inclusion activities by directly financing the micro loans segment for women's Joint Liability Groups. Close to 56,000 women borrowers were added with loan sizes of around ₹20,000 each to women in the states of UP and Bihar.

Your Bank has maintained its market share in the tractor finance business. While the delinquencies in this segment have increased, it is under control.

Activities in focus were loans for construction of ware houses & cold storages, warehouse receipt funding under pledge, micro loans and loans for purchase of pumps etc. These loans qualified for small and marginal farmer categorisations and direct individual farmer funding. Other Agri loans included loans for food and Agro processing units.

The agri division (including tractor finance) continued to manage its delinquency though incremental stress was observed across locations due to monsoon shortfall.

The growth of the Emerging Corporate Group's (ECG) portfolio has been modest in FY 2015-16. There has been an increase in delinquencies in this segment, mainly on account of volatile commodity prices and uncertainty in the economy.

Asset Reconstruction

It was challenging to sell large assets under possession as the market was sluggish for real estate sales. The legal judicial system continues to languish in terms of passing timely orders which cause significant delay in timely and effective recoveries.

The division continued to focus on last mile financing to companies which are on the turnaround path with clear focus on cash flow based recoveries.

The recoveries from NPA purchase of retail portfolio continues to be robust.

Your Bank believes that banks and NBFCs in the next few years will continue to sell their retail NPA portfolios, which will help the division to acquire more portfolios.

Treasury

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

- Proprietary Trading: The various proprietary trading desks actively trade in products such as Fixed Income, Money Markets, Derivatives, Foreign Exchange and Bullion. Primary Dealer Desk – part of the proprietary trading desk, actively participates in the primary auctions of government securities, makes market in government securities and engages in retailing of government securities.

- Customer Transactions:

  - Facilitating access to foreign currency markets through cash & derivatives products and providing fine market rates to clients for remittance and trade transactions.

  - o 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 on relationships with offshore banks towards improving quality and international reach for its customers.

Human Resources

The year 2015-16 has been a year of continued focus on employee well-being and investment in human capital stayed significant.

Your Bank undertook substantial work to drive the 'core' values and culture of the Bank in the last year that strengthened the merger of erstwhile ING Vysya Bank with Kotak Mahindra Bank. To ensure a seamless cultural integration, various initiatives were launched to internalize behavioral parameters and the values across the organization. Further thrust was laid on employee engagement through its linkage to behavioral parameters.

Your Bank has taken strides in the past year and continues to grow with a talent base of over 31,000 employees. A proactive approach to adopting the best of human resource practices, efficient systems, processes and continuous investments in technology has helped manage the scale and complexity of a large and distributed workforce.

With an average age of 33 years your Bank continues to attract talent across all its businesses and hierarchy. Pre-trained manpower acquisition channels such as Kotak Sales Officer (KSO) and Junior Sales Officer (JSO) programs have been further strengthened to create a sustainable workforce pipeline. To enhance ability to deliver on strategic work-force planning and hiring goals, a dedicated team was institutionalized to focus on end to end talent acquisition process – maximizing channel efficiencies, optimizing costs, simplifying and standardizing hiring process and creating a seamless hiring experience to potential employees.

With 19% of the workforce being women, your Bank realizes that achieving progressive gender representation requires addressing mindsets and developing a more inclusive, holistic diversity agenda. Your Bank continues to strive to provide opportunities for a diverse and competent workforce.

Your Bank is committed to developing its capabilities as an organization and as individuals to meet current and future business challenges. In the year 2015-16, we have invested significantly in training and professional development – leveraging the latest technologies to deliver highly impactful and relevant training programs to our employees. These learning initiatives are designed around development of individual and team competencies in partnership with top academic institutions and renowned industry professionals. Leadership Development Programs focused on developing the leadership capabilities of our senior executives, to help them prepare for future roles in the organization.

Your Bank continues its focus on engagement and retention through initiatives that provides a holistic environment where employees get opportunities to realize their potential. Talent management as an integral part of overall performance management process in the Bank aims to provide long term, sustained and meaningful careers to employees across the organization. 'Pulse' engagement survey, along with other engagement initiatives, provided insights on distinct employee needs that helped developing appropriate interventions.

We are entering a new age where digital is default and this technological change is shaping the sociological change impacting every facet of life and work. Anticipating digital being a significant transformation opportunity, we are on the journey to leverage digital technology to enable greater engagement, interaction and flexibility.

Guided by our value system that motivates our attitudes and action, your Bank is focused on forward looking policies, lean processes and nurturing talent.

Technology

With the announcement of the merger with ING Vysya Bank, your Bank took up the initiative of merging the technology systems and data of the two banks. The merger provided an opportunity to leverage the "best of breed" systems from both banks. As the technology integration progressed across business verticals, your Bank identified synergies in systems and capabilities to optimize costs across the technology operations of the two banks. The merged systems will provide a standard customer experience across all channels to all customers of the merged entities.

Customer data security and risk management need to keep pace with digital offerings. With this in mind, the Distributed Denial of Service was augmented with an in-premise solution. A fraud management solution to track customer transactions across channels was implemented. On the regulatory side, a new Enterprise Risk System was implemented for the Value at Risk calculation of the treasury products.

Digitization

Focus on creating more and more digitally enabled services across channels remained a key priority for your Bank in this year. Some of the highlights being:

- Launched a comprehensive microsite for New Pension System with various calculators and educative content to demystify the concept of pension and also enable people to get started with opening their pension account online.

- Launched a real time customer acquisition platform for personal loan, where a customer PAN, Adhaar & CIBIL are checked real time & decision about the loan amount and interest rate can be given instantly.

- Launched Pre-approved Personal Loan on Net Banking for salaried customers. This enables a pre-qualified customer to apply for personal loan while logged into the net-banking account and the disbursed amount is instantly credited to customer's banking account.

- Launched tab based account opening process for Saving Account. This is an end-to-end digitized workflow, from lead capture to account set up, thereby reducing the processing time and enhancing customer experience.

- Hashtag banking was given further fillip by creating capability to order a book or special promotional movies by just a single tweet.

- Launched Kotak Bharat Banking - India's first internet-free app. This app does not need internet to transact. Customer can do 25 different transactions including mobile recharge and small value fund transfer. The app is available in 6 languages (Hindi, Gujarati, Marathi, Tamil, Kannada and English). Response messages within the app will also be in regional language.

- Rolled out e-store on Net Banking after successful roll out of m-store on banking app. This includes travel categories like flight tickets, bus tickets and hotel booking.

- Introduced new features in the iPhone version of mobile app. iPhone customers can now book a Recurring Deposit (RD), Add a new biller and set Auto Pay amongst various new services introduced.

- Turn-around times for lending to commercial customers significantly improved by digitizing the process by introducing a tablet based lead management system for use by sales people in the field.

- Corporate customers got an upgraded FX trading portal.

- Digitization for wealth management customers was also strengthened with the launch of a portal providing a single view of all their investments.

Investment in Airtel M Commerce Services Ltd.

Airtel M Commerce Services Ltd. Company (AMSL), 100% subsidiary of Bharti Airtel Ltd. (BAL), had been granted in-principle approval for setting up a Payments Bank by the Reserve Bank of India (RBI) in August 2015. Basic but critical services such as small savings account, remittances etc. will bring a large number of low income households and small businesses under formal banking network. Your Bank in February 2016 has signed a Share Subscription and Shareholders Agreement with AMSL and BAL for acquisition of 19.90% equity stake in AMSL. Subsequently, your Bank has invested in AMSL. AMSL has received final license from RBI in April 2016.

SUBSIDIARIES & ASSOCIATES

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.

As at 31st March 2016, your Bank has eighteen (18) subsidiaries as listed below:

Domestic Subsidiaries

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 Investment Advisors Limited
Kotak Mahindra Trusteeship Services Limited
Kotak Forex Brokerage Limited
Kotak Mahindra Pension Fund Limited
Kotak Mahindra General Insurance Company Limited
IVY Product Intermediaries Limited (formerly known as 'ING Vysya Financial Services Limited')

International Subsidiaries

Kotak Mahindra (International) Limited
Kotak Mahindra (UK) Limited
Kotak Mahindra Inc.
Kotak Mahindra Financial Services Limited
Kotak Mahindra Asset Management (Singapore) Pte. Limited

Kotak Mahindra General Insurance Company Limited, which was incorporated in December 2014 with principal objective of carrying on business of general insurance, received approval from Insurance Regulatory and Development Authority of India (IRDAI) to commence the business of general insurance in November 2015 and subsequently commenced its operations in December 2015.

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

The Bank's Policy for determining material subsidiaries is available on the Bank's website viz. URL: http://ir.kotak.com/governance/policies.html

As at 31st March 2016, your Bank has following four (4) Associate companies:

ACE Derivatives & Commodity Exchange Limited
Infina Finance Private Limited
Matrix Business Services India Private Limited
Phoenix ARC Private Limited

The Annual Report which consists of the financial statements of your Bank on standalone basis as well as consolidated financial statements of the group for the year ended 31st March 2016, is sent to all the members of your Bank. Web link of the Annual Report is sent to all members whose email IDs are registered with the Bank/Depository Participant(s). For members who have not registered their email IDs, physical copies of the Annual Report are sent. It does not contain Annual Reports of your Bank's subsidiary companies. Your Bank will make available full Annual Report (including the Annual Reports of all subsidiaries) either a hard or soft copy depending upon request by any member of your Bank. These Annual Reports will be available on your Bank's website viz. URL: 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 & STOCK APPRECIATION RIGHTS SCHEMES

The shareholders of the Bank at its Annual General Meeting held on 29th June 2015 approved a new Scheme under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, for the purposes of granting options and stock appreciation rights to the employees of the Bank, its subsidiaries and its associate companies, as applicable, viz. Kotak Mahindra Share Based Employee Benefit Scheme 2015 comprising of:

- Kotak Mahindra Equity Option Scheme 2015 and
- Kotak Mahindra Stock Appreciation Rights Scheme 2015

Further, pursuant to the Scheme of Amalgamation of ING Vysya Bank (IVBL) with the Bank, the ESOP Schemes of the erstwhile IVBL have been renamed and adopted by the Bank, as given below:

- Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2005
- Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2007
- Kotak Mahindra Bank Ltd. (IVBL) Employee Stock Option Scheme 2010
- Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2013

The stock options granted to the employees currently operate under the following Schemes:

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

The disclosure requirements under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, for the aforesaid ESOP & SARs Schemes, in respect of the year ended 31st March 2016, are disclosed on the Bank's website viz. URL: http://ir.kotak.com/annual-reports

CORPORATE GOVERNANCE AND BUSINESS RESPONSIBILITY REPORT

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

DIRECTORS & KEY MANAGERIAL PERSONNEL

Directors retiring by rotation

Mr. N.P. Sarda (DIN 03480129), Non-Executive & Non-Independent Director of the Bank, retires by rotation as a Director at this Annual General Meeting but having crossed 70 years of age is not offering himself for re-appointment in line with Reserve Bank of India policy and directions.

The Bank does not intend to fill this vacancy at this Annual General Meeting.

Changes in Directors

Mr. C. Jayaram (DIN 00012214), retired as Joint Managing Director of the Bank on 30th April 2016, on attaining the age of superannuation. However, Mr. Jayaram continues as a Non-Executive Non-Independent Director of the Bank with effect from 1st May 2016 up to the date of this Annual General Meeting. Approval of shareholders is being sought at this Annual General Meeting for his appointment as a Non-executive Non-Independent Director of the Bank who would be liable to retire by rotation.

Mr. Asim Ghosh (DIN 00116139), retired as a Director of the Bank with effect from 9th May 2016 due to completion of his eight years tenure pursuant to the provisions of Section 10A(2A)(i) of the Banking Regulation Act, 1949.

Your Directors place on record their appreciation for the valuable advice and guidance rendered by Mr. N.P. Sarda and Mr. Asim Ghosh during their tenure as Directors of the Bank.

The details of the Directors appointed are set out in the Corporate Governance Report annexed to this Report.

Declaration from Independent Directors

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

Board Evaluation

The Nomination and Remuneration Committee of the Bank's Board under the expert advice of an external agency specialized in Human Resource and management consultancy, has formulated the criteria for performance evaluation of the Directors and the Board as a whole. The Criteria formulated broadly covers the Board role, Board/Committee membership, practice & procedure and collaboration & style.

A Board effectiveness assessment questionnaire was designed for the performance evaluation of the Board, its Committees, Chairman and individual directors in accordance with the criteria set and covering various aspects of performance including composition, relationship among directors, director competency, contribution to risk management compliance, roles and responsibility, board procedures, processes, functioning and effectiveness. The said questionnaire was circulated to all the directors of the Bank for the annual performance evaluation.

Based on the assessment of the responses received to the questionnaire from the directors on the annual evaluation of the Board, its Committees, Chairman and the individual Directors, the Board Evaluation Report was placed before the meeting of the Independent Directors for consideration. Similarly, the Board at its meeting assessed the performance of the Independent Directors. The Directors were satisfied with the results of the performance evaluation of the Board & its Committees, Chairman and individual directors.

Key Managerial Personnel (KMPs)

Mr. C. Jayaram ceased to be a 'Key Managerial Personnel' with effect from 1st May 2016 upon his retirement as a Joint Managing Director of the Bank.

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

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

Appointment & Remuneration of Directors & KMPs

The appointment and remuneration of Directors of the Bank is governed by the provisions of Section 35B of the Banking Regulation Act, 1949. The Nomination and Remuneration Committee of the Bank's Board has formulated criteria for appointment of Senior Management personnel and the Directors. Based on the criteria set it recommends to the Board the appointment of Directors and Senior Management personnel. The Committee considers the qualifications, experience, fit & proper status, positive attributes as per the suitability of the role, independent status and various regulatory/statutory requirements as may be required of the candidate before such appointment.

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

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

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

- Objective is to maintain fair, consistent and equitable compensation practices in alignment with Kotak's core values and strategic business goals.
- Applicable to all employees of the Bank. Employees classified into 3 groups:
    - Whole-time Directors/Chief Executive Officer
    - Risk Control and Compliance Staff
    - Other categories of Staff
- Compensation structure broadly divided into Fixed, Variable and ESOPs
    - Fixed Pay – Total cost to the Company i.e. Salary, Retirals and Other Benefits
    - Variable Pay – Linked to assessment of performance and potential based on Balanced Key Result Areas (KRAs), Standards of Performance and achievement of targets with overall linkage to Bank budgets and business objectives. The main form of incentive compensation includes – Cash, Deferred Cash/Incentive Plan and Stock Appreciation Rights.
    - ESOPs – Granted on a discretionary basis to employee based on their performance and potential with the objective of retaining the employee.
- Compensation Composition – The ratio of Variable Pay to Fixed Pay and the ratio of Cash v/s Non Cash within Variable pay outlined for each category of employee classification.
- Any variation in the Policy to be with approval of the Nomination & Remuneration Committee.
- Malus and Clawback clauses applicable on Deferred Variable Pay.
- Ensuring no personal hedging strategies by employees which undermine risk alignment effects as part of their remuneration.

The details of the remuneration paid to the Non-Executive Chairman, Executive and Non-Executive Directors of the Bank for the year ended 31st March 2016 is provided in the Corporate Governance Report annexed to this Report.

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

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

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

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

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

Approval of shareholders for the payment of commission to the NEDs of the Bank is being sought at the ensuing Annual General Meeting of the Bank.

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

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

Sr. No.	Disclosure Requirement	Disclosure Details			
1	Ratio of the remuneration of each director to the median remuneration of the employees for the financial year	**Directors**	**Title**	**Ratio**	
		Mr Uday Kotak	Vice Chairman & Managing Director	42.01X	
		Mr C Jayaram*	Joint Managing Director	41.69X	
		Mr Dipak Gupta	Joint Managing Director	41.47X	
		Dr Shankar Acharya	Part time Chairman	4.58X	
2	Percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	**Directors/KMP**	**Title**	**% increase in remuneration**	**% increase in remuneration excluding SARs**
		Mr Uday Kotak	Vice Chairman & Managing Director	9.48%	9.48%
		Mr C Jayaram*	Joint Managing Director	9.67%	9.67%
		Mr Dipak Gupta	Joint Managing Director	9.35%	9.35%
		Dr Shankar Acharya	Part time Chairman	12.50%	12.50%
		Mr Jaimin Bhatt	Group CFO	3.51%	7.93%
		Ms Bina Chandarana	Company Secretary	2.05%	10.10%
3	Percentage increase in the median remuneration of employees in the financial year	For employees who were in employment for the whole of FY 15-16 percentage increase in the median remuneration is 12.74% and 13.12% (excluding SARs).			

<table>
<tr><th>Sr. No.</th><th>Disclosure Requirement</th><th>Disclosure Details</th></tr>
<tr><td>4</td><td>Number of permanent employees on the rolls of Bank at the end of the year</td><td>31,410</td></tr>
<tr><td>5</td><td>Explanation on the relationship between average increase in remuneration and Bank performance</td><td>Recommendation for increase in remuneration is based on the following factors:
● Compensation trends based on industry benchmarking
● Compensation positioning vis-à-vis market trend
● Alignment between risks and remuneration
● Applicable regulatory guidelines
Increase in remuneration for FY 15-16 vis-à-vis FY 14-15 not comparable on account of merger (Please refer note 4 below)</td></tr>
<tr><td>6</td><td>Comparison of the remuneration of the Key Managerial Personnel against the performance of the Bank</td><td>For the FY 2015-16, KMPs were paid approximately 0.38% in aggregate of the Profit Before Tax of the Bank on standalone basis and 0.24% on consolidated basis.</td></tr>
<tr><td>7</td><td>Variations in the market capitalisation of the Bank, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase or decrease in the market quotations of the shares of the Bank in comparison to the rate at which the company came out with the last public offer</td><td>The market capitalisation of the Bank has increased from ₹ 101,429 crore as of 31st March 2015 to ₹ 124,857 crore as of 31st March 2016. Over the same period, the price earnings ratio on consolidated profits moved up from 33.33 to 36.08. Kotak Bank stock price as at 31st March 2016 has increased by 18,051% to ₹ 680.65 over the last public offering i.e. IPO in March 1993 at the price of ₹150 per share (post bonuses & subdivision adjusted price ₹ 3.75).</td></tr>
<tr><td>8</td><td>Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration</td><td>Average percentile increase in remuneration for employees other than managerial personnel for FY 15-16 vis-à-vis FY 14-15 not comparable on account of merger (Please refer note 4 below)

Average increase for managerial personnel is 7.04% and 9.20% excluding SARs</td></tr>
<tr><td>9</td><td>Comparison of each remuneration of the Key Managerial Personnel against the performance of the Bank</td><td>
<table>
<tr><th rowspan="2">Directors/KMP</th><th rowspan="2">Title</th><th colspan="2">Remuneration - FY 2015-16</th></tr>
<tr><th>%PBT (Standalone)</th><th>%PBT (Consolidated)</th></tr>
<tr><td>Mr Uday Kotak</td><td>Vice Chairman & Managing Director</td><td>0.08%</td><td>0.05%</td></tr>
<tr><td>Mr C Jayaram*</td><td>Joint Managing Director</td><td>0.08%</td><td>0.05%</td></tr>
<tr><td>Mr Dipak Gupta</td><td>Joint Managing Director</td><td>0.08%</td><td>0.05%</td></tr>
<tr><td>Mr Jaimin Bhatt</td><td>Group CFO</td><td>0.11%</td><td>0.07%</td></tr>
<tr><td>Ms Bina Chandarana</td><td>Company Secretary</td><td>0.03%</td><td>0.02%</td></tr>
</table>
</td></tr>
<tr><td>10</td><td>Key parameters for any variable component of remuneration availed by the directors</td><td>The key parameters for variable component of remuneration availed by the directors are:
● Overall Performance
● Achievement of budgets
● Various risks
● Variable pay will not exceed 70% of the fixed pay.
● Cash component of the variable pay will not exceed 50% of the Fixed Pay.
● If variable pay is higher than 50% of fixed pay, atleast 40% of the variable pay will be deferred over a period of 3 years or longer on a pro-rata basis.
● ESOPs are not considered as variable pay for this purpose</td></tr>
</table>

Sr. No.	Disclosure Requirement	Disclosure Details
11	Ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	There are 11 employees who are not directors but received remuneration in excess of the highest paid director during the year. Considering the average remuneration of these employees, the ratio works out to 1:1.36
12	Affirmation that the remuneration is as per the remuneration policy of the Bank	The Bank is in compliance with its Compensation Policy

Notes:

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

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

3) * Mr. C. Jayaram retired as Joint Managing Director of the Bank on 30th April 2016, on attaining the age of superannuation. He continues as a non-executive non-independent director of the Bank w.e.f. 1st May 2016.

4) The merger of ING Vysya Bank ('IVBL') with Kotak Mahindra Bank ('Bank') was effective from 1st April 2015. Accordingly, there has been integration of the erstwhile IVBL with the Bank and a consequent increase in the employee base for the FY 2015-16. Hence, the numbers for FY 2015-16 are not comparable with that of FY 2014-15.

SECRETARIAL AUDITOR

Pursuant to Section 204 of the Companies Act, 2013, your Bank has appointed Ms. Rupal D. Jhaveri, a Company Secretary in Practice, as its Secretarial Auditor. The Secretarial Audit Report for the financial year ended 31st March 2016 is annexed to this Report.

DEPOSITS

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

AUDITORS

In terms of Section 139 of the Companies Act, 2013, Messrs S.R. Batliboi & Co. LLP, Chartered Accountants, were appointed as statutory auditors of your Bank for a period of four years from the conclusion of the Thirtieth Annual General Meeting until the conclusion of the Thirty fourth Annual General Meeting of the Bank, subject to the annual approval of RBI and ratification by the members every year. Accordingly, requisite resolution forms part of the Notice convening the Annual General Meeting.

INTERNAL FINANCIAL CONTROLS

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

RELATED PARTY TRANSACTIONS

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

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

All Related Party Transactions as required under Accounting Standards AS-18 are reported in Note 24 of Schedule 17 - Notes to Accounts of the Consolidated financial statements and Note 7 of Schedule 18 C - Notes to Accounts of the Standalone financial statements of your Bank.

The Bank's Policy on dealing with Related Party Transactions is available on the Bank's website viz. URL: http://ir.kotak.com/governance/policies.html

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

WHISTLE BLOWER POLICY / VIGIL MECHANISM

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

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

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

Currently an online mechanism enabling aforementioned reporting has been implemented over and above other modes of communication like e-mail, or a letter sent by mail, courier or fax to designated persons.

Safeguards to avoid discrimination, retaliation, or harassment, and confidentiality have been incorporated in the policy. All employees and directors have access to the Chairman of the Audit Committee in appropriate and exception circumstances.

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

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Bank has constituted a Board Corporate Social Responsibility Committee (CSR Committee) and consists of the following Directors:

- Mr. C Jayaram, Non-Executive Non-Independent Director & Chairman of the CSR Committee
- Mr. Dipak Gupta, Joint Managing Director
- Prof S. Mahendra Dev, Independent Director

Your Bank's CSR Committee drives the CSR programme of the Bank. Your Bank has a Board approved CSR policy, charting out its CSR approach. This policy articulates the Bank's aim to positively contribute towards economic, environmental and social well-being of communities through its Corporate Social Responsibility agenda. The Bank's CSR agenda is driven by its key focus areas:

a. Promoting education – primary focus area
b. Enhancing vocational skills and livelihood
c. Promoting preventive healthcare and sanitation
d. Reducing inequalities faced by socially and economically backward groups
e. Sustainable development
f. Relief and rehabilitation
g. Clean India
h. Sports

The Bank's CSR policy is available on the Bank's website viz. URL : http://www.kotak.com/corporate-responsibility.html

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

The average net profit U/S 198 of the Bank standalone for the last three financial years preceding 31st March, 2016 is ₹ 2,366.37 crore.

The prescribed CSR expenditure required U/S 135, of the Act for FY 2015-16 is ₹ 4,733 lac.

The CSR expenditure incurred for the period 1st April 2015 to 31st March 2016 under Section 135 of Companies Act, 2013 amounts to ₹ 1,641 lac as against ₹ 1,197 lac CSR spend in the financial year 2014-15.

CSR expenditure of ₹ 1,641 lac in FY 2015-16 as a percentage of average net profit U/S 198 of the Bank standalone at ₹ 2,366.37 crore is 0.69%.

Your Bank is building its CSR capabilities on a sustainable basis and is committed to gradually increase its CSR spend in the coming years. The CSR Committee of the Board confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

The details of CSR activities and spends under Section 135 of the Companies Act, 2013 for FY 2015-16, are annexed to this Report.

RISK MANAGEMENT POLICY

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

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

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

EMPLOYEES

The employee strength of your Bank, standalone, was over 31,000 and along with its subsidiaries was over 46,000 as of 31st March 2016.

312 employees employed throughout the year and 132 employees employed for part of the year were in receipt of remuneration of ₹ 60 lac or more per annum.

With an average age of 33 years your Bank continues to attract talent across all its businesses and hierarchy and has put in place various processes and systems to ensure alignment of employee behaviors with the organization's core values.

Organizational culture aspects like trust & inclusiveness were also reiterated through 90+ cross functional meets conducted by senior business leaders for employees at mid management level under the "Meet 5" initiative.

In a very short span, your Bank has crossed several milestones in its Gender Diversity agenda.

- A differentiated talent acquisition strategy to increase women employee base across various suitable roles has helped us to continue adding 20% women amongst all new hires in the Bank. While continuing with our philosophy of providing equal opportunities, an aggressive push in this area will help us achieve a better balance in gender diversity.
- Your Bank's top senior women professionals (around forty women across Kotak) have been brought together under our diversity initiative "Astra" and these women leaders now play a pivotal role in guiding and mentoring other mid-level women employees to sustain and grow in the careers.
- Prevention of Sexual Harassment (POSH): Your Bank continues with the belief on zero tolerance towards sexual harassment at workplace and continues to uphold and maintain itself as a safe and non-discriminatory organization. To achieve the same Kotak reinforces the understanding and awareness of Prevention of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Your Bank has formulated Internal Complaints Committee (ICC) at three regions for reporting any untoward instance. Any complaints pertaining to sexual harassment are diligently reviewed and investigated and treated with great sensitivity. The ICC members have been trained in handling and resolving complaints and have also designed an online e-learning POSH Awareness module which covers the larger employee base.

  Following is a summary of sexual harassment complaints received and disposed of during the year 2015-16:

  o No. of complaints received : 8

  o No. of complaints disposed of : 4

  In the case of 4 pending cases, enquiries were in progress at the close of the year.

With our objective to identify, build and nurture leaders across levels to deliver superior business results and address individual career aspirations, this year your Bank introduced a new contemporary approach to assess and diagnose leadership competency gaps followed by a development plan.

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

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

DIRECTORS’ RESPONSIBILITY STATEMENT

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

(i) your Bank has, in the preparation of the annual accounts for the year ended 31st March 2016, 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 2016 and of the profit of your Bank for the financial year ended 31st March 2016;

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

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

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

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

ANNEXURES

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

- Extract of Annual Return under Section 134(3)(a) of the Companies Act, 2013 read with Rule 12 (1) of Companies (Management & Administration) Rules, 2014 (Annexure - A).
- Secretarial Audit Report pursuant to Section 204 of the Companies Act, 2013 (Annexure - B).
- Details of CSR Activities and Spends (Annexure - C).

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	**Uday Kotak**	Place: Mumbai,
Chairman	Executive Vice Chairman and Managing Director	Date: 11th May 2016

Form No. MGT-9 Annexure-A

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March 2016

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

I. REGISTRATION AND OTHER DETAILS:

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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary / Associate	% of shares held *	Applicable Section
	Domestic Subsidiaries				
1	Kotak Mahindra Prime Limited 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	U67200MH1996PLC097730	Subsidiary	100.00	2(87)
2	Kotak Securities Limited 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	U99999MH1994PLC134051	Subsidiary	100.00	2(87)
3	Kotak Mahindra Capital Company Limited 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	U67120MH1995PLC134050	Subsidiary	100.00	2(87)
4	Kotak Mahindra Old Mutual Life Insurance Limited 4th Floor, Vinay Bhavya Complex, 159 A, CST Road, Kalina, Santacruz (East), Mumbai - 400 098	U66030MH2000PLC128503	Subsidiary	74.00	2(87)
5	Kotak Mahindra Investments Limited 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	U65900MH1988PLC047986	Subsidiary	100.00	2(87)

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary / Associate	% of shares held *	Applicable Section
6	Kotak Mahindra Asset Management Company Limited 27 BKC, C-27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051	U65991MH1994PLC080009	Subsidiary	100.00	2(87)
7	Kotak Mahindra Trustee Company Limited 27 BKC, C-27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051	U65990MH1995PLC090279	Subsidiary	100.00	2(87)
8	Kotak Investment Advisors Limited 27 BKC, 7th Floor, Plot No. C-27, “G” Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051	U65990MH1994PLC077472	Subsidiary	100.00	2(87)
9	Kotak Mahindra Trusteeship Services Limited 27 BKC, 6th Floor, Plot No. C-27, “G” Block, Bandra-Kurla Complex Bandra (East), Mumbai - 400 051	U65991MH2000PLC125008	Subsidiary	100.00	2(87)
10	Kotak Forex Brokerage Limited Bakhtawar, 1st Floor, 229, Nariman Point, Mumbai 400 021.	U65910MH1988PLC048450	Subsidiary	100.00	2(87)
11	Kotak Mahindra Pension Fund Limited 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	U67200MH2009PLC191144	Subsidiary	100.00	2(87)
12	Kotak Mahindra General Insurance Company Limited 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	U66000MH2014PLC260291	Subsidiary	100.00	2(87)
13	IVY Product Intermediaries Limited (formerly known as ‘ING Vysya Financial Services Ltd.’) 22, M.G. Road, Bengaluru – 560 001	U85110KA1987PLC008144	Subsidiary	100.00	2(87)
	International Subsidiaries				
14	Kotak Mahindra (International) Limited Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius.	-	Subsidiary	100.00	2(87)
15	Kotak Mahindra (UK) Limited 55 Baker Street, London, W1U 7EU, UK	-	Subsidiary	100.00	2(87)
16	Kotak Mahindra Inc. 2711 Centreville Road, Suite 400, Wilmington DE 19808 USA	-	Subsidiary	100.00	2(87)
17	Kotak Mahindra Financial Services Limited Office No.703, Level 7, Office Tower – 2, Al Fattan Currency House, Dubai International Financial Centre Post Box 16498, Dubai, UAE	-	Subsidiary	100.00	2(87)

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary / Associate	% of shares held *	Applicable Section
18	Kotak Mahindra Asset Management (Singapore) Pte. Limited 16, Raffles Quay, #35-02, Hong Leong Building, Singapore - 048581	-	Subsidiary	100.00	2(87)
	Associate Companies				
19	ACE Derivatives & Commodity Exchange Limited Rawat Ni Wadi, Near Central Bank of India Gandhi Road , Ahmedabad - 380 001	U67100GJ1956PLC000597	Associate	40.00	2(6)
20	Infina Finance Private Limited 7th Floor, Dani Corporate Park, 158, CST Road, Kalina Santacruz (E), Mumbai 400 098.	U67120MH1996PTC098584	Associate	49.99	2(6)
21	Matrix Business Services India Private Limited New No 10, Kuppuswamy Street, T. Nagar, Chennai - 600 017	U74140TN2003PTC051482	Associate	19.77	2(6)
22	Phoenix ARC Private Limited Dani Corporate Park, 7th floor, 158, CST Road, Kalina, Santacruz(E), Mumbai 400 098	U67190MH2007PTC168303	Associate	49.90	2(6)

* Direct and indirect holdings

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year *				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
1) Indian									
a) Individual / HUF	308,784,064	-	308,784,064	39.98	617,568,279	-	617,568,279	33.67	-6.31
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp	312,278	-	312,278	0.04	624,556	-	624,556	0.03	-0.01
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
Sub total (A) (1)	**309,096,342**	**-**	**309,096,342**	**40.02**	**618,192,835**	**-**	**618,192,835**	**33.70**	**-6.32**
2) Foreign	-	-	-	-	-	-	-	-	-
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other….	-	-	-	-	-	-	-	-	-
Sub total (A) (2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**309,096,342**	**-**	**309,096,342**	**40.02**	**618,192,835**	**-**	**618,192,835**	**33.70**	**-6.32**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year *				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
B. Public Shareholding as per classification given by Depository									
1. Institutions									
a) Mutual Funds	12,714,378	19,000	12,733,378	1.65	71,943,553	38,940	71,982,493	3.92	2.28
b) Banks / FI	1,636,563	13,600	1,650,163	0.21	14,865,904	10,068	14,875,972	0.81	0.60
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	284,544,297	42,900	284,587,197	36.85	658,502,789	82,666	658,585,455	35.90	-0.94
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	**298,895,238**	**75,500**	**298,970,738**	**38.71**	**745,312,246**	**131,674**	**745,443,920**	**40.64**	**1.93**
2. Non-Institutions									
a) Bodies Corp.	25,392,669	59,190	25,451,859	3.30	73,160,249	124,294	73,284,543	4.00	0.70
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	24,904,500	4,871,973	29,776,473	3.86	70,607,237	11,007,285	81,614,522	4.45	0.59
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	49,393,733	146,430	49,540,163	6.41	115,611,804	150,000	115,761,804	6.31	-0.10
c) Others (specify)	-	-	-	-	-	-	-	-	-
Non Resident Indians	2,043,485	1,033,546	3,077,031	0.40	4,486,468	1,978,624	6,465,092	0.35	-0.05
Overseas Bodies Corporate	4,358,480	200	4,358,680	0.56	8,716,960	400	8,717,360	0.48	-0.09
Foreign Bank	32,800,000	-	32,800,000	4.25	32,800,000	-	32,800,000	1.79	-2.46
Foreign Bodies	15,724,002	-	15,724,002	2.04	143,866,170	-	143,866,170	7.84	5.81
Foreign Bodies-DR	40,677	-	40,677	0.01	173,652	-	173,652	0.01	0.00
Trust	612,573	-	612,573	0.08	5,090,287	-	5,090,287	0.28	0.20
HUF	1,132,776	-	1,132,776	0.15	-	-	-	0.00	-0.15
Clearing Members	774,952	-	774,952	0.10	2,941,952	-	2,941,952	0.16	0.06
NBFC	-	-	-	0.00	28,571	-	28,571	0.00	0.00
Foreign National	-	-	-	0.00	1,450	-	1,450	0.00	0.00
Sub-total(B)(2):-	**157,177,847**	**6,111,339**	**163,289,186**	**21.14**	**457,484,800**	**13,260,603**	**470,745,403**	**25.66**	**4.52**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**456,073,085**	**6,186,839**	**462,259,924**	**59.85**	**1,202,797,046**	**13,392,277**	**1,216,189,323**	**66.30**	**6.45**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year *				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
C. Shares held by Custodian for GDRs & ADRs	996,398	-	996,398	0.13	-	-	-	0.00	-0.13
	996,398	-	996,398	-	-	-	-	0.00	-
Grand Total (A+B+C)	**766,165,825**	**6,186,839**	**772,352,664**	**100.00**	**1,820,989,881**	**13,392,277**	**1,834,382,158**	**100.00**	**-**

Notes:

* Post Bonus Allotment numbers

The increase in Equity Share Capital during FY 2015-16 is on account of allotment of equity shares pursuant to the scheme of amalgamation of ING Vysya Bank with the Bank, allotment of equity shares under the various ESOP Schemes of the Bank and 1:1 Bonus allotment.

(ii) Shareholding of Promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares *	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	UDAY SURESH KOTAK	306,263,550	39.65	0.00	612,527,100	33.39	0.00	-6.26
2	KOTAK TRUSTEE COMPANY PVT. LTD BENEFICIAL OWNER MR. UDAY S KOTAK	312,278	0.04	0.00	624,556	0.03	0.00	-0.01
3	INDIRA SURESH KOTAK	1,213,360	0.16	0.00	2,426,720	0.13	0.00	-0.02
4	PALLAVI KOTAK	555,790	0.07	0.00	1,111,580	0.06	0.00	-0.01
5	DINKARRAI KALIDAS DESAI	396,754	0.05	0.00	793,508	0.04	0.00	-0.01
6	KUSUM DINKARRAI DESAI	149,130	0.02	0.00	298,260	0.02	0.00	0.00
7	SURESH AMRITLAL KOTAK	100,000	0.01	0.00	200,000	0.01	0.00	0.00
8	SURESH A KOTAK (HUF)	55,000	0.01	0.00	110,000	0.01	0.00	0.00
9	AARTI SURESH KOTAK	28,680	0.00	0.00	57,360	0.00	0.00	0.00
10	JANAK DINKARRAI DESAI	21,800	0.00	0.00	43,751	0.00	0.00	0.00
	Total	**309,096,342**	**40.02**	**0.00**	**618,192,835**	**33.70**	**0.00**	**-6.32**

* Post Bonus allotment numbers

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

Sl. No.			No. of shares	% of total shares of the company	Cumulative Shareholding during the year	
					No. of shares*	% of total shares of the company
	At the beginning of the year		309,096,342	40.02	618,192,684	33.70
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):					
1	JANAK DINKARRAI DESAI	Purchase 25th December 2015	100	0.00	618,192,784	33.70
2	JANAK DINKARRAI DESAI	Purchase 22nd January 2016	51	0.00	618,192,835	33.70
	At the End of the year		309,096,342	40.02	618,192,835	33.70

* Post Bonus allotment numbers

Date of credit of 1:1 Bonus shares - 17th July 2015

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

Sl no	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares - Decrease	No. of shares - Increase	Reason		No. of shares	% of total shares of the company
1	ING MAURITIUS INVESTMENTS I	-	0.00	-	-		31-03-15	-	0.00
				-	58,949,589	Merger	21-04-16	58,949,589	6.46
				-	58,949,589	1:1 Bonus	17-07-15	117,899,178	6.43
							31-03-16	117,899,178	6.43
2	EUROPACIFIC GROWTH FUND	38,186,776	4.94	-	-		31-03-15	38,186,776	4.94
				-	1,529,924	Merger	21-04-15	39,716,700	4.36
				-	925,000	Market Purchase	01-05-15	40,641,700	4.46
				-	554,857	Market Purchase	19-06-15	41,196,557	4.51
				-	1,951,605	Market Purchase	26-06-15	43,148,162	4.73
				-	385,844	Market Purchase	30-06-15	43,534,006	4.77
				-	572,647	Market Purchase	03-07-15	44,106,653	4.83
				-	124,604	Market Purchase	10-07-15	44,231,257	4.85
				-	44,231,257	1:1 Bonus	17-07-15	88,462,514	4.85
				-	2,246,000	Market Purchase	29-01-16	90,708,514	4.95
							31-03-16	90,708,514	4.94

Sl no	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares - Decrease	No. of shares - Increase	Reason		No. of shares	% of total shares of the company
3	CANADA PENSION PLAN INVESTMENT BOARD - MANAGED BY IM2	35,869,425	4.64	-	-		31-03-15	35,869,425	4.64
				-	35,869,425	1:1 Bonus	17-07-15	71,738,850	3.93
				-	18,100,000	Market Purchase	03-03-16	89,838,850	4.90
				-	-		31-03-16	89,838,850	4.90
4	SUMITOMO MITSUI BANKING CORPORATION	32,800,000	4.25	-	-		31-03-15	32,800,000	4.25
				-	32,800,000	1:1 Bonus	17-07-15	65,600,000	3.59
				32,800,000	-	Market Sale	04-03-16	32,800,000	1.79
				-	-		31-03-16	32,800,000	1.79
5	NATIONAL WESTMINSTER BANK PLC AS DEPOSITARY OF FIRST STATE ASIA PACIFIC LEADERS FUND A SUB FUND OF FIRST STATE INVESTMENTS ICVC	18,497,064	2.39				31-03-15	18,497,064	2.39
				-	18,497,064	1:1 Bonus	17-07-15	36,994,128	2.03
				2,209,687	-	Market Sale	02-10-15	34,784,441	1.90
				598,878	-	Market Sale	09-10-15	34,185,563	1.87
				2,001,968	-	Market Sale	30-10-15	32,183,595	1.76
				2,131,179	-	Market Sale	06-11-15	30,052,416	1.64
				493,522	-	Market Sale	13-11-15	29,558,894	1.61
							31-03-16	29,558,894	1.61
6	CALADIUM INVESTMENT PTE LTD	15,724,002	2.04	-	-		31-03-15	15,724,002	2.04
				724,002	-	Market Sale	10-04-15	15,000,000	1.94
				-	15,000,000	1:1 Bonus	17-07-15	30,000,000	1.64
				749,131	-	Market Sale	24-07-15	29,250,869	1.60
				83,877	-	Market Sale	31-07-15	29,166,992	1.60
				26,718	-	Market Sale	18-12-15	29,140,274	1.59
				973,282	-	Market Sale	25-12-15	28,166,992	1.54
				226,000	-	Market Sale	31-12-15	27,940,992	1.52
				182,702	-	Market Sale	01-01-16	27,758,290	1.51
				591,298	-	Market Sale	08-01-16	27,166,992	1.48
				164,293	-	Market Sale	15-01-16	27,002,699	1.47
				76,234	-	Market Sale	05-02-16	26,926,465	1.47
				959,473	-	Market Sale	12-02-16	25,966,992	1.42
					-	Market Sale	31-03-16	25,966,992	1.42
7	ANURADHA MAHINDRA	13,248,289	1.72	-	-		31-03-15	13,248,289	1.72
				64,619	-	Market Sale	10-04-15	13,183,670	1.71
				35,250	-	Market Sale	03-07-15	13,148,420	1.44
				34,400	-	Market Sale	10-07-15	13,114,020	1.44
				-	13,114,020	1:1Bonus	17-07-15	26,228,040	1.44
				67,500	-	Market Sale	17-07-15	26,160,540	1.43
				457,230	-	Market Sale	11-12-15	25,703,310	1.40
				359,100	-	Market Sale	18-12-15	25,344,210	1.38
				126,484	-	Market Sale	25-12-15	25,217,726	1.38
				42,600	-	Market Sale	31-12-15	25,175,126	1.37
				31,750	-	Market Sale	26-02-16	25,143,376	1.37

Sl no	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares - Decrease	No. of shares - Increase	Reason		No. of shares	% of total shares of the company
				45,800	-	Market Sale	04-03-16	25,097,576	1.37
				121,400	-	Market Sale	25-03-16	24,976,176	1.36
				88,800	-	Market Sale	31-03-16	24,887,376	1.36
				-	-		31-03-16	24,887,376	1.36
8	CAPITAL WORLD GROWTH AND INCOME FUND	4,159,353	0.54	-	-		31-03-15	4,159,353	0.54
				-	1,020,308	Market Purchase	10-04-15	5,179,661	0.67
				-	295,205	Market Purchase	17-04-15	5,474,866	0.71
				-	386,425	Merger	21-04-15	5,861,291	0.64
				-	865,347	Market Purchase	24-04-15	6,726,638	0.74
				-	6,726,638	1:1 Bonus	17-07-15	13,453,276	0.74
				-	127,046	Market Purchase	13-11-15	13,580,322	0.74
				-	413,550	Market Purchase	20-11-15	13,993,872	0.76
				-	34,968	Market Purchase	27-11-15	14,028,840	0.77
				-	956,436	Market Purchase	11-12-15	14,985,276	0.82
				-	911,962	Market Purchase	18-12-15	15,897,238	0.87
				-	1,424,741	Market Purchase	25-12-15	17,321,979	0.95
				-	247,964	Market Purchase	31-12-15	17,569,943	0.96
				-	3,261,333	Market Purchase	08-01-16	20,831,276	1.14
							31-03-16	20,831,276	1.14
9	SMALLCAP WORLD FUND, INC	4,940,000	0.64	-	-		31-03-15	4,940,000	0.64
				-	5,088,520	Merger	21-04-16	10,028,520	1.10
				-	10,028,520	1:1 Bonus	17-07-15	20,057,040	1.09
							31-03-16	20,057,040	1.09
10	New World Fund INC	5,975,299	0.77	-	-		31-03-15	5,975,299	0.77
				-	2,685,690	Merger	21-04-15	8,660,989	0.95
				-	8,660,989	1:1 Bonus	17-07-15	17,321,978	0.95
				-	572,213	Market Purchase	13-11-15	17,894,191	0.98
				-	682,312	Market Purchase	20-11-15	18,576,503	1.01
				-	57,695	Market Purchase	27-11-15	18,634,198	1.02
				-	708,518	Market Purchase	11-12-15	19,342,716	1.06
							31-03-16	19,342,716	1.05

Notes:

1) Top ten shareholders of the Bank as on 31st March 2016 has been considered for the above disclosure.

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

(v) Shareholding of Directors and Key Managerial Personnel:

Sl no	Name of the Shareholder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding			Date of change	Cumulative Shareholding during the year	
		No. of share	% of total shares of the company	No. of shares Decrease	No. of shares Increase	Reason		No. of shares	% of total shares of the Company
	DIRECTORS								
1	DIPAK GUPTA	130,000	0.02				31-03-15	130,000	0.02
				-	130,000	Bonus 1:1	17-07-15	260,000	0.01
				65,000	-	Market Sale	07-08-15	195,000	0.01
				55,000	-	Market Sale	14-08-15	140,000	0.01
				30,000	-	Market Sale	25-09-15	110,000	0.01
				5,500	-	Market Sale	06-11-15	104,500	0.01
				4,500	-	Market Sale	13-11-15	100,000	0.01
				35,000	-	Market Sale	20-11-15	65,000	0.00
				15,000	-	Market Sale	05-02-16	50,000	0.00
				10,000	-	Market Sale	12-02-16	40,000	0.00
				-	-		31-03-16	40,000	0.00
	DIPAK GUPTA								
		586,920	0.08	-	-		31-03-15	586,920	0.08
				-	24,750	ESOP Allotment	05-06-15	611,670	0.07
				-	611,670	Bonus 1:1	17-07-15	1,223,340	0.07
				-	44,670	ESOP Allotment	18-09-15	1,268,010	0.07
				-	33,646	ESOP Allotment	29-01-16	1,301,656	0.07
					13,670	ESOP Allotment	04-03-16	1,333,326	0.07
				-	-		31-03-16	1,333,326	0.07
2	C JAYARAM								
		37,500	0.00	-	-		31-03-15	37,500	0.00
				-	37,500	Bonus 1:1	17-07-15	75,000	0.00
				-	-		31-03-16	75,000	0.00
	C JAYARAM								
		596,430	0.08	-	-		31-03-15	596,430	0.08
				-	596,430	Bonus 1:1	17-07-15	1,192,860	0.07
				100,000	-	Market Sale	07-08-16	1,092,860	0.06
				-	49,860	ESOP Allotment	18-09-15	1,142,720	0.06
				-			31-03-16	1,142,720	0.06

Sl no	Name of the Shareholder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding			Date of change	Cumulative Shareholding during the year	
		No. of share	% of total shares of the company	No. of shares Decrease	No. of shares Increase	Reason		No. of shares	% of total shares of the Company
3	AMIT K DESAI								
		681,250	0.09	-	-		31-03-15	681,250	0.09
					681,250	Bonus 1:1	17-07-15	1,362,500	0.04
				-	-		31-03-16	1,362,500	0.07
	AMIT K DESAI								
		65,000	0.01	-	-		31-03-15	65,000	0.01
					65,000	Bonus 1:1	17-07-15	130,000	0.00
				-	-		31-03-16	130,000	0.01
	AMIT K DESAI								
		12,500	0.00	-	-		31-03-15	12,500	0.00
					12,500	Bonus 1:1	17-07-15	25,000	0.00
				-	-		31-03-16	25,000	0.00
	AMIT K DESAI								
		12,500	0.00	-	-		31-03-15	12,500	0.00
					12,500	Bonus 1:1	17-07-15	25,000	0.00
				-	-		31-03-16	25,000	0.00
	AMIT K DESAI								
		3,000	0.00	-	-		31-03-15	3,000	0.00
					3,000	Bonus 1:1	17-07-15	6,000	0.00
				-	-		31-03-16	6,000	0.00
	Amit K. Desai								
		-	0				31-03-15	-	0.00
					3,250	Market Purchase	11-09-15	3,250	0.00
					3,000	Market Purchase	04-03-16	6,250	0.00
							31-03-16	6,250	0.00
4	FARIDA DARA KHAMBATA								
		12,000	0.00				31-03-15	12,000	0.00
					12,000	Bonus 1:1	17-07-15	24,000	0.00
					6,000	Market Purchase	07-08-15	30,000	0.00
							31-03-16	30,000	0.00

Sl no	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding			Date of change	Cumulative Shareholding during the year	
		No. of share	% of total shares of the company	No. of shares Decrease	No. of shares Increase	Reason		No. of shares	% of total shares
	KEY MANAGERIAL PERSONNEL								
1	JAIMIN MUKUND BHATT	668,019	0.09				31-03-15	668,019	0.09
				-	7,640	ESOP Allotment	05-06-15	675,659	0.07
				-	675,659	Bonus 1:1	17-07-15	1,351,318	0.07
				-	13,376	ESOP Allotment	04-09-15	1,364,694	0.07
				2,500	-	Off Market	04-09-15	1,362,194	0.07
				5,000	-	Market Sale	13-11-15	1,357,194	0.07
				7,500	-	Market Sale	20-11-15	1,349,694	0.07
				-	13,000	ESOP Allotment	04-12-15	1,362,694	0.07
				-	8,898	ESOP Allotment	25-12-15	1,371,592	0.07
				-	7,500	ESOP Allotment	12-02-16	1,379,092	0.08
				-	5,000	ESOP Allotment	04-03-16	1,384,092	0.08
				1,000,000	-	DP Transfer	31-03-16	384,092	0.02
	Jaimin Mukund Bhatt	-	0				31-03-15	-	0
				-	1,000,000	DP Transfer	31-03-16	1,000,000	0.05
							31-03-16	1,000,000	0.05
2	BINA RAMESHCHANDRA CHANDARANA	39,726	0.01				31-03-15	39,726	0.01
				-	39,726	Bonus 1:1	17-07-15	79,452	0.00
				-	750	ESOP Allotment	04-09-15	80,202	0.00
				-	1,158	ESOP Allotment	18-09-15	81,360	0.00
				-	1,074	ESOP Allotment	30-10-15	82,434	0.00
				-	750	ESOP Allotment	04-03-16	83,184	0.00
							31-03-16	83,184	0.00

V. INDEBTEDNESS

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

(₹ in crore)

Particulars	Secured Loans excluding deposits	Unsecured Loans @	Deposits @@	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	NIL	12,149.71	74,860.31	87,010.02
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	126.42	409.77	536.19
Total (i+ii+iii)	**NIL**	**12,276.13**	**75,270.08**	**87,546.21**
Change in Indebtedness during the financial year *				
· Addition				
· Reduction				
Net Change	**NIL**	**8,993.90**	**63,895.07**	**72,888.97**
Indebtedness at the end of the financial year				
i) Principal Amount	NIL	20,975.34	138,643.02	159,618.36
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	294.69	522.13	816.82
Total (i+ii+iii)	**NIL**	**21,270.03**	**139,165.15**	**160,435.18**

Notes:

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

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

* Includes movement on account of merger.

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(₹ in Lac)

Sl. no.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount
		Mr. Uday Kotak (MD)	Mr. Dipak Gupta (WTD designated as Joint MD)	Mr. C. Jayaram (WTD designated as Joint MD)	
1.	Gross salary *				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	247.06	243.88	245.00	735.94
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961 @	0.40	708.16	213.29	921.85
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-
2.	Stock Option	-	Cost included in 1(b) above		-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profit - Others, specify…	-	-	-	-
5.	Others, please specify	-	-	-	-
	Total (A)	**247.46**	**952.04**	**458.29**	**1657.79**
	Ceiling as per the Act **				

Notes:

@ The perquisite value towards stock options includes the difference between exercise price & market price on the date of exercise. The same is not paid by the Bank. This amounts to Nil for Mr. Uday Kotak, ₹ 707.76 lac for Mr. Dipak Gupta and ₹ 212.69 lac for Mr. C. Jayaram.

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

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

B. Remuneration to other directors

(₹ in Lac)

Sl. no.	Particulars of Remuneration	Name of Directors					Total Amount
1	**Independent Directors**	**Mr. Amit Desai**	**Mr. Asim Ghosh**	**Prof. S. Mahendra Dev**	**Mr. Prakash Apte**	**Ms. Farida Khambata**	
	Fee for attending board / committee meetings	4.90	2.00	10.90	11.50	3.30	32.60
	Commission **	5.00	5.00	6.00	6.00	6.00	28.00
	Others, please specify	-	-	-	-	-	-
	Total (1)	**9.90**	**7.00**	**16.90**	**17.50**	**9.30**	**60.60**
2	**Other Non-Executive Directors**	**Dr. Shankar Acharya**	**Mr. N. P. Sarda**	**Mr. Mark Newman #**			
	Fee for attending board / committee meetings	5.80	7.90	-			13.70
	Commission **	-	6.00	-			6.00
	Others - Remuneration	27.00	-				27.00
	Total (2)	**32.80**	**13.90**	**-**			**46.70**
	Total (B)=(1+2)						**107.30**
	Total Managerial Remuneration						
	Overall Ceiling as per the Act *						

Note:

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

** Commission payable for FY 2015-16 is subject to shareholders approval at the ensuing Annual General Meeting of the Bank.

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

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(₹ in Lac)

Sl. no.	Particulars of Remuneration	Key Managerial Personnel		
		Company Secretary	CFO	Total Amount
1.	Gross salary *			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	89.16	358.14	447.30
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	12.31	223.28	235.59
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2.	Stock Option @	Cost included in 1(b) above		
3.	Sweat Equity	-	-	-
4.	Commission			
	- as % of profit	-	-	-
	- others, specify…	-	-	-
5.	Others, please specify	-	-	-
	Total	**101.47**	**581.42**	**682.89**

Notes:

@ The perquisite value towards stock options includes the difference between exercise price & market price on the date of exercise. The same is not paid by the Bank. This amount to ₹11.98 lac for Company Secretary and ₹222.99 lac for CFO.

* Gross salary includes Basic salary, House Rent Allowance, Professional Allowance, Reimbursement of Medical expenses, Leave Travel Allowance, Annual Incentives and cost towards Stock Appreciation Rights.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A. COMPANY		**NIL**			
Penalty					
Punishment					
Compounding					
B. DIRECTORS		**NIL**			
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT		**NIL**			
Penalty					
Punishment					
Compounding					

SECRETARIAL AUDIT REPORT

Annexure-B

FORM MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2016

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,

KOTAK MAHINDRA BANK LIMITED

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **KOTAK MAHINDRA BANK LIMITED** (hereinafter called the "Bank").

Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the **KOTAK MAHINDRA BANK LIMITED's** books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Bank has, during the audit period covering the financial year ended on 31st March 2016, complied with the statutory provisions listed hereunder and also that the Bank has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by **KOTAK MAHINDRA BANK LIMITED** for the financial year ended on 31st March 2016, according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the Companies Act, 1956 and the rules made there under;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowing;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable:-

  (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

  (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

  (c) The Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993;

  (d) The Securities and Exchange Board of India (Bankers to an issue) Regulations, 1994;

  (e) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

  (f) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

  (g) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(h) The Securities and Exchange Board of India (Registrars to an issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(i) The Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992;

(j) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;

(k) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

(l) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996;

(m) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(vi) Laws specifically applicable to the industry to which the Company belongs, as identified by the management, that is to say :

(a) Reserve Bank of India Act, 1934 and its circulars, Master Circulars, notifications and its directions;

(b) The Banking Regulation Act, 1949;

(c) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;

(vii) Other laws to the extent applicable to the Company as per the representations made by the Company;

I have also examined compliance with the applicable clauses of the following:

(I) The Listing Agreements entered into by the Bank with Bombay Stock Exchange and National Stock Exchange.

(II) Secretarial Standards 1 & 2 issued by The Institute of Company Secretaries of India.

During the period under review the Bank has generally complied with the above Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

Companies Act 2013

1. The Bank has incurred a total expenditure of Rupees Twenty Crores and Fifty Lacs Only towards Corporate Social Responsibility activities. We further report that on the basis of the information available with us the requisite disclosure pertaining to Corporate Social Responsibility is being made in the Directors' Report of the Bank.

I further report that

The Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate Notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the meetings of the Board of Directors of the Bank were carried through on the basis of majority. There were no dissenting views by any member of the Board of Directors during the period under review.

I further report that there are adequate systems and processes in the Bank commensurate with the size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period:

1. The members had granted their approval to increase the Authorised Share Capital of the Bank from ₹ 900 crores to 1500 crores at the Annual General Meeting of the Bank held on 29th June, 2015.

2. Members had granted their consent at the Annual General Meeting of the Bank held on 29th June, 2015 to adopt Kotak Mahindra Equity Option Scheme 2015 and to grant options to the employees of the Bank, subsidiaries of the Bank or associate companies of the Bank.

3. Members had granted their consent at the Annual General Meeting of the Bank held on 29th June, 2015 to adopt Kotak Mahindra Stock Appreciation Rights Scheme 2015 and to grant stock appreciation rights to the employees of the Bank, subsidiaries of the Bank or associate companies of the Bank.

4. The members in pursuance of section 180(1) (c) of the Companies Act, 2013 had approved the increase in the borrowing limits to the extent of ₹ 50,000 Crores at the Annual General Meeting held on 29th June, 2015.

5. At the Annual General Meeting held on 29th June, 2015, the members had approved the issue of Bonus shares in the proportion of 1 (one) Equity Share for every 1 (one) existing equity share held.

6. At the Annual General Meeting held on 29th June, 2015, the members had approved alterations in the existing Articles of Association of the Bank.

7. The Bank has issued fully paid up Equity Shares in the ratio of 725 Equity Shares of FV ₹ 5/- each for every 1000 Equity Shares of FV ₹ 10/- each pursuant to the scheme of amalgamation of ING Vysya Bank Limited with the Bank.

Rupal Dhiren Jhaveri
FCS No: 5441
Certificate of Practice No. 4225

Place: Mumbai
Date: 10th May 2016

*This report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report*

Annexure A

To,
The Members

KOTAK MAHINDRA BANK LIMITED

Our report of even date is to be read along with this letter.

'Annexure A'

1. Maintenance of secretarial record is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.

4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

Rupal Dhiren Jhaveri
FCS No: 5441
Certificate of Practice No. 4225

Place: Mumbai
Date: 10th May 2016

Annexure - C

Details of CSR Activities and Spends

(₹ Lac)

CSR project/ activity identified	Sector in which the project is covered	Area of project implementation (Name of the District / s, State / s where project / programme was undertaken	Programme / project wise budgeted amount	Programme / project wise actual spend during the year – Direct expenditures	Programme / project wise actual spend during the year – Overheads	Cumulative Expenditure upto reporting period (Since FY 2014-15)	Amount spent through implementing agency
Education and Livelihood. Implemented through Kotak Education Foundation (KEF), which was set up in 2007 with a purpose to support children and youth from underprivileged families through different education based interventions and skilling programmes. KEF takes a holistic and innovative approach to helping the urban poor break free from the vicious cycle of extreme poverty and generational disadvantages. KEF has partnered with 36 schools, majority of which are Located in the poorest wards of Mumbai. Livelihood training is provided at 7 centres spread across the poorest neighbour hoods of the city. In 2015-16, KEF has touched nearly 50,000 youngsters through its nine interventions. The 'Mid-day Meal ' programme catering to approximately 4620 students from 14 partner schools, provides nutritious meal to pre-primary, 9th std and 10th std school children which are excluded from government's mid-day meal programme.	Promoting education & Livelihood	Mumbai, Maharashtra	963.93	799.45	133.01	1,527.33 (Out of CSR spend of Rs. 963.93 lac, the NGO has not utilised Rs. 31,47,896.00. This will be used towards meeting expenses in FY2016-17)	963.93 (Implemented through Kotak Education Foundation)
Promoting education - Providing books, medicines, and nutrition support to pre-school (balwadis) implemented through NATIONAL SOCIETY FOR CLEAN CITIES INDIA	Promoting education, Preventive healthcare, Nutrition	Kherwadi, Bandra East, Mumbai	2.00	1.45	0.55	2.00	2.00 (Implemented through national society for clean cities India)
Promoting education - Construction of school building that caters to underprivileged section of society implemented through DHARAMSINGH DESAI FOUNDATION	Promoting education	Nadiad, Gujarat	100.00	100.00	NIL	135.00	100.00 (Implemented through DHARAMSINGH DESAI FOUNDATION)

(₹ Lac)

CSR project/ activity identified	Sector in which the project is covered	Area of project implementation (Name of the District / s, State / s where project / programme was undertaken	Programme / project wise budgeted amount	Programme / project wise actual spend during the year – Direct expenditures	Programme / project wise actual spend during the year – Overheads	Cumulative Expenditure upto reporting period (Since FY 2014-15)	Amount spent through implementing agency
Preventive healthcare - palliative healthcare, free of cost, to people with advanced cancer implemented through CANSUPPORT	Preventive Healthcare	New Delhi	13.60	7.88	NIL	26.4 (Out of the CSR spend of Rs. 13.60 lac, the NGO has not utilised Rs.5,71,914/-. This will be used towards meeting direct expenses in FY2016-17)	13.6 (Implemented through CANSUPPORT)
Supporting individuals with Down Syndrome by enhancing vocational skills, preventive healthcare, rehabilitating livelihood and education through DOWNS SYNDROME ASSOCIATION OF TAMILNADU	Enhancing vocational skills, Preventive healthcare, Rehabilitating livelihood and education, measures to reduce inequalities	Chennai, Tami Nadu	25.00	25.00	NIL	25.00	25.00 (Implemented through the DOWNS SYNDROME ASSOCIATION OF TAMILNADU(
Promoting education & preventive healthcare - activities implemented through MADANGOPAL MAHESHWARI FOUNDATION for the poor and destitute.	Promoting education & promoting preventive healthcare	Mumbai, Maharashtra	70.00	NIL	NIL	170.00 (The CSR spend amount has been kept in a fixed deposit. The funds including accrued interest would be utilised as per the objectives of the foundation)	70.00 (Implemented through MADANGOPAL MAHESHWARI FOUNDATION)
Healthcare and special education - psychiatric and counselling services to children with developmental disabilities provided through INDIAN COUNCIL FOR MENTAL HEALTH (ICMH). ICMH also conducts Occupational therapists, Speech therapists, Yoga, Color therapy along with sports, drama and vocational training	Preventive healthcare, special education	Mumbai, Maharashtra	3.93	3.93	NIL	7.33	3.9325 (Implemented through the INDIAN COUNCIL FOR MENTAL HEALTH)
Promoting education -initiatives implemented through SOPAN which works for individuals with autism/other developmental disabilities and their families	Promoting education, measures to reduce inequalities	Mumbai, Maharashtra	3.93	NIL	NIL	7.33 (Rs. 3.93 lac has not been utilised. It will be utilised in FY2016-17)	3.9325 (Implemented through SOPAN(
Healthcare - provided to leukaemia affected children through CANCER PATIENTS AID ASSOCIATION - CPAA	Healthcare	Maharashtra	3.93	3.92	0.00952	7.33	3.9325 (Implemented through CANCER PATIENTS AID ASSOCIATION-CPAA)

(₹ Lac)

CSR project/ activity identified	Sector in which the project is covered	Area of project implementation (Name of the District / s, State / s where project / programme was undertaken	Programme / project wise budgeted amount	Programme / project wise actual spend during the year – Direct expenditures	Programme / project wise actual spend during the year – Overheads	Cumulative Expenditure upto reporting period (Since FY 2014-15)	Amount spent through implementing agency
Promoting education - to differently abled implemented through ACTION FOR ABILITY DEVELOPMENT AND INCLUSION (AADI)	Promoting education, measures to reduce inequalities	New Delhi	3.50	3.50	NIL	6.00	3.5 (implemented through ACTION FOR ABILITY DEVELOPMENT AND INCLUSION-AADI)
Environmental sustainability - initiatives implemented through NAVINCHANDRA MAFATLAL SADGURU WATER AND DEVELOPMENT FOUNDATION ensure livelihood for rural and tribal community through various water and agriculture centred programmes	Environmental sustainability, eradicating poverty	Dahod district, Gujarat	70.00	12.95	0.03	70.00 (Out of CSR spend of Rs.70 lac, the NGO has not utilised Rs.57.02 lac. This will be used towards meeting expenses in FY2016-17	70.00 (Implemented through NAVINCHANDRA MAFATLAL SADGURU WATER AND DEVELOPMENT FOUNDATION)
Promoting education - Scholarship for UWC education & spreading awareness of UWC education mission and educational opportunities for meritorious children from economically challenged background implemented through THE UNITED WORLD COLLEGES COMMITTEE.	Promoting education	Mumbai, Maharashtra	100.00	NIL	NIL	100.00 (This amount has not been utilised. It will be utilised in FY2016-17)	100.00 (Implemented through THE UNITED WORLD COLLEGES COMMITTEE)
Promoting healthcare & sanitation - Construction of toilets implemented through ASSOCIATION FOR AUGMENTING GREEN NATURAL ENVIRONMENT (AAGNE)	Promoting healthcare & sanitation, Swachh Bharat mission	Coimbatore, Madukkari block	12.00	3.00	1.25	12.00 (Out of CSR spend of Rs. 12 lac, the NGO has not utilised Rs. 7.75 lac will be utilised in FY2016-17)	12.00 (Implemented through ASSOCIATION FOR AUGMENTING GREEN NATURAL ENVIRONMENT-AAGNE)
Construction of two new houses for families in need - providing homes to low-income, marginalised families across India implemented through HABITAT FOR HUMANITY INDIA TRUST	Setting up homes for economically backward families	Maharashtra, Karjat Taluka, Raigad district	2.25	1.20	1.05	5.25	2.25 (Implemented through HABITAT FOR HUMANITY INDIA TRUST)
Promoting education, Rural upliftment by providing infrastructure facilities in the field of education - provided education facilities to deserving schools by providing wooden benches, chairs, computers, books and other equipments implemented through SHREE HARIRAM SEVA KENDRA with an objective to bring sustainable changes by imparting better educational facilities in remote places where even basic educational infrastructure facilities are not available	Promotiong education, Rural upliftment by providing infrastructure facilities in the field of education	Gujarat	10.00	NIL	NIL	10.00 (The NGO received CSR spend of Rs. 10 Lac on 15/03/2016. Hence the same could not be used in FY2015-16. The same will be utilised in FY2016-17)	10.00 (Implemented through SHREE HARIRAM SEVA KENDRA)

(₹ Lac)

CSR project/ activity identified	Sector in which the project is covered	Area of project implementation (Name of the District / s, State / s where project / programme was undertaken	Programme / project wise budgeted amount	Programme / project wise actual spend during the year – Direct expenditures	Programme / project wise actual spend during the year – Overheads	Cumulative Expenditure upto reporting period (Since FY 2014-15)	Amount spent through implementing agency
Flood relief operation - extended flood relief and rehabilitation efforts through THE BANYAN for the repairs at their Clustered Group Home - affected by the floods, housing support - new buildings and repairs in communities affected by the floods in Thiruporur block	Flood relief operation	Thiruporur block, Kanchipuram district, Tamil Nadu	50.00	NIL	NIL	50.00 (The NGO received CSR spend of Rs. 50 Lac on 15/03/2016. Hence the same could not be used in FY2015-16. The same will be utilised in FY2016-17)	50.00 (Implemented through THE BANYAN)
Promoting education - Through its Fellowship programme, TFI recruits qualifies Indian college graduates and working professionals to serve as full-time teachers in low-income schools for two years. Fellows work to bridge the educational gaps that their students face, in the hopes of putting their students on a fundamentally different life path.	Promoting education	Bengaluru, Karnataka	14.00	NIL	NIL	14.00 (The NGO received CSR spend of Rs. 14 lac on 17/03/2016.Hence the same could not be used in FY2015-16. The same will be utilised in FY2016-17)	14.00 (Implemented through Teach for India -TFI)
Drought mitigation programme through Natural Resource Management with community participation - implemented through DILASA SANSTHA - The organisation focuses on creating infrastructure to create sustaining livelihoods for marginalised communities like small and marginalised farmers, landless and women	Drought Relief	Maharashtra	10.00	1.27	0.25	15.00 (Out of CSR spend of Rs. 10 lac, the NGO has not utilised Rs.8.48 Lacs. This will be used towards meeting expenses in FY2016-17	10.00 (implemented through DILASA SANSTHA)
Promoting education - Project 'Crafting Smile' supports Child Cancer patients implemented through DHANWANTARI MEDICAL TRUST. Under this project, various entertainment programs for child cancer patients, giving cancer medicines for poor patients at a concession, making people aware about the hazards of tobacco etc. are conducted.	Promoting education	Mumbai, Maharashtra	5.00	NIL	NIL	9.00 (The NGO received CSR spend of Rs. 5 lac on 23/03/2016.Hence the same could not be used in FY2015-16. The same will be utilised in FY2016-17)	5.00 (Implemented through DHANWANTARI MEDICAL TRUST)
Promoting education - Improving quality of education in tribal schools in the buffer zone of the Ranthambhore Tiger Reserve, Rajasthan implemented through WILDLIFE CONSERVATION TRUST .	Promoting education	Ranthambhore Tiger Reserve, Rajasthan	10.00	NIL	NIL	10.00 (The NGO received CSR spend of Rs. 10 Lac on 23/03/2016. Hence the same could not be used in FY2015-16. The same will be utilised in FY2016-17)	10.00 (Implemented through WILDLIFE CONSERVATION TRUST .

(₹ Lac)

CSR project/ activity identified	Sector in which the project is covered	Area of project implementation (Name of the District / s, State / s where project / programme was undertaken	Programme / project wise budgeted amount	Programme / project wise actual spend during the year – Direct expenditures	Programme / project wise actual spend during the year – Overheads	Cumulative Expenditure upto reporting period (Since FY 2014-15)	Amount spent through implementing agency
Training to promote nationally recognised sports - various initiatives for upliftment of sports implemented through JSW FOUNDATION	Sports	Toranagallu, Bellary, Karnataka	25.00	NIL	10.00	25.00 (Out of CSR spend of Rs. 25 lac, the NGO has not utilised Rs.15 lac. This will be used towards meeting expenses in FY2016-17	25.00 (Implemented through JSW FOUNDATION(
Promoting preventing healthcare-wellness and better lifestyle initiatives implemented through MAHAVIR JI TRUST . The project implements yoga and alternative healing through dissemination of information and providing infrastructural support	Promoting preventive healthcare	Greater Kailas - I, New Delhi	100.00	NIL	NIL	100.00 (The NGO received CSR spend of R. 1 core on 28/03/2016.Hence the same could not be used in FY2015-16. The same will be utilised in FY2016-17)	100.00 (Implemented through MAHAVIR JI TRUST)
Promoting education - the scholarship programme extended to less previleged section of society is implemented through MAA FOUNDATION	Promoting education	Gujarat & Mumbai	42.00	NIL	NIL	42.00 (The NGO received CSR spend of Rs. 42 Lac on 29/03/2016.Hence the same could not be used in FY2015-16. The same will be utilised in FY2016-17)	42.00 (Implemented through MAA FOUNDATION)
GiveIndia - GiveIndia is an online donation platform and aims to channel and provide resources to credible non-governmental organisations across India. As a web portal, it helps raise funds and contributions from individuals across India and the world and then disburses these donations to credible Indian NGOs.	Multiple sectors as GiveIndia supports several NGOs	Mumbai, Maharashtra	0.45	0.45	NIL	0.99	0.45225 (Implemented through GiveIndia)
	TOTAL CSR SPEND U/S 135 OF THE COMPANIES ACT, 2013, DURING FY 2015-16						1,640.53

MANAGEMENT'S DISCUSSION & ANALYSIS

MACRO-ECONOMIC ENVIRONMENT

FY2016 witnessed volatile external environment with renewed risks of weaker global activity. However, India macro fundamentals continued to fare well as against its emerging market peers; and with regard its own medium-term potential, steady progress is being made. Further, inflation appears to have been contained with current account deficit within comfortable limits. The attempts have been made to contain fiscal deficit with an improvement in spending quality by shifting expenditures away from current to capital expenditures. Policy reforms have continued at gradual pace, while the Reserve Bank of India has been able to turn more accommodative during the year.

The growth environment

The new revised national accounts series (base 2011-12) released by the Central Statistical Organisation (CSO) shows some perceptible improvement in growth. As per the advance CSO estimates, the economy is estimated to have grown at 7.6% in FY2016 compared to 7.2% in FY2015 in constant price terms at market prices. This was largely led by industrial growth. Nominal GDP growth outdid the real GDP growth for FY2016, led by 1% growth in the deflator. CSO estimates manufacturing sector growth at 9.5% in FY2016. Services sector growth at 9.2% in FY2016, largely led by 'financial, real estate and professional services' sectors that is estimated to grow at 10.3% (10.6% in FY2015). However, the 'public administration, defense, etc.' sector (a proxy of government spending) is expected to see sharp deceleration to 6.9% in FY2016 from 10.7% in FY2015.

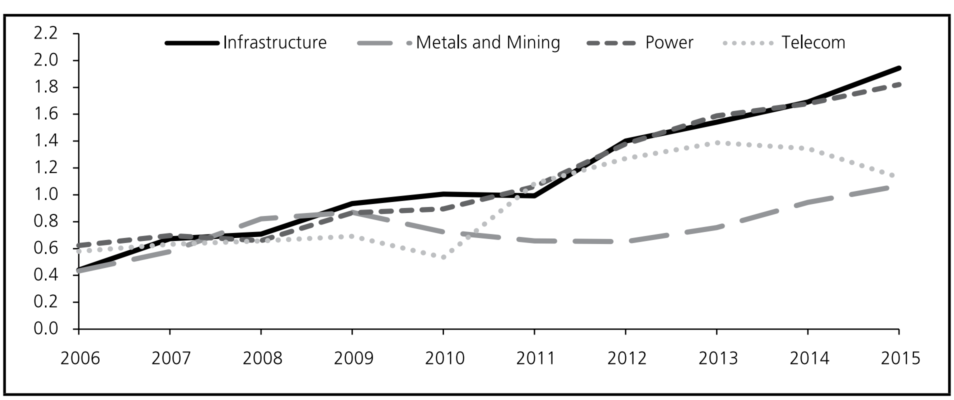
Ground realities, such as sluggish activity indicators, low capacity industrial utilization, continued debt overhang of corporates and worsening NPA position of banking sector are a cause of concern.

Growth challenges: India's balance sheet syndrome

India faces a twin balance sheet challenge of the stressed financial positions of PSU Banks and some corporates. The twin balance sheet challenge is the major impediment to private investment and a sustained economic recovery. The large corporates that leveraged heavily during the boom years to invest in infrastructure and commodity-related businesses are currently stuck with a debt overhang. Corporate profits are low while debts are rising, which has forced firms to cut investment to preserve cashflow. On the other hand, the balance sheet vulnerability in the banking sector is mostly a derivative of corporate sector fragilities. Stressed assets (nonperforming loans plus restructured assets) have been rising ever since 2010, impacting capital positions, even as the strictures of Basel III loom ever closer on the horizon. Banks have responded by being more cautious and by limiting the flow of credit to the real economy so as to conserve capital. This has also acted as an impediment to monetary policy transmission.

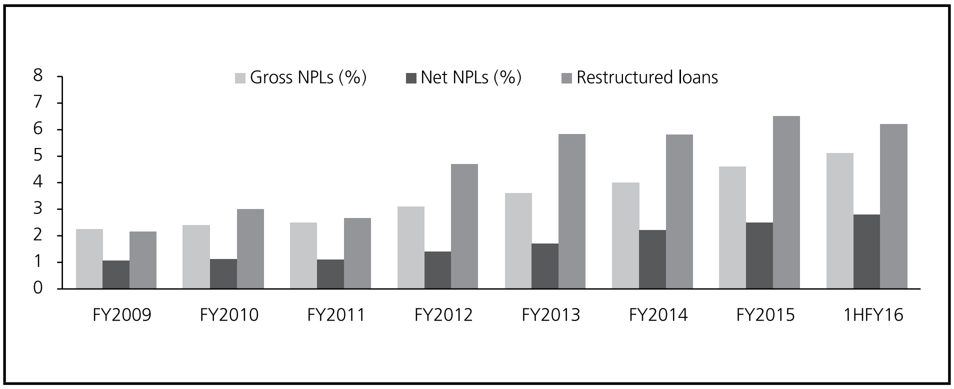
This state is not sustainable and needs policy focus and decisive decision-making. However, some welcome steps have already been taken. Specifically in August 2015, the government launched the *Indradhanush* scheme, which includes a phased program for bank recapitalization. Meanwhile, the RBI initiated the 5:25 and SDR schemes, which create incentives for the banks to come together with their borrowers to rehabilitate stressed assets. These are good initial policy steps which might require follow-up.

Debt-to-equity ratios of select sectors



Source: Capitaline

Trends in gross NPLs, net NPLs and restructured loans of the banking sector



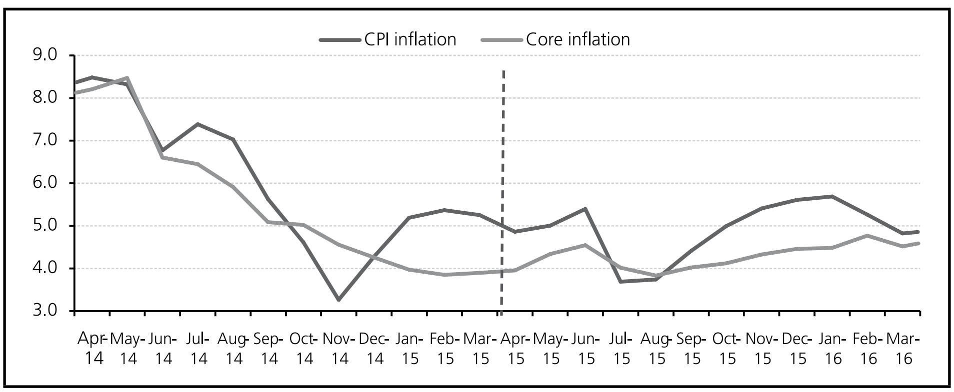
Source: RBI

Domestic price dynamics

The domestic price pressures remained overall contained in FY2016, despite another year of drought witnessed by the country. The retail inflation, as seen by the Consumer price Index (CPI; Base year 2012=100) eased substantially in FY2016 while measures of underlying trends — core inflation, rural wage growth and minimum support price increases — have similarly remained muted. The headline CPI inflation averaged 4.9% in FY2016 after 6.5% in FY2015 and ended March 2016 at 4.8%, after having seen lows of 3.7% in August 2015. Within CPI inflation, food inflation moderated sharply to 4.9% in FY2016 from 6.4% in FY2015. Core inflation (ex food & beverages and energy) also eased to 4.3% in FY2016 from 5.3% in FY2015.

Meanwhile, the Wholesale Price Index (WPI) has been in negative territory since November 2014, the result of the large falls in international commodity prices, especially oil. The reflection of global soft commodity prices is found more in the WPI inflation as it contains more of tradeable items. WPI inflation averaged (-)2.5% in FY2016 as against 2% in FY2015 while core WPI inflation averaged (-)1.5%.

CPI inflation moderated further in FY2016 from the previous fiscal



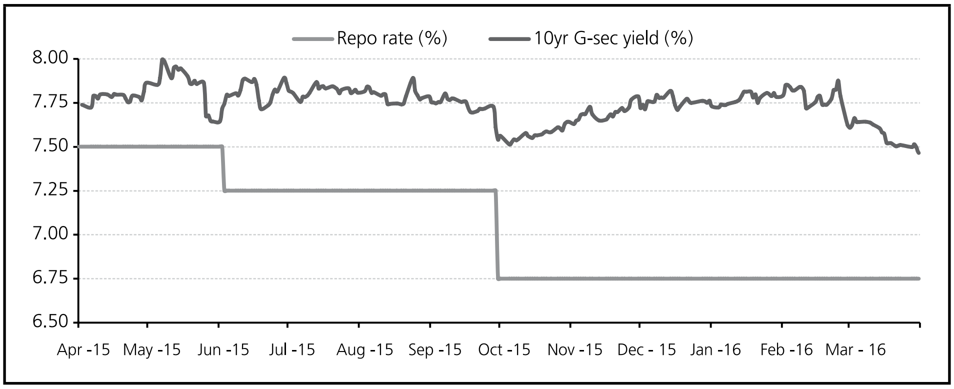
Source: CSO

Monetary policy and interest rates

RBI continued with its accommodative stance in FY2016, after having cut cumulative 50 bps in January and March 2015. The first cut of FY2016 came in June 2015 with RBI cutting policy Repo rate further by 25 bps to 7.25%. But RBI cautioned against inflation risks owing to weak monsoons and characterized the June policy action as 'front-loaded' suggesting limited scope for further rate cut. However, continued disinflationary pressures and benign growth created further room for additional easing in FY2016. Potential price shocks due to weak monsoons were managed effectively as the government engaged in an active food-supply management. Meanwhile, global environment also became favourable where in the Fed chose to delay the rate lift-off in September 2015 owing to global headwinds from China and EMs. Thereby, RBI surprised the markets by delivering a higher-than-expected rate cut of 50 bps in 29th September, 2015 policy. The policy tone was dovish, with clear worries emerging out of the weak growth momentum. However, weak rate cut transmission to the real economy continued to remain a worry. In the last monetary policy of FY2016 that took place in January 2016, the RBI kept the rates unchanged but the stance of the monetary policy continued to remain accommodative.

The bond yields started the fiscal year some what bearish, after having rallied substantially in 4QFY15, helped by rate cuts by RBI during that period. Bonds sold off further post the June 2015 policy, wherein the RBI signalled that it had front loaded the 25 bps rate cut. Helped by healthy inflation prints, yields eased marginally by September 2015, but again spiked as September rate cuts by RBI were perceived as end of the easing cycle. Yields hardened post October as supply concerns, fears of fiscal slippages for next fiscal year (FY2017) owing to structural changes in the SLR-HTM norms, fading hopes of further rate cuts, and mismatch in G-Sec demand-supply dynamics, particularly post the UDAY (Ujwal Discom Assurance Yojna) scheme came to fore.The spread between 10-yr G-Sec yield and the policy repo rate started inching up and peaked at ~113 bps by late-February 2016. However, the yield spread narrowed as the bonds rallied post the Union budget on February 29, which adhered to the 3.5% fiscal deficit (as a percentage of GDP) for FY2017, while the budgeted market borrowings were lower than the market expected. Moreover, the government relaxed UDAY bonds norms and allowed them to be considered in HTM category for banks while these bonds were also mostly placed privately. The benchmark 10-yr paper eased to 7.465% to end the fiscal year, while the yield spread narrowed to ~72 bps.

The spread between Repo rate and Benchmark G-sec yield rose sharply towards early part of 4QFY16



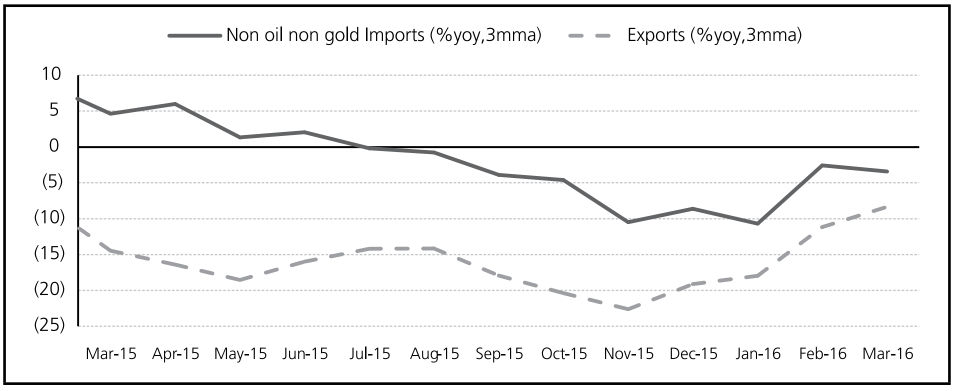
Source: Bloomberg

External sector dynamics and the USD / INR

India has come a long way over the past two years in terms of external sector adjustments. From being the poster-child of emerging market external sector vulnerability in 2013, India has now been one of the most favored EMs through most of the last two years. This has been helped by healthy macro adjustments that have transpired over the past two-three years. Since FY2014 the economy has continued to see significant narrowing of current account deficit. FY2015 saw the CAD / GDP ratio at 1.3% (US$26.8 billion), after having corrected from 1.7% (US$32.4 billion) in FY2014. FY2016 is likely to continue the same momentum and is poised to correct further. CAD / GDP ratio has averaged 1.4% in first nine months of FY2016 (summing US$22 billion), with the last official 3QFY16 print reporting a healthy 1.3%.

A part of this improvement owes its genesis to the fiscal consolidation which has been a critical determinant of the CAD compression. More importantly, the commodity correction constitutes a significant positive terms-of-trade shock that has benefited CAD of commodity-importers like India vis-à-vis commodity exporters such as Brazil, South Africa, and Russia. Stand-alone, these dynamics have augured well for the Rupee. However the ominous aspect here was that the fall in CAD was also accompanied by slump in exports growth, which reflected the continued sluggish global demand. In FY2016, exports as reported by Ministry of Commerce and Industry stood at US$261.7 billion, against US$310.3 billion in the same period last year, registering a sharp de-growth of 16%. Plus weak domestic demand led to non-oil, non-gold imports slow materially over the last year. Overall imports have also contracted significantly for the same period by 15.3% (US$ 380 billion), where in oil imports have contracted by 40% while non-oil imports have contracted by 4.2%. While CAD has been comfortable, the Balance of Payment surplus appears to have reduced in FY2016, owing to significantly slower foreign portfolio inflows, as global risk appetite waned.

Exports and imports, both remained anaemic during FY2016



Source: Ministry of Commerce & Industry

The rupee had a good FY2015, helped by improving macro fundamentals, particularly the external account, which continued in early part of FY2016 as well. However, USD-INR gradually started to drift higher. The big jump was seen in August 2015, when heightened global uncertainties owing to Chinese Yuan devaluation and change in China's FX policy regime led to EM sell-off. Some relief came post September when US Fed decided to delay its rate normalisation cycle owing to increased global risks. However, this was short-lived and USD-INR slowly started drifting higher. US Fed finally raised rates by 25 bps in December, but global markets rejoiced, as major event risk was finally out of way. However, the new calendar year started on a volatile note on global front, as China FX uncertainties resurfaced. INR also bore the brunt of it and breached 68.50 levels by mid-February and was one of the worst performing EM currencies from January to mid-February. However, helped by improving global sentiments and better domestic fiscal dynamics, INR recovered to end the fiscal year at ~66.24/$.

MERGER OF ING VYSYA BANK WITH KOTAK MAHINDRA BANK LIMITED

The Board of Directors of Kotak Mahindra Bank Ltd and the Board of Directors of ING Vysya Bank Ltd (eIVBL) at their respective meetings held on 20th November, 2014 had approved an amalgamation of ING Vysya with Kotak.

Kotak, with 641 branches and relatively deeper presence in the West and North, has a differentiated proposition for various customer segments including HNIs, deep corporate relationships including emerging corporates, a wide product portfolio, including agricultural finance and consumer loans, and a robust capital position.

eIVBL had a strong customer franchise for over 8 decades, with a national branch network of 573 branches and deep presence in South India. It had a large customer base across all segments. It was particularly noted for a best-in-class SME Business, as also for serving large international corporates in India by access to the international relationships of ING Group.

The merger was effective from1st April, 2015 and post merger, Kotak Mahindra Bank Limited (the Bank) is now the "fourth-largest private sector bank".The combined entity has capitalised on the wider distribution network with balanced footprint. During the year, various facets of integration including human resources, branches, operating processes, part of the systems and business plans have been integrated. With the result, the combined entity will shortly operate as one seamlessly integrated entity post the full systems integration. The integration has been value accretive, since it emphasized on best of both worlds, enhancing productivity and retaining employee talents in the combined entity.

Organisation structure and re-design

The Bank has realigned leadership across the combined entity with a view to promote learning through best practices of KMBL and eIVBL. The organisation structure was partially altered to create an effective way of functioning and provide opportunities for talent to grow together. The Bank expects to derive clear benefits of the modifications in the forthcoming periods.

Revenue synergies

- The Bank has started realising combinational synergies of the merger on customer acquisition and revenue. The Bank is now adding ~100,000 customers a month. The impact of 6% savings rate is visible in the growth of the eIVBL network.

- The enhanced footprint has provided the advantage of "network effect". Distribution of asset products has been provided a boost with the increased and wide spread branch network. Deeper penetration into the SME segment will be enabled by integrating the SME business with branches. This will provide traction in current account deposits along with an accelerated SME business growth.

- The wider distribution network has multiplied the effect on its various subsidiaries too.

  - Cross sell of insurance and mutual funds have picked up.

  - The Bank is seeing traction in credit cards, auto loans and Trinity accounts of Kotak Securities.

  - The Bank also sees a significant opportunity in Privy segment.

- Traditionally strong credit and risk management practices will provide a further impetus to the synergies on asset distribution and profitability.

Cost synergies

- The cost benefits are visible inspite of adding front line sales people. This saving culminated due to an early-on decision to restrict external recruitments for middle to senior level personnel for a period of time.

- The Bank is also carrying out a rationalisation of premises and rentals. The Bank is continuing to surrender rental premises and disposal of non-core and high cost premises. Further possibilities of surrendering rental premises have also been identified.

- Utilisation of eIVBL currency chests across the combined network has helped in realising cost synergies.

- The Bank also expects to gain efficiencies from optimizing the operating models in certain business segments. The Bank had undertaken detailed re-assessment of its operating models both on the asset and liability side.

- The Bank is also rationalising vendors and negotiating better pricing terms due to increased scale of operations.

- Consolidation of data centres and eliminating overlapping IT systems will provide the Bank with opportunities to unlock the required cost synergies.

Impact on Financial Results

Since the merger of ING Vysya Bank with Kotak Mahindra Bank was effective from 1st April, 2015, the financial results for FY2016 are for the merged entity and therefore not comparable with FY2015 financial results.

In consideration of the transfer of and vesting of the undertaking of eIVBL, 725 equity shares of KMBL of the face value of ₹ 5 each fully paid-up was issued to shareholders of eIVBL for every 1,000 equity shares of the face value of ₹ 10 each of eIVBL held by them on the record date i.e. 17th April, 2015. Accordingly 139,205,159 equity shares of ₹ 5 each of KMBL were allotted to the shareholders of eIVBL.

The amalgamation has been accounted using the pooling of interest method under Accounting Standard 14 (AS-14), "Accounting for amalgamation" and the principles laid down in Part VII – paragraph 19 of the approved Scheme of Amalgamation.

The excess of the paid up value of equity shares of eIVBL over the paid up value of equity shares issued as consideration amounting to ₹ 122.4 crore has been transferred to Amalgamation Reserve as per the Scheme of Amalgamation.

The assets, liabilities and reserves and surplus of eIVBL were recorded by the Bank at their carrying amounts as on 1st April, 2015 except for adjustments which were made to bring uniformity of accounting policies as required under AS-14. The impact of these adjustments was ₹ 189.9 crore, which has been adjusted in the balance in Profit and Loss Account. Timing differences, if any, arising on these adjustments have been accounted with corresponding adjustment to deferred tax asset. Further, with respect to revaluation of fixed assets, the revaluation reserve amounting to ₹ 101.4 crore held by eIVBL was reversed and the Gross Block of Fixed Assets were credited back with ₹ 101.4 crore. The accumulated depreciation on such reserve amounting to ₹ 11.2 crore was also reversed in Gross Block of Fixed Assets. Certain other reclassifications of items were carried out to ensure consistency in presentation.

CONSOLIDATED FINANCIAL PERFORMANCE

The Bank along with its subsidiaries (the Group), 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, life insurance and general insurance.

The Group has seen a steady and sustainable shift in its overall business mix to relatively stable lending businesses from capital markets-driven revenue streams. The financing business now contributes to 82% of the consolidated PBT mix as compared to 43% in FY2008. The capital market business now contributes to around 8% of the consolidated PBT mix as compared to 53% in FY2008. The Insurance and Asset management contribution has increased to 10% in the current year consolidated PBT mix as compared to 4% in FY2008. The diversified business profile of the Group allows it to sustain healthy profitability despite cyclicality in some of its businesses. With the improved macro-economic conditions, the capital market business contribution to the profits of the Group can increase significantly.

The Group had a net worth of ₹ 33,360.6 crore as on 31st March, 2016 (₹ 22,153.3 crore as on 31st March, 2015) and book value per share at ₹ 181.9 (₹ 143.4 as on 31st March, 2015). The Group earned a Return on Average Assets (RoAA) of 1.6% in FY2016 (2.3% in FY2015).This is after considering one time hit on account of retiral benefits for eIVBL employees under Indian Banks' Association (IBA) structure, integration costs and additional provisions from eIVBL book.

The entity wise net worth of the Group is as follows:

(₹ in crore)

	31st March, 2016	31st March, 2015
Kotak Mahindra Bank	23,959.1	14,141.1
Kotak Mahindra Prime	3,851.7	3,349.7
Kotak Mahindra Investments	841.1	617.2
Kotak Securities	2,634.7	2,384.0
Kotak Mahindra Capital Company	447.6	415.2
Kotak Mahindra Old Mutual Life Insurance	1,521.4	1,291.0
Kotak Mahindra General Insurance*	125.0	0.8
Kotak Mahindra AMC & Trustee Co	172.9	101.7
International subsidiaries	623.9	479.9
Kotak Investment Advisors	270.9	266.3
Other entities	42.7	31.6
Total	34,491.0	23,078.5
Add: Share in associates	679.5	585.9
Less: Minority, inter-company and other adjustments	(1,809.9)	(1,511.1)
Consolidated Net worth	33,360.6	22,153.3

**Incorporated on 20th December, 2014,the Company received the certificate of registration from Insurance Regulatory and Development Authority of India on 18th November, 2015 and commenced operations on 17th December, 2015.*

The consolidated performance for FY2016 is as follows:

(₹ in crore)

Particulars	FY2016	FY2015
Total income	28,032.4	21,471.1
Consolidated networth	33,360.6	22,153.3
Earnings per share (diluted) (₹)	18.9	19.7
Book-value per share (₹)	181.9	143.4
Net interest margin (NIM) %	4.37%	4.93%
Return on average networth %	11.0%	14.8%
Net NPA %	0.93%	0.79%
Consolidated capital adequacy ratio (CAR) %*	17.0%	17.6%
Tier I*	16.1%	16.8%

**Capital Adequacy Ratio and Tier I Ratio is computed as per Basel III norms issued by RBI.*

The financial results of some of the key subsidiaries are explained later in this discussion but a snapshot of the entity-wise Profit Before Tax (PBT) and Profit After Tax (PAT) of the Group is as follows:

(₹ in crore)

	FY2016		FY2015	
	PBT	PAT	PBT	PAT
Kotak Mahindra Bank	3,123.7	2,089.8	2,833.0	1,866.0
Kotak Mahindra Prime	772.6	502.3	773.9	507.4
Kotak Mahindra Investments	235.9	153.9	158.2	106.3
Kotak Securities	381.0	250.7	441.4	289.6
Kotak Mahindra Capital Company	46.4	32.4	16.4	12.4
Kotak Mahindra Old Mutual Life Insurance	281.9	250.7	261.2	228.9
Kotak Mahindra General Insurance	(9.7)	(9.7)	(0.3)	(0.3)
Kotak Mahindra AMC & Trustee Co	90.3	72.0	(25.1)	(29.0)
International subsidiaries	114.0	105.0	54.6	51.3
Kotak Investment Advisors	7.5	4.7	30.0	26.0
Others	2.4	1.6	(0.2)	(0.2)
Total	**5,046.0**	**3,453.4**	**4,543.1**	**3,058.4**
Minority Interest, Equity Affiliates and Others		5.4		(12.9)
Consolidated PAT		3,458.8		3,045.5

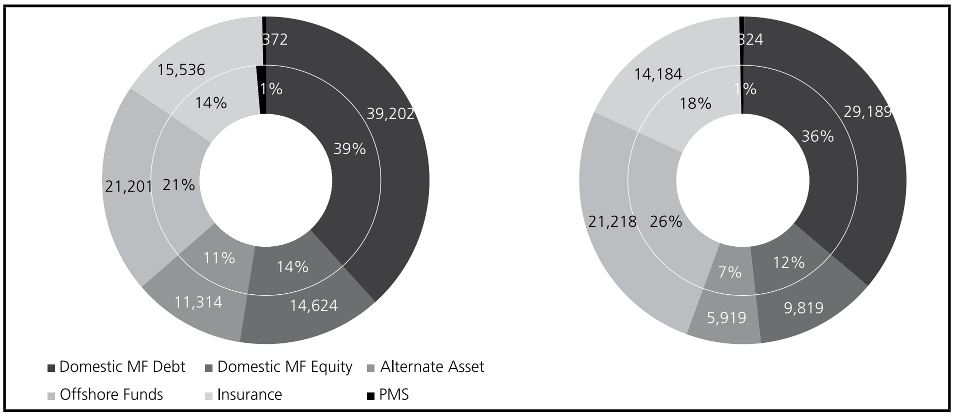
The contribution of the affiliates to the net profit of the Group is as follows:

(₹ in crore)

Name of the Company	Investment by Kotak Group	% Share holding of the Group	PAT contribution for FY 2016
ACE Derivatives and Commodity Exchange Ltd	46.8	40.00%	0.1
Infina Finance Pvt Ltd	1.1	49.99%	81.2
Phoenix ARC Pvt Ltd	100.0	49.90%	10.5
Matrix Business Services India Pvt Ltd	2.1	19.77%	1.0

Assets Under Management (AUM) as on 31st March, 2016 were ₹ 102,249 crore (previous year ₹ 80,653 crore), comprising assets managed and advised by the Group. The split of the AUM is as follows:

AUM - ₹ 102,249 crore – 31st March 2016 **AUM - ₹ 80,653 crore – 31st March 2015**



The Group has a wide distribution network through branches and franchisees across India, an International Business Unit at Gujarat International Finance Tec-City (GIFT city), Gujarat, and international offices in London, New York, Dubai, Abu Dhabi, Mauritius and Singapore.

Bank, Its Subsidiaries and Its Associates: Financial and operating performance

Bank Highlights

Kotak Mahindra Bank is the flagship company of the Kotak Group, and has a diversified business profile covering consumer loans, corporate finance and commercial vehicle financing. The Bank has launched its International Banking Unit (IBU) in GIFT city (Gandhinagar) on 3rd May, 2016, which will offer foreign currency loans and deposits to corporates.

Profit before tax of the Bank for FY2016 was ₹ 3,123.7 crore as against ₹ 2,833.0 crore for FY2015. Profit after tax of the Bank was ₹ 2,089.8 crore in FY2016 compared with ₹ 1,866.0 crore in FY2015.

PROFIT AND LOSS ACCOUNT

A synopsis of the Profit and Loss Account is presented below:

(₹ in crore)

Particulars	FY2016	FY2015
Net interest income	6,900.4	4,223.7
Other income	2,612.2	2,028.5
Net total income	**9,512.6**	**6,252.2**
Employee cost	2,804.0	1,449.7
Other operating expenses	2,667.5	1,805.0
Operating expenditure	**5,471.5**	**3,254.7**
Operating profit	**4,041.1**	**2,997.5**
Provision & contingencies (net)	**917.4**	**164.5**
- Provision on advances	832.2	323.8
- Recoveries	(63.5)	(47.8)
- Provision on other receivables	12.4	(0.2)
- Provision on investments	136.3	(111.3)
PBT	**3,123.7**	**2,833.0**
Provision for tax	1,033.9	967.0
PAT	**2,089.8**	**1,866.0**

Net-interest income:

The Net Interest Income (NII) of the Bank for FY2016 was ₹ 9,512.6 crore compared to ₹ 6,252.2 crore. The Bank had a Net Interest Margin (NIM) of 4.30% for FY2016 compared to 4.87% for FY2015. Average advances increased by around 84% and average earning investments increased by around 71%. The margins were impacted due to:

- eIVBL NIMs were much lesser than Kotak NIMs, impacting the combined entity NIM.
- Payment of additional interest on savings accounts of eIVBL around ₹ 131.0 crore on account of increase in savings deposits rate upto 6%.

Non-interest income:

The Bank had non-interest income of ₹ 2,612.2 crore for FY2016 compared to ₹ 2,028.5 crore last year.

(₹ in crore)

Particulars	**FY2016**	FY2015
Commission, exchange and brokerage	1,764.4	1,226.3
Income from recovery of bought out stressed assets	113.0	134.6
Profit on sale of investments	213.2	314.8
- Security Receipts	85.6	105.0
- Govt. Securities	12.2	122.8
- Non-SLR Securities	115.4	87.0
Profit on exchange/ derivative transactions	421.9	206.4
Income from subsidiaries/associates	76.9	72.2
Dividend from subsidiaries	3.9	5.0
Others	18.9	69.2
Total other income	**2,612.2**	**2,028.5**

The growth in the non-interest income was lower in the current year due to the following reasons:

- Profit on exchange / derivative transactions includes a reversal of income of ₹ 62 crore on account of a credit event with respect to a derivative customer.
- Commission, exchange and brokerage income was impacted mainly due to the change in AMFI guidelines of reduced upfront incomes and increased annuities. Credit card fees and loan processing fees did see an uptake contributed by the synergies of KMBL and eIVBL network.
- Profit on sale of investments reduced substantially compared to the previous year.

Employee cost

The employee expenses of the Bank have increased to ₹ 2,804.0 crore for FY2016 compared to ₹ 1,449.7 crore for FY2015 primarily due to -

- Increased staff strength due to the merger and increase in average salary levels to an extent.
- Provision for retiral benefits of eIVBL on a one time basis of more than10% of the total employee expenses of the merged entity.

Other operating expenses

Other operating expenses were ₹ 2,667.5 crore for FY2016 compared to ₹ 1,805.0 crore for FY2015 primarily on account of:

- Integration expenses of around ₹ 95 crore
- Inorganic expansion in the branch and ATM network due to the merger, leading to higher infrastructure expenses i.e. premises cost, repairs and maintenance, depreciation cost etc.
- Increase in brokerage expenses primarily due to additional incentive paid to direct marketing agents on advances and loans.

Provisions and contingencies

The provisions and contingencies were ₹ 917.4 crore for FY2016 compared to ₹ 164.5 crore for FY2015 primarily due to -

- Higher specific provision of which significant portion relates to eIVBL
- Provision on security receipts and credit substitutes
- Credit costs were at 82 bps

The RoAA held at 1.2% for FY2016 as compared to 2.0% in the previous year. RoAA was also impacted by one time hit of employee cost on account of retiral benefits for eIVBL employees under IBA structure, integration costs and additional provisions from eIVBL book. Further, ROAA of eIVBL was lower than the ROAA of KMBL, hence impacting the ROAA of the combined entity.

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

(₹ in crore)

Segment	FY2016	FY2015
Treasury and BMU	176.8	467.8
Corporate / Wholesale Banking	2,030.4	1,402.1
Retail Banking	916.6	957.0
Sub-total	**3,123.7**	**2,826.9**
Unallocated income / (expense)	(0.0)	6.1
Profit Before Tax	**3,123.7**	**2,833.0**

BALANCE SHEET

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

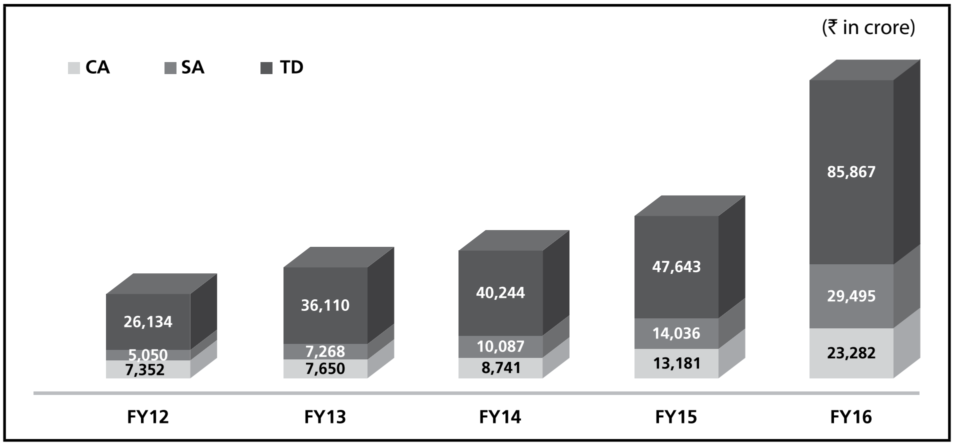
(₹ in crore)

Liabilities	31st March, 2016	31st March, 2015
Networth	23,959.1	14,141.1
Deposits	138,643.0	74,860.3
- CA	23,281.7	13,181.3
- SA	29,494.7	14,036.1
- Certificate of deposits	5,639.4	3,784.8
- Term deposits	80,227.2	43,858.1
Borrowings	20,975.3	12,149.7
Other liabilities and provisions	8,682.4	4,861.0
Total	**192,259.8**	**106,012.1**
Assets		
Cash and bank balances	10,879.7	6,262.4
Investments	51,260.2	28,659.1
- Government securities	40,761.0	22,881.7
- Other securities	10,499.2	5,777.4
Advances	118,665.3	66,160.7
Fixed assets and other assets	11,454.6	4,929.9
Total	**192,259.8**	**106,012.1**

The Bank's capitalisation levels remain one of the strongest in the industry with overall CRAR at 16.3% (Tier I ratio of 15.3%) as compared to 17.2% as on 31st March, 2015 (Tier I ratio of 16.2%).

Deposits

The core of the Bank's strategy is to build low cost and stable liability on which the Bank has been working over the past few years. The momentum has been continued in the current year as well because of which the rate at which Bank's current account deposits, savings account deposits and term deposits have grown is significantly higher than the industry average. CASA plus term deposits below ₹ 5 crore, account for around 70% of the total deposits. Average SA increased by around 35% with an increase of around 40% and 26% increase at KMBL branches and eIVBL branches respectively.



Advances

Advances have primarily been driven by growth in retail advances - Small business, Personal Loans and Credit Cards. The Bank has started growing the Construction Equipment (CE) and Commercial Vehicles (CV) loans as the macro economic factors are showing some signs of improvement.

The restructured advances considered standard as on 31st March, 2016 are ₹ 304.6 crore (0.26% of advances book), of which a significant portion is from eIVBL. Further, post-merger, the Bank has not done any CDR participation, has not sold any of its loans to Asset Reconstruction Companies and has not converted any on-balance sheet advances to off-balance sheet exposures.

The classification of advances of the Bank is as follows:

(₹ in crore)

Segment	**31st March, 2016**	31st March, 2015
Corporate Banking	34,969.5	20,299.5
Home Loans and LAP	23,009.4	14,708.7
Agriculture Division	17,992.9	12,105.8
Commercial Vehicles & Construction equipment (CV/CE)	7,463.3	5,204.0
Business Banking	23,318.1	6,421.6
Small Business, Personal Loans & Credit cards	9,626.8	6,262.8
Other Loans	2,285.3	1,158.3
Total Advances	**1,18,665.3**	**66,160.7**

Advances as per RBI segmental classification:

(₹ in crore)

Segment	**31st March, 2016**	31st March, 2015
Retail	52,583.6	29,112.8
Corporate	66,081.7	37,047.9
Total	**1,18,665.3**	**66,160.7**

Asset Quality

While there has been some stress in segments such as Emerging Corporate, Agriculture division and Corporate accounts, the Bank has an overall healthy asset quality.

The Bank had moved around 6% of its stressed eIVBL corporate portfolio in the first quarter under experienced asset reconstruction team, commonly known as 'Bad bank'. This was about 2.5% of the combined book and mainly included NPA's, asset sold to ARCs, assets under CDR, restructured assets, standard but under 'Watchlist'.

Restructured loans considered standard at ₹ 304.6 crore (0.26% of advances), of which a significant portion is from eIVBL.

Total SMA2 outstanding as on 31st March, 2016 was ₹ 152.6 crore (0.13% of net advances).

(₹ in crore)

Particulars	**31st March, 2016**	31st March, 2015
Gross NPA	2,838.1	1,237.2
Gross NPA %	2.36%	1.85%
Net NPA	1,262.0	609.1
Net NPA %	1.06%	0.92%

A large portion of problem loans, particularly from eIVBL have already flown to a significant extent into the NPA bucket, which is already reflected in the gross and net NPA numbers above.

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

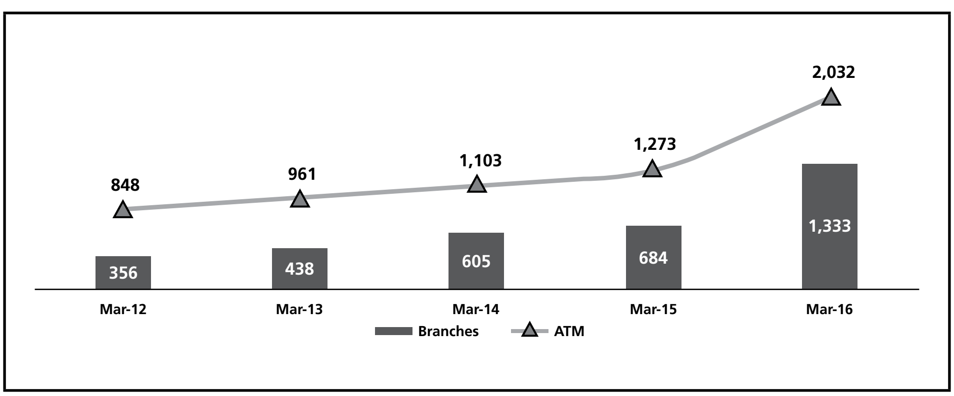
Consumer Banking

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 added 72 branches during FY2016 taking the total branch count to 1,333 branches across 674 locations and 2,032 ATMs as on 31st March, 2016.



Key Initiatives

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

I. Segmental Focus

Products & Services

- MY FAMILY - a savings bank proposition tailored exclusively for the entire family. The proposition gives the benefit of pooling in balances across family members & also gives them the benefit of a dedicated relationship manager for the family.

- ALPHA - a savings bank proposition linked to investments. The customer gets the benefit of an NMC waived savings account when they choose an RD (or) MF SIP (or) NPS along-with a Term Insurance premium of ₹ 300/month (which offers a cover of ₹ 0.20 crore) linked to their savings account. The proposition also offers Cash Back on Debit Card spends and is targeted for an age group of 18-55.

- The Bank has been appointed as Authorised Collection Centre (ACC) by Stock Holding Corporation of India Ltd (SHCIL) for providing E-stamping facility in the states of Punjab and Rajasthan.

- The Bank has also been appointed as one of the collecting Banks for Government of India's Sovereign Gold Bonds and was actively involved in raising subscriptions across all three tranches.

- Three new Current Account Products - Kotak Pro Plus, Kotak Elite Plus and Kotak Ace Plus were launched. Key feature of these products is around cash and offer higher limited and more efficient management in select locations.

- Privy League program, positioned to cater to the affluent segment, now services 3.4 lakh customers. A new tier-"Insignia" was launched at select locations to cater to customers with group relationship value of at least ₹1crore. A Corporate Credit card with exclusive benefits for Privy League Business banking customers was introduced to increase the segmental focus in the program. To address customers' need for legacy planning, Smart Will an automated Online Will writing solution was launched in association with Kotak Securities.

II. Customer Convenience

- Introduced Kotak Cheque Protect, a calibrated credit oriented program for offering cheque protection facility to existing customers for honouring cheques in the event of shortfall in the bank account, based on certain pre-approved parameters.

- Tied up with Thomas Cook and Kuoni Travels to offer a Holiday Savings Account linked to a Recurring Deposit. Customers get benefit of various schemes and offers launched by these travel companies and the banking linkage enable them to save on a monthly basis to facilitate the holiday expense.

- Digital Initiatives

  - Launched a comprehensive Microsite for New Pension System with various calculators and educative content to demystify the concept of Pension and also enable people to get started with opening their pension account online.

  - Launched a real time customer acquisition platform for personal loan, where a customer PAN, Aadhar & CIBIL are checked real time & decision about the loan amount and interest rate can be given instantly.

  - Initiated Pre-Approved Personal Loan on Net Banking for salaried customers. This enables a pre-qualified customer to apply for Personal Loan while logged into the net-banking account and the disbursed amount is instantly credited to customer's banking account.

  - The Bank has commenced tab based account opening process for Savings Account. This is an end-to-end digitized work flow, from lead capture to account set up, thereby reducing the processing time and enhancing customer experience.

  - Hashtag banking was given further fillip by creating capability to order a book or special promotional movies by just a single tweet.

  - The Bank has the highest rated banking app (4.4) in India. This year the Bank has added many more convenience features for its customers.

  - The Bank was the first to launch India's first internet-free app (Kotak Bharat Banking). This app does not need internet to transact. Customer can do 25 different transactions including mobile recharge and small value fund transfer. The app is available in 6 languages (Hindi, Gujarati, Marathi, Tamil, Kannada and English). Response messages within the app will also be in regional language.

  - The Bank rolled out e-store on Net Banking after successful roll out of m-store on banking app. This includes travel categories like flight tickets, bus tickets and hotel booking.

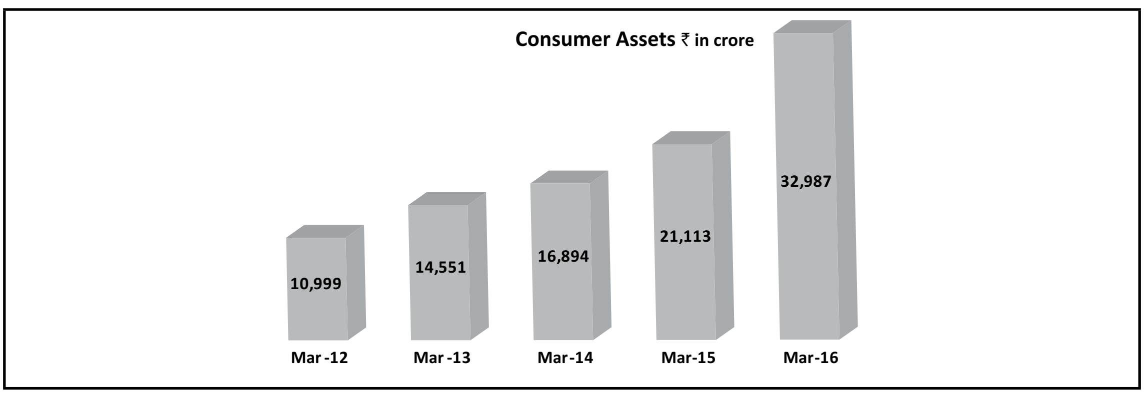
- Introduced new features in the iPhone version of mobile app. iPhone customers can now book a Recurring Deposit (RD), Add a new biller and set Auto Pay amongst various new services introduced.

The Bank is amongst the top 5 banks in mobile transactions, both in terms of value and volume. The Bank's market share in mobile transactions is 4.7% (₹ 2,882 crore) by value and 4.3% (27.6 lacs) by volume in March 2016 corresponding to 1.4% share of Deposits and 1.5% share of Advances in India.

Of every 1,000 active customers,133 customers were acquired through digital sales compared to India average of 80 and global average of 74. The digital acquisition to total acquisition is 7% for savings accounts and 15% for personal loans. The 90-day digital activity level change for the Bank is 8.1% compared to India average of 3.9% and Global average of 3.6%.

Consumer Banking Assets

The Consumer Assets business maintained its growth trajectory across the wide range of products offered by the Bank. Trend of Consumer Bank advances outstanding over the last 5 years is as below -



Credit card business has 6.3 lakh cards in force as on 31st March, 2016. YoY spends have grown at 40.3%.

Under this portfolio, the Bank offers a wide range of products from secured and unsecured business loans to loans against properties to working capital finance. This business has grown its book by 28.3% in FY2016 with significant business coming from active engagement with existing liability customers of the Bank.

There has been a significant shift in customer preference with respect to channel usage for service and transactions.

In FY2016, ATM network serviced 6.2 crore transactions, which is 22.8% more than last year. Of this, 5.3 crore were cash withdrawals.

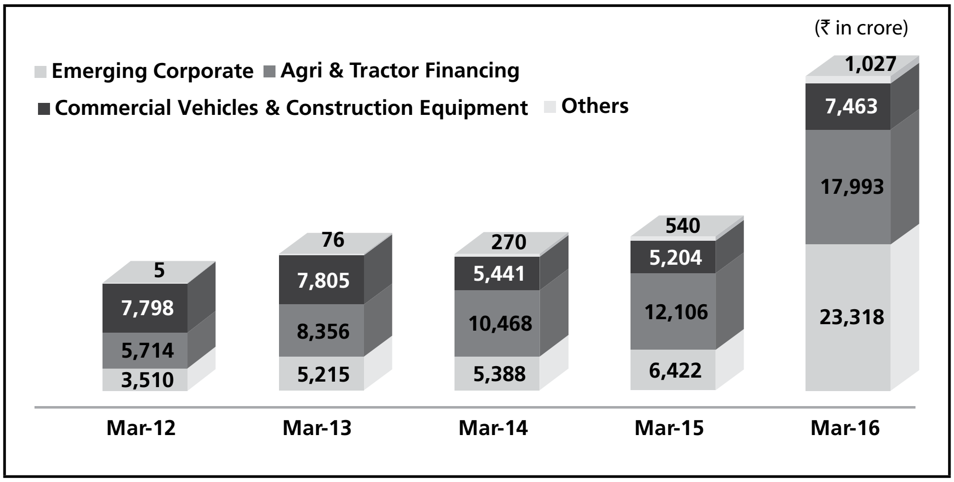
POS spends for the year grew by 48.5% (including eCommerce) with the overall spends at ₹ 2,317.6 crore and total spends through payment gateway for online shopping were a very healthy at ₹ 3,087.3 crore, a jump of 46.0% over last year. Transactions through Bill pay and Visa Money Transfer increased by 41.4% for a value throughput of ₹ 800.4 crore.

Commercial banking

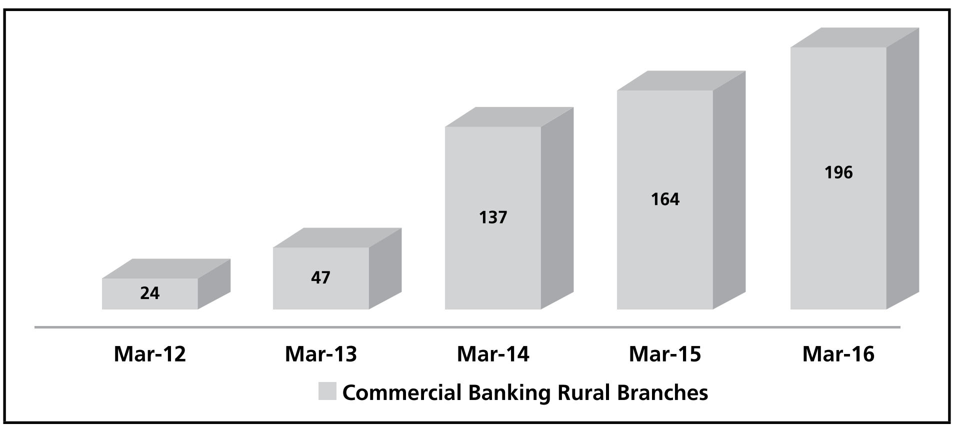
The Bank's business model of 'concentrated India, diversified financial services', caters to both India and Bharat. The Commercial Banking business caters to customers of Bharat, and plays a pivotal role in meeting substantial portion of the priority sector lending obligations. It offers a range of products for agriculture (agri) and tractor finance, purchase and operations of commercial vehicles and construction equipment, rural housing finance and gold loans. Further, Emerging Corporate Group (ECG), a division within the business, caters specifically to the needs of small and medium enterprises.

Economic environment of semi-urban and rural areas influences the business operations and performance. Monsoon plays a large role in shaping up the Indian economy. Bad monsoon for two consecutive years adversely impacted crops, related activities and also the purchasing power of the rural Indian. The Bank's calibrated de-risking business strategy helped us tide over the situation and register positive growth in terms of both topline and bottom line.

Split of commercial advances over the years is as below:



Considering two consecutive bad monsoons and opportunity available in Bharat, the Bank adopted approach of continuous and cautious, which is reflected in its expanding network of rural branches in Tier II to Tier VI towns and portfolio. The number of rural branches has increased from 164 in FY2015 to 196 in FY2016. The Bank will continue to increase its network in rural regions to provide products and services to a larger customer base.



The Bank's commitment to Bharat has yielded positive results with consistent growth of portfolio. In FY2016, its agri and tractor finance portfolio increased by 48.6%. However, the slowdown in the rural economy has led to marginal deterioration of portfolio quality. Further, its tractor disbursements picked up during the year despite industry de-growing by 10%.

Internationally fuel and commodity prices have fallen dramatically leading to slowdown in exports and export dependent units. The Bank continues to focus on balanced growth, maintaining asset quality and providing exceptional service to customers.

The Bank's CV and CE financing businesses have started registering growth because of accelerated growth in the economy, specifically in the infrastructure sector over the past few years. Decrease in energy prices has led to the recovery of the economy and also reduced levels of delinquency.

The Bank started increasing exposure to this sector in the second half of FY2014. After reversing the trend of de-growth in FY2015, CV portfolio grew by 47.2% in FY2016. Sales of Medium & Heavy Commercial Vehicles (M& HCV) and Heavy Commercial Vehicles (HCV) grew by 30% and 17% respectively and the Bank increased its exposure in this asset class during this period. Small Commercial Vehicles (SCV) sales, however, remained in negative territory and fell by 3%.

The government's focus on the infrastructure sector and faster environmental clearances has led to buoyant environment. Green shoots are being seen in core sectors like mining, port and road construction. This has improved order book position of customers compared to earlier periods. After attenuation of the portfolio by10% in FY2015, the Bank has increased lending in this sector and portfolio grew by 27%.

The business also diversified its operations in two areas – gold loans and rural housing finance. With the consolidation of eIVBL gold loan, this product is now available across 500 branches and Rural Housing finance is offered at 50 locations.

Corporate banking

The Corporate banking business caters to various customer and industry segments in the wholesale space such as 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, foreign exchange services, supply chain, cash management and other transaction banking requirements. The focus has been on customised solutions delivered through efficient technology platforms backed by high quality service. The core focus of the business has been to acquire quality customers on a consistent basis and ensure value add through cross sell of the varied products and services.

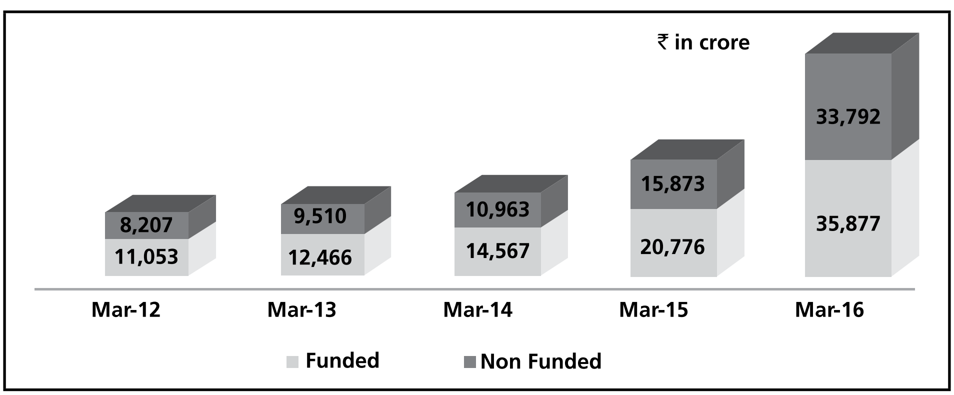
The business strategy in the large corporate segment has been to build franchise with top tier corporates as well as deepen the existing relationships with synergies across business verticals. The mid-market strategy is clearly driven by targeted client acquisition and becoming one of the preferred bankers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

The Bank has focused on increasing its share of the large and mid-corporate space. In view of the macroeconomic scenario, exposure was confined to segments with credit comfort in terms of better rated exposure and industries with a positive outlook. During the current year of integration, the Bank has taken the opportunity to re-evaluate and streamline major processes which would further assist in a robust growth in the future.

The Transaction Banking Group 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 and liquidity management benchmarks. The Bank is active participant in the Global Trade Finance Program (GTFP) offered by IFC, Washington.

The product offering includes Documentary Credits, Bank Guarantees, Export Credit and Supply Chain Financing amongst others. The growth in fee based income was a result of higher trade, foreign exchange and debt syndication services. The growth in current account balances was driven by products like cash management services, supply chain management services, escrow account services and other transaction banking services.

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. Product innovation and risk management through efficient technology platforms backed by high quality service has been the key focus. 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 and monitoring. The corporate banking portfolio continued to show robust characteristics throughout the year.

Treasury

Treasury teams of the combined entity worked tirelessly and in coordination with meticulous planning to make this merger efficient and effective. The Bank's Treasury operated as a single merged entity with effect from 1st April, 2015, whilst assimilating and resolving residual merger issues, the Treasury maintained its focus on markets and on client delivery.

RBI initiated normalisation of policy rates in the last quarter of FY2015 by easing policy rates by 50 bps. FY2016 started with an expectation of lower interest rates, dipping crude prices and downward bias of international commodity prices were suggestive of lower inflationary expectations; in this backdrop, an accommodative policy stance from the RBI was largely seen as a catalyst for lower interest rates in the economy.

While most of the factors pertaining to interest rates remained benign throughout the year, currency markets witnessed a 'trend-less' year, European, Japanese and later Chinese economies worked respective monetary policies towards growth impetus and exchange rate corrections. The US FED – on the other hand, initiated normalising its excessively accommodative policy by increasing the target rates by 25 bps in December 2015. In the latter part of the year, global markets eased the projections for policy rate hikes by US FED. Mixed global outlook also led to global portfolio investors – including sovereign funds, pare exposures to emerging markets.

Pursuant volatility in the global currency markets reflected in higher volatility in domestic equity markets. Against an expectation of lower rates – benchmark yield rates remained elevated in comparison to the policy rate action. Affirmation of Government's continuation on the path of fiscal discipline in the Union Budget 2017 (February 2016) and its subsequent action of harmonizing small savings rates spurred into a late movement in volatile but largely range bound domestic interest rates. 10 year G-Sec yield in February 2016 (prior to budget) was at 7.86% as against 7.74% in March 2015, ending at about 7.46% in March 2016.

The Treasury Fixed Income Trading Desk – maintained a positive outlook balanced with abundant caution. The portfolio durations were maintained as per the overall risk framework and under the oversight of the Bank's Asset Liability Committee (ALCO), which also functions as the Investment Committee. Well thought and composed positions yielded desired outcome for the year. The Primary Dealer (PD) desk at Treasury, in addition to gainful positioning on the Trading portfolio, also improved upon its capability of distribution and retailing of sovereign securities. The PD desk maintained its track record of surpassing its regulatory obligations of bidding and success ratios in primary auctions and trading volumes in the secondary market for Government Securities.

The Treasury FX Trading desk maintained its vigil on the market and took measured and calibrated positions in a 'trend-less' market. Broadly, the USD gained vis-à-vis major currencies on the back of a recovering economy in USA. While rupee lost about 6%, EUR appreciated about 6% against the greenback. The relative economic weakness in significant trade partner countries as well as domestically led to some slowing of export and import flows at a national level. Notwithstanding, Treasury successfully maintained its focus on expanding the foreign exchange flows from client businesses. Treasury also continued its endeavour in technology led initiatives for transparency and convenience in FX transactions by the Bank's customers. Technology platforms were harmonised for all the customers acquired as a result of the merger.

The Treasury Bullion desk adapted its business strategies to align with regulatory changes, the portfolio shift resulted in creating a profitable annuity book. The merger also created incremental customer opportunities which were duly capitalised. Pursuant to the efforts of the desk, the Bank was adjudged 'Best Emerging Bullion Bank of Year' by India International Gold Convention.

While market sentiments were characterised by volatility, the liquidity in the banking system largely remained in a deficient zone. The deposit rates - though responsive to the policy action by RBI, also remained range bound. The Balance sheet Management Unit (BMU) continued to maintain a prudent stance on liquidity. While efficiently meeting the reserve requirements and maintaining optimal funding mix, the Bank also successfully maintained appropriate liquidity buffers as per the norms of the Liquidity Coverage Ratio (LCR) guidelines.

The ALCO continued to maintain constant and close vigil on the Market risk, Interest Rate and Liquidity Gaps, counterparty and country exposures.

Technology

With the announcement of the merger of eIVBL, the Bank took up the initiative of merging the technology systems and data of the two Banks. The merger provided an opportunity to leverage the "best of breed" systems from both banks. As the technology integration progressed across business verticals, the Bank identified synergies in systems and capabilities to optimize costs across the technology operations of the two banks. The merged systems will provide a standard customer experience across all channels to all customers of the merged entities.

New initiatives and the drive for digitization continued, with the Bank launching online loan approval and disbursement facility to its retail customers. New account opening was digitized end to end with field sales people using tablets to open accounts for faster turnaround time, and mobile account opening capability has been initiated. Personalized offers to customers were enabled on the Bank portal. Turnaround times for lending to commercial customers significantly improved by digitizing the process by introducing a tablet based lead management system for use by sales people in the field. Corporate customers got an upgraded FX trading portal. Finally, digitization for wealth management customers was also strengthened with the launch of a portal providing a single view of all their investments. Also, a wealth management mobile application was initiated. World's First Bank agnostic P2P Platform 'Kaypay' was also launched.

Digital capability was extended to "non-internet" geographical areas with the launch of "Bharat Banking" that provides the facility of using a mobile application, even when the customer does not have internet capability. Thus bringing further digital ease to wider segments of customers.

Customer data security and risk management need to keep pace with digital offerings. With this in mind, the Distributed Denial of Service was augmented with an in-premise solution. A fraud management solution to track customer transactions across channels was implemented. On the regulatory side, a new Enterprise Risk System was implemented for the Value-at-Risk calculation of the treasury products.

Subsidiaries Highlights

Kotak Mahindra Prime Limited (KMP)

KMP is primarily engaged in car financing; financing of retail customers of passenger cars, Multi-Utility Vehicles (MUVs) and term funding to car dealers. KMP finances new and used cars under retail loan, hire purchase and lease contracts.

The main stream of income for KMP is from car financing to customers and dealers. KMP also receives income from loans against securities, personal loans, corporate loans and developer funding, securitisation / assignment transactions and recovery of acquired non-performing assets.

Financial highlights

(₹ in crore)

Particulars	**FY2016**	FY2015
Gross income	2,761.6	2,640.4
PBT	772.6	773.9
PAT	502.3	507.4

(₹ in crore)

Particulars	**31st March, 2016**	31st March, 2015
Net customer assets	22,262.0	19,707.0
- Car advances	16,706.7	14,726.1
Net NPA	88.5	84.1
Net NPA %	0.4%	0.4%
ROA %	2.3%	2.5%
ROE %	14.0%	16.4%

The passenger car market in India saw growth of 8.2% for FY2016 as compared to 3.2% for FY2015. Total unit sales of cars and MUVs crossed 27.9 lakh units in FY2016 versus 26.1 lakh units in FY2015. KMP added 128,680 contracts in FY2016 compared to 120,001 in FY2015.

Gross NPA for the year was ₹ 174.6 crore (0.8% of gross advances) while net NPA was ₹ 88.5 crore (0.4% of net advances). Further, the CAR as on 31st March, 2016 was 18.2%.

Kotak Mahindra Investments Limited (KMIL)

Financial highlights

(₹ in crore)

Particulars	**FY2016**	FY2015
Total income	603.7	390.9
PBT	235.9	158.2
PAT	153.9	106.3

(₹ in crore)

Particulars	**31 March, 2016**	31 March, 2015
Net customer assets	4,794.9	3,268.4
Net NPA	2.6	4.2
Net NPA %	0.1%	0.1%

KMIL is primarily engaged in finance against securities, corporate loans, developer funding and other activities such as holding long-term strategic investments. KMIL enables its customers to pursue ambitious growth strategies and execute value-creating transactions for mutual growth. KMIL's strategy has been of relationship management and penetration, continuous product innovation coupled with tight control on credit quality and effective risk monitoring and management. It is well positioned to harness all opportunities that may be offered in the current economic environment.

During the current financial year, the customer advances increased to ₹ 4,794.9 crore as on 31st March, 2016 as compared to ₹ 3,268.4 crore as on 31st March, 2015. The Company reported a total PBT of ₹ 235.9 crore (FY2015: ₹ 158.2 crore) for FY2016, a growth of 49.1% YoY.

Gross NPA to overall advances were at 0.1% (₹ 3.9 crore) as on 31st March, 2016 as compared to 0.2% (₹ 7.5 crore) as on 31st March, 2015 due to recoveries coupled with growth in advances. Further, the CAR as on 31st March, 2016 was 18.2%.

Kotak Securities Limited (KS)

Financial highlights

(₹ in crore)

Particulars	**FY2016**	FY2015
Gross income	974.6	959.8
PBT	381.0	441.4
PAT	250.7	289.6

The financial year started on an optimistic note as the market volumes recorded, in the Cash Segment, for the last quarter of FY2015 were the highest of the 4 quarters. The new Government was approaching completion of a year in office and it was expected that key legislation including GST would be passed. Oil prices had dropped further which would help India on the Economic front in reducing the fiscal deficit. The Rupee was stable over the immediately preceding half year and inflation was expected to be reined in. In the back drop of this scenario, Corporate earnings were also expected to show improvement in the financial year.

The Sensex which closed at 27,957 at the end of the financial year 2015 closed at 25,342 at the end of the current financial year with a high of 29,095 and low of 22,495. Similarly, the benchmark Nifty which closed at 8,491 at the end of the previous financial year closed at 7,738 at the end of the current financial year with a high of 8,845 and low of 6,826.

Market average daily volumes decreased to ₹ 20,247 crore from ₹ 21,424 crore in the previous financial year for the Cash Segment, and increased to ₹ 264,107 crore from ₹ 229,779 crore in the previous financial year for Derivatives Segment. The increase in the absolute volumes in the Derivative Segment, further skewed market mix in favour of Derivatives.

Institutional Equities division has strengthened its leading position in the Broking Segment and is number 1 Domestic Broker. While the Institutional cash segment volumes were flat compared to FY2015, the derivatives market volume grew by about 24%, resulting in a skew towards Derivatives. Yields across the client segments continue to remain under pressure. Company's strategy has resulted in a market share growth in both segments. Company has continued to invest in technology upgrading platforms wherever required. The Institutional Equity Research continued to be recognized for its in-depth high quality financial modeling, breadth of stock coverage and valuable investment insights, winning valuable votes from its clients.

Retail market volumes in Cash Segment, were below the levels recorded in FY2015 however the Derivatives Segment recorded an increase. Gold prices continued to fall for large part of the year but recorded an increase around the 4th quarter of the year. Real estate price continued to be sluggish. Mutual Funds continued to show net addition to AUMs although the rate of increase decelerated towards the end of the financial year. Given the volatility in the markets, retail investors would have shifted some allocations to Gold and Mutual Funds. Company's focus on Cash Segment saw it increase market share to some extent. Given the rise in the retail derivative segment, the Company has devised a suitable strategy to increase market share in this segment too.

Company has upgraded its customer on boarding process for quicker turnaround time. Customer acquisition resulted in addition of about 136,331 customers with a large part of them being online trading customers. The new website launched during FY2015 was well received and the Company has also launched various tools to help customers in their trading activity. Mobile trading volumes through the Company's mobile application recorded a growth. Other initiatives have also been taken to make it simpler for clients to use services of the Company. The total outlets stood at 1,209 at the end of the financial year. The number of registered sub brokers / authorised persons stood at 2,013 for NSE and 1,556 for BSE.

Kotak Mahindra Capital Company Limited (KMCC)

Financial highlights

(₹ in crore)

Particulars	FY2016	FY2015
Gross income	113.8	89.1
PBT	46.4	16.4
PAT	32.4	12.4

KMCC is a leading, full-service investment bank in India offering integrated solutions encompassing high-quality financial advisory services and financing solutions. The services include Equity Capital Market issuances, M&A Advisory and Private Equity Advisory.

Equity Capital Markets

In FY2016, the Indian equity capital markets saw significant uptick in primary market activity led by 24 IPOs. A total of ₹48,480 crore* was raised across Initial Public Offerings (IPOs), Qualified Institutional Placements (QIPs) and Rights Issues, while ₹19,822 crore was raised from the secondary market through Offers for Sale (OFS) *(Source: Prime Database)*.

KMCC successfully completed 13 marquee transactions across various product formats, including eight IPOs, one rights issue, two government disinvestments and two QIPs, raising a total of ₹36,017 crore* in FY2016. *(Source: Prime Database)*.

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

HDFC QIP (NCD & Warrants) – ₹ 10,435 crore*, Indian Oil Corporation OFS - ₹ 9,396 crore, Tata Motors Rights - ₹ 7,498 crore, InterGlobe Aviation IPO - ₹ 3,017 crore, Container Corp. of India OFS - ₹ 1,166 crore, Coffee Day Enterprises IPO – ₹ 1,150 crore, Healthcare Global Enterprises IPO – ₹ 650 crore, Dr Lal PathLabs IPO – ₹ 632 crore, SH Kelkar IPO – ₹ 508 crore, Sadbhav Infrastructure Project IPO – ₹ 492 crore, Manpasand Beverages IPO – ₹ 400 crore, Hindustan Construction QIP – ₹ 400 crore, and Power Mech Projects IPO – ₹ 273 crore.

KMCC was ranked the #1 Book Running Lead Manager in IPOs and #2 across all Equity Offerings (IPOs, FPOs, QIPs, OFS, IPPs and Rights issues) in FY2016 *(Source: Prime Database)*.

** Includes HDFC warrants on fully converted basis and warrant premium collected upfront.*

Mergers & Acquisitions

The total M&A Advisory deal value in FY2016 stood at US$44.1 billion vis-à-vis US$62.3 billion in FY2015, while deal volumes increased to 1,793 in FY2016 from 1,052 in FY2015. While domestic transactions (excluding restructuring) decreased in value terms to US$17.3 billion in FY2016 from US$21.1 billion in FY2015, the volume of domestic transactions (excluding restructuring) more than doubled to 1,141 in FY2016 from 560 in FY2015. (Source: Bloomberg)

In FY2016, KMCC was ranked #2 by volume of deals and #8 by value of deals in the M&A league tables (Source: Bloomberg, amongst investment banks only). KMCC advised on a diverse array of twenty M&A and Private Equity transactions across a wide range of products and sectors, for a total deal value of US$ 3.6 billion:

- Across products, ranging from Acquisitions & India Entry, Divestments, Mergers, Private Equity investments, Restructuring, Delisting Offers, Buyback Offers and Open Offers;
- Across sectors, ranging from Financial Services, Technology, Industrials, Telecom, Pharmaceuticals / Healthcare, Consumers, Agri-chemicals, etc.

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

- Acquisition of controlling stake in Viom Networks Limited by American Tower Corporation – ₹ 13,435 crore
- Merger of Advanta Limited with UPL Limited – ₹ 4,435 crore
- Exclusive Financial Advisor to Bandhan Financial Services Limited for investment by GIC, IFC and SIDBI – ₹ 1,600 crore

- Manager to the Buyback Offer for Dr. Reddy's Laboratories Ltd - ₹ 1,569 crore
- Divestment of controlling interest in National Collateral Management Services to Fairfax – ₹ 876 crore
- Advisor to the Committee of Independent Directors of Hitachi Home & Life Solutions India Ltd. for Open Offer by Johnsons Control Inc - ₹ 616 crore

With an overall improvement in the economy, inflation under control and an upward revision to India's growth estimates, the pace of M&A activity is expected to escalate in FY2017:

i. The recent relaxation in FDI norms across key sectors and anticipated reforms such as GST are expected to provide a stimulus to M&A deal activity from an inbound investment, domestic M&A and Private Equity investment perspective.

ii. Muted corporate performances in FY2016, combined with emerging global uncertainties have stifled outbound M&A transactions during the year. However, given India's envisaged growth trajectory, outbound deal activity is also expected to pick-up in FY2017.

Kotak Mahindra Old Mutual Life Insurance Limited (KLI)

KLI 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.

KLI is in the business of life insurance, 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.

Private insurance industry as a whole registered a growth of 14% on a Total New Business Premium -APE terms (Single 1/10th), whereas the Company registered a growth of 54%. On a Total New Business premium - APE terms, KLI market share stood at 5.97% of private Industry. On individual APE Basis (Single 1/10th) KLI has posted 5th rank with in private industry, an improvement from 9th position last year. The financial performance of KLI for the current and previous financial year is given below:

Financial highlights

(₹ in crore)

Particulars	**FY2016**	FY2015
Gross premium income	3,971.7	3,038.1
First-year premium (incl. group and single)	2,209.7	1,540.2
PBT – Shareholders' account	281.9	261.2
PAT – Shareholders' account	250.7	228.9

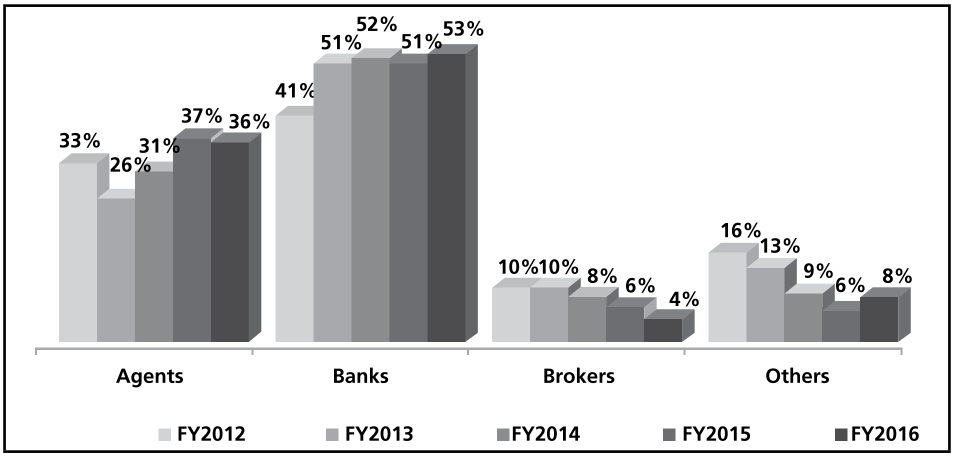
Revenue Performance:

The Company has recorded a growth of 54.0% on the Total New Business premium- APE terms (Single 1/10th) mainly coming from Individual regular premium. The summary of premium income is as under:

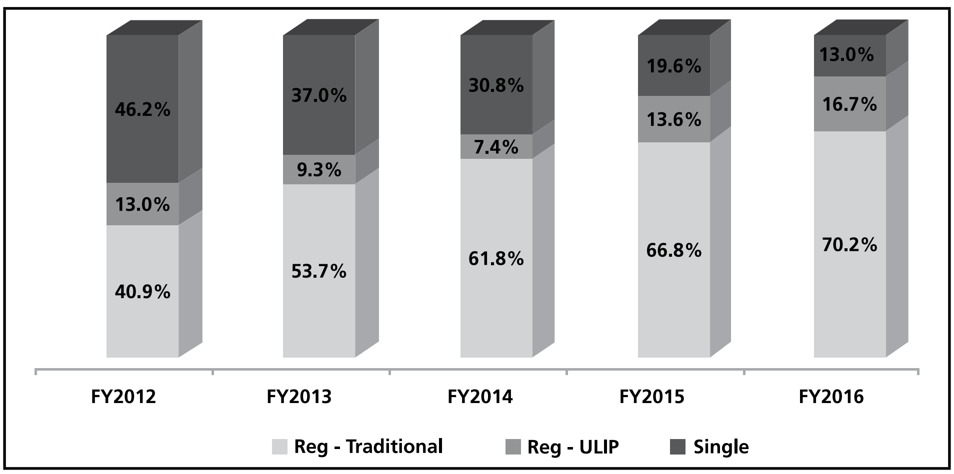
(₹ in crore)

Particulars	**FY2016**	FY2015
Individual regular premium	925.0	602.3
Individual single premium	138.8	147.1
Group regular premium	721.7	459.1
Group single premium	424.2	331.7
Total new business premium	**2,209.7**	**1,540.2**
Renewal premium	1,762.0	1,497.9
Gross premium	**3,971.7**	**3,038.1**

Distribution Mix (Individual business)



Individual Product Mix



Bancassurance Channel and Agency channels both have grown impressively, posting a growth of 86% and 45%, respectively over the previous year at regular premium, Bancassurance channel growth was mainly fueled by the merger. The Company Product Mix has moved towards traditional products, from 40.9% in FY2012 to 70.2% in FY2016 of total Individual premium.

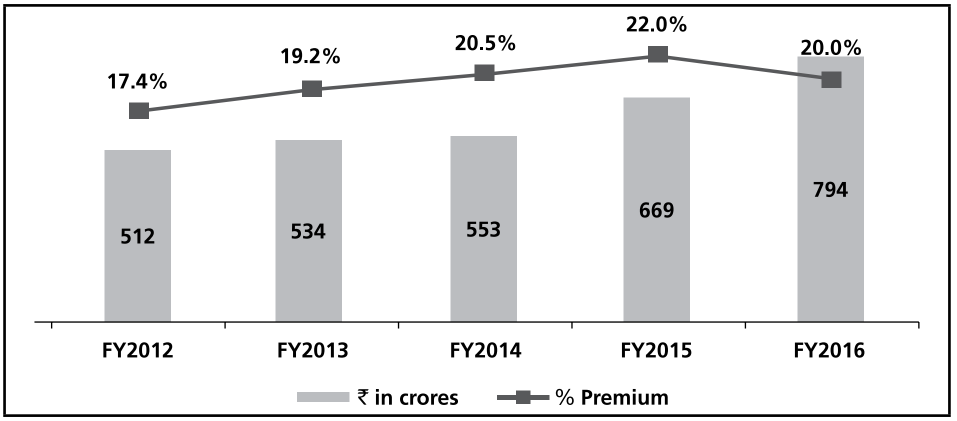
Profits and Solvency

The networth of the Company increased by 17.8% to ₹ 1,521.4 crore as on 31st March, 2016 from ₹ 1,291.0 crore as on 31st March, 2015. The Company has a solvency ratio (including Funds Not Required for Solvency Margin (FNRSM)) of 3.11 against requirement of 1.50.

Further, conservation ratio is 83.9% in FY2016 compared to 79.9% in FY2015. The Company has set up a dedicated retention team to further improve the retention of the premiums of the Company.

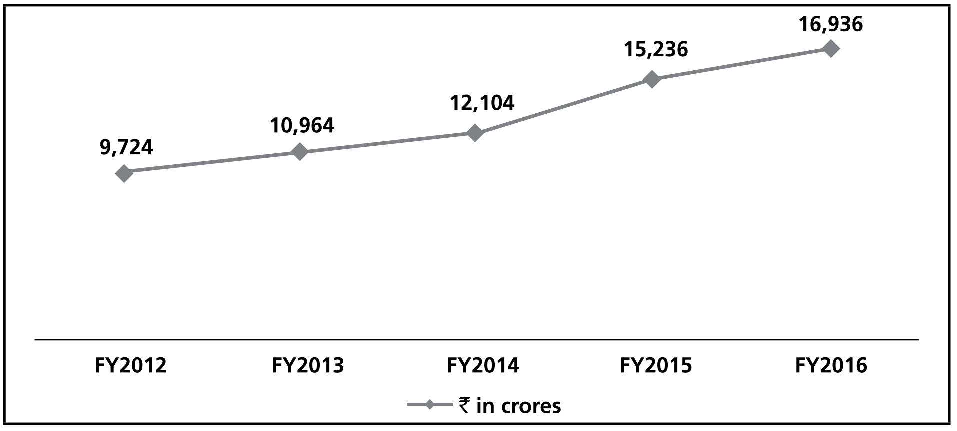
Cost Analysis

Operating expense ratio (excluding service tax) has decreased to 20.0% as against 22.0% in previous year. The Company is putting in efforts to bring in variabalisation of cost so as to bring down the overall cost ratio down.



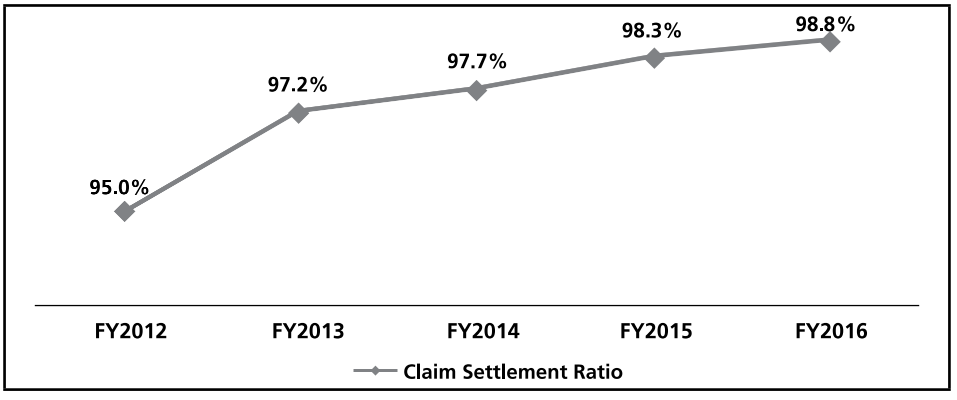
Assets Under Management:

AUM (including shareholders' AUM) of the Company increased by 11.2%, to ₹ 16,935.9 crore in FY2016.



Claims Settlement Ratio:

Claims settlement ratio in FY2016 stood at 98.8% (FY2015 – 98.3%), which is one of the best in the industry.



Network:

The Company has a network of 227 branches across 169 locations. The Company has 86,303 life advisors, 23 corporate agents and network of 165 empanelled brokers.

Social and Rural Obligations:

The Company has written 56,247 rural policies (FY2015– 40,861) representing 21.6% of total policies against regulatory requirement of 20.0%. Further, the Company has covered 594,683 social lives against the regulatory requirement of 55,000. The 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 General Insurance Company Limited (KGI)

KGI was incorporated in December 2014 under Companies Act, 2013 as a 100% subsidiary of Kotak Mahindra Bank Limited. Subsequently, it applied to Insurance Regulatory and Development Authority of India (IRDAI) to act as a General Insurance Company under the provisions of Insurance Act, 1938. The Company received certificate of registration from IRDAI on November 18, 2015 and subsequently commenced operations on December 17, 2015.

KGI is in the business of underwriting general insurance policies and has launched general insurance products in Motor and Health. The Company has also applied to IRDAI for approval for other lines of business. Currently, Kotak Mahindra Bank Limited and Kotak Mahindra Prime Limited are Corporate Agents of KGI for sourcing of Insurance policies. The Company has also tied up with brokers for sourcing of Insurance Policies.

Financial Highlights

(₹ in crore)

Particulars	**FY2016**
Gross premium income	3.7
Profit / (Loss) Before Tax	(9.7)
Profit / (Loss) After Tax	(9.7)

Revenue review

The Company issued 3,178 numbers of policies amounting to a gross written premium of ₹ 3.7 crore.

Investments

The Assets Under Management of the Company as on 31st March, 2016 stood at ₹ 114.4 crore.

Distribution Network

KGI has a network of 8 branches catering to around 250 locations. The Company has 2 Corporate Agents and 12 brokers.

Kotak Mahindra Asset Management Company Limited (KMAMC)

Kotak Mahindra Trustee Company Limited (KMTCL)

KMAMC is the asset manager of Kotak Mahindra Mutual Fund ('KMMF') and KMTCL is the trustee company.

Financial highlights

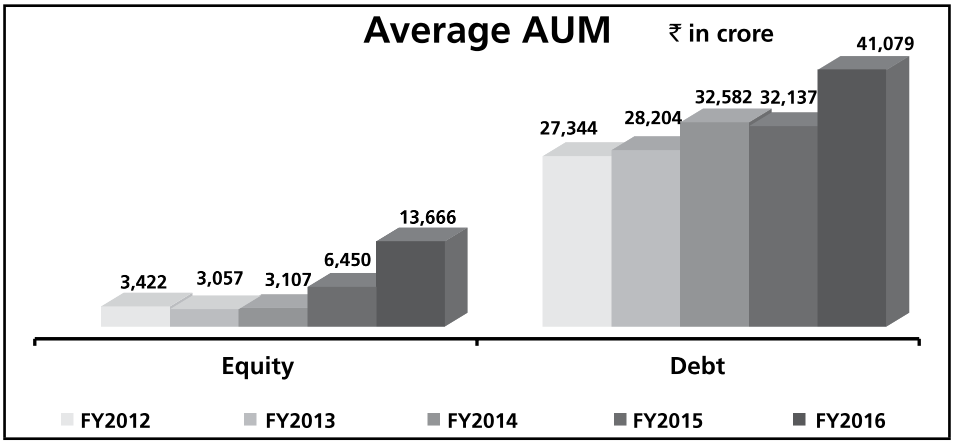
(₹ in crore)

KMAMC	**FY2016**	FY2015
Income	240.0	125.4
Profit / (Loss) Before tax	71.9	(35.9)
Profit / (Loss) After Tax	59.3	(36.2)

(₹ in crore)

KMTCL	**FY2016**	FY2015
Income	19.4	11.6
PBT	18.4	10.8
PAT	12.7	7.1

AUM of KMAMC has increased over the years as shown in the chart below:



KMAMC achieved a market share of 5.2% on the net equity inflows during the year, largely due to a significantly better performance of some of its funds. Resultantly, the equity market share increased from 1.8% in March'15 to 2.4% in March'16.

Increase in revenues and profit of KMTCL is on account of increase in the AUM during the year as compared to the previous year.

The overall industry average AUM increased from ₹ 1,091,500 crore for FY2015 to ₹ 1,315,348 crore for FY2016, a growth of 20.5%. During the same period, average AUM with KMAMC increased from ₹ 38,587 crore to ₹ 54,745crore, a growth of 41.9%.

The total industry folios as on 31st March, 2016 were at 47.7 million up from 41.7 million as on 31st March, 2015. KMAMC also saw its total live folio count increased to 0.9 million as on 31st March, 2016 from 0.8 million as on 31st March, 2015.

The funds managed by KMAMC continued to strive for consistent risk-adjusted returns to their investors over the long term. The snapshot of the performance has been presented as under:-

Equity Schemes	Benchmark	FY2016 Returns (%)	BenchmarkReturns (%)
Kotak Select Focus Fund	CNX 200 Index	-2.83	-8.09
Kotak 50 Fund	CNX Nifty Index	-4.55	-8.84
Kotak Midcap Fund	CNX Midcap 100 Index	1.76	-1.91
Kotak Opportunities Fund	CNX 500Index	-5.59	-7.52
Kotak Emerging Equity Fund	S&P BSE Mid Small Cap Index	-2.26	-3.34
Kotak Balance Fund	Crisil Balanced Fund Index	-2.82	-2.9
Kotak Taxsaver Fund	CNX 500 Index	-7.99	-7.52
Kotak Equity Arbitrage Fund	Crisil Liquid Fund Index	6.81	8.04
Kotak Classic Equity Fund	CNX 100 Index	-9.33	-8.05

Debt Schemes	Benchmark	FY2016 Returns (%)	Benchmark Returns (%)
Kotak Income Opportunities Fund	Crisil Short Term Bond Fund Index	9.09	8.44
Kotak Treasury Advantage Fund	Crisil Liquid Fund Index	8.41	8.04
Kotak Banking and PSU Debt Fund	Crisil Liquid Fund Index	8.33	8.04
Kotak Floater Short Term Fund	Crisil Liquid Fund Index	8.25	8.04
Kotak Bond Short Term Fund	Crisil Short Term Bond Fund Index	7.91	8.44
Kotak Gilt Investment Fund	ISEC Composite Index	5.65	8.22
Kotak Bond Fund	Crisil Composite Bond Fund Index	5.32	8.22
Kotak Liquid Fund	Crisil Liquid Fund Index	7.23	8.04
Kotak Flexi Debt Fund	Crisil Composite Bond Fund Index	7.83	8.22

During FY2016, KMAMC undertook around 460 investment awareness programmes covering about 28,000 investors.

Kotak International subsidiaries

Financial highlights for international entities:

(₹ in crore)

Particulars	**FY2016**	FY2015
Total income	238.6	191.8
PBT	114.0	54.6
PAT	105.0	51.3

Kotak International subsidiaries consist of following entities:-

1. Kotak Mahindra (UK) Limited
2. Kotak Mahindra (International) Limited
3. Kotak Mahindra, Inc.
4. Kotak Mahindra Financials Services Limited
5. Kotak Mahindra Asset Management (Singapore) Pte. Limited

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

The international subsidiaries are mainly engaged in investment management, advisory services, dealing in securities and broker dealer activities and investments in its own accounts.

FY2016 was marked by India continuing to benefit from benign commodity prices (it being a pre-dominant importer) even as the global scenario continued to be volatile. India continued to see dividends from lower crude prices with the Government using the surplus towards capital expenditure. India's macroeconomic fundamentals continued to strengthen and RBI continued to ease monetary policy by affecting cuts in policy rates during the current financial year. Amid global volatility, foreign institutional investors sold US$ 81 billion in the Indian debt market and US$ 1.5 billion in the equity market during the current financial year. The equity benchmark index tracking the large cap companies, the broader stock exchange index in India ("NIFTY") reported loss of 9% in USD terms for the financial year. The asset management arm of the international subsidiaries, however, continued its focus on consistent fund performance and generated returns in excess of its respective benchmarks. Also, it continued consolidating its relationships with institutional investors and expanded its global distribution network during the year.

Assets managed / advised by the international subsidiaries were at ₹ 27,999.4 crore (US$ 4.2 billion) as on 31st March, 2016 compared to ₹ 21,187.5 crore (US$ 3.4 billion) of the previous year.

Backed by the growth in investment management revenue, the total income earned by international subsidiaries increased from ₹ 191.8 crore during FY2015 to ₹ 238.6 crore during FY2016. The operating expenses of the Company fell from ₹ 137.2 crore in FY2015 to ₹ 124.6 crore in FY2016, primarily due to reduction in staff costs.

Resultantly, the profit after tax for the current year stood at ₹ 105.0 crore compared to a profit of ₹ 51.3 crore in FY2015.

The Bank had set-up a subsidiary in Singapore in March 2014 namely, Kotak Mahindra Asset Management (Singapore) Pte. Ltd to exclusively undertake asset management activities. The Company obtained Capital Market Services License for fund management under the Securities and Futures Act (Chapter 289) from the Monetary Authority of Singapore (MAS) on 14th March, 2016. However, it had not commenced operations during the year ended 31st March, 2016.

Kotak Investment Advisors Limited (Alternate asset management & advisory)

Kotak Investment Advisors Limited (KIAL) is in the business of managing and advising funds across various asset classes namely (a) Private Equity (b) Real Estate (c) Infrastructure (d) Special Situations and (e) Listed Strategies.

Financial Highlights

(₹ in crore)

Particulars	FY2016	FY2015
Total income	87.8	80.5
PBT	7.5	30.0
PAT	4.7	26.0

The aggregate alternate assets managed / advised by KIAL as on 31st March, 2016 were ₹ 11,314.4 crore (~US$ 1.7 billion). It managed / advised nine domestic and seven offshore funds during the year.

During the year, the Company raised two new domestic funds, 'The India Whizdom Fund' (IWF) and Kotak India Real Estate Fund VIII (KIREF VIII).

IWF will adopt a long term approach and combine its private equity and public market experience to invest in Indian listed equities.

KIREF - VIII was also launched during the year with a commitment of ~US$ 250 million (₹ 1,656.8 crore) from offshore institutional investors to primarily make equity investments in residential projects in Tier 1 cities in India.

The Group has successfully raised commitment of US$ 1 billion across asset classes in FY2016 through Indian and international investors.

Kotak Forex Brokerage Limited (KFBL)

KFBL is engaged in foreign exchange broking business.

Financial Highlights

(₹ in crore)

Particulars	FY2016	FY2015
Income	0.2	0.5
Loss for the year	(0.1)	(0.3)

The Company has made a loss in the current year due decrease in gross brokerage income.

IVY Product Intermediaries Ltd (IVYPIL) (formerly known as ING Vysya Financial Services Limited)

IVYPIL was a subsidiary of eIVBL and became subsidiary of the Bank on account of merger. IVYPIL is engaged in marketing and distribution of various financial products / services of the Bank.

Financial Highlights

(₹ in crore)

Particulars	FY2016
Income	6.7
Loss for the year	0.5

Associates Highlights

Infina Finance Private Limited

Infina Finance Private Limited, an associate of KMCC, is a non-banking financial company engaged in the business of investments, trading in securities and providing finance against securities.

Financial Highlights

(₹ in crore)

Particulars	**FY2016**	FY2015
Income	328.3	206.5
PBT	245.4	121.6
PAT	162.4	74.5
Share of Kotak Group	81.2	37.2

The profit in the previous year was lower on account of one-time provision on a strategic investment of the Company. In current year, the increase in profit was also on account of trading in equities.

Phoenix ARC Private Limited

Phoenix ARC Private Limited, an associate of KMIL, is in the asset reconstruction business and provides recovery service to banks and NBFCs.

Financial Highlights

(₹ in crore)

Particulars	**FY2016**	FY2015
Income	71.7	56.3
PBT	31.9	28.8
PAT	21.2	18.9
Share of Kotak Group	10.5	9.3

The net profit has increased by 12.2%. The limited growth is due to higher borrowing costs and provision for diminution in value of investments.

During the year, CRISIL has assigned 'AA / stable' rating to Phoenix ARC Private Limited which signifies high credit quality and is the highest amongst any ARC in the country.

Matrix Business Services India Private Limited

Matrix Business Services India Private Limited is into verification and risk mitigation business where it verifies people and products under two major domains:

i. People: Employee Background Check – Verification and validation of the credentials of employees coming on board like residence, academic, prior employment, drug, court, database, etc.

ii. Products: Audit and Assurance – Verification and validation of the products right from the Depot level to the Retailer level. It also does claim processing and distributor due diligence under this domain.

Financial Highlights

(₹ in crore)

Particulars	**FY2016**	FY2015
Income	48.9	48.2
PBT	7.0	9.9
PAT	5.3	6.6
Share of Kotak Group	1.0	1.5

The income of the Company has remained flat during the year as compared to previous year. The Company lost some revenue on account of mandatory cool off period of six months once in two years during which the customers stop referring any fresh cases which was offset by addition of new customers during the year.

The Company also paid a dividend of ₹ 28.7 per share during FY2016.

ACE Derivatives and Commodity Exchange Limited

ACE Derivatives and Commodity Exchange Limited provides a trading platform to the commodity market. Further, it also provides clearing and settlement infrastructure that supports the complete process of trade intermediation – including registration of trades, settlement of contracts and mitigation of counter-party risk.

Financial Highlights

(₹ in crore)

Particulars	**FY2016**	FY2015
Income	1.4	3.7
Loss for the year	(2.5)	(20.3)
Share of Kotak Group	0.1	(8.1)

The Company had substantially scaled down its operations and discontinued trading during the current financial year.

Risk Management

A. Risk Management

Managing risk is fundamental to financial services industry and key to sustained profitability and stability. While Risks are assumed after appropriate consideration, some risks may arise due to unintended consequences of internal actions or external events. The Group views risk management as a core competency and tries to ensure that risks are identified, assessed and managed well in time. The Group believes in taking measured risks, built on a culture of doing what's right. The Group manages Risk under an Enterprise wide Risk Management (ERM) framework that aligns risk and capital management to business strategy, protects its financial strength, reputation and ensures support to business activities for adding value to customers while creating sustainable shareholder value. The Group believes that all employees must play their part in risk management, regardless of position, function or location.

The ERM framework lays down the following components for effective Risk Management across the Group

- An Independent Risk organization structure with a clear common framework of risk ownership and accountability
- Governance standards and controls to identify, measure, monitor and manage risks
- Policies to support and guide risk taking activities across the Group

The Bank has the 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 who assume risk taking positions on a day to day basis within approved framework and boundaries. The business lines are supported by appropriate policies, rules and decision-making structure.

The second line of defence is made up of Risk Management, Finance and Compliance functions. The second line of defence is independent from business activities and is responsible for frameworks to identify, measure, monitor and control risk. The independent compliance function assists the businesses in ensuring compliance with legal and regulatory requirements. This line provides challenge and oversight of the activities conducted by the first line and provides periodic reporting to the Board.

The third line of defence is the audit function that provides an independent assurance and assessment of the first and second line of defence to the Board and Executive Management.

The risk unit works closely with the business teams within each division while maintaining its independence as part of the CRO Function. The Risk function provides an independent and integrated assessment of risks across various business lines. The independent Risk function is headed by the Group Chief Risk Officer (CRO) who reports directly to the Vice Chairman and Managing Director of the Group. The Risk function also participates in activities that support business development such as new product approvals and post implementation reviews.

The risk management process is the responsibility of the Board of Directors which approves risk policies and the delegation matrix. The Board is supported by various management committees as part of the Risk Governance framework. These committees include Risk Management

Committee (RMC), Asset Liability Committee (ALCO), Credit Committee, Audit Committee etc. The Bank and every legal entity in the Group, operates within overall limits set by the Board and Committees to whom powers are delegated by the Board.

Every quarter, the Group CRO reports to the Board, on the risk appetite levels and the risk profile. Besides this, formal updates on various portfolios are provided to the Board periodically. Such regular reporting enables the Board to monitor the development of risk exposure and whether risk is managed within the overall risk policies.

The Bank and the major entities of the Group maintained their "AAA" rating during the year, reflecting the group's strong financial risk profile, sound asset quality and strong capital adequacy.

B. Capital Adequacy

The Group's approach to capital adequacy is driven by strategic and organisational requirements while taking into account the regulatory and macro-economic environment. Capital management practices are built on an assessment of all identified risks and consider the risk reward balance. The objective is to maintain a strong capital base to support the risks inherent in various businesses. The Group's approach to capital management ensures that businesses are adequately capitalized to meet their short- and long-term business plans, while holding adequate capital buffers to absorb the impact of stress events.

The Group manages its capital position to maintain strong and efficient capital ratios well in excess of regulatory and Board Approved minimum capital adequacy at all times. The strong Tier I capital position of the Group is a source of competitive advantage and provides assurance to regulators and credit rating agencies, while protecting the interests of depositors, creditors and shareholders. The Group maintained a strong capital position with capital adequacy above internal and regulatory minimum requirements, at all times during the year.

In accordance with the RBI guidelines on NCAF (New capital adequacy framework under Basel norms), the Bank adopts the standardized approach for credit risk, basic indicator approach for operational risk and standardised duration approach for market risk.

Each legal entity within the group, manages its capital base to support planned business growth and meet regulatory capital requirements. The Bank and each legal entity in the Group are adequately capitalised above regulatory requirements.

C. Risk Appetite

The Group faces a variety of risks across businesses. Defining acceptable levels of risk is fundamental to delivering consistent and sustainable performance over the long term. The success of the Group is dependent on its ability to manage the broad range of interrelated risks.

The Risk appetite is an expression of the risks, the Group is willing to take in pursuit of its financial and strategic objectives. Appetite for risk is influenced by a range of factors, including whether a risk is considered consistent with core strategy. The Risk appetite thus sets the outer boundaries for risk taking. The guiding principle is to practice sound risk management, supported by strong capital and funding position. The risk appetite is a top-down process and consists of specific risk appetite statements, which are approved by the Board and reviewed quarterly. Risk Appetite forms a key input to the business and capital planning process by linking risk strategy to the business strategy, through a set of comprehensive indicators. The financial plans for the forthcoming year are tested against the Risk Appetite to ensure business strategy and plans are within approved Risk Appetite.

The Risk appetite is defined both quantitatively and qualitatively, covering key risk parameters.

The framework is operational at the consolidated level as well as for key legal entities thereby ensuring that the Bank's aggregate risk exposure is within its desired risk bearing capacity.

D. Credit Risk

Of the various types of risks which the 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 counter parties' 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, counter party risk on derivative transactions and downgrade risk on non SLR investments and OTC contracts.

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 in various business divisions to ensure smooth & timely flow of credit to the Bank's customers while ensuring prudent credit growth. Formal credit standards apply to all credit risks, with specific standards in major lending areas. These standards set the minimum requirements in assessing the ability of borrowers / counter parties to meet their commitments for repayment, acceptable forms of collateral and security and the frequency of credit reviews.

The policies and standards cover all stages of the credit cycle and cover the following elements: Origination, client ratings, risk assessment, credit approval, risk mitigation, documentation, administration, monitoring and recovery. The Bank has credit approving authorities and committee structures and a set of formal limits for the extension of credit, linked to the risk levels of the borrower and transaction. The Credit Policy and delegation of authority are linked to customer ratings. The delegation of authority is reviewed atleast annually. Appropriate credit appraisal standards are enforced consistently across business lines. These include mandatory internal credit ratings for customers above a certain threshold, standardized content in credit risk assessment notes and consistent assessment criteria. The Bank recognises the importance of the risk of adverse fluctuation of foreign exchange rates on the profitability and financial position of borrowers who are exposed to currency risk. The Bank has a board approved policy on managing credit risk on account of Unhedged Foreign Exchange Exposures of borrowers and Management of foreign exchange risk is considered as part of the internal rating of borrowers.

The Credit philosophy in the Bank mandates that lending is based on credit analysis, with full understanding of the purpose of the loan and is commensurate to customer financials and ability to repay.

Wholesale and retail portfolios are managed separately owing to difference in the risk profile of the assets. Wholesale lending tends to be larger and is managed on a name-by-name basis for each type of counterparty. Credit rating models provide a consistent and structured assessment, which, supplemented with expert judgement determines Credit Approval.

Retail advances being mainly schematic lending (for e.g. vehicle loans, mortgage loans etc) within pre-approved parameters for small value loans, are managed on a portfolio basis. In retail and schematic lending, credit assessment is typically done using a combination of client scoring, product policy, external credit reporting information where available and is also supplemented by Credit officer's judgement. Parameters like loan to value, borrower demographics, income, loan tenor etc determine the credit. Retail clients are monitored on a portfolio basis. Business-specific credit risk policies and procedures including client acceptance criteria, approving authorities, frequency of reviews, as well as portfolio monitoring frameworks and robust collections and recovery processes are in place.

The Bank's credit process is divided into three stages - pre-sanction, sanction and post-sanction.

At the pre-sanction stage, the independent credit function within respective businesses conduct credit appraisal and assign a borrower credit rating based on internal rating model. The credit rating takes into consideration the borrowers current and anticipated financial position and other relevant risk factors like Business risk of the borrower, Industry in which the borrower operates and its prospects and Management quality. The Bank has operationalized various rating models depending upon the borrower size and segment.

Each credit rating assigned maps into a borrower's probability of default. Currently, there are 18 obligor grades in the internal credit rating model.

The borrower rating is supplemented by the facility rating system, which considers mitigants, such as collateral and guarantees. At a minimum, two independent credit officers are involved in the rating decisions and the ratings are finalized by a senior credit officer. 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. Client accounts and ratings are reviewed atleast once a year.

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.

Borrowers are monitored regularly, commensurate with their level of risk. Credit managers use a variety of measures to conduct follow-up on accounts. An independent loan review team conducts reviews of credit exposures. The Bank has implemented an enterprise wide Early Warning Signal (EWS) framework that helps identify signs of credit weakness at an early stage for the Bank.

In case of loans where there is significant deterioration, the Bank employs various recovery mechanisms, including transferring the account to an internal unit specialized in managing problem accounts, to maximize collection from these accounts.

There is regular reporting on portfolio distribution by risk grades, monitoring of covenants prescribed as part of sanction and pending documentation, if any.

Besides the credit rating system, the Bank has a central database that covers substantially all direct client exposures across the Group and is linked to the transaction and risk rating systems. This system aims at accurate classification of customers, timely registration of collateral and values, details about credit facilities and a single view of customer exposure across all segments.

E. Collateral and Credit Risk Mitigation

Mitigating risks is a key element of internal credit policies. Risk mitigation in the Bank, begins with proper customer selection through assessment of the borrower, along financial and non-financial parameters, to meet commitments. The Bank uses a number of methods to mitigate risk in its credit portfolio, depending on suitability of the mitigant for the credit, legal enforceability, type of customer and the Bank's experience to manage the particular risk mitigation technique. Common credit risk mitigation techniques are facility structuring, obtaining security / collateral, guarantees and lending covenants. The credit policies lay down parameters for acceptable level of credit risk. When granting credit facilities, the sanctioning authorities base their decision on credit standing of the borrower, source of repayment, debt servicing ability, and character of the borrower. Based on the risk profile of the borrower while unsecured facilities may be provided, within the Board approved limits for unsecured lending, collateral is taken wherever needed, depending upon the level of borrower risk and the type of loan granted. The extent of risk mitigation provided by collateral depends on the amount, type and quality of the collateral.

The Bank has an approved Collateral management policy that sets out the acceptable types of collateral and the hair cut applicable on their valuation for lending. The haircut applied depends on collateral type and reflects the risk that the Bank will not be able to sell collateral at a price equal to the expected market value due to price volatility, time taken to liquidate the asset and realisation costs. The main types of collateral / security taken include cash & cash equivalents, immovable property, movable fixed assets, inventory and receivables. Guarantees from higher rated entities are also obtained in cases where credit worthiness of the standalone borrower is not sufficient to extend credit.

Framework for valuation and review of collaterals are specified as part of the collateral management policy. The control process for various credit risk mitigation techniques includes credit review and approval requirements, specific credit product policies, credit risk monitoring and control. The value of exposure and the mitigating collateral are monitored periodically depending on the type of counter party, transaction structure and collateral type.

Legal enforceability of any collateral obtained is critical in risk mitigation. The Bank has specific requirements in its internal policies with regards to appropriate legal documentation The Credit Administration and Legal function ensure that there is adequate legal documentation, in line with internal policies, to establish its recourse to any collateral, security or other credit enhancements.

F. Credit Risk Concentration

Risk concentrations arise in the credit portfolio as a consequence of the business strategy. To avoid undue concentration in credit exposures and maintain diversification, the Bank operates within Board approved limits or operational controls in its loan portfolio. Concentration limits represent the maximum exposure levels the Bank will hold on its books.

Some of the key portfolio limits to mitigate concentration risk include:

- Single borrower limits
- Exposure to borrower groups
- Substantial exposure limits
- Sector and Industry limits
- Exposure limits on below investment grade accounts
- Country / Bank exposure limits

Exposures are monitored against approved limits to guard against unacceptable risk concentrations, and appropriate actions are taken in case of any excess. The risk appetite of the Bank mandates a diversified portfolio and has suitable metrics for avoiding excessive concentration of credit risk.

G. Market Risk in Trading Book

Market Risk is the risk that earnings or capital will be adversely affected by adverse changes in market factors such as interest rates, foreign exchange rates, volatilities, credit spreads, commodity and equity prices. The Bank's positions in debt, foreign exchange, derivatives, and equity are subject to Market Risk.

The Board Approved Investment Policy sets out the Investment Philosophy of the Bank and approach to Market Risk Management. The Asset Liability Management Committee (ALCO) of the Bank oversees the Market Risks in the Trading Book and the Banking Book. This committee approves the market risk & limit framework, allocation of limits to countries, counterparties, banks and desks and reviews the risk monitoring systems and risk control procedures. Additionally, the Bank has a Senior Management Committee for derivatives that is responsible for approval of product structures and its oversight.

Risk limits are monitored and utilisations are reported by the Market Risk Management unit. Market Risk Management unit is independent of the dealing function and the settlements function and reports directly to the Group Chief Risk Officer. This unit ensures that all market risks are identified, assessed, monitored and reported for management decision making. The unit is responsible for identifying and escalating any risks, including limit breaches on a timely basis.

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.

The Bank has a Policy for Submission of Financial Benchmarks, which provides a framework and guidelines for contributing to the Benchmark administrator (FEDAI / FIMMDA). All Benchmark submissions are verified independently by the Market Risk department.

Valuation of the portfolio is done on a conservative basis at the bid / offer rate, as appropriate, reflecting the direction of the trade. Market Liquidity of the trading portfolio is also periodically assessed and an appropriate deduction is made from Tier 1 capital towards illiquidity, if any.

The Bank uses Value-at-Risk (VaR) to quantify the potential price risk in the portfolio. Value at risk (VaR) is a statistical measure that estimates, at a certain confidence level, the potential decline in the value of a position or a portfolio under normal market conditions assuming a holding period. The Bank's VaR model is based on historical simulation and a confidence level of 99%. Additionally, to assess the tail risk, the Bank computes Expected Shortfall. Value-at-Risk limits have been set on all trading portfolios. The VaR model of the Bank has been independently validated by an external agency. The VaR model is periodically validated through a process of back testing.

The Bank also uses metrics like Stressed Value-at-Risk and periodically performs Stress testing & Scenario Analysis to measure the exposure of the Bank to extreme, but plausible market movements. The Bank computes Credit Valuation Adjustment, which captures the risk of mark to market losses due to deterioration in the credit worthiness of the counterparty.

H. Interest Rate Risk in Banking Book (IRRBB)

In the Bank, interest rate risk results from both trading book and banking book. Interest rate risk in banking book (IRRBB) 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. Bank assesses and manages interest rate risk in its banking book as well as including trading book. Interest rate risk is a part of the Bank risk appetite statements.

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

Bank manages and controls the interest rate risk 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. Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due without adversely affecting its financial condition. Liquidity is also the capacity to fund increase in assets and has the potential to constrain growth through depletion of resources available for lending and investment. Efficient management of liquidity is essential to the Group in ensuring a sustainable business. Liquidity is managed through the Group Liquidity policy, which is designed to maintain liquidity resources that are sufficient in amount and quality while maintaining a diversified funding profile.

Asset Liability Management Committee (ALCO) of the Bank defines its liquidity risk management strategy and risk tolerances. Balance Sheet Management Unit (BMU) of the bank is responsible for managing liquidity under the liquidity risk management framework. Bank actively manages its liquidity risk covering both funding risk and market liquidity risk. Liquidity management strategies aim to maintain sufficient liquid assets and diversified funding sources to fund balance sheet and contingent obligations, while maintaining operations under normal as well as stressed conditions.

The Bank maintains a diversified funding profile with emphasis on building retail franchise to increase stable deposits. The Bank also ensures that there is sufficient liquidity headroom available, including stock of 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. Bank has also set prudential internal limits in addition to regulatory limits on liquidity gaps, call borrowing, interbank liabilities, etc. Cash flow management is critical for liquidity risk management and the Bank has developed models for predicting cash flows for products with indeterminate maturity, products with embedded options, contingents, etc. The outcome of the models are periodically back tested to test their effectiveness.

The Bank also manages its intra-day liquidity positions so that payments and settlement obligations are met on a timely basis.The Bank dynamically manages the queue of payments, forecasts the quantum and timing of cash flows, prioritizing critical payment transactions, assessing the drawing power of intraday liquidity facilities, etc.

Bank follows scenario based approach for liquidity stress testing wherein hypothetical but plausible scenarios are employed to evaluate the impact of stress on the liquidity position. The Liquidity Coverage Ratio (LCR) measures the extent to which a Banking Group's High-quality liquid assets are sufficient to cover short-term cash outflows in a stressed scenario, over the next 30 calendar days, as defined by the regulator. The Group monitors and manages the composition of liquid assets to ensure diversification by asset class, counterparty and tenor. The LCR guidelines provide phased timelines for compliance, starting with a minimum of 60% coverage by January 2015 and increasing by 10% annually to 100% in 2019. The Group is currently well above the minimum regulatory requirement for the LCR. The Bank factors liquidity risk as part of its ICAAP & stress testing.

Besides LCR, the Basel III liquidity framework also envisage the Net Stable Funding Ratio (NSFR), which measures the ratio between available stable funding (>1 year) and the required stable funding (> 1 year) to support long-term lending and other long term assets. The BIS, in October 2014, released the final guidelines for NSFR and aims for an NSFR of at least 100% as of 2018. The Bank is on track to meet the NSFR requirements as per final Basel III framework. For banks in India, RBI released the draft guidelines on NSFR in May 2015 and the final guidelines are awaited.

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 to respond to liquidity stresses of varying severity to minimise adverse impact on the Bank.

J. 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 III risk management framework and best practices, operational risk in the Bank; is composed of the following risk types: people, process, technology, legal,compliance, outsourcing and mis-selling.

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 Board of Directors, Risk Management Committee and the Operational Risk Executive Council (OREC) (Bank wide and in the business units) have overall oversight function for operational risk management. The Group level IT Security Committee provides direction for mitigating the operational risk in IT security. There is a group wide IT security programme (ARISTI) to ensure complete data security and integrity. There is also a Committee on Frauds, which reviews all frauds above a threshold amount.

The Business Units and support functions, 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.

The operational risk management function assists businesses by defining standardized tools and techniques such Risk and control self-assessment (RCSA) to identify and assess operational risks and the controls in place to manage those risks. Key Risk Indicators (KRIs) are also defined and tracked to monitor trends of operational risk parameters. Further, in accordance with Bank policy, for new products, the operational risk management function does an assessment of the risks generated by the new product and required measures are taken to mitigate the risks.

The Bank has an internal framework for reporting and capturing operational risk incidents, which also includes 'near misses'. Significant incidents reported are investigated to assess weaknesses in controls and identify areas for improvement. External operational events are also collated to identify potential risks and high impact events are analysed as this helps in strengthening the systems. The Bank also has a Whistle blower policy and platform, which is open to employees and vendors for raising their concerns, with full confidentiality, on any fraud, malpractice or any other untoward activity or event.

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. 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.

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.

K. Internal Capital Adequacy Assessment Process ('ICAAP')

The ICAAP encompasses internal views on material risks and their development as well as risk measurement models, risk governance and risk mitigants. It is linked to overall business planning and establishes a strategy for maintaining appropriate capital levels. ICAAP is an assessment of all significant risks (Pillar II), other than Pillar I risks, to which the Bank is exposed. As part of this process, the Group identifies risks to which it is exposed, in order to assess its risk profile. Once the risks are identified, the Group determines the method and extent of risk mitigation. Risk mitigation takes place through strengthening policies, procedures, improving risk controls and having suitable contingency plans. Finally, the Group determines the risks that will be covered by capital and the level of capital sufficient to cover those risks. The 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.

Capital planning under ICAAP takes into account the demand for capital from businesses for their growth plans and ensures that the Group is adequately capitalised for the period ahead and holds sufficient buffers to withstand stress conditions. The ICAAP framework thus assists in aligning capital levels with the risks inherent in the business and growth plans.

The business growth plans factor in the need to maintain the target credit rating, threshold return ratio and other key parameters specified in the Risk Appetite. The budgeting process under ICAAP thus ensures that the overall risk and rewards are aligned with Risk Appetite.

During the year, the annual Group ICAAP outcome was approved by the Board and submitted to the regulator. Based on the ICAAP outcome, the Group was adequately capitalized to cover Pillar I & Pillar II risks.

L. Stress Testing

Effective risk management depends, among other things, on the ability through stress testing and other techniques to prepare for adverse economic events. Stress testing is a key element of the ICAAP and an integral tool in the Risk Management framework as it provides management a better understanding of how portfolios perform under adverse economic conditions. Stress testing is an important tool for analyzing the risk profile. Stress-testing provides senior management with an assessment of the financial impact of identified extreme events. Stress testing is integral to strengthening the predictive approach to risk management and is a key component in managing risks. The stress tests determine the level of capital needed to absorb losses that may be experienced during stress conditions.

The Bank supplements capital adequacy computation by performing stress tests, across key risk factors, guided by a comprehensive Board approved stress testing policy, which is aligned to regulatory guidelines. The Bank tests its portfolio 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 to determine the level of capital that will be needed to absorb losses experienced during a stress condition. Liquidity stress tests are also part of this framework and aim to ascertain whether the Bank has recourse to adequate liquidity to withstand the impact of approved stress scenarios. The Bank performs Reverse Stress testing across key risk areas to test the stress levels at which capital falls below the internal capital threshold. Results of stress tests are reported to management and the Board.

The stress testing exercise provides an opportunity to the Bank to develop suitable mitigating response prior to onset of actual conditions exhibiting the stress scenarios. 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 risks. All key subsidiaries of the Bank have an independent compliance function. The Compliance officials across the Group interact on various issues including the best practices followed by the respective companies.

The current year has been phenomenon year for the Bank due to the merger of eIVBL with the Bank. As a first step towards the merger, Compliance teams of both the Banks were integrated, and have been functioning as an integrated team right from day one. Post-merger, Compliance Department immediately initiated various steps to integrate the key functioning of various businesses taking into account of adherence to various regulatory aspects. In addition all the Board approved policies of the Bank were reviewed and they have been harmonized post integration and Board approvals obtained on the revised policies. Fresh processes in respect of KYC / AML / CFT requirements were also harmonized to be followed uniformly across the Bank and eIVBL branches.

The compliance framework, approved by the Board, broadly sets out the compliance risk management processes and tools to be used by businesses, management and compliance officers for managing its compliance risks. Apart from the Bank's compliance framework, the Bank and all the subsidiaries have their own compliance manuals.

To meet with the changes in the regulatory environment, the Compliance will be rolling out shortly a new tool, which helps in obtaining confirmation from each of the business about its adherence to the various regulatory requirements. This tool would assist the management in determining the compliance risk of the Bank.

The compliance function is responsible for all aspects of regulatory compliance across the Bank. There are dedicated resources deployed to focus on areas like KYC / AML, review and monitoring and advice on regulatory issues.

The Compliance team supports top management and manages and supervises the compliance framework alongwith providing compliance assistance to various businesses / support functions. The Bank has a new product / process approval policy and all new products / processes or modifications to the existing product/processes are approved by the Compliance so as to satisfy that these products are compliant with the RBI regulations.

The 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 counsels.

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 upon the basis of risk profiling of the Bank's branches and businesses / departments which is approved by the audit committee.

The audit plan is prioritised based on areas and branches 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.

The Bank has laid down internal financial controls and that such internal financial controls are adequate and were operating. To this effect, the Bank has laid down a framework, which has been approved by the Audit Committee of the Board, which broadly comprises of four elements viz Entity Level Controls, General Computer Controls, Fraud Risk Management and Policies and Procedures. These four elements are then further broken up into various components. For each of the components various checklists / risk control matrix are prepared with linkages to the financial statements which have a material bearing. These controls are then tested for their operating effectiveness.

The Bank takes corrective actions to minimise the design risk, should there be any. Senior officers of the Bank are involved in taking corrective actions. Results of the management testing and corrective action plan are placed before the Audit Committee for their information, guidance and monitoring.

Human Resources

As on 31st March, 2016, the employee strength of the Bank along with its subsidiaries was over 46,000 as compared to around 31,400 employees a year ago. The Bank standalone had over 31,000 employees as on 31st March 2016. The average age of the employees is around 31 years. Average gender diversity is 19% women to 81% male employees.

The Bank had embarked on a journey of culture integration with merger with eIVBL. The values and culture alignment workshops were the key focus for the team post the merger. Product & Process training and system training was the next critical agenda for the team. Culture sensitization workshops post integrations of the businesses were rolled out with the agenda of seamless integration of the team to operate optimally as one team.

To enhance the active engagement, development and productivity of front line sales force, structured engagement interventions are done along with line managers in branch banking and acquisition. Pulse, a quarterly survey was launched to measure engagement levels of employees in retail businesses. There has also been a major thrust on building sales and functional competencies and over 11,000+ employees have gone through training interventions for the same in the last one year.

The Bank continues to leverage the pre-trained manpower channels through tie ups with educational institutions for good quality manpower at frontline roles in branch banking.

In the digital era, the Bank has entered a new age with technological change to shape the sociological change impacting every facet of life and work. Anticipating digital being a significant transformation opportunity, the Bank is on the journey to leverage digital technology to enable greater engagement, interaction and flexibility.

This year there has been a focused leadership mindshare on the gender diversity agenda to attract, nurture and grow women employees amongst fresh hires, provide a nurturing and enabling environment and develop women leaders across all management levels.

The Bank and its subsidiaries continued to provide a framework that enables learning, skill-building and growth to a pool of highly committed employees aligned to the firm's vision and engaged in delivering best in class products and services in the Bank's next phase of growth.

Opportunities and Threats

Opportunities

- Being part of the India's growth story. Being part of the "Make in India" opportunities
- Participate in growth in non-urban India – "The Bharat"
- Digitalization in the economy
- Financial inclusion
- Realising the synergies envisaged in the merger with eIVBL

Threats

- Volatile external and global environment
- Competition from the newer models of banks
- Handling post integration challenges
- Attracting and retaining talent and training them for the right culture

Outlook

Macro economy outlook for FY2017 remains positive

Clearly globally there is a subdued / modest outlook on growth while it does differ across regions. Risks of a much weaker global growth have also risen. Further, Geo-political issues have put a downward pressure on the growth trajectory. However, India continues to be in an advantageous position due to favourable demographics, moderate inflation level and low commodity prices, which is a significant benefit to India's current account on the import side. Ongoing policy reforms are supplementing growth. However, there are some constraints like ongoing cleansing process of banks' balance sheet and high corporate debt - which may hinder conduciveness of robust growth in the short-term. However, after two consecutive years of deficient rains, this year monsoon is expected to be favourable.

Outlook for Kotak Group

Kotak Mahindra Group's results for the financial year demonstrate the strong fundamental growth in the India and 'Bharat' story. However, concerns remain on the global economic scenario's impact on the Indian economy. The Group believes that with sound risk management and strong capital adequacy ratio, India of the future offers opportunities for growth.

The merger of ING Vysya Bank with Kotak Mahindra Bank effective from 1st April, 2015 gives the combined entity over 1300 branches with a good balance between the west, north and south. The combined entity has a wider suite of products. The merger would help in rationalisation of the operational cost base and result in savings for the combined entity. The combined entity will also have to deal with challenges on talent retention and combined operations post the full systems integration. Leveraging world-class infrastructure and technology to drive cost-efficiencies will be the key focus. Given the declining interest rate environment, the Bank could see a bit of pressure on NIMs. However, once the merger benefits flow in and credit costs are normalized, profitability is expected to improve.

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 other schemes thereunder.

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

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 report on the Bank's corporate governance, as per the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as under:

BOARD OF DIRECTORS

Composition, Meeting and Attendance

The composition of the Board of Directors of the Bank is governed by the Banking Regulation Act, 1949 and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. As on 31st March 2016, the Board of Directors, comprising a combination of executive and non-executive Directors, consists of eleven members, of whom eight are non-executive Directors. The Chairman of the Board was a Non-Executive Director and five of the Directors were independent. The Board mix provides a combination of professionalism, knowledge and experience required in the banking industry. The responsibilities of the Board inter alia include formulation of 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 2016 are furnished hereunder:

Dr. Shankar Acharya, Non-Executive Chairman

(DIN: 00033242)

Dr. Shankar Acharya, B.A. (Hons.) from Oxford University and Ph.D. (Economics) from Harvard University, aged 70 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). He was Chief Economic Adviser, Ministry of Finance, Government of India; 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 Advisor. He was re-appointed as the Non-Executive Chairman of the Bank at the Annual General Meeting held on 29th June 2015.

He is on the Board of The South Asia Institute for Research and Policy (Private) Limited, Sri Lanka and Great Eastern Shipping Co. Ltd.

Mr. Uday Kotak, Executive Vice-Chairman and Managing Director

(DIN: 00007467)

Mr. Uday Kotak, aged 57 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 30 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 The Anglo Scottish Education Society (Cathedral & John Connon School). He is also a Governing Member of the Mahindra United World College of India. Mr. Kotak was recognised as 'Entrepreneur of the Year' at Forbes India Leadership Awards 2015.

He is on the Board of the following companies:

Kotak Mahindra Asset Management Company Limited	Kotak Mahindra Prime Limited
Kotak Mahindra Capital Company Limited	Kotak Mahindra Investments Limited
Kotak Mahindra Old Mutual Life Insurance Limited	Kotak Securities Limited

Mr. Uday Kotak is also a member of the Stakeholders Relationship Committee of the Bank and Chairman of the Audit Committees of Kotak Mahindra Capital Company Limited and Kotak Securities Limited.

Mr. C. Jayaram (Joint Managing Director till 30th April 2016 and Non-Executive Director w.e.f. 1st May 2016)

(DIN: 00012214)

Mr. C. Jayaram, B. A. (Economics), PGDM-IIM, Kolkata, aged 60 years, headed the wealth management business and international operations for Kotak Mahindra group. He was responsible for overseeing the alternative investments business which included private equity funds and real estate funds, as well as the institutional equities business. He has varied experience of over 38 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 26 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.

Post his retirement on 30th April 2016, on attaining the age of superannuation, Mr. C. Jayaram continues as non-executive non-independent director of the Bank with effect from 1st May 2016.

He was on the Board of the following companies:

Kotak Investment Advisors Limited	Kotak Securities Limited
Kotak Mahindra Asset Management Company Limited	Kotak Mahindra (UK) Limited
Kotak Mahindra Inc	

Mr. Jayaram has resigned as a Director of Kotak Investment Advisors Ltd. w.e.f. 1st May 2016 Kotak Mahindra (UK) Limited with effect from 11th May 2016.

Mr. C. Jayaram was a member of the Stakeholders Relationship Committee of the Bank till 10th May 2016 and a member of the Audit Committee of Kotak Investment Advisors Limited till 1st May 2016. He is a member of the Audit Committee of Kotak Mahindra Asset Management Company Limited.

Mr. Dipak Gupta, Joint Managing Director

(DIN: 00004771)

Mr. Dipak Gupta, B.E. (Electronics), PGDM-IIM, Ahmedabad, aged 55 years, is the Joint Managing Director of the Bank and has over 30 years of experience in the financial services sector, 24 years of which have been with the Kotak Group. He was 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.

With effect from 1st May 2016, Mr. Dipak Gupta is responsible for overseeing the wealth management business, alternative investments business which includes private equity funds and real estate funds, treasury and asset reconstruction business of the Bank.

He is on the Board of the following companies:

Kotak Mahindra Investments Limited	Kotak Mahindra Prime Limited
Kotak Mahindra Capital Company Limited	Kotak Mahindra Old Mutual Life Insurance Limited
Kotak Investment Advisors Limited	

Mr. Dipak Gupta is also member of the Stakeholders Relationship Committee of the Bank and Audit Committee of Kotak Mahindra Prime Limited, Kotak Mahindra Investments Limited and Kotak Mahindra Capital Company Limited. He was appointed as a member of the Audit Committee of Kotak Investment Advisors Limited with effect from 27th April 2016.

Mr. Asim Ghosh

(DIN: 00116139)

Mr. Asim Ghosh, aged 68 years, is the President and Chief Executive Officer of Husky Energy Inc. He has a B.Tech, degree from IIT Delhi and an 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 Carling O'Keefe Breweries, then 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 the predecessor company of Vodafone India Limited till 31st March 2009 and as a Non-Executive Director till 9th February 2010.

He is on the Board of the following companies:

Husky Energy Inc.	Husky Oil Operations Limited
Hutchison Telecommunications (Canada) Limited	Hutchison Whampoa Properties Canada (One) Ltd.
Hutchison Whampoa Properties Canada (Two) Ltd.	Hutchison Whampoa Properties Canada (Three) Ltd.
Hutchison Whampoa Properties Canada (Four) Ltd.	Hutchison Whampoa Properties Canada (Five) Ltd.
Hutchison Whampoa Properties Canada (Six) Ltd.	Union Faith Canada Investment Ltd.
Union Faith (Lincoln) Ltd.	The Ski Club of the Canadian Rockies Limited

Pursuant to the provisions of Section 10A(2A)(i) of the Banking Regulation Act, 1949, Mr. Asim Ghosh retired as a Director of the Bank with effect from 9th May 2016 on his completing a tenure of eight years as a Director of the Bank.

Mr. Prakash Apte

(DIN: 00196106)

Mr. Prakash Apte, B.E. (Mechanical), aged 62 years, is presently the Chairman of Syngenta India Limited, a leading agri business company 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 the Chairman of the Audit Committee of Bank, Syngenta India Limited and Kotak Mahindra Old Mutual Life Insurance Limited. He is also a member of the Stakeholders Relationship Committee of Syngenta India Limited.

Mr. Amit Desai

(DIN: 00310510)

Mr. Amit Desai, B.Com, LLB, aged 57 years, is an eminent professional with 35 years of experience. He is also on the Board of Kotak Mahindra Trustee Company Limited.

Mr. N.P. Sarda

(DIN: 03480129)

Mr. N.P. Sarda, B.Com, F.C.A., aged 70 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 BSE Ltd. He was a member on the Board of erstwhile International Accounting Standards Committee. He was also member of IFRS Advisory Council, London. He is also on the Board of Blue Dart Express Limited and Gillette India Limited.

Mr. Sarda is a member of the Audit Committee of the Bank and Gillette India Limited.

Prof. S. Mahendra Dev

(DIN: 06519869)

Prof. S. Mahendra Dev, PhD from the Delhi School of Economics, aged 58 years is currently Director and Vice Chancellor, Indira Gandhi Institute of Development Research (IGIDR), Mumbai, India. He was Chairman of the Commission for Agricultural Costs and Prices (CACP), Govt. of India, Delhi. He was Director, Centre for Economic and Social Studies, Hyderabad for 9 years during 1999 to 2008. He has done his Post-doctoral research at Yale University and was faculty member at the Indira Gandhi Institute of Development Research, Mumbai for 11 years.

He has been a member of several government committees including the Prime Minister's Task Force on Employment and Rangarajan Commission on Financial Inclusion. He has received honors for eminence in public service. He is the Chairman of the Committee on Terms of Trade on agriculture constituted by the Ministry of Agriculture, Government of India. He is also member of the Expert Panel on poverty estimates chaired by Dr. C. Rangarajan. He is a member of National Statistical Commission at the rank of Secretary to Government of India. He is on the Board of Trustees of International Food Policy Research Institute (IFPRI), Washington D.C.

He is also on the Board of Kotak Mahindra Prime Limited.

Prof. Dev is the Chairman of the Stakeholders Relationship Committee of the Bank and a member of the Audit Committees of the Bank and Kotak Mahindra Prime Limited.

Ms. Farida Khambata

(DIN: 06954123)

Ms. Farida Khambata, aged 66 years, is Master of Arts in Economics from the University of Cambridge, a Master of Science in Business Management from the London Business School and a Chartered Financial Analyst. She is currently Global Strategist of Cartica Management, LLC and a member of its Investment Committee. She was earlier with International Finance Corporation (IFC) and was a member of IFC's Management Group, the senior leadership team of IFC. In her last position at IFC she served as Regional Vice President in charge of all operations in East Asia and the Pacific, South Asia, Latin America and the Caribbean and the Global Manufacturing Cluster. Ms. Khambata joined IFC in 1986 from the World Bank where she managed pension fund assets.

She is a member on the Advisory Board of ADM CEECAT Fund and Bancroft II and III Funds and also on the Board of Dragon Capital Group Limited, Vietnam and Tata Sons Limited.

Ms. Khambata is a member of the Audit Committee of Tata Sons Limited. She was a member of the Audit Committee of Dragon Capital Group Limited, Vietnam till 8th May 2016.

Mr. Mark Edwin Newman

(DIN : 03518417)

Mr. Mark Edwin Newman, aged 49 years is a Chartered Accountant and has obtained Mathematics (Honours) degree from King's College London. Mr. Mark Newman is CEO, ING Wholesale Banking Asia. He started his career at Deloitte Haskins and Sells where he qualified as a Chartered Accountant before joining ING in 1992, in London, before transferring to Asia in 1996.

He is a Director on the Board of ING Bank Australia Limited and a member of the Audit Committee of ING Bank Australia Limited.

Note: The Committee Memberships of only Audit Committee and Stakeholders Relationship 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 2016:

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	Non-Executive Chairman	1	-	-	-
Mr. Uday Kotak	Executive Vice-Chairman & Managing Director, Promoter	6	1	2	1
Mr. C. Jayaram	Joint Managing Director (till 30th April 2016) Non-Executive Director (w.e.f. 1st May 2016)	3	-	-	3
Mr. Dipak Gupta	Joint Managing Director	5	-	-	4
Mr. Asim Ghosh	Independent Non-Executive Director	-	-	-	-
Mr. Prakash Apte	Independent Non-Executive Director	2	1	3	1
Mr. Amit Desai	Independent Non-Executive Director	1	-	-	-
Mr. N.P. Sarda	Non-Executive Director	2	-	-	2
Prof. S. Mahendra Dev	Independent Non-Executive Director	1	-	1	2
Ms. Farida Khambata	Independent Non-Executive Director	1	-	-	1
Mr. Mark Newman	Non-Executive Director	-	-	-	-

Notes:

1. The Committee Memberships mentioned above are of only Statutory Committees as per Regulation 26 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, namely Audit Committee and Stakeholders' Relationship Committee.

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 Stakeholders Relationship Committee have been taken into consideration). All the Directors have made disclosures regarding their membership on various committees in other companies.

3. On the basis of the audited consolidated accounts of the Group for the year ended 31st March 2016, there was no subsidiary of the Bank which is the 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, once a year for approval of annual budgets and strategy 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 and with the consent of all the Directors present at the meeting.

The Board also passes resolutions by circulation on need basis. 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, eight meetings of the Board of Directors were held on 3rd April 2015, 5th May 2015, 29th June 2015, 30th July 2015, 24th September 2015, 30th October 2015, 18th January 2016 and 18th March 2016. The maximum time gap between any two meetings was not more than four months. The average duration of the board meetings held is approximately five hours.

The details of directors' attendance at board meetings held during the year commencing 1st April 2015 and ending 31st March 2016 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 2015-16	Whether attended last AGM held on 29th June 2015
1.	Dr. Shankar Acharya	8	8	YES
2.	Mr. Uday Kotak	8	8	YES
3.	Mr. C. Jayaram	8	7	YES
4.	Mr. Dipak Gupta	8	8	YES
5.	Mr. Asim Ghosh	8	4	NO
6.	Mr. Prakash Apte	8	8	YES
7.	Mr. Amit Desai	8	5	NO
8.	Mr. N. P. Sarda	8	8	YES
9.	Prof. S. Mahendra Dev	8	8	YES
10.	Ms. Farida Khambata	8	6	YES
11.	Mr. Mark Newman*	6	5	YES

*Appointed as an Additional Director with effect from 5th May 2015.

Separate Meeting of Independent Directors

A meeting of the Independent Directors of the Bank was held on 19th March 2016 and the same was attended by Mr. Amit Desai, Mr. Prakash Apte, Ms. Farida Khambata and Prof. S. Mahendra Dev.

Information supplied to the Board-:

The directors are presented with important information on operations of the Bank as well as that which requires deliberation at the highest level. Information is provided on various critical items such as annual operating plans and budgets, minutes of meetings of the Audit Committee and other committees of the Board, details of joint ventures 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

(Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)

The details of remuneration to the Executive Directors for the year ended 31st March 2016 is as follows:

Particulars	Mr. Uday Kotak (₹ '000) *	Mr. C. Jayaram (₹ '000) *	Mr. Dipak Gupta (₹ '000) *
Basic	16,380.00	16,200.00	15,930.00
Allowances	2650.00	2650.00	2650.00
Provident Fund	1965.60	1944.00	1911.60
Superannuation	-	-	100.00
Annual Incentive	6,000.00	6,000.00	6,000.00
Number of stock options granted during the year	-	-	75,400 (Series 48)

*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 a Director are as under:

Name of Director	Date of Grant	No. of Options granted	Exercise Price	Exercise Period	Options Vested	Vesting Date
Series 48 of Kotak Mahindra Equity Option Scheme 2007						
Mr. Dipak Gupta	9th May 2015	75,400	₹ 500/- per share	30th September 2016 to 31st March 2017	30%	30th September 2016
				31st July 2017 to 31st January 2018	30%	31st July 2017
				30th June 2018 to 31st December 2018	20%	30th June 2018
				31st December 2018 to 30th June 2019	20%	31st December 2018

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 29th June 2015. During the year, Dr. Shankar Acharya was paid remuneration of ₹ 27,00,000/- for the year.

The Reserve Bank of India (RBI) 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 2015 (iii) the stock options granted (as indicated above) to Mr Dipak Gupta. (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 2016 are as follows:

Sr. No.	Name of Director	Sitting fees (₹ '000)
1.	Dr. Shankar Acharya	580.00
2.	Mr. Asim Ghosh	200.00
3.	Mr. Prakash Apte	1150.00
4.	Mr. Amit Desai	490.00
5.	Mr. N.P. Sarda	790.00
6.	Prof. S. Mahendra Dev	1090.00
7.	Ms. Farida Khambata	330.00
8.	Mr. Mark Newman*	-

* Mr. Mark Newman has waived off the amount of sitting fees payable to him.

The details of the Commission proposed to be paid to the Non-Executive Directors for FY 2015-16, subject to shareholders approval at the ensuing Annual General Meeting of the Bank, are given below:

Sr. No.	Name of Director	Commission (proposed) (₹ '000)
1.	Mr. Asim Ghosh	500.00
2.	Mr. Prakash Apte	600.00
3.	Mr. Amit Desai	500.00
4.	Mr. N.P. Sarda	600.00
5.	Prof. S. Mahendra Dev	600.00
6.	Ms. Farida Khambata	600.00
7.	Mr. Mark Newman*	-

* Mr. Mark Newman has waived off the amount of commission payable to him.

Notes:

1. 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, as recommended by the Nomination & Remuneration Committee.
2. The terms of employment of Mr. Uday Kotak and Mr. Dipak Gupta provide for termination by mutual consent or by giving 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. It is proposed to pay commission to the Non-Executive Directors for FY 2015-16, subject to shareholders approval at the ensuing Annual General Meeting of the Bank.

Committees of the Board of Directors

The Board has constituted several committees to deal with specific matters and delegated powers for different functional areas. These Committees monitor the activities falling within their terms of reference. Details of some of the key Committees are given below:

Audit Committee

The Audit Committee of the Bank comprises of three members, with any two forming the quorum. The terms of reference of the Audit Committee of the Bank are as follows:

Documents/Reports Review and Financial Reporting Process

- Review and update the Audit Committee Charter periodically, as conditions dictate.
- Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

- Review the organization's annual financial statements and any reports or other financial information submitted to any regulatory body, or the public, including any certification, report, opinion, or review rendered by the independent auditors or firm of accountants.
- Review, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013.
  b. Changes, if any, in accounting policies and practices and reasons for the same
  c. Major accounting entries involving estimates based on the exercise of judgment by management
  d. Significant adjustments made in the financial statements arising out of audit findings
  e. Compliance with regulatory guidelines, listing agreement and other legal requirements relating to financial statements
  f. Disclosure of any related party transactions
  g. Qualifications in the draft audit report
  h. Going concern assumption
  i. Compliance with Indian Accounting Standards issued by the Institute of Chartered Accountants of India
  j. Review significant Related Party transactions.
  k. Approval or any subsequent modification of transactions of the company with related parties;
  l. Scrutiny of inter-corporate loans and investments;
  m. Valuation of undertakings or assets of the company, wherever it is necessary;
  n. Evaluation of internal financial controls and risk management systems.
- Review, with the management, the quarterly financial statements before submission to the board for approval
- Review Management discussion and analysis of financial condition and results of operations.
- Review the regular internal reports to management prepared by the internal auditing department and management's response, including those pertaining to internal control weaknesses.
- Discuss with independent statutory auditors significant issues raised in the Long Form Audit Report and follow up there on.
- Discuss with internal auditors any significant findings and follow up there on.
- Review reasons for revenue leakage and approve corrective action plan and monitor them at regular interval. Monitor areas of repeat occurrences, if any and ensure immediate actions are taken to prevent such repeat occurrences of revenue leakage.
- Review the financial statements of unlisted subsidiary company/ies and more particularly the investments made by them.
- Review the internal audit reports and minutes of meetings of Audit Committee of the subsidiaries.
- Reviewing, with the management, the statement of uses / application of funds, wherever necessary, raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter wherever necessary.

Independent Statutory Auditors

- Recommend to the Board of Directors the appointment, re-appointment, replacement and removal of the independent statutory auditors, considering independence and effectiveness and approve terms of appointment, the fees and other compensation to be paid to the independent statutory auditors.
- Approve all payments for services rendered other than as statutory auditors.
- Review and monitor, with management, independence, the performance of the statutory auditors and effectiveness of audit process.
- Periodically consult with the independent statutory auditors in the absence of management about internal controls and the fullness and accuracy of the organization's financial statements.

- Discuss with the independent statutory auditors before commencement of the audit the nature and scope of the audit.
- Discuss and ascertain from the independent statutory auditors post the completion of the audit, areas of concern, if any.
- Review management letters / letters of internal control weaknesses issued by the statutory auditors.

Internal Audit Department

- Approve appointment, re-appointment, replacement and removal of the concurrent auditors and outsourced internal auditors and fees and other compensation to be paid to them.
- Review with management, performance of internal auditors and adequacy of the internal control systems.
- Review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Review the findings of any internal investigations into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and report the matter to the Board of Directors.
- Approve, review and monitor the Risk Based Internal Audit Plan each year.
- Review appointment, removal, performance and terms of Head – Internal Audit.

Inspections conducted by regulators

- Read the audit inspection reports of the inspection team of Reserve Bank of India or any other regulator, approve action plans for corrective actions to be taken and monitor compliance there of.

Risk Management

- Review the adequacy of Bank's financial and risk management policies and report the matter to the Board of Directors.
- Review the overall exposure to Capital Market.

Process Improvement

- Establish regular and separate systems of reporting to the Audit Committee by each of management, the independent statutory auditors and the internal auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
- Following completion of the annual audit and internal audit plan, review separately with each of management, the independent statutory auditors and the internal auditing department any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- Review any significant disagreement among management and the independent statutory auditors in connection with the preparation of the financial statements.
- Review any significant disagreement among management and the internal audit department in connection with the observations made in the internal audit report.
- Review with the independent statutory auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)

Ethical and Legal Compliance

- Establish, review and update periodically a Code of Conduct and ensure that management has established a system to enforce this Code.
- Review management's monitoring of the Bank's compliance with the organization's Code of Conduct, and ensure that management has the proper review system in place to ensure that Bank's financial statements, reports and other financial information disseminated to regulators, and the public satisfy legal requirements.
- Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of dividend declared) and creditors.
- Review the functioning of the Whistle Blower mechanism.
- Review reports from the Bank's compliance officer.

- Approval of appointment of CFO after assessing the qualifications, experience and background, etc. of the candidate;
- Perform any other activities consistent with this Charter, the Bank's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.

The Audit Committee presently consists of Mr. Prakash Apte (Chairman), Mr. N.P. Sarda and Prof. S. Mahendra Dev.

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 Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. 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 Mr. Prakash Apte was present at the last Annual General Meeting to answer the queries of the shareholders.

During the year, nine meetings of the Committee were held on 4th May 2015, 12th June 2015, 29th July 2015, 15th October 2015, 29th October 2015, 30th October 2015, 30th November 2015, 18th January 2016 and 23rd March 2016. The Committee meets for approximately four hours. The maximum time gap between any two meetings was not more than one hundred and twenty days. 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 in 2015-16	Meetings Attended during the year 2015-16
Mr. Prakash Apte (Chairman)	9	9
Mr. N. P. Sarda	9	9
Prof. S. Mahendra Dev	9	9

The Bank has constituted a First Tier Audit Committee as per the guidelines issued by the Reserve Bank of India. The Committee presently consists of six members viz., Mr. Arvind Kathpalia – Group Head Risk (Chairman), Mr. Jaimin Bhatt – President & Group CFO, Mr. T.V. Sudhakar, Head – Compliance, Mr. Ashok Rao, Group Head, Integration Management Office, Mr. Paul Parambi, Senior Executive Vice President and Mr. Devang Gheewalla, Senior Executive Vice President. 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, fourteen meetings of the Committee were held. The Committee meets for approximately four hours.

Stakeholders Relationship Committee

The Stakeholders Relationship Committee of the Bank consists of four members, Prof. S. Mahendra Dev (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 Regulation 20 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the criteria specified by the Reserve Bank of India. The Company Secretary acts as the Secretary and has been appointed as the Compliance Officer of the Committee.

During the year, three meetings of the Committee were held on 11th June 2015, 24th November 2015 and 22nd March 2016. The Committee meets for approximately thirty minutes. Prof. S. Mahendra Dev, Mr. Uday Kotak and Mr. Dipak Gupta attended all the three meetings and Mr. C. Jayaram attended two meetings.

During the year under review, 35 investor complaints were received and no investor complaint was pending as on 31st March 2016. As on 31st March 2016, there were no instruments of transfer of shares, pending. No penalties or strictures were imposed on the Bank by any of the Stock Exchanges, SEBI or any other statutory authority on any matter related to capital markets, during the last three years.

The Board at its meeting held on 11th May 2016 has re-constituted the Committee and the same now comprises of Prof. S. Mahendra Dev (Chairman), Mr. Uday Kotak and Mr. Dipak Gupta.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee of the Bank consists of Mr. Amit Desai (Chairman), Dr. Shankar Acharya and Mr. Prakash Apte with any two forming the quorum. A brief description of the terms of reference of the Committee is as follows:

1. identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.
2. formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees.
3. while formulating the policy ensure that—
   a. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
   b. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
   c. remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

During the year, five meetings of the Committee were held on 3rd April 2015, 5th May 2015, 9th May 2015, 26th October 2015 and 31st March 2016. All the members attended all the five meetings. The Committee meets for approximately one hour.

The Bank has a Remuneration policy in place, the details of which have been mentioned in the Directors' Report.

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 three meetings of the Committee were held. Mr. Uday Kotak attended all the meetings, Mr. C. Jayaram and Mr. Dipak Gupta attended twenty one meetings each. The Committee meets for approximately thirty minutes.

The Board at its meeting held on 11th May 2016 has renamed the Committee as Share Transfer and Other Matters Committee (STOM) and authorized the Committee to delegate its powers which are routine in nature and which do not necessarily require Board/Board Committee authorization/ resolutions, to one or more members of the Operating Management Committee (Operating Mancom) of the Bank.

Management Committee

The Management Committee of the Bank comprised of four members, with any three forming the quorum. The Committee had 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 consisted of Mr. Uday Kotak (Chairman), Mr. Dipak Gupta, Mr. C. Jayaram and Mr. Prakash Apte as members of the Committee. The Committee has since been dissolved.

During the year, three meetings of the Committee were held on 11th June 2015, 29th June 2015 and 30th October 2015. Mr. Uday Kotak, Mr. Dipak Gupta and Mr. C. Jayaram attended all the three meetings. Mr. Prakash Apte attended two meetings. The Committee met for approximately thirty minutes.

Committee on Frauds

Pursuant to the directives of the Reserve Bank of India, the Bank has constituted a Committee on Frauds for monitoring and reviewing all the frauds involving amounts of ₹ 1 crore and above. The Committee presently consists of four members, Mr. Uday Kotak, Mr. Dipak Gupta, Mr. N.P. Sarda and Mr. Prakash Apte.

During the year, two meetings of the Committee were held on 12th June 2015 and 29th October 2015. All the four members attended both the meetings. The Committee meets for approximately one hour.

Customer Services Committee

The Bank has, pursuant to the directives issued by the Reserve Bank of India, constituted a Customer Services Committee. The Committee comprises of three members viz; Prof. S. Mahendra Dev (Chairman), Mr. Uday Kotak and Mr. Dipak Gupta. The Committee has been constituted to bring about ongoing improvements in the quality of customer services provided by the Bank. The Committee would also oversee the functioning of the Customer Service Standing Committee, compliance with the recommendations of the Committee on Procedures and Performance Audit and Public Services (CPPAPS) and also mount innovative measures for enhancing the quality of customer service and improving the level of customer satisfaction for all categories of cliental, at all times.

During the year, three meetings of the Committee were held on 11th June 2015, 24th November 2015 and 22nd March 2016. All the three members attended all the meetings. The Committee meets for approximately thirty minutes.

Corporate Social Responsibility Committee

The Bank has constituted a Corporate Social Responsibility Committee pursuant to the provisions of the Companies Act, 2013. The Committee comprises of three members viz; Prof. S. Mahendra Dev, Mr. C. Jayaram and Mr. Dipak Gupta, with any two members forming the quorum. The Committee has been constituted to:

- Formulate and recommend to the Board, a Corporate Social Responsibility (CSR) Policy which shall indicate the activities to be undertaken by the Bank, as laid down in Schedule VII to the Act;

- Recommend the amount of expenditure to be incurred on the CSR activities;

- Monitor Bank's CSR Policy and implementation of CSR projects undertaken from time to time.

During the year, one meeting of the Committee was held on 22nd March 2016. All the three members attended the meeting. The Committee meets for approximately one hour.

Risk Management Committee

The Risk Management Committee of the Bank comprised of Mr. Amit Desai (Chairman), Mr. Uday Kotak, Mr. C. Jayaram and Mr. Dipak Gupta, with any two forming the quorum. The terms of reference of the Committee includes to identify, monitor and measure the risk profile of the Bank; develop policies and procedures; verify models that are used for preparing complex products; review models as development takes place in the markets and also identify new risks; monitor compliance of various risk parameters by operating departments; design stress scenarios to measure the impact of unusual market conditions and monitor variance between actual volatility of portfolio value and that predicted by risk measures; and ensure that the Bank's credit exposure to any one group or industry does not exceed the internally set limits and that the risk is prudently diversified.

During the year, three meetings of the Committee were held on 13th June 2015, 28th September 2015 and 9th January 2016. Mr. Uday Kotak and Mr. Dipak Gupta attended all the three meetings, Mr. C. Jayaram attended two meetings and Mr. Amit Desai attended one meeting of the Committee. The Committee meets for approximately three hours.

The Board at its meeting held on 11th May 2016 has re-constituted the Committee and the same now comprises of Mr. Amit Desai (Chairman), Mr. Uday Kotak, Mr. Dipak Gupta and Mr. Arvind Kathpalia.

Code of Conduct

The Board of Directors of the Bank at its meeting held on 7th September 2014 adopted the revised Code of Conduct 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.

Familiarisation programme for Independent Directors

The details of the Familiarization Programme conducted for the Independent Director of the Bank are available on the Bank's website viz. URL: http://ir.kotak.com/governance/policies.html

General Meetings

During the last three years, the general meetings of the equity shareholders as detailed below:

General Meetings	Day, Date and Time	Special Resolutions / Resolutions with requisite majority passed thereat
Thirtieth Annual General Meeting	Monday, 29th June 2015 at 11.30 a.m. at Y. B. Chavan Auditorium, Chavan Centre, General Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai – 400 021	1. Special Resolution for borrowing from time to time all such sums of money for the purpose of the business of the Bank notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Bank (apart from the temporary loans obtained or to be obtained from the bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital and free reserves, that is to say, reserves not set apart for any specific purpose, provided that the maximum amount of moneys so borrowed by the Board of Directors and outstanding shall not at any time exceed the sum of ₹ 50,000 crore (Rupees Fifty Thousand Crore Only). 2. Special Resolution for substitution of existing Clause V of the Memorandum of Association of the Bank relating to Share Capital with new Clause V. 3. Special Resolution for alteration of Articles of Association of the Bank in the form and manner as per the draft placed at the Meeting. 4. Special Resolution to adopt the Share Based Employee Benefit Scheme of the Bank under the name and style of 'Kotak Mahindra Equity Option Scheme 2015' and to create, issue, offer and allot equity shares to the employees of the Bank under the said Scheme not exceeding in aggregate 1,82,00,000 equity shares of the Bank for cash being not more than 2% of the issued equity shares of the Bank.

General Meetings	Day, Date and Time	Special Resolutions / Resolutions with requisite majority passed thereat
		5. Special Resolution to adopt the Share Based Employee Benefit Scheme of the Bank under the name and style of 'Kotak Mahindra Equity Option Scheme 2015' and to create, issue, offer and allot equity shares to the employees of the subsidiaries and associate companies of the Bank under the said Scheme, not exceeding in aggregate 1,82,00,000 equity shares of the Bank for cash being not more than 2% of the issued equity shares of the Bank. 6. Special Resolution to adopt the Share Based Employee Benefit Scheme of the Bank under the name and style of 'Kotak Mahindra Stock Appreciation Rights Scheme 2015' and to grant Stock Appreciation Rights to the employees of the Bank under the said Scheme not exceeding in aggregate 91,00,000 SARs for cash being not more than 1% of the issued equity shares of the Bank. 7. Special Resolution to adopt the Share Based Employee Benefit Scheme of the Bank under the name and style of 'Kotak Mahindra Stock Appreciation Rights Scheme 2015' and to grant Stock Appreciation Rights to the employees of the subsidiaries and associate companies of the Bank under the said Scheme not exceeding in aggregate 91,00,000 SARs for cash being not more than 1% of the issued equity shares of the Bank.
Extraordinary General Meeting	Wednesday 7th January 2015 at 4.00 p.m. at Y. B. Chavan Auditorium, Chavan Centre, General Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai – 400 021	Resolution with requisite majority pursuant to the provisions of Section 44A of the Banking Regulation Act, 1949 and Reserve Bank of India's guidelines for merger / amalgamation of private sector banks dated May 11, 2005 to approve the amalgamation of ING Vysya Bank Limited with Kotak Mahindra Bank Limited in accordance with a Scheme of Amalgamation as sanctioned by the Reserve Bank of India.
Extraordinary General Meeting	Wednesday 7th January 2015 at 1.30 p.m. at Y. B. Chavan Auditorium, Chavan Centre, General Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai – 400 021	Special resolution pursuant to the applicable provisions of Foreign Exchange Management Act, 1999 ("FEMA"), Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000, the Master Circular on Foreign Investment in India dated 1st July 2014 issued by the Reserve Bank of India ("RBI"), Consolidated FDI Policy dated 17th April 2014 issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India and other applicable rules, guidelines, regulations, notifications, circulars, provisions, if any, (including any amendments, or re-enactments or re-notification of each of the above for the time being in force), and subject to the approval of the Reserve Bank of India, Foreign Investment Promotion Board and such other statutory/ regulatory approvals as may be necessary, to increase the ceiling limit on total holdings of Foreign Institutional Investors (FIIs)/ Securities and Exchange Board of India approved sub-account of FIIs, Foreign Portfolio Investors (FPIs), Qualified Foreign Investors (QFIs), Non Resident Indians (NRIs) and Persons of Indian Origin (PIOs) under the Portfolio Investment Scheme in the equity share capital of the Bank, through primary or secondary route to such percentage as the Board may decide from time to time not exceeding 42% of the paid-up equity capital of the Bank with effect from such date(s) as may be decided by the Board from time to time.
Twenty Ninth Annual General Meeting	Wednesday, 16th July 2014 at 11.30 a.m. at National Stock Exchange of India Limited, Dr. R.H. Patil Auditorium, Exchange Plaza, Ground Floor, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051	Special Resolution for borrowing from time to time all such sums of money for the purpose of the business of the Bank notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Bank (apart from the temporary loans obtained or to be obtained from the bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital and free reserves, that is to say, reserves not set apart for any specific purpose, provided that the maximum amount of moneys so borrowed by the Board of Directors and outstanding shall not at any time exceed the sum of ₹ 40,000 crore (Rupees Forty Thousand Crore Only).

General Meetings	Day, Date and Time	Special Resolutions / Resolutions with requisite majority passed thereat
		Special Resolution pursuant to the applicable provisions of the Companies Act, 2013, Foreign Exchange Management Act, 1999 ("FEMA"), Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000, the Master Circular on Foreign Investment in India dated 1st July 2013 issued by the Reserve Bank of India ("RBI"), Consolidated FDI Policy dated 17th April 2014 issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India and other applicable rules, guidelines, regulations, notifications, circulars, provisions, if any, (including any amendments, or re-enactments or re-notification thereof for the time being in force), to increase the ceiling limit on total holdings of Foreign Institutional Investors (FIIs)/ Securities and Exchange Board of India approved sub-account of FIIs, Foreign Portfolio Investor (FPI) and Qualified Foreign Investor (QFI) in the equity share capital of the Bank, through primary or secondary route to 40% of the paid-up equity capital of the Bank with effect from such date(s) as may be decided by the Board from time to time.
Twenty Eighth Annual General Meeting	Thursday, 18th July 2013 at 11.30 a.m. at Indian Merchants' Chamber, Walchand Hirachand Hall, 4th Floor, Churchgate, Mumbai 400 020	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, the Master Circular on Foreign Investment in India dated 2nd July 2012 issued by the Reserve Bank of India ("RBI"), Consolidated FDI Policy dated 5th April 2013 issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India and other applicable rules, guidelines, regulations, notifications, circulars, provisions, if any, (including any amendments, or re-enactments or re-notification thereof for the time being in force), to increase 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 35% to 37% of the paid-up equity capital of the Bank with effect from such date(s) as may be decided by the Board from time to time.
Extraordinary General Meeting	Thursday, 9th May 2013 at 3 p.m. at Indian Merchants' Chamber, Walchand Hirachand Hall, 4th Floor, Churchgate, Mumbai 400 020	Special Resolution pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 for issue and allotment of 2,00,00,000 equity shares of the Bank of face value of ₹5, to Heliconia Pte Ltd., a private company limited by shares incorporated and existing under the laws of Singapore and an affiliate of Government of Singapore Investment Corporation Pte Ltd. (GIC), on a preferential basis at a price per equity share of ₹648, for a total consideration of ₹12,96,00,00,000, through the Foreign Direct Investment ("FDI") route.

Postal Ballot

No resolutions were passed through postal ballot during the last financial year.

Disclosures

- The Bank has not entered into any material financial or commercial transactions with the directors or the management or their relatives or the companies and firms etc., in which they are either directly or through their relatives interested as directors and/or partners. The Bank has not entered into any material financial or commercial transactions with its subsidiaries and other related parties as per AS-18 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 that may have potential conflict with the interest of the Bank at large.

- During the last three years, there were no penalties or strictures imposed on the Bank by the Stock Exchange(s) and/or SEBI and/or any other statutory authorities on matters relating to capital market.

- None of the Directors are related to any Director.

- 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 same option has now been extended to the vendors of the Bank also. The website for reporting the above mentioned concerns is managed and hosted by an independent third party service provider who has proven expertise in this area, thereby ensuring absolute confidentiality. The Bank hereby affirms that no personnel has been denied access to the Audit Committee.

- The Bank's Policies on dealing with Related Party Transactions and determining 'material' subsidiaries are available on the Bank's website viz. URL: http://ir.kotak.com/governance/policies.html

SHAREHOLDERS' INFORMATION

Date of Incorporation	:	21st November 1985.
Registration No.	:	11-38137 TA
Corporate Identification No.	:	L65110MH1985PLC038137
Address for Correspondence	**:**	
Registered Office	:	27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai- 400 051. Tel. No.(022) 61660001 Fax No. : (022) 67132403 Website: www.kotak.com
Contact	:	Ms. Bina Chandarana, Company Secretary & Executive Vice President
Registrar & Share Transfer Agent	:	Karvy Computershare Private Limited (i) Karvy Selenium Tower B, Plot 31-32 Gachibowli, Financial District, Nanakramguda Hyderbad- 500 032 Tel Nos. : (040) 67162222 Fax No. : (040) 23001153 (ii) 7, Andheri Industrial Estate, Off Veera Desai Road, Mumbai-400 058. Tel Nos. : (022) 2636 7226 /2636 9044 Fax No. : (022) 26310882 Website : www.karvy.com
Annual General Meeting:		
Date and Time	:	Wednesday, 22nd July, 2016 at 10.30 a.m.
Venue	:	Walchand Hirachand Hall of the Indian Merchants Chamber, 4th Floor, Churchgate, Mumbai - 400 020
Financial Year	:	1st April to 31st March
Date of Book Closure	:	Saturday, 16th July 2016 to Friday, 22nd July 2016 both days inclusive for payment of dividend.
Dividend Payment Date	:	on or before Monday, 1st August 2016.

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 Bank and its subsidiaries are prepared and posted on the Website of the Bank for the current as well as last five financial years. Also, the quarterly results and an earnings update is 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 quarterly results and the annual accounts as at 31st March are approved by the Board, after a review thereof by the Audit Committee. The Annual General Meeting to consider such annual accounts is held in the first / second quarter of the financial year.

Stock Exchanges on which listed:

Sr. No.	Name & Address of Stock Exchange	Market Scrip Code
1.	BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 023	500247
2.	National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Bandra-Kurla Complex, Bandra, Mumbai 400 051	KOTAKBANK

The annual fees for 2016-17 have been paid to the BSE Limited and the National Stock Exchange of India Limited, where the shares of the Bank are listed.

The Global Depository Shares (GDS) of the Bank were listed on Luxembourg Stock Exchange. Consequent to the issuance of notice of termination of the GDS program by the Bank to the Custodian and the Depository, the Depository Agreement entered into between the Bank and the Depository was terminated. Subsequently, the GDS program has been terminated with effect from 4th September 2015.

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. 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 : 27BKC, C 7, G Block, Bandra Kurla Complex,
Bandra (E), Mumbai- 400 051.
Tel. No.: (022) 61660000
Fax : (022) 67132403
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 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government.

Kotak Mahindra Bank Limited:

Year	Dividend-Type	Date of Declaration	Due Date of Transfer
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
2012-13	Final	18th July 2013	17th August 2020
2013-14	Final	16th July 2014	14th August 2021
2014-15	Final	29th June 2015	28th July 2022

Erstwhile ING Vysya Bank Limited (eIVBL):

Year	Dividend-Type	Date of Declaration	Due Date of Transfer
2008-09	Final	4th September 2009	16th October 2016
2009-10	Final	1st July 2010	1st August 2017
2010-11	Final	7th September 2011	18th October 2018
2011-12	Final	29th June 2012	5th August 2019
2012-13	Final	25th June 2013	31st July 2020
2013-14	Final	24th June 2014	30th July 2021

SHARE PRICE DETAILS

The Monthly high and low quotation of shares traded on BSE:

Month	High (₹)	Low (₹)	Close (₹)	S&P BSE 100	Bankex
April 2015	736.88	650.00	666.95	8321.56	21030.88
May 2015	717.45	646.78	700.13	8550.51	21511.65
June 2015	705.18	630.50	693.88	8464.09	20982.18
July 2015	731.50	684.40	695.70	8653.31	21499.24
August 2015	724.95	621.80	650.95	8120.97	19637.15
September 2015	670.00	594.10	648.85	8077.41	19681.55
October 2015	693.30	637.50	688.60	8193.87	19773.88
November 2015	701.00	634.05	692.20	8082.02	19916.30
December 2015	707.05	661.00	700.95	8097.57	19328.74
January 2016	727.00	651.00	682.40	7651.70	17603.89
February 2016	697.15	586.50	630.25	7075.44	15814.82
March 2016	694.90	620.00	681.00	7835.45	18391.96

Note :

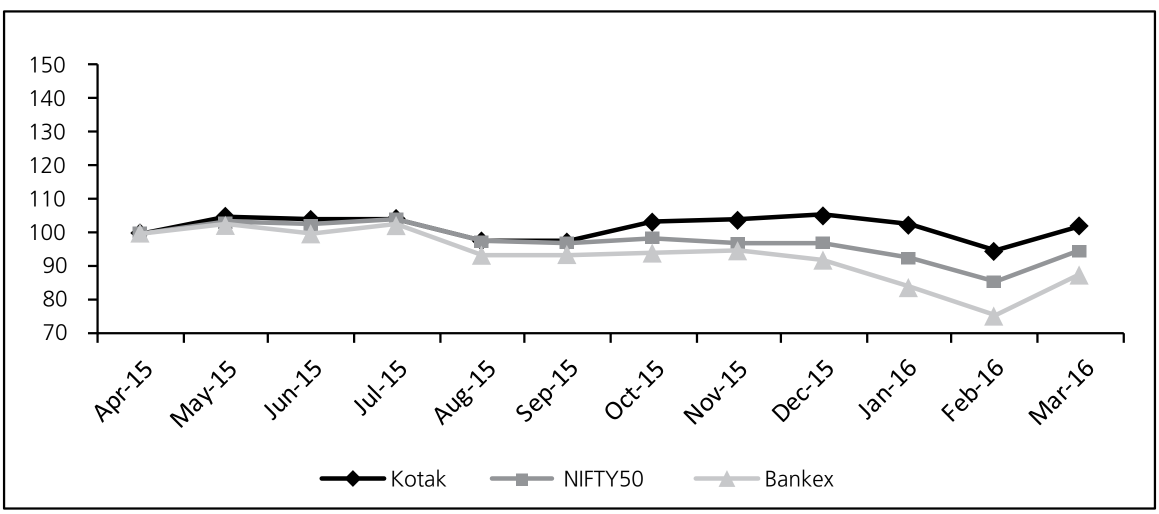
The Bank has allotted 912,841,920 fully paid up equity shares of face value ₹ 5/- each, as bonus shares, in ratio of one equity share for every equity share held as on Record Date 9th July 2015. Accordingly, the prices given above are adjusted for bonus.

The Monthly high and low quotation of shares traded on NSE:

Month	High (₹)	Low (₹)	Close (₹)	NIFTY 50	Nifty Bank
April 2015	737.65	648.65	666.45	8181.50	18338.10
May 2015	717.45	646.00	699.65	8433.65	18721.35
June 2015	707.10	629.00	692.90	8368.50	18296.10
July 2015	732.00	683.80	695.40	8532.85	18729.85
August 2015	724.75	621.90	651.70	7971.30	17146.55
September 2015	670.00	594.50	648.10	7948.90	17216.30
October 2015	693.80	637.45	687.65	8065.80	17354.50
November 2015	702.95	634.65	692.35	7935.25	17430.40
December 2015	723.85	661.00	720.05	7946.35	16922.20
January 2016	729.85	651.00	683.60	7563.55	15522.40
February 2016	697.30	585.75	630.40	6987.05	13946.40
March 2016	694.90	620.00	680.65	7738.40	16141.65

Note : The Bank has allotted 912,841,920 fully paid up equity shares of face value ₹ 5/- each, as bonus shares, in ratio of one equity share for every equity share held as on Record Date 9th July 2015. Accordingly, the prices given above are adjusted for bonus.

Kotak Vs Bankex and Nifty 50



SHARE HOLDING:

Category		As on 31st March 2016		As on 31st March 2015	
		No. of Shares Held	Percentage of Shares	No. of Shares Held	Percentage of Shares
A.	**Promoters Holding**				
	Promoters	618192835	33.70	309096342	40.02
	Sub-Total	**618192835**	**33.70**	**309096342**	**40.02**
B	**Non-Promoters Holding**				
	Institutional Investors				
a	Mutual Funds & UTI	71982493	3.92	12733378	1.65
b	Banks, Financial Institutions, Insurance Companies (State / Central Govt. Institutions)	14875972	0.81	1650163	0.21
c.	Foreign Institutional Investors	658585455	35.90	284587197	36.85
d	Qualified Foreign Investors	-	-	-	-
	Sub-Total	**745443920**	**40.64**	**298970738**	**38.71**
C.	**Others**				
a	Private Corporate Bodies	73284543	4.00	25451859	3.30
b	Indian Public including Directors & Relatives	202466613	11.04	81061985	10.49
c	NRIs/ OCBs/Foreign Bodies DR	15356104	0.84	7476388	0.96
d	Global Depository Shares (GDS)	-	-	996398	0.13
e	Foreign Bank	32800000	1.79	32800000	4.25
f	Foreign Bodies	143866170	7.84	15724002	2.04
g	Foreign Nationals	1450	0.00	-	-
h	NBFCs	28571	0.84	-	-
i	Clearing Members	2941952	0.16	774952	0.10
	Sub-Total	**470745403**	**25.66**	**164285584**	**21.27**
	Grand Total	**1834382158**	**100.00**	**772352664**	**100.00**

Note: The increase in capital during the financial year 2015-16 is due to allotment of 99,91,715 equity shares of ₹ 5/- each (adjusted for bonus) under various ESOP Schemes of the Bank,13,92,05,159 equity shares to the shareholders of erstwhile ING Vysya Bank Limited on amalgamation and bonus issue of 91,28,41,920 equity shares.

SHAREHOLDING OF DIRECTORS OF THE BANK:

Name of the Director	As on 31st March 2016	
	No. of Shares Held	Percentage of Shares
Dr. Shankar Acharya	-	-
Mr. Uday Kotak*	612527100	33.39
Mr. Asim Ghosh	-	-
Mr. Amit K. Desai	1554750	0.08
Mr. Prakash Apte	-	-
Mr. N.P. Sarda	-	-
Prof. S. Mahendra Dev	-	-
Ms. Farida Khambata	30000	0.00
Mr. C. Jayaram	1217720	0.06
Mr. Dipak Gupta	1373326	0.07
Mr. Mark Newman	-	-

Note : * In addition, as on 31st March 2016, Kotak Trustee Company Pvt. Ltd. holds 6,24,556 equity shares of the Bank representing 0.03 % of the paid up capital of the Bank. Kotak Trustee Company Pvt. Ltd. holds these shares as trustee for USK Benefit Trust – II of which Mr. Uday Kotak is the sole beneficiary.

List of Top 10 Shareholders of Kotak Mahindra Bank Limited as on 31st March 2016.

Sr. no.	Name of the investor	Total shares held	%	Categories
1	UDAY SURESH KOTAK	612527100	33.39	PRO
2	ING MAURITIUS INVESTMENTS I	117899178	6.43	FB
3	EUROPACIFIC GROWTH FUND	90708514	4.94	FII
4	CANADA PENSION PLAN INVESTMENT BOARD - MANAGED BY IM2	89838850	4.90	FII
5	SUMITOMO MITSUI BANKING CORPORATION	32800000	1.79	FBN
6	NATIONAL WESTMINSTER BANK PLC AS DEPOSITARY OF FIRST STATE ASIA PACIFIC LEADERS FUND A SUB FUND OF FIRST STATE INVESTMENTS ICVC	29558894	1.61	FPI
7	CALADIUM INVESTMENT PTE LTD	25966992	1.42	FB
8	ANURADHA MAHINDRA	24887376	1.36	PUB
9	CAPITAL WORLD GROWTH AND INCOME FUND	20831276	1.14	FII
10	SMALLCAP WORLD FUND INC	20057040	1.09	FPI

Distribution Schedule as on 31st March 2016

Sr. no.	Category from to	No. of Holders	% To Holders	No. of Shares	% of Shares
1	1 - 100	74998	53.35	2670825	0.15
2	101 - 200	18291	13.01	2995217	0.16
3	201 - 300	9963	7.09	2473726	0.13
4	301 - 400	5846	4.16	2182423	0.12
5	401 - 500	3461	2.46	1599001	0.09
6	501 - 1000	8759	6.23	6695401	0.36
7	1001 - 2000	7234	5.15	11558356	0.63
8	2001 - 3000	2515	1.79	6409579	0.35
9	3001 - 4000	3600	2.56	13723238	0.75
10	4001 - 5000	1254	0.89	5915564	0.32
11	5001 - 10000	2485	1.77	17804333	0.97
12	10001 and above	2165	1.54	1760354495	95.96
	TOTAL:	**140571**	**100.00**	**1834382158**	**100.00**

The break-up of the shares held in physical and electronic mode as on 31st March, 2016 is given in the below mentioned table:

Physical mode		Electronic mode	
Total Shares	**% to Equity**	**Total Shares**	**% to Equity**
13392277*	0.73	1820989881	99.27

* Includes 5,09,878 equity shares allotted on exercise of options by employees, on 31st March 2016 for which the credit was pending as on 31st March 2016.

Outstanding GDS:

The Bank has Nil GDS outstanding as at 31st March 2016.

The Bank has complied with all the mandatory and some of the non mandatory requirements of the Code of Corporate Governance stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Compliance with Non-mandatory Requirements:

1) The Board

The office of Non-Executive Chairman of the Bank is maintained by the Bank at its expenses and all the expenses incurred in performance of his duties are reimbursed by the Bank.

2) Shareholder Rights

The quarterly results of the Bank are published in one English and one Marathi newspaper, having wide circulation in Maharashtra. Further, the quarterly results are also posted on the website of the Bank – www.kotak.com and on the websites of the Stock Exchanges with which the Bank is listed. Along with the quarterly results, detailed earnings updates are also given on the website of the Bank. Further, a quarterly investors'/ analysts' conference call is made to discuss the financial results and performance of the Bank and the Group, the transcripts of which are posted on the website of the Bank. The quarterly results are sent by email to those shareholders whose email Ids are registered with the Bank / Depository for communication purposes. In view of the foregoing, the half-yearly results of the Bank are not sent to the shareholders individually.

3) Audit qualifications

During the period under review, there were no audit qualifications in the Bank's financial statements. The Bank continues to adopt best accounting practices and has complied with the Accounting Standards and there is no difference in the treatment.

4) Separate Posts of Chairman and Managing Director / CEO

Dr. Shankar Acharya, a Non-Executive Director is the Chairman and Mr. Uday Kotak is the Executive Vice-Chairman & Managing Director of the Bank.

5) Reporting of Internal Auditor

The Head - Internal Audit reports to the Audit Committee of the Board.

Other Disclosures

(A) The Management Discussion & Analysis Report

The Management Discussion & Analysis Report, giving an overview of the industry, the Bank's business and its financials is provided separately as a part of this Annual Report.

(B) Means of Communication

The Board of Directors of the Bank approves the unaudited financial results on a quarterly basis within one month of the quarter and the results are promptly forwarded to the stock exchanges and are published in one English and one Marathi (Regional Language) newspaper, within 48 hours of the conclusion of the Board Meeting. The results 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. Further, the quarterly results are sent by email to those shareholders whose email Ids are registered with the Bank / Depository for communication purposes. The Bank also publishes its Balance Sheet and Profit and Loss Account together with the Auditors' Report in a newspaper as required in terms of Section 31 of the Banking Regulation Act, 1949 and Rule 15 of the Banking Regulation (Companies) Rules, 1949.

Pursuant to the Companies (Accounts) Rules, 2014, the Bank proposes to send the financial statements for the year ended 31st March 2016, by electronic mode to the members whose email Ids are registered with the Bank / Depository for communication purposes.

The financial results and other information filed by the Bank from time to time is also available on the website of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited. The said stock exchanges have introduced NSE Electronic Application Processing System (NEAPS) and BSE Listing centre. Various compliances as required / prescribed under the listing Regulations are filed through these systems.

For **Kotak Mahindra Bank Limited**

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

Place : Mumbai
Date : 11th May 2016

Declaration

In accordance with Schedule V (D) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Bank have affirmed compliance to the Code of Conduct for the financial year ended 31st March 2016.

For **Kotak Mahindra Bank Limited**

Uday Kotak
Executive Vice Chairman and Managing Director
Place : Mumbai
Date : 11th May 2016

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 31st March, 2016, as stipulated in Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the said Bank with 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 the compliance of the conditions of the 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 provisions as specified in Chapter IV Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to Listing Agreement of the said Bank with stock exchanges.

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.R. BATLIBOI & CO. LLP
Chartered Accountants
ICAI Firm registration number: 301003E/E300005

per Viren H. Mehta
Partner
Membership No.:048749

Place: Mumbai
Date: 11 May 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of Kotak Mahindra Bank Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Kotak Mahindra Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2016, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements.

Management's Responsibility for the Standalone Financial Statements

2. The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and the guidelines issued by the Reserve Bank of India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, 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 on the standalone financial statements.

Opinion

5. In our opinion and to the best of our information and according to the explanations given to us, the standalone financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Bank as at March 31, 2016, its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

6. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

7. As required sub section (3) of Section 30 of the Banking Regulation Act, 1949 and the appointment letter dated July 2, 2015, we report that:

    (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

    (b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

(c) The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches; we have visited 103 branches for the purpose of our audit.

8. Further, as required by Section 143(3) of the Companies Act, 2013, we further report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

(c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

(e) On the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report; and

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 12.I, Schedule 17-Note 13, and Schedule 18C- Note 15 to the financial statements;

ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses on long-term contracts including derivative contracts – Refer Schedule 17-Note 13 and Schedule 18C-Note 11 to the financial statements; and

iii There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

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

per Viren H. Mehta
Partner
Membership Number: 048749
Place of Signature: Mumbai
Date: 11 May, 2016

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

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

To the Members of Kotak Mahindra Bank Limited

We have audited the internal financial controls over financial reporting of Kotak Mahindra Bank Limited ("the Bank") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

per Viren H. Mehta
Partner
Membership Number: 048749
Place of Signature: Mumbai
Date: 11 May, 2016

BALANCE SHEET
AS AT 31ST MARCH, 2016

(₹ in thousands)

	Schedule	**As at 31st March, 2016**	As at 31st March, 2015
CAPITAL AND LIABILITIES			
Capital	1	9,171,911	3,861,763
Employee's Stock Options (Grants) Outstanding		34,136	29,969
Reserves and Surplus	2	230,418,691	137,549,099
Deposits	3	1,386,430,224	748,603,088
Borrowings	4	209,753,382	121,497,132
Other Liabilities and Provisions	5	86,789,561	48,579,696
Total		**1,922,597,905**	**1,060,120,747**
ASSETS			
Cash and Balances with Reserve Bank of India	6	69,034,348	39,282,964
Balances with Banks and Money at Call and Short Notice	7	39,762,806	23,340,613
Investments	8	512,602,202	286,591,051
Advances	9	1,186,652,952	661,607,126
Fixed Assets	10	15,515,922	12,067,051
Other Assets	11	99,029,675	37,231,942
Total		**1,922,597,905**	**1,060,120,747**
Contingent Liabilities	12	2,426,102,845	636,721,604
Bills for Collection		149,640,490	44,199,924
Significant accounting policies and notes to accounts forming part of financial statements	17 & 18		

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

The Balance Sheet has been prepared in conformity with Form 'A' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date attached.
For S. R. Batliboi & Co. LLP
Firm Registration No. 301003E/E300005
Chartered Accountants

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai, 11th May, 2016

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, 2016

(₹ in thousands)

		Schedule	Year ended 31st March, 2016	Year ended 31st March, 2015
I.	**INCOME**			
	Interest Earned	13	163,841,838	97,198,670
	Other Income	14	26,122,341	20,284,539
	Total		**189,964,179**	**117,483,209**
II.	**EXPENDITURE**			
	Interest Expended	15	94,838,100	54,961,348
	Operating Expenses	16	54,715,197	32,547,314
	Provisions and Contingencies (Refer Note 11 - Schedule 18 C)		19,513,092	11,314,761
	Total		**169,066,389**	**98,823,423**
III.	**PROFIT**			
	Net Profit for the year (I - II)		20,897,790	18,659,786
	Add: Balance in Profit and Loss Account brought forward from previous year		50,952,636	40,052,917
	Add: Additions on Amalgamation		18,000,896	-
	Less: Adjustments on Amalgamation		1,253,799	-
	Total		**88,597,523**	**58,712,703**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		5,224,500	4,665,000
	Transfer to General Reserve		-	933,000
	Transfer to Capital Reserve		91,700	59,100
	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		450,000	280,000
	Transfer to/(from) Investment Reserve Account (Refer Note 31 - Schedule 18 B)		(415,180)	866,500
	Proposed Dividend		918,355	820,654
	Corporate Dividend Tax		186,955	135,813
	Balance carried over to Balance Sheet		82,141,193	50,952,636
	Total		**88,597,523**	**58,712,703**
V.	**EARNINGS PER SHARE (Face value of ₹ 5/-)**			
	Basic		11.42	12.10
	Diluted		11.40	12.07
	(Refer Note 1 - Schedule 18 C)			
Significant accounting policies and notes to accounts forming part of financial statements		17 & 18		

The schedules referred to above form an integral part of this Profit and Loss Account.
The Profit and Loss Account has been prepared in conformity with Form 'B' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date attached.
For S. R. Batliboi & Co. LLP
Firm Registration No. 301003E/E300005
Chartered Accountants

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai, 11th May, 2016

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2016

(₹ in thousands)

	Year ended 31st March, 2016	Year ended 31st March, 2015
CASH FLOW FROM OPERATING ACTIVITIES		
Profit after tax	**20,897,790**	**18,659,786**
Add: Provision for tax	10,339,364	9,669,788
Net Profit Before Taxes	**31,237,154**	**28,329,574**
Adjustments for :-		
Employee Stock Options Expense	29,450	21,627
Depreciation on Bank's Property	2,873,758	1,930,003
Diminution in the value of Investments written off/(back)	1,363,187	(1,113,328)
Dividend from Subsidiaries/ Joint Ventures	(38,622)	(49,500)
Amortization of Premium on HTM Investments	1,419,994	719,084
Provision for Non Performing Assets, Standard Assets and Other Provisions	7,810,541	2,758,301
Profit on sale of Fixed Assets	(30,112)	(135,168)
	44,665,350	**32,460,593**
Adjustments for :-		
Increase in Investments (other than Subsidiaries, Joint Ventures and Other HTM Investments)	(36,527,896)	(9,827,824)
Increase in Advances	(128,892,835)	(133,266,217)
Increase in Other Assets	(3,043,940)	(7,806,638)
Increase in Deposits	180,981,291	157,879,794
Increase in Other Liabilities and Provisions	16,723,038	14,322,415
	29,239,658	**21,301,530**
Direct Taxes Paid	**(12,567,792)**	**(9,130,189)**
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**61,337,216**	**44,631,934**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,490,475)	(2,230,032)
Sale of Fixed Assets	113,441	198,520
Proceeds from sale of Investment in Associates	-	-
Investments in Subsidiaries/ Joint Ventures	(2,183,469)	(876,136)
Investments in HTM securities	(59,108,169)	(31,679,796)
Dividend from Subsidiaries/ Joint Ventures	38,622	49,500
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	**(63,630,050)**	**(34,537,944)**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2016

(₹ in thousands)

	Year ended 31st March, 2016	Year ended 31st March, 2015
CASH FLOW FROM/ (USED IN) FINANCING ACTIVITIES		
Increase/(Decrease) in Sub-ordinated debt	(1,437,663)	116,325
Decrease in Refinance	(10,715,154)	(15,883,087)
Increase/(Decrease) in Borrowings [other than Refinance and Sub-ordinated debt]	(5,138,793)	8,308,138
Money received on exercise of Stock Options/Issue of Shares	3,639,074	878,788
Share Issue Expenses	(5,578)	-
Dividend paid including Corporate Dividend Tax	(980,955)	(689,477)
NET CASH FLOW FROM/ (USED IN) FINANCING ACTIVITIES (C)	**(14,639,068)**	**(7,269,313)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	**(16,931,903)**	**2,824,677**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Refer Note below)	**62,623,577**	**59,798,900**
ADDITIONS ON AMALGAMATION	**63,105,480**	**-**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Refer Note below)	**108,797,154**	**62,623,577**
Note:		
Balance with Banks in India in Fixed Deposit (As per Sch 7 I (i) (b))	410,425	412,425
Balance with Banks in India in Current Account (As per Sch 7 I (i) (a))	2,632,342	1,031,149
Money at Call and Short Notice in India (as per Sch 7 I (ii))	20,108,900	17,224,272
Cash in hand (including foreign currency notes) (As per Sch 6 I.)	9,471,930	5,262,870
Balance with RBI in Current Accounts (As per Sch 6 II.)	59,562,418	34,020,094
Balance with Banks Outside India:		
(i) In Current Account (As per Sch 7 II (i))	7,004,164	610,267
(ii) In other Deposit Accounts (As per Sch 7 II (ii))	9,606,975	4,062,500
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**108,797,154**	**62,623,577**

As per our report of even date attached.
For S. R. Batliboi & Co. LLP
Firm Registration No. 301003E/E300005
Chartered Accountants

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai, 11th May, 2016

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, 2016

SCHEDULE 1 - CAPITAL

(₹ in thousands)

	As at 31st March, 2016	As at 31st March, 2015
Authorised Capital		
300,00,00,000 Equity Shares of ₹ 5/- each		
(31st March, 2015: 140,00,00,000 Equity Shares of ₹ 5/- each)	**15,000,000**	**7,000,000**
Issued, Subscribed and Paid-up Capital (Refer Schedule 18 A)		
183,43,82,158 (31st March, 2015: 77,23,52,664) Equity		
Shares of ₹ 5/- each fully paid-up	9,171,911	3,861,763
(During the year, 91,28,41,920 Equity Shares have been		
issued as bonus shares by capitalisation of Reserves)		
Total	**9,171,911**	**3,861,763**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
I.	**Statutory Reserve**		
	Opening Balance	21,052,000	16,387,000
	Add: Additions on Amalgamation	10,078,283	-
	Add: Transfer from Profit and Loss Account	5,224,500	4,665,000
	Total	**36,354,783**	**21,052,000**
II.	**Capital Reserve**		
	Opening Balance	352,403	293,303
	Add: Additions on Amalgamation	1,274,383	-
	Add: Transfer from Profit and Loss Account	91,700	59,100
	Total	**1,718,486**	**352,403**
III.	**General Reserve**		
	Opening Balance	6,103,303	5,169,552
	Add: Additions on Amalgamation	300,946	-
	Add: Transfer on ESOPs expired unexercised	-	751
	Add: Transfer from Profit and Loss Account	-	933,000
	Total	**6,404,249**	**6,103,303**
IV.	**Investment Reserve Account**		
	Opening Balance	866,500	-
	Add: Additions on Amalgamation	33,582	-
	Add: Transfer from/(to) Profit and Loss Account (Refer Note 31 - Schedule 18 B)	(415,180)	866,500
	Total	**484,902**	**866,500**
V.	**Special Reserve Account u/s 36(1)(viii) of Income Tax Act, 1961**		
	Opening Balance	1,825,000	1,545,000
	Add: Additions on Amalgamation	1,167,000	-
	Add: Transfer from Profit and Loss Account	450,000	280,000
	Total	**3,442,000**	**1,825,000**

SCHEDULES

FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2016

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
VI.	**Securities Premium Account**		
	Opening Balance	56,397,257	55,451,490
	Add: Additions on Amalgamation	43,206,510	-
	Add: Received during the year	3,614,553	945,767
	Less: Utilised for Bonus Shares	4,564,210	-
	Less: Share Issue Expenses	5,578	-
	Total	**98,648,532**	**56,397,257**
VII.	**Amalgamation Reserve**		
	Opening Balance	-	-
	Add: Additions on Amalgamation	1,224,046	-
	Total	**1,224,046**	**-**
VIII.	**Investment Allowance (Utilised) Reserve**		
	Opening Balance	-	-
	Add: Additions on Amalgamation	500	-
	Total	**500**	**-**
IX.	**Balance in the Profit and Loss Account**		
	Balance in the Profit and Loss Account	82,141,193	50,952,636
	Total	**82,141,193**	**50,952,636**
	Total (I to IX)	**230,418,691**	**137,549,099**

SCHEDULE 3 - DEPOSITS

(₹ in thousands)

			As at 31st March, 2016	As at 31st March, 2015
A I.	**Demand Deposits**			
	(i)	From Banks	3,951,425	2,551,379
	(ii)	From Others	228,865,346	129,262,006
	Total		**232,816,771**	**131,813,385**
II.	**Savings Bank Deposits**		294,947,214	140,361,089
III.	**Term Deposits**			
	(i)	From Banks	7,476,262	10,575,512
	(ii)	From Others	851,189,977	465,853,102
	Total		**858,666,239**	**476,428,614**
	Total Deposits (I to III)		**1,386,430,224**	**748,603,088**
B.	(i)	Deposits of branches in India	1,386,430,224	748,603,088
	(ii)	Deposits of branches outside India	-	-
	Total		**1,386,430,224**	**748,603,088**

SCHEDULES
FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2016

SCHEDULE 4 - BORROWINGS

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
I.	**Borrowings in India**		
	(i) Reserve Bank of India	15,670,000	17,634,500
	(ii) Other Banks	22,448,948	21,737,352
	(iii) Other Institutions and Agencies (Refer Note 13 - Schedule 18 C)	92,018,430	38,700,671
	Total	**130,137,378**	**78,072,523**
II.	**Borrowings outside India**		
	Banks and Other Institutions (Refer Note 13 - Schedule 18 C)	79,616,004	43,424,609
	Total	**79,616,004**	**43,424,609**
Total Borrowings (I and II)		**209,753,382**	**121,497,132**
Secured Borrowings under CBLO included in I (iii) above		-	-
Tier II Bonds included in I (iii) above		11,057,000	6,180,000
Tier II Bonds included in II above		6,703,120	2,812,500

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
I.	Bills Payable	10,475,636	9,716,565
II.	Interest Accrued	8,168,143	5,361,892
III.	Provision for tax (net of advance tax and tax deducted at source)	-	988,134
IV.	Standard Asset provision (Refer Note 18 - Schedule 18 B)	5,720,717	3,160,232
V.	Others (including provisions)	61,321,152	28,373,315
VI.	Proposed Dividend (includes tax on dividend)	1,103,913	979,558
	Total	**86,789,561**	**48,579,696**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
I.	Cash in hand (including foreign currency notes)	9,471,930	5,262,870
II.	Balances with RBI in Current Account	59,562,418	34,020,094
	Total	**69,034,348**	**39,282,964**

SCHEDULES

FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2016

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

(₹ in thousands)

	As at 31st March, 2016	As at 31st March, 2015
I. In India		
(i) Balances with Banks		
(a) In Current Accounts	2,632,342	1,031,149
(b) In Other Deposit Accounts	410,425	412,425
Total	**3,042,767**	**1,443,574**
(ii) Money at Call and Short Notice		
(a) With Banks	17,108,900	17,224,272
(b) With Other Agencies	3,000,000	-
Total	**20,108,900**	**17,224,272**
Total (i and ii)	**23,151,667**	**18,667,846**
II. Outside India		
(i) In Current Accounts	7,004,164	610,267
(ii) In Other Deposit Accounts	9,606,975	4,062,500
Total	**16,611,139**	**4,672,767**
Total (I and II)	**39,762,806**	**23,340,613**

SCHEDULE 8 - INVESTMENTS

(₹ in thousands)

	As at 31st March, 2016	As at 31st March, 2015
I. Investments in India in		
(i) Government Securities	407,609,720	228,817,200
(ii) Other Approved Securities	-	-
(iii) Shares	6,713,066	6,019,858
(iv) Debentures and Bonds	51,863,054	42,104,607
(v) Subsidiaries and Joint Ventures	7,470,096	5,381,450
(vi) Others [Units, Certificate of Deposits (CD), Commercial Paper (CP), Security Receipts,Pass Through Certificates(PTC)]	38,705,913	4,123,508
Total	**512,361,849**	**286,446,623**
II. Investments outside India in		
(i) Shares	8,744	6,789
(ii) Subsidiaries and Joint Ventures	231,609	137,639
Total	**240,353**	**144,428**
Total Investments (I and II)	**512,602,202**	**286,591,051**

SCHEDULES
FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2016

SCHEDULE 9 - ADVANCES

(₹ in thousands)

			As at 31st March, 2016	As at 31st March, 2015
A.	(i)	Bills purchased and discounted#	38,324,103	19,723,762
	(ii)	Cash Credits, Overdrafts and loans repayable on demand	404,120,100	150,454,628
	(iii)	Term Loans	744,208,749	491,428,736
	Total		**1,186,652,952**	**661,607,126**
	# Bills purchased and discounted is net of Bills Rediscounted			
	₹ 835.58 crore (Previous Year ₹ 1,258.05 crore)			
B.	(i)	Secured by tangible assets *	911,757,916	516,705,189
	(ii)	Covered by Bank/Government guarantees	342,386	-
	(iii)	Unsecured	274,552,650	144,901,937
	Total		**1,186,652,952**	**661,607,126**
	* including advances against book debts			
C.	**Advances in India**			
	(i)	Priority Sector	413,449,029	204,959,181
	(ii)	Public Sector	1,747,083	7,149,036
	(iii)	Banks	-	-
	(iv)	Others	771,456,840	449,498,909
	Total		**1,186,652,952**	**661,607,126**

SCHEDULE 10 - FIXED ASSETS

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
A.	**Premises (Including Land)**		
	Gross Block		
	At cost on 31st March of the preceding year	7,836,195	6,905,684
	Additions during the year (including on amalgamation)	4,098,678	943,926
	Less: Deductions during the year (including on amalgamation)	1,194,863	13,415
	Total	**10,740,010**	**7,836,195**
	Depreciation		
	As at 31st March of the preceding year	662,324	554,599
	Add: Charge for the year (including on amalgamation)	703,883	117,217
	Less: Deductions during the year (including on amalgamation)	118,233	9,492
	Depreciation to date	**1,247,974**	**662,324**
	Net Block	**9,492,036**	**7,173,871**
B.	**Other Fixed Assets (including furniture and fixtures)**		
	Gross Block		
	At cost on 31st March of the preceding year	13,621,940	11,869,410
	Additions during the year (including on amalgamation)	9,135,428	2,047,044
	Less: Deductions during the year	479,469	294,514
	Total	**22,277,899**	**13,621,940**
	Depreciation		
	As at 31st March of the preceding year	8,728,760	7,151,059
	Add: Charge for the year (including on amalgamation)	8,078,504	1,812,786
	Less: Deductions during the year	396,267	235,085
	Depreciation to date	**16,410,997**	**8,728,760**
	Net Block (Refer Note 6 - Schedule 18 C)	**5,866,902**	**4,893,180**

SCHEDULES
FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2016

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
C.	**Leased Fixed Assets**		
	Gross Block		
	At cost on 31st March of the preceding year	-	-
	Additions during the year (including on amalgamation)	1,540,585	-
	Less: Deductions during the year	-	-
	Total	**1,540,585**	**-**
	Depreciation		
	As at 31st March of the preceding year	-	-
	Add: Charge for the year (including on amalgamation)	1,383,601	-
	Less: Deductions during the year	-	-
	Depreciation to date	**1,383,601**	**-**
	Net Block	**156,984**	**-**
Total (A) +(B)+(C)		**15,515,922**	**12,067,051**

SCHEDULE 11 - OTHER ASSETS

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
I.	Interest accrued	17,801,175	11,123,101
II.	Advance tax (net of provision for tax)	3,472,550	-
III.	Stationery and Stamps	19,177	8,028
IV.	Cheques in course of collection	86,667	224,787
V.	Non banking assets acquired in satisfaction of claims	67,824	67,824
VI.	Others (Refer Note 4 - Schedule 18 C)*	77,582,282	25,808,202
	Total	**99,029,675**	**37,231,942**

* Includes Deferred Tax Asset ₹183.85 crore (Previous year ₹ 69.28 crore)

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in thousands)

		As at 31st March, 2016	As at 31st March, 2015
I.	Claims not acknowledged as debts	13,040,884	11,467,170
II.	Liability on account of Outstanding Forward Exchange Contracts	1,657,248,872	297,807,482
III.	Guarantees on behalf of Constituents	240,135,682	121,099,848
IV.	Acceptances, Endorsements and other obligations	106,140,681	63,711,640
V.	Other Items for which the Bank is contingently liable :		
	a. Liability in respect of interest rate and currency swaps and forward rate agreements	378,440,694	126,971,588
	b. Liability in respect of Options Contracts	29,075,596	14,940,972
	c. Capital commitments not provided	880,000	698,705
	d. Unclaimed Customer balances transferred to RBI DEAF Scheme	1,140,436	24,199
	Total	**2,426,102,845**	**636,721,604**

SCHEDULES
FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2016

SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)

		Year ended 31st March, 2016	Year ended 31st March, 2015
I.	Interest / discount on Advances/Bills	124,703,723	74,686,674
II.	Income on Investments	34,560,091	21,335,414
III.	Interest on balances with RBI and other inter-bank funds	929,061	240,606
IV.	Others	3,648,963	935,976
	Total	**163,841,838**	**97,198,670**

SCHEDULE 14 - OTHER INCOME

(₹ in thousands)

		Year ended 31st March, 2016	Year ended 31st March, 2015
I.	Commission, exchange and brokerage	17,643,647	12,262,894
II.	Profit/(Loss) on sale of Investments (net)	2,131,974	3,147,720
III.	Profit/(Loss) on sale of building and other assets (net)	30,112	135,168
IV.	Profit on exchange transactions (net) (including derivatives)	4,219,121	2,064,213
V.	Income earned from Subsidiaries/ Joint Ventures	807,946	771,787
VI.	Profit on recoveries of non-performing assets acquired	1,130,265	1,346,195
VII.	Miscellaneous Income	159,276	556,562
	Total	**26,122,341**	**20,284,539**

SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)

		Year ended 31st March, 2016	Year ended 31st March, 2015
I.	Interest on Deposits	78,637,579	45,794,864
II.	Interest on RBI / Inter-Bank Borrowings	8,082,491	4,995,974
III.	Others (Refer Note 13(c) - Schedule 18 C)	8,118,030	4,170,510
	Total	**94,838,100**	**54,961,348**

SCHEDULE 16 - OPERATING EXPENSES

(₹ in thousands)

		Year ended 31st March, 2016	Year ended 31st March, 2015
I.	Payments to and provision for employees (Refer Note 10 - Schedule 18 C)	28,169,697	14,666,844
II.	Rent, taxes and lighting (Refer Note 3 - Schedule 18 C)	5,220,139	3,381,560
III.	Printing and Stationery	707,614	496,117
IV.	Advertisement, Publicity and Promotion	996,258	842,235
V.	Depreciation on Bank's property	2,873,758	1,930,003
VI.	Directors' fees, allowances and expenses	11,207	6,275
VII.	Auditors' fees and expenses (Refer Note 14 - Schedule 18 C)	21,117	15,321
VIII.	Law Charges	246,355	179,557
IX.	Postage, telephone etc.	1,111,288	701,276
X.	Repairs and maintenance	2,874,977	1,858,174
XI.	Insurance	1,218,721	625,867
XII.	Travel and Conveyance	1,030,718	673,640
XIII.	Professional Charges	4,155,886	3,077,415
XIV.	Brokerage	1,548,241	1,551,728
XV.	Stamping Expenses	137,771	127,039
XVI.	Other Expenditure (Refer Note 12 - Schedule 18 C)	5,012,144	2,957,536
		55,335,891	**33,090,587**
Less: Reimbursement of Costs from Group Companies		620,694	543,273
Total		**54,715,197**	**32,547,314**

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 a license to carry out 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 Limited ("Kotak Mahindra Bank" "Kotak" or "the Bank") provides a full suite of banking services to its customers encompassing Retail Banking, Treasury and Corporate Banking in India and also has a representative office in Dubai.

B BASIS OF PREPARATION

The financial statements have been prepared in accordance with statutory requirements prescribed under the Banking Regulation Act, 1949. The accounting and reporting policies of Kotak Mahindra Bank used in the preparation of these financial statements is the accrual method of accounting and historical cost convention and it conforms with Generally Accepted Accounting Principles in India ("Indian GAAP"), the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act, 2013 ("the 2013 act"), in so far as they apply to banks and the guidelines issued by the Reserve Bank of India ("RBI"). The Ministry of Corporate Affairs ("MCA") has notified the Companies (Accounting Standards) Amendment Rules, 2016 vide its notification dated 30th March, 2016. As per clarification of MCA dated 27th April, 2016, the said rules are applicable to accounting period commencing on or after the date of notification i.e. 1st April, 2016.

Use of estimates

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

C SIGNIFICANT ACCOUNTING POLICIES

1 Investments

Classification:

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

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

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

Basis of classification:

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

Acquisition Cost:

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

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Disposal of investments:

- **Investments classified as HFT or AFS** - Profit or loss on sale or redemption is recognised in the Profit and Loss Account.

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

Valuation:

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

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

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

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

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

e) Units of mutual funds are valued at the latest Net Asset Value declared by the mutual fund.

f) Investments in subsidiaries / joint ventures (as defined by the RBI) 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:

   - In case of unquoted bonds, debentures and preference shares where interest / dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity for Government Securities as published by FIMMDA / PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit rating along with residual maturity issued by FIMMDA is adopted for this purpose;

   - In case of bonds and debentures (including Pass Through Certificates) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by the RBI. Interest on such securities is not recognised in the Profit and Loss Account until received;

   - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the Company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹ 1 per investee company;

   - Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF. Investment in unquoted VCF after 23rd August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines;

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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

h) Non-performing investments are identified and valued based on the RBI guidelines.

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

2 Advances

Classification:

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

Amounts paid for acquiring non-performing assets from other banks and NBFCs are considered as advances. Actual collections received on such non-performing assets are compared with the cash flows estimated while purchasing the asset to ascertain 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.

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

Provisioning:

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

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

In accordance with RBI guidelines the Bank has provided general provision on standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts and gold at levels stipulated by RBI from time to time - direct advances to sectors agricultural and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5%, teaser rate housing loans at 2.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.

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

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

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

3 Loss on Sale of Advances to Asset Reconstruction Company

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

4 Securitisation

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

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

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

5 Fixed Assets (Tangible and Intangible) and depreciation/ amortisation

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

Depreciation / Amortisation - Depreciation is provided on a pro-rata basis on a Straight Line Method over the estimated useful life of the assets at rates which are higher than the rates derived from useful lives prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the assets. Estimated useful lives over which assets are depreciated / amortised are as follows:

Asset Type	Estimated Useful life in years
Premises	58
Improvement to leasehold premises	Over the period of lease subject to a maximum of 6 years.
Office equipments (High capacity chillers, Transformers, UPS DG set, Fire Suppression, HVAC, PAC & Elevators)	10
Office equipments (other than above)	5
Computers	3
Furniture and Fixtures	6
Vehicles	4
ATMs	5
Software (including development) expenditure	3

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

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

6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks / institutions and money at Call and short Notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

7 Bullion

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

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

8 Revenue recognition

Interest income (other than in respect of retail advances) is recognised on accrual basis.

Interest income in respect of retail advances is accounted for by using the internal rate of return method to provide a constant periodic rate of return on the net investment outstanding on the contract.

Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.

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

Service charges, fees and commission income are recognised when due except for guarantee commission and letter of credit which is recognised over the period of the guarantee / letter of credit. Syndication / arranger fee is recognised as income as per the terms of engagement.

Upon an asset becoming NPA the income accrued gets reversed, and is recognised only on realisation, as per RBI guidelines. Penal interest is recognised as income on realisation.

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

Gain on account of securitisation of assets is amortised over the life of the securities issued in accordance with the guidelines issued by the RBI.

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.

9 Employee benefits

Defined Contribution Plan

Provident Fund

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

Superannuation Fund

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

New Pension Scheme

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

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Defined Benefit Plan

Gratuity

The Bank provides for Gratuity, covering employees in accordance with the Payment of Gratuity Act, 1972, Service regulations and Service awards as the case may be. The Bank's liability is actuarially determined (using Projected Unit Credit Method) at the Balance Sheet date. The Bank makes contribution to Gratuity Funds administered by trustees and managed by life insurance companies.

Pension Scheme

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

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

The contribution made to the trust is recognised as planned assets. The defined benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as reduced by the fair value of the plan assets.

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

Compensated Absences – Other Long-Term Employee Benefits

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

Other Employee Benefits

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

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

Employee share based payments

Equity-settled scheme:

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

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

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion. In respect of the options which expire unexercised the balance standing to the credit of

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Employee's Stock Option (Grant) Outstanding accounts is transferred to General Reserve. The fair market price is the latest available closing price, preceding the date of grant of the option, on the stock exchange on which the shares of the Bank are listed.

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

In respect of options granted to employees of subsidiaries, the Bank recovers the related compensation cost from the respective subsidiaries.

Cash-settled scheme:

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

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

10 Foreign currency transactions

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

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

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

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

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

11 Derivative transactions

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

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

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

12 Lease accounting

Leases where the lessor effectively retains substantially all the risks and rewards 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.

13 Accounting for provisions, contingent liabilities and contingent assets

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

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

14 Impairment

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

15 Taxes on income

The Income Tax expense comprises current tax and deferred tax. Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent period.

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

Deferred tax assets are reassessed at each reporting date, based upon the Management's judgement as to whether realisation is considered as reasonably certain.

Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date. Changes in deferred tax assets / liabilities on account of changes in enacted tax rates are given effect to in the Profit and Loss Account in the period of the change.

16 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.

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

17 Share issue expenses

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

18 Credit cards reward points

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

19 Segment reporting

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

Segment	Principal activity
Treasury, BMU and Corporate Centre	Money market, forex market, derivatives, investments and primary dealership of government securities and Balance Sheet Management Unit (BMU) responsible for Asset Liability Management and Corporate Centre which primarily comprises of support functions.
Corporate / Wholesale Banking	Wholesale borrowings and lendings and other related services to the corporate sector which are not included under retail banking.
Retail Banking	Includes: I Lending Commercial vehicle finance, personal loans, home loans, agriculture finance, other loans / services and exposures which fulfill the four criteria for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards : A Revised Framework." II Branch Banking Retail borrowings covering savings, current, term deposit accounts and Branch Banking network / services including distribution of financial products. III Credit Cards Receivables / loans relating to credit card business.
Other Banking business	Any other business not classified above.

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

Segment revenues consist of earnings from external customers and inter-segment revenues based on a transfer pricing mechanism. Segment expenses consist of interest expenses including allocated operating expenses and provisions.

Segment results are net of segment revenues and segment expenses.

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

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

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE 18 – NOTES TO ACCOUNTS

A. Merger of ING Vysya Bank Limited

The Board of Directors of Kotak and the Board of Directors of ING Vysya Bank Ltd. ("eIVBL") at their respective meetings held on 20th November, 2014 approved an amalgamation of eIVBL with Kotak. Subsequently, the shareholders of Kotak and eIVBL have approved the scheme of amalgamation at their respective Extra Ordinary General Meetings held on 7th January, 2015. The amalgamation was approved by the Reserve Bank of India (the "RBI") under subsection (4) of Section 44A of the Banking Regulation Act, 1949 and the Competition Commission of India. The amalgamation is effective from the day beginning 1st April, 2015. While both the entities are banking companies which are licensed by the RBI under the Banking Regulation Act, 1949, Kotak is a company incorporated under the Companies Act, 1956, and eIVBL is a company incorporated under Mysore Companies Regulation, 1917.

As per the Scheme, upon its coming into effect from the appointed date i.e. 1st April, 2015, the entire undertaking of eIVBL including all its assets, liabilities and reserves and surplus stood transferred/ deemed to be transferred to and vest in Kotak. Further, in consideration of the transfer of and vesting of the undertaking of eIVBL, 725 equity shares of Kotak of the face value of ₹ 5/- each fully paid-up was issued to shareholders of eIVBL for every 1,000 equity shares of the face value of ₹10/- each of eIVBL held by them on the record date i.e. 17th April, 2015. Accordingly 13,92,05,159 equity shares of ₹5/- each of Kotak were allotted at par to the shareholders of ING Vysya vide board resolution dated 21st April, 2015. The excess of the paid up value of equity shares of eIVBL over the paid up value of equity shares issued as consideration amounting to ₹122.40 crore has been transferred to Amalgamation Reserve as per the Scheme of Amalgamation.

The amalgamation has been accounted using the pooling of interest method under Accounting Standard 14 (AS14), "Accounting for amalgamation" and the principles laid down in Part VII – paragraph 19 of the approved Scheme of Amalgamation.

The assets, liabilities and reserves and surplus of eIVBL were recorded by Bank at their carrying amounts as on 1st April, 2015 except for adjustments which were made to bring uniformity of accounting policies as required under AS14. The impact of these adjustments was ₹189.95 crore which has been adjusted in the balance of Profit and Loss Account. Timing differences, if any, arising on these adjustments have been accounted with corresponding adjustment to Deferred Tax Asset. Further, with respect to revaluation of fixed assets, the revaluation reserve amounting to ₹101.37 crore held by eIVBL was reversed and the Gross Block of Fixed Assets were credited back with ₹101.37 crores. The accumulated depreciation on such reserve amounting to ₹11.15 crore was also reversed in Gross Block of Fixed Assets. Certain other reclassifications of items were carried out to ensure consistency in presentation.

The results for the year ended 31st March, 2016 are not comparable with that of the corresponding period of the previous year.

B. DISCLOSURES AS LAID DOWN BY RBI CIRCULARS:

1. Capital Adequacy Ratio:

The Bank's Capital Adequacy Ratios as per Basel III guidelines are as follows:

(₹ in crore)

Particulars	**31st March, 2016**	31st March, 2015
Capital Ratios:		
(i) Common Equity Tier I Capital (%)	15.23%	16.18%
(ii) Tier I Capital (%)	15.28%	16.18%
(iii) Tier II Capital (%)	1.06%	0.99%
(iv) Total CRAR (%)	16.34%	17.17%
(v) Percentage of the shareholding of the Government of India	-	-
(vi) Amount raised by issue of Equity Shares	365.89	87.88
(vii) Amount of Additional Tier I capital raised of which		
PNCPS	-	-
PDI	-	-
(viii) Amount of Tier II Capital raised of which		
Debt capital instruments	-	-
Preference share capital instruments	-	-

SCHEDULES

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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 crore)

Particulars	31st March, 2016				31st March, 2015			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government Securities *	2,119.72	14,070.48	24,570.77	40,760.97	1,777.52	10,280.27	10,823.93	22,881.72
Other Approved Securities	-	-	-	-	-	-	-	-
Shares	-	672.18	-	672.18	19.82	582.85	-	602.67
Debentures and Bonds	726.43	4,459.88	-	5,186.31	655.08	3,555.38	-	4,210.46
Subsidiaries, Associates and Joint Ventures	-	-	770.17	770.17	-	-	551.91	551.91
Units, Certificate of Deposits, CP,SRs PTCs etc.	-	3,870.59	-	3,870.59	92.22	320.13	-	412.35
Total	**2,846.15**	**23,073.13**	**25,340.94**	**51,260.22**	**2,544.64**	**14,738.63**	**11,375.84**	**28,659.11**

* Includes securities with face Value of ₹ 2,288.05 crore (previous year ₹ 1,905.24 crore) pledged and encumbered for availment of fund transfer facility, clearing facility, margin requirements and with RBI for LAF.

- excludes RIDF deposits, as classified under other assets

3. The details of investments and the movement of provisions held towards depreciation of investments of the Bank as on 31st March, 2016 and 31st March, 2015 are given below:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
1. Value of Investments		
i. Gross value of Investments		
a. In India	51,438.79	28,674.72
b. Outside India	24.04	14.44
ii. Provision for Depreciation		
a. In India	(202.61)	(30.05)
b. Outside India	-	-
iii. Net value of Investments		
a. In India	51,236.18	28,644.67
b. Outside India	24.04	14.44
2. Movement of provisions held towards depreciation on investments		
i. Opening balance	30.05	196.41
ii. Add: Provisions made during the year / on amalgamation	198.02	9.07
iii. Less: Write-back of excess provisions during the year	25.46	175.43
iv. Closing balance	202.61	30.05

- *excludes RIDF deposits, as classified under other assets*

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

4. Details of Repo / Reverse Repo (excluding LAF and MSF transactions for the year) deals (in face value terms):

Year ended 31st March, 2016:

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	31st March, 2016
Securities sold under repos				
i. Government securities	-	7,589.75	1,192.69	-
ii. Corporate debt securities	-	210.00	5.16	-
Securities purchased under reverse repos				
i. Government securities	-	6,752.50	714.00	1,686.98
ii. Corporate debt securities	-	-	-	-

Year ended 31st March, 2015:

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	31st March, 2015
Securities sold under repos				
i. Government securities	-	4,110.00	1,010.81	30.60
ii. Corporate debt securities	-	25.00	0.07	-
Securities purchased under reverse repos				
i. Government securities	-	1,690.00	165.11	1,485.88
ii. Corporate debt securities	-	100.00	6.85	-

5. Disclosure in respect of Non-SLR investments:

(i) Issuer composition of Non-SLR investments as at 31st March, 2016:

(₹ in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	804.91	509.36	-	-	107.28
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	7,757.71	6,708.26	317.84	789.21	3,238.97
5	Subsidiaries, Associates and Joint Ventures	802.27	745.10	-	802.27	802.27
6	Others	1,336.97	1,325.73	924.46	49.25	1,336.97
7	Provision held towards depreciation	(202.61)	-	-	-	-
	Total	**10,499.25**	**9,288.45**	**1,242.30**	**1,640.73**	**5,485.49**

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive.

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Issuer composition of Non-SLR investments as at 31st March, 2015:

(₹ in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	527.75	508.00	-	-	8.00
2	FIs	123.31	92.53	-	3.38	92.23
3	Banks	45.89	-	34.37	11.52	-
4	Private Corporates	4,256.32	2,787.97	740.12	579.86	48.54
5	Subsidiaries, Associates and Joint ventures	581.82	524.65	-	581.82	581.82
6	Others	272.35	261.10	165.94	89.59	272.35
7	Provision held towards depreciation	(30.05)	-	-	-	-
	Total	**5,777.39**	**4,174.25**	**940.43**	**1,266.17**	**1,002.94**

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive.

- *excludes RIDF deposits, as classified under other assets*

(ii) Non-performing Non-SLR investments:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Opening balance	0.04	0.04
Additions during the year since 1st April / on amalgamation	152.17	-
Reductions during the year	-	-
Closing balance	152.21	0.04
Total provisions held	**85.76**	**0.04**

6. During the year ended 31st March, 2016 and year ended 31st March, 2015, the value of sale / transfer of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) was within 5% of the book value of instruments in HTM category at the beginning of the year.

7. Derivatives:

A. Forward Rate Agreements/ Interest Rate Swaps:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
The notional principal of swap agreements	29,960.70	11,850.48
Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	118.90	53.98
Collateral required by the Bank upon entering into swaps	NA	NA
Concentration of credit risk arising from the swaps	92.78% (Banks)	90.52%(Banks)
The fair value of the swap book	(77.17)	(12.26)

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

B. Exchange Traded Interest Rate Derivatives:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Notional principal amount of exchange traded interest rate derivatives undertaken during the year	2,247.58	634.42
Notional principal amount of exchange traded interest rate derivatives outstanding	16.13	104.31
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

** Being trading positions*

Disclosures on risk exposures in derivatives:

Qualitative disclosures:

a) Structure and organization for management of risk in derivatives trading:

The Board of Directors, the Asset Liability Management Committee (ALCO), the Risk Management Committee (RMC), the Senior Management Committee for Derivatives and the Market Risk Management Department are entrusted with the management of risks in derivatives.

The philosophy and framework for the derivative business is laid out in the Board approved Investment and Derivative policies. The ALCO of the Bank is empowered to set the limit-framework for derivatives. It also reviews the market risk exposures of derivatives against the limits. The Risk Management Committee reviews all risks on a consolidated basis 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 Customer Suitability and the Appropriateness of products offered to these customers.

The monitoring and measurement of risk in derivatives 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 Group Chief Risk Officer.

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. Stress testing is also performed on the Derivative portfolio. The Bank continuously invests in technology to enhance the Risk Management architecture.

c) Policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants:

The Board Approved 'Hedging Policy' details the hedging strategies, hedging processes, accounting treatment, documentation requirements and effectiveness testing for hedges.

Hedges are monitored for effectiveness periodically, in accordance with the Board Approved Policy.

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

d) Accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation:

Derivative transactions are segregated into trading or hedge transactions. Trading transactions outstanding as at the Balance Sheet dates are marked to market and the resulting profits or losses, are recorded in the Profit and Loss Account.

Derivative transactions designated as "Hedges" are accounted in accordance with hedging instruments on an accrual basis over the life of the underlying instrument.

Option premium paid / received is accounted for in the Profit and Loss Account on expiry of the option.

Pursuant to the RBI guidelines, any receivables as well positive Mark to Market (MTM) in respect of future receivable under derivative contracts comprising of crystallised receivables which remain overdue for more than 90 days are reversed through the Profit and Loss Account. 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:

31st March 2016:

(₹ in crore)

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**		
	a) For hedging	7,148.29	0.00
	b) For trading	169,351.40	29,976.83
2	**Marked to Market Positions ****		
	a) Asset (+)	3,349.59	103.20
	b) Liability (-)	3,100.69	180.37
3	**Credit Exposure**	6,455.92	397.29
4	**Likely impact of one percentage change in interest rate (100*PV01) #**		
	a) On hedging derivatives	12.84	0.00
	b) On trading derivatives	3.63	121.14
5	**Maximum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	23.65	0.00
	b) On trading derivatives	37.27	133.84
6	**Minimum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	0.17	0.00
	b) On trading derivatives	2.03	87.00

Currency interest rate swaps have been included under currency derivatives.

 # Excludes PV01 on options.

*** MTM has been considered at product level.*

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The nature and terms of the Interest Rate Swaps (IRS) as on 31st March, 2016 are set out below:

(₹ in crore)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	77	4,350.45	LIBOR	Receive Fixed Vs. Pay Floating
Trading	105	7,380.57	LIBOR	Receive Floating Vs. Pay Fixed
Trading	1	33.13	LIBOR	Receive Floating Vs. Pay Floating
Trading	1	20.00	INBMK	Receive Floating Vs. Pay Fixed
Trading	123	5,930.00	MIFOR	Receive Fixed Vs. Pay Floating
Trading	80	3,981.00	MIFOR	Receive Floating Vs. Pay Fixed
Trading	58	1,961.58	MIBOR	Receive Fixed Vs. Pay Floating
Trading	168	6,303.97	MIBOR	Receive Floating Vs. Pay Fixed
Total	**613**	**29,960.70**		

The nature and terms of the Cross Currency Swaps (CCS) as on 31st March, 2016 are set out below:

(₹ in crore)

Nature	No.	Notional Principal	Benchmark	Terms
Hedging	2	132.51	FIXED	Pay Fixed
Hedging	7	709.90	LIBOR	Receive Floating Vs. Pay Fixed
Hedging	2	420.85	LIBOR	Receive Floating Vs. Pay Floating
Trading	1	5.13	EURIBOR	Receive Fixed Vs. Pay Floating
Trading	1	150.00	EURIBOR	Receive Floating Vs. Pay Fixed
Trading	1	163.47	EURIBOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Trading	2	67.05	FIXED	Pay Fixed
Trading	12	842.24	FIXED	Receive Fixed
Trading	69	2,645.22	FIXED	Receive Fixed Vs. Pay Fixed
Trading	50	1,413.88	LIBOR	Receive Fixed Vs. Pay Floating
Trading	7	982.86	LIBOR	Receive Floating Vs. Pay Fixed
Trading	1	268.82	LIBOR	Receive Floating Vs. Pay Floating
Trading	1	5.13	LIBOR Vs. EURIBOR	Receive Floating Vs. Pay Floating
Trading	1	60.19	MIFOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Total	**157**	**7,867.25**		

The overnight Net open position as at 31st March, 2016 is ₹ 109.52 crore (previous year ₹ 105.27 crore).

31st March 2015:

(₹ in crore)

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**		
	a) For hedging	5,269.80	-
	b) For trading	26,747.42	11,954.78
2	**Marked to Market Positions ****		
	a) Asset (+)	36.78	47.06
	b) Liability (-)	20.37	59.49
3	**Credit Exposure**	1,310.25	158.71
4	**Likely impact of one percentage change in interest rate (100*PV01) #**		
	a) On hedging derivatives	3.60	0.00
	b) On trading derivatives	0.30	81.71

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
5	**Maximum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	6.42	0.00
	b) On trading derivatives	2.89	84.11
6	**Minimum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	1.26	0.00
	b) On trading derivatives	0.17	54.27

Currency interest rate swaps have been included under currency derivatives.

 # Excludes PV01 on options.

*** MTM has been considered at product level.*

The nature and terms of the Interest Rate Swaps (IRS) as on 31st March, 2015 are set out below:

(₹ in crore)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	1	20.00	INBMK	Receive Floating Vs. Pay Fixed
Trading	28	1,100.00	MIFOR	Receive Fixed Vs. Pay Floating
Trading	5	225.00	MIFOR	Receive Floating Vs. Pay Fixed
Trading	48	2,358.53	MIBOR	Receive Fixed Vs. Pay Floating
Trading	116	5,460.24	MIBOR	Receive Floating Vs. Pay Fixed
Trading	21	725.53	LIBOR	Receive Fixed Vs. Pay Floating
Trading	44	1,887.43	LIBOR	Receive Floating Vs. Pay Fixed
Trading	1	73.75	LIBOR	Receive Floating Vs. Pay Floating
Total	**264**	**11,850.48**		

The nature and terms of the Cross Currency Swaps (CCS) as on 31st March, 2015 are set out below:

(₹ in crore)

Nature	No.	Notional Principal	Benchmark	Terms
Hedging	2	125.00	FIXED	Pay Fixed
Hedging	3	156.25	LIBOR	Receive Floating Vs. Pay Fixed
Trading	2	119.72	FIXED	Receive Fixed Vs. Pay Fixed
Trading	1	126.90	LIBOR	Receive Floating Vs. Pay Floating
Trading	2	76.15	LIBOR	Receive Floating Vs. Pay Fixed
Trading	8	138.35	LIBOR	Receive Fixed Vs. Pay Floating
Total	**18**	**742.37**		

8. **Credit default swaps:**

The Bank has not entered into any Credit Default Swap transactions.

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

9. Movements in Non Performing Advances (Funded):

(₹ in crore)

Particulars			31st March, 2016	31st March, 2015
i.	Net NPAs to Net Advances %		1.06%	0.92%
ii.	Movement of Gross NPAs			
	Gross NPAs as on 1st April (opening balance)		1,237.23	1,059.44
	Additions (Fresh NPAs) during the year/on amalgamation		2,866.06	753.46
	Sub-total (A)		4,103.29	1,812.90
	Less:			
	(i)	Upgradations	512.92	229.48
	(ii)	Recoveries (excluding recoveries made from upgraded accounts)	463.14	247.41
	(iii)	Technical / Prudential Write-offs	189.41	21.77
	(iv)	Write-offs other than those under (iii) above	99.71	77.01
	Sub-total (B)		1,265.18	575.67
	Gross NPAs as on 31st March (closing balance) (A-B)		2,838.11	1,237.23
iii.	Movement of Net NPAs			
	a.	Opening balance	609.08	573.56
	b.	Additions during the year/on amalgamation	1,348.56	370.69
	c.	Reductions during the year	(695.68)	(335.17)
	d.	Closing balance	1,261.96	609.08
iv.	Movement of provisions for NPAs (excluding provisions on standard assets)			
	a.	Opening balance	628.15	485.88
	b.	Provisions made during the year/on amalgamation	1,517.50	382.77
	c.	Write-off / write-back of excess provisions	(569.50)	(240.50)
	d.	Closing balance	1,576.15	628.15

10. Movement of Technical Write-offs and Recoveries:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Opening balance of Technical / Prudential written-off accounts as at 1st April	172.81	229.38
Add: Technical / Prudential write-offs during the year / on amalgamation	592.03	21.77
Sub-Total (A)	764.84	251.15
Less: Recoveries / Reductions made from previously Technical / Prudential written-off accounts during the year (B)	128.34	78.34
Closing Balance as at 31st March (A-B)	**636.50**	**172.81**

11. The Provision Coverage Ratio (PCR) of the Bank after considering technical write-off is 63.68% as at 31st March, 2016 (previous year: 56.80%).

12. Concentration of NPAs:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Total Exposure to top four NPA accounts	573.30	301.23

Above represents Gross NPA and NPI

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

13. Sector-wise Advances

(₹ in crore)

Sl. No	Sector	31st March, 2016			31st March, 2015		
		Outstanding Total Advances*	Gross NPAs	Percentage of Gross NPAs to Total Advances in that Sector	Outstanding Total Advances*	Gross NPAs	Percentage of Gross NPAs to Total Advances in that Sector
A	**Priority Sector**						
1	Agricultural and Allied Activities	15,693.14	284.01	1.81%	8,411.76	119.43	1.42%
2	Advances to Industries Sector eligible as Priority sector lending	11,242.34	178.24	1.59%	4,624.95	22.04	0.48%
3	Services	13,070.26	128.30	0.98%	7,130.09	124.43	1.75%
4	Personal Loans and others	1,645.70	13.39	0.81%	499.84	2.00	0.40%
	Sub-Total (A)	**41,651.44**	**603.94**	**1.45%**	**20,666.64**	**267.90**	**1.30%**
B	**Non Priority Sector**						
1	Agricultural and Allied Activities	1,395.53	11.76	0.84%	828.63	3.05	0.37%
2	Industry	33,269.02	1,651.96	4.97%	14,185.51	193.62	1.36%
3	Services	28,218.51	426.53	1.51%	26,948.05	712.25	2.64%
4	Personal loans and others	15,746.69	143.92	0.91%	4,166.05	60.41	1.45%
	Sub-Total (B)	**78,629.75**	**2,234.17**	**2.84%**	**46,128.24**	**969.33**	**2.10%**
	Total (A+B)	**1,20,281.19**	**2,838.11**	**2.36%**	**66,794.88**	**1,237.23**	**1.85%**

** Represents Gross Advances*

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.

14. Details of Loan Assets subjected to Restructuring:

As at 31st March, 2016

(₹ in crore)

Sr. No	Type of Restructuring		Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
	Asset Classification		Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total
	Details																	
1	Restructured Accounts as on April 1 of the FY (opening figures)	No.of borrowers	-	-	-	-	-	-	-	-	50	2,575	690	3,315	50	2,575	690	3,315
		Amt. Outstanding	-	-	-	-	-	-	-	-	164.08	17.90	97.73	279.71	164.08	17.90	97.73	279.71
		Provision thereon	-	-	-	-	-	-	-	-	6.02	5.83	42.55	54.40	6.02	5.83	42.55	54.40
	Movement in the Accounts	No.of borrowers	-	-	-	-	-	-	-	-	(8)	(1,010)	(172)	(1,190)	(8)	(1,010)	(172)	(1,190)
		Amt. Outstanding	-	-	-	-	-	-	-	-	(8.37)	(9.61)	(4.99)	(22.97)	(8.37)	(9.61)	(4.99)	(22.97)
		Provision thereon	-	-	-	-	-	-	-	-	1.86	(1.04)	17.48	18.30	1.86	(1.04)	17.48	18.30
2	Fresh restructuring during the year/ on amalgamation	No.of borrowers	4	5	9	18	-	-	-	-	2	2,784	99	2,885	6	2,789	108	2,903
		Amt. Outstanding	122.09	238.68	465.97	826.74	-	-	-	-	4.81	20.62	6.90	32.33	126.90	259.30	472.87	859.07
		Provision thereon	25.91	177.39	328.23	531.53	-	-	-	-	0.53	8.76	5.69	14.98	26.44	186.15	333.92	546.51
3	Upgradations to restructured standard category during the FY	No.of borrowers	-	-	-	-	-	-	-	-	5	(3)	(2)	-	5	(3)	(2)	-
		Amt. Outstanding	-	-	-	-	-	-	-	-	4.96	(4.63)	(0.33)	-	4.96	(4.63)	(0.33)	-
		Provision thereon	-	-	-	-	-	-	-	-	-	(1.25)	(0.32)	(1.57)	-	(1.25)	(0.32)	(1.57)
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No.of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amt. Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the FY	No.of borrowers	-	-	-	-	-	-	-	-	(4)	(585)	589.	-	(4)	(585)	589	-
		Amt.	-	-	-	-	-	-	-	-	(17.50)	15.50	2.00	-	(17.50)	15.50	2.00	-
		Provision thereon	-	-	-	-	-	-	-	-	(4.34)	2.34	2.00	-	(4.34)	2.34	2.00	-
6	Write-offs of restructured accounts during the FY	No.of borrowers	-	-	-	-	-	-	-	-	-	(953)	(432)	(1,385)	-	(953)	(432)	(1,385)
		Amt.	-	-	-	-	-	-	-	-	-	(1.39)	(4.72)	(6.11)	-	(1.39)	(4.72)	(6.11)
		Provision thereon	-	-	-	-	-	-	-	-	-	(1.39)	(4.72)	(6.11)	-	(1.39)	(4.72)	(6.11)
7	Restructured Accounts as on March 31 of the FY (closing figures*)	No.of borrowers	4	5	9	18	-	-	-	-	45	2,808	772	3,625	49	2,813	781	3,643
		Amt.	122.09	238.68	465.97	826.74	-	-	-	-	147.98	38.39	96.59	282.96	270.07	277.07	562.56	1,109.70
		Provision thereon	25.91	177.39	328.23	531.53	-	-	-	-	4.07	13.25	62.68	80.00	29.98	190.64	390.91	611.53

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

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

As at 31st March, 2015

(₹ in crore)

Sr. No.	Type of Restructuring		Others				
	Asset Classification		Standard	Sub-standard	Doubtful	Loss	Total
	Details						
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	42	2,007	738	-	2,787
		Amount outstanding	13.60	83.81	29.03	-	126.44
		Provision thereon	3.52	16.90	17.83	-	38.25
1A	Movement in Opening Balances (Recoveries)	No. of borrowers	(8)	(622)	(95)	-	(725)
		Amount outstanding	(5.82)	(6.87)	(4.23)	-	(16.92)
		Provision thereon	0.12	7.26	3.40	-	10.78
2	Fresh Restructuring during the year	No. of borrowers	8	2,564	192	-	2,764
		Amount outstanding	153.41	17.72	1.26	-	172.39
		Provision thereon	2.38	5.72	1.26	-	9.36
3	Upgradations to restructured standard category during the FY	No. of borrowers	11	(6)	(5)	-	-
		Amount outstanding	3.06	(1.34)	(1.72)	-	-
		Provision thereon	-	(0.41)	(1.38)	-	(1.79)
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	(3)	(464)	467	-	-
		Amount outstanding	(0.17)	(74.17)	74.34	-	-
		Provision thereon	-	(22.39)	22.39	-	-
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	(904)	(607)	-	(1,511)
		Amount outstanding	-	(1.25)	(0.95)	-	(2.20)
		Provision thereon	-	(1.25)	(0.95)	-	(2.20)
7	Restructured Accounts as on March 31 of the FY (closing figures*)	No. of borrowers	50	2,575	690	-	3,315
		Amount outstanding	164.08	17.90	97.73	-	279.71
		Provision thereon	6.02	5.83	42.55	-	54.40

* *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 previous year.

15. Overseas Assets, NPAs and Revenue:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Total Assets	Nil	Nil
Total NPAs	Nil	Nil
Total Revenue	Nil	Nil

Above does not include assets of overseas representative office.

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

16. A. Details of non-performing financial assets purchased:

(₹ in crore)

Particulars		31st March, 2016	31st March, 2015
(a)	Number of accounts purchased during the year*	9	7
(b)	Aggregate outstanding in the Banks books**	216.36	147.99

* *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 assets to Securitisation or Reconstruction Company for asset reconstruction (previous year Nil).

B. Net Book Value of Investments in Security Receipts:

Particulars		31st March, 2016	31st March, 2015
(i)	Backed by NPAs sold by the bank as underlying	198.27	-
(ii)	Backed by NPAs sold by other banks / financial institutions / nonbanking financial companies as underlying	202.52	218.08
Total		**400.79**	**218.08**

17. There are no unsecured advances for which intangible security such as charge over the rights, licenses, authority, etc. are accepted as collateral by the Bank.

18. Provisions on Standard Assets (including unhedged foreign currency exposure)

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Provisions towards Standard Assets	572.07	316.02

19. Business ratios / information:

Particulars	31st March, 2016	31st March, 2015
Interest income as a percentage of working funds	9.36%	10.31%
Non interest income as a percentage of working funds	1.49%	2.15%
Operating profit as a percentage of working funds	2.31%	3.18%
Return on assets (average)	1.19%	1.98%
Business (deposit plus advance) per employee (₹ in crore)	7.51	7.05
Profit per employee (₹ in crore)	0.07	0.11

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. Interbank 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

20. Maturity pattern of certain items of assets and liabilities:

31st March, 2016:

(₹ in crore)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months & upto 6 months	Over 6 months & upto 12 months	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Advances	682.14	3,259.08	3,519.17	3,104.18	12,403.62	7,065.33	9,633.61	51,348.06	11,675.10	15,975.01	**1,18,665.30**
Investments*	11,913.34	3,801.75	1,104.64	3,209.76	5,790.74	5,078.52	5,887.70	9,193.24	2,110.65	2,844.06	**50,934.40**
Deposits	1,030.04	8,483.69	8,618.23	5,347.96	18,202.25	25,360.66	20,603.44	41,146.45	9,281.71	568.59	**1,38,643.02**
Borrowings	231.58	2,337.73	395.41	61.29	7,086.81	2,518.67	3,049.24	3,286.16	156.30	1,852.15	**20,975.34**
Foreign Currency Assets	719.02	1,188.41	216.70	464.45	2,894.90	1,357.40	372.31	1,388.40	298.67	39.79	**8,940.05**
Foreign Currency Liabilities	217.29	582.19	993.92	70.88	4,965.34	2,459.17	1,577.12	2,694.24	267.02	318.73	**14,145.90**

** Listed equity investments in AFS have been considered at 50% (₹ 325.82 crore) haircut as per RBI directions*

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.

31st March, 2015:

(₹ in crore)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 Months	Over 3 months & upto 6 months	Over 6 months & upto 12 months	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Advances	567.17	1,542.75	1,807.43	1,004.37	5,173.59	4,741.80	6,751.49	26,707.53	7,800.35	10,064.23	**66,160.71**
Investments *	5,151.61	2,779.67	849.64	1,072.88	3,316.99	3,308.77	3,535.98	7,764.87	571.99	1,781.61	**30,134.01**
Deposits	528.31	6,009.55	5,354.43	4,456.97	8,901.51	12,341.07	8,163.19	28,024.95	715.56	364.77	**74,860.31**
Borrowings	89.55	2,474.46	737.02	23.16	1,178.01	1,302.20	3,619.60	953.46	243.00	1,529.25	**12,149.71**
Foreign Currency Assets	130.65	403.13	42.79	80.36	612.58	811.00	109.77	522.89	403.73	100.15	**3,217.05**
Foreign Currency Liabilities	124.24	205.97	240.00	15.66	742.42	427.73	2,928.19	2,513.11	399.90	281.25	**7,878.47**

** Listed equity investments in AFS have been considered at 50% (₹ 287.08 crore) haircut as per RBI directions*

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.

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

21. Exposures:

(a) Exposure to Real Estate Sector*:

(₹ in crore)

Particulars			31st March, 2016	31st March, 2015
a)	Direct exposure		19,115.72	13,294.81
	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, 2016 ₹ 469.31 crore and as at 31st March, 2015 ₹ 460.88 crore)	7,966.94	5,261.08
	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	11,148.78	8,033.73
	iii	Investments in Mortgage Backed Securities (MBS) and other securitised exposures-	-	-
		- Residential,	-	-
		- Commercial Real Estate	-	-
b)	Indirect Exposure		2,563.44	1,539.85
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		2,563.44	1,539.85
Total Exposure to Real Estate Sector			**21,679.16**	**14,834.66**

* *On limit basis or outstanding basis whichever is higher*

(b) Exposure to Capital Market*:

(₹ in crore)

Particulars		31st March, 2016	31st March, 2015
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;	722.86	628.65
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;	269.48	112.36
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;	353.58	137.46
v.	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	1,762.45	1,312.35
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;	-	-

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
vii. Bridge loans to companies against expected equity flows / issues;	-	-
viii. Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix. Financing to stockbrokers for margin trading;	-	-
x. All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	0.03	0.03
xi. Others (Financial Guarantees)	225.85	70.00
Total Exposure to Capital Market*	**3,334.25**	**2,260.85**

* *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, 2016. (Nil provision for the year ended 31st March, 2015).

(₹ in crore)

Risk Category	Exposure (net) as at 31st March, 2016	Provision held as at 31st March, 2016	Exposure (net) as at 31st March, 2015	Provision held as at 31st March, 2015
Insignificant	2,261.03	-	1,478.22	-
Low	61.72	-	15.36	-
Moderate	0.02	-	3.82	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	**2,322.77**	**-**	**1,497.40**	**-**

22. Concentration of deposits:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Total deposits of twenty largest depositors	16,447.81	10,874.31
Percentage of deposits of twenty largest depositors to total deposits of the Bank	11.86%	14.53%

23. Concentration of advances*:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Total advances to twenty largest borrowers	21,013.54	17,758.50
Percentage of advances to twenty largest borrowers to total advances of the bank	10.56%	13.41%

* *Advances represents credit exposure including derivatives furnished in Master Circular on Exposure Norms DBR.No.Dir. BC.12/13.03.00/2015-16 dated 1st July, 2015.*

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system 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

24. Concentration of exposures:**

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Total exposure to twenty largest borrowers / customers	23,609.29	18,357.96
Percentage of exposures to twenty largest borrowers / customers to total exposure of the bank on borrowers/customers	11.26%	13.28%

** *Exposures represents credit, derivatives and investment exposure as prescribed in Master Circular on Exposure Norms DBR.No.Dir.BC. 12/13.03.00/2015-16 dated 1st July, 2015.*

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management) which has been relied upon by the auditors.

25. During the year ended 31st March, 2016 and year ended 31st March, 2015 the Bank has not exceeded the prudential exposure limits as laid down by RBI guidelines for the Single Borrower Limit (SBL)/ Group Borrower Limit (GBL).

26. Provision made for taxes during the year:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Current tax	1,036.12	895.97
Deferred tax	(2.32)	70.95
Wealth tax	0.14	0.06
Total	**1,033.94**	**966.98**

27. During the year Nil penalty (previous year ₹ 0.10 crore) had been imposed by the Reserve Bank of India in terms of the Section 47A(1) read with Section 46(4)(i) of the Banking Regulation Act, 1949 for non-compliance of certain RBI instructions.

28. There are no Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms) (previous year Nil).

29. Bancassurance Business:

(₹ in crore)

Sr. No.	Nature of Income	31st March, 2016	31st March, 2015
1.	For selling life insurance policies	132.77	67.48
2.	For selling non life insurance policies	1.71	1.65
3.	For selling mutual fund products	159.29	258.20
4.	Others	-	-

This Income has been reflected under Commission, exchange and brokerage under Other Income.

30. Floating Provisions:

(₹ in crore)

Particulars		31st March, 2016	31st March, 2015
(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

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

31. Draw Down from Reserves:

In accordance with the RBI requirement on creation and utilisation of Investment reserve in respect of HFT and AFS investments, reserve of ₹ 41.52 crore has been utilised during the year (previous year ₹ 86.65 crore had been created).

32. a) Status of Shareholder Complaints:

		31st March, 2016	31st March, 2015
(a)	No. of complaints pending at the beginning of the year	0	2
(b)	No. of complaints received during the year	35	32
(c)	No. of complaints redressed during the year	35	34
(d)	No. of complaints pending at the end of the year	0	0

b) Status of Customer Complaints:

		31st March, 2016	31st March, 2015
(a)	No. of complaints pending at the beginning of the year	53	91
(b)	No. of complaints received during the year/on amalgamation	6,678	2,763
(c)	No. of complaints redressed during the year	6,438	2,801
(d)	No. of complaints pending at the end of the year	293	53

c) Status of Awards passed by the Banking Ombudsman:

		31st March, 2016	31st March, 2015
(a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
(b)	No. of Awards passed by the Banking Ombudsman during the year	Nil	Nil
(c)	No. of Awards implemented during the year	Nil	Nil
(d)	No. of unimplemented Awards at the end of the year	Nil	Nil

The above details are as furnished by the Management and relied upon by the auditors.

33. There are no outstanding letter of awareness (previous year Nil).

34. DISCLOSURES ON REMUNERATION

A. Qualitative Disclosures:

a) Information relating to the composition and mandate of the Remuneration Committee:

The Nomination & Remuneration committee comprises of independent directors of the Bank. Key mandate of the Nomination & Remuneration committee is to oversee the overall design and operation of the compensation policy of the Bank and work in coordination with the Risk Management Committee to achieve alignment between risks and remuneration.

b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:

Objective of Bank's Compensation Policy is:

- To maintain fair, consistent and equitable compensation practices in alignment with Bank's core values and strategic business goals;
- To ensure effective governance of compensation and alignment of compensation practices with prudent risk taking;
- To have mechanisms in place for effective supervisory oversight and Board engagement in compensation.

The remuneration process is aligned to the Bank's Compensation Policy objectives.

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks:

In order to manage current and future risk and allow a fair amount of time to measure and review both quality and quantity of the delivered outcomes, a significant portion of senior and middle management compensation is variable. Further reasonable portion variable compensation is non-cash and deferred, over a period of 3 years or longer.

In addition, remuneration process provides for 'malus' and 'clawback' option to take care of any disciplinary issue or future drop in performance of individual/ business/ company.

d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:

Individual performances are assessed in line with business/ individual delivery of the Key Result Areas (KRAs), top priorities of business, budgets etc. KRAs of Line roles are linked to financials, people, service and process (Quality) parameters and KRAs of non-Line Roles have linkage to functional deliveries needed to achieve the top business priorities.

Further remuneration process is also linked to market salaries / job levels, business budgets and achievement of individual KRAs.

e) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:

A discussion on Policy on Deferral of Remuneration

Employees are classified into following three categories for the purpose of remuneration:

Category I: Whole Time Directors (WTD)/Chief Executive Officer (CEO)

Category II: Risk Control and Compliance Staff

Category III: Other Categories of Staff

Following principles are applied for deferral / vesting of variable remuneration in accordance with RBI guidelines and Bank's compensation policy:

Category I

a. Variable Pay will not exceed 70% of Fixed Pay.

b. The Cash component of the Variable Pay will not exceed 50% of the Fixed Pay.

c. If Variable Pay is higher than 50% of Fixed Pay, at least 40% of Variable Pay will be deferred over a period of 3 years, or longer, on a pro-rata basis.

The compensation will be approved by the Nomination and Remuneration committee and RBI.

Category II

a. Variable Pay will not exceed 70% of Fixed Pay.

b. The Cash component of the Variable Pay will not exceed 50% of the Fixed Pay.

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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 Nomination & Remuneration Committee) and/ or
- Resignation of the staff prior to the payment date.

Clawback: Previously paid or already vested deferred variable pay can also be recovered under this clause.

This clause will be applicable in case of Disciplinary Action (at the discretion of the Disciplinary Action Committee and approval of the Nomination & Remuneration Committee).

f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms:

The main forms of such variable remuneration include:

- Cash – this may be at intervals ranging from Monthly, Quarterly, Annual.
- Deferred Cash / Deferred Incentive Plan.
- Stock Appreciation Rights (SARs): 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.

SCHEDULES

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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, 2016 five meetings of Nomination and Remuneration Committee was held. Each Member of the Nomination and Remuneration Committee is paid a sitting fee of ₹ 30,000 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 six Operating Management committee members as risk takers.

c) Number and total amount of sign-on awards made during the financial year.

Nil (previous year Nil)

d) Details of guaranteed bonus, if any, paid as joining / sign on bonus.

Nil (previous year Nil)

e) Details of severance pay, in addition to accrued benefits, if any.

Nil (previous year Nil)

f) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.

Cash – Nil

Outstanding SARs as at 31st March, 2016 – 128,696 rights (previous year 100,614 rights)

Outstanding ESOPs as at 31st March, 2016 – 891,694 equity shares (previous year 644,816 equity shares)

g) Total amount of deferred remuneration paid out in the financial year.

Payment towards SARs during year ended 31st March, 2016 ₹ 6.29 crore (previous year ₹ 7.86 crore)

h) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.

Total fixed salary for the year ended 31st March, 2016 - ₹ 18.75 crore (previous year ₹ 17.12 crore)

Deferred Variable Pay*

SARs – 35,370 rights (previous year 44,290 rights)

ESOPs – 145,660 equity shares (previous year 207,850 equity shares)

Non Deferred variable pay* ₹ 4.02 crore (previous year ₹ 3.43 crore)

** Details relating to variable pay pertains to remuneration awards for the financial year 2014-15 awarded during current financial year. Remuneration award for the year ended 31st March, 2016 are yet to be reviewed and approved by the remuneration committee.*

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

i) **Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments.** – Nil

j) **Total amount of reductions during the financial year due to ex- post explicit adjustments.** – Nil

k) **Total amount of reductions during the financial year due to ex- post implicit adjustments.** – Nil

35. Intra – Group Exposures

(₹ in crore)

Particulars		31st March, 2016	31st March, 2015
(a)	Total amount of intra-group exposures	3,490.25	2,586.95
(b)	Total amount of top-20 intra-group exposures	3,490.25	2,586.95
(c)	Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	1.47%	1.87%
(d)	Details of breach of limits on intra-group exposures and regulatory action thereon, if any.	NA	NA

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the Management) which has been relied upon by the auditors.

The intra-group exposure includes equity exposure towards insurance and other entities as per RBI guidelines.

36. Transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Opening balance of amounts transferred to DEAF	2.42	-
Add: Amounts transferred to DEAF during the year/on Amalgamation	111.62	2.44
Less: Amounts reimbursed by DEAF towards claim	-	0.02
Closing balance of amounts transferred to DEAF	114.04	2.42

37. Unhedged Foreign Currency Exposure of borrowers:

The bank recognises the importance of the risk of adverse fluctuation of foreign exchange rates on the profitability and financial position of borrowers who are exposed to currency risk. Currency induced credit risk refers to the risk of inability of borrowers to service their debt obligations due to adverse movement in the exchange rates and corresponding increase / decrease in their book values of trade payables, loan payables, trade receivables, etc. thereby exposing the Bank to risk of default by the borrower. In this regard, the Bank had put in place requisite policies & processes for monitoring and mitigation of currency induced credit risk of borrowers. These include the following:

(a) Currency risk of borrowers on account of un-hedged foreign currency exposures ("UFCE") is duly considered and analysed in credit appraisal notes.

(b) Periodic monitoring of un-hedged foreign currency exposures of borrowers.

(c) Risk classification of borrowers having un-hedged foreign currency exposures, into Low / Medium / High, as per internal norms, based on likely loss / EBID ratio. Likely loss means the potential loss which can be caused over a one year horizon by adverse movement of exchange rates.

SCHEDULES

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(d) Incremental provisioning (over and above provision applicable for standard assets) is made in Bank's Profit and Loss Account, on borrower counterparties having UFCE, depending on the likely loss / EBID ratio, in line with stipulations by RBI. Incremental capital is maintained in respect of borrower counterparties in the highest risk category, in line with stipulations by RBI. These requirements are given below:

Likely Loss / EBID ratio	Incremental Provisioning Requirement (computed on the total credit exposures reckoned for standard asset provisioning)	Incremental Capital Requirement
Up to 15%	Nil	Nil
More than 15% to 30%	20 bps	Nil
More than 30% to 50%	40 bps	Nil
More than 50% to 75%	60 bps	Nil
More than 75% (Most risky)	80 bps	25 per cent increase in the risk weight

(e) In case of borrowers exposed to currency risk where declarations for foreign currency payables/ receivables (UFCE declarations) are not submitted, provision for currency induced credit risk is made as per RBI stipulated rates mentioned below:

- 10 bps in cases where limits with banking system are less than ₹ 25 crore;
- 80 bps in cases where limits with banking system are ₹ 25 crore or more.

(f) Further, where annual certification from statutory auditors of UFCE data is not submitted, such borrowers are treated as UFCE declaration not submitted cases and provision is computed as per point (e) above.

(g) Borrowers where the credit exposure is only Letter of Credit, Bills Discounting, Fixed Deposit backed, Bank Guarantee / Standby Letter of Credit backed are exempted from the above requirements. Exposures on other Banks and Public Financial Institutions like SIDBI, EXIM Bank, NABARD, NHB are also exempted from the above requirements.

(h) Management of foreign exchange risk is considered as a parameter for internal risk rating of borrowers.

Provision held for currency induced credit risk as at 31st March, 2016 is ₹ 60.00 crore. (Previous year ₹ 17.82 crore). Incremental Risk weighted assets value considered for the purpose of CRAR calculation in respect of currency induced credit risk as at 31st March, 2016 is ₹ 1,863.65 crore (Previous year ₹ 357.17 crore).

38. a) Liquidity Coverage Ratio

			Average Q4 2015-2016		Average Q3 2015-2016		Average Q2 2015-2016		Average Q1 2015-2016		Average Q4 2014-2015	
			Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets												
1	Total High Quality Liquid Assets (HQLA)			27,862		23,357		21,476		21,350		13,251
Cash Outflows												
2	Retail deposits and deposits from small business customers, of which:											
	(i)	Stable deposits	9,800	490	9,442	472	9,026	451	8,620	431	5,328	266
	(ii)	Less stable deposits	57,828	5,783	55,020	5,502	52,304	5,230	48,317	4,832	28,591	2,859

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

		Average Q4 2015-2016		**Average Q3 2015-2016**		**Average Q2 2015-2016**		**Average Q1 2015-2016**		Average Q4 2014-2015	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	**Total Unweighted Value (average)**	**Total Weighted Value (average)**
3	Unsecured wholesale funding, of which:										
	(i) Operational deposits (all counterparties)	-	-	-	-	4,059	1,008	2,603	646	13,463	3,364
	(ii) Non-operational deposits (all counterparties)	48,883	28,301	42,004	24,036	37,244	22,739	37,240	21,654	16,241	9,252
	(iii) Unsecured debt	2,838	2,838	5,364	5,364	4,576	4,576	5,544	5,544	3,353	3,353
4	Secured wholesale funding	-	-	-	-	-	-	-	-	-	-
5	Additional requirements, of which:										
	(i) Outflows related to derivative exposures and other collateral requirements	8,325	8,325	7,811	7,811	7,717	7,717	11,561	11,561	4,781	4,781
	(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-
	(iii) Credit and liquidity facilities	3,067	395	3,436	494	3,976	592	3,438	616	1,157	236
6	Other contractual funding obligations	2,612	2,612	2,328	2,328	2,269	2,269	1,641	1,641	2,169	2,169
7	Other contingent funding obligations	54,938	2,300	51,691	2,585	50,085	2,504	48,047	2,402	23,141	1,158
8	Total Cash Outflows		51,044		48,592		47,086		49,327		27,438
Cash Inflows											
9	Secured lending (e.g. reverse repos)	3,431	-	2,985	-	2,236	-	3,444	-	507	-
10	Inflows from fully performing exposures	18,613	14,727	16,964	13,414	17,033	13,344	20,920	17,021	9,984	7,826
11	Other cash inflows	964	482	1,196	598	697	348	1,019	509	1,050	525
12	Total Cash Inflows	19,577	15,209	21,145	14,012	19,966	13,692	25,383	17,530	11,541	8,351
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
21	TOTAL HQLA		27,862		23,357		21,476		21,350		13,251
22	Total Net Cash Outflows		35,835		34,580		33,394		31,797		19,087
23	Liquidity Coverage Ratio (%)		77.75%		67.54%		64.31%		67.15%		69.42%

Note: LCR for the quarter end March 2015 had been computed based on the guidelines applicable at that point in time. Subsequently there have been amendments in RBI guidelines w.e.f. April 2015. Hence, the previous year end numbers are not comparable with current financial year.

38. b) Qualitative disclosure around LCR

The Reserve Bank of India has prescribed monitoring of sufficiency of Bank's liquid assets using Basel III – Liquidity Coverage Ratio (LCR). The LCR is aimed at measuring and promoting short-term resilience of Banks to potential liquidity disruptions by ensuring maintenance of sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days.

The LCR requirement has been introduced in a phased manner with banks required to maintain minimum LCR of 60% till Dec 2015 and 70% from Jan 2016 onwards. The requirement will be increasing by 10% annually to 100% by Jan 2019.

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The ratio comprises of high quality liquid assets (HQLAs) as numerator and net cash outflows in 30 days as denominator. HQLA has been divided into two parts i.e. Level 1 HQLA which comprises primarily of cash, excess CRR, SLR securities in excess of minimum SLR requirement and a portion of mandatory SLR as permitted by RBI (under MSF and FALLCR) and Level 2 HQLA which comprises of investments in highly rated non-financial corporate bonds and listed equity investments considered at prescribed haircuts. Cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in.

The Bank has implemented the LCR framework and has consistently maintained LCR well above the regulatory threshold. The average LCR for the quarter ended 31st March, 2016 was 77.75% which is above the regulatory limit of 70%. For the quarter ended 31st March, 2016 Level 1 HQLA stood at 88.38% (24,625 crs) of the total HQLA.

LCR is expected to bring in more funding stability due to severe run-off factors on wholesale funding but at the same time it has increased the liquidity cost due to maintenance of high quality liquid assets. Apart from LCR, Bank uses various stock liquidity indicators to measure and monitor the liquidity risk in terms of funding stability, concentration risk, dependence on market borrowings, liquidity transformation, etc. The Bank maintains a diversified source of funding in terms of depositor concentration, lender concentration as well as instrument concentration. This is evident through low depositor and lender concentration with top 20 depositors contributing 11.9% of Bank's total deposits and top 10 lenders contributing 7.2% of Bank's total liabilities.

Asset Liability Committee (ALCO) of the Bank is the primary governing body for Liquidity Risk Management supported by Balance Sheet Management Unit (BMU), Risk Management Department (RMD), Finance and ALCO Support Group. BMU is the central repository of funds within the Bank and is vested with the responsibility of managing liquidity risk within the risk appetite of the Bank. Bank has incorporated Basel III Liquidity Standards - LCR and NSFR as part of its risk appetite statement for liquidity risk.

39. Frauds

The Bank has reported 114 cases of fraud during the financial year ended 31st March 2016 amounting to ₹44.94 crore. The Bank has recovered / expensed off / provided the entire amount where necessary.

C. OTHER DISCLOSURES:

1. Earnings per Equity Share:

Particulars	31st March, 2016	31st March, 2015
Reconciliation between weighted shares used in the computation of basic and diluted earnings per share		
Weighted average number of equity shares used in computation of basic earnings per share	1,829,184,376	1,542,280,318
Effect of potential equity shares for stock options outstanding	4,134,235	3,708,032
Weighted average number of equity shares used in computation of diluted earnings per share	1,833,318,611	1,545,988,350
Following is the reconciliation between basic and diluted earnings per share		
Nominal value per share	5.00	5.00
Basic earnings per share	11.42	12.10
Effect of potential equity shares for stock options	0.02	0.03
Diluted earnings per share	11.40	12.07
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	2,089.78	1,865.98

Following the approval of the shareholders at the annual general meeting on 29th June, 2015, a committee of the Board of Directors at the meeting held on 10th July, 2015, allotted bonus shares in the ratio of one equity share for every equity share held. In accordance with Accounting Standard 20 (AS20), Earnings Per Share issued by the Institute of Chartered Accountants of India (ICAI), the earnings per share for the previous year ended 31st March, 2015 have been reworked, as if the bonus shares were in existence during the said period.

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

2. **Segment Reporting:**

The Summary of the operating segments of the Bank for the year ended 31st March, 2016 are as given below:

(₹ in crore)

		31st March, 2016	31st March, 2015
1.	**Segment Revenue**		
	a. Treasury, BMU and Corporate Centre	4,424.45	2,735.45
	b. Corporate / Wholesale Banking	6,825.36	4,438.80
	c. Retail Banking	9,345.42	8,193.53
	d. Other Banking business	-	-
	Sub-total	**20,595.23**	**15,367.78**
	Less : Inter-segmental revenue	1,598.81	3,625.55
	Add : Unallocated Income	-	6.09
	Total	**18,996.42**	**11,748.32**
2.	**Segment Results**		
	a. Treasury, BMU and Corporate Centre	176.75	467.75
	b. Corporate / Wholesale Banking	2,030.39	1,402.11
	c. Retail Banking	916.60	957.01
	d. Other Banking business	-	-
	Sub-total	**3,123.74**	**2,826.87**
	Add : Unallocated Income	(0.02)	6.09
	Total Profit Before Tax	**3,123.72**	**2,832.96**
	Provision for Tax	1,033.94	966.98
	Total Profit After Tax	**2,089.78**	**1,865.98**
3.	**Segment Assets**		
	a. Treasury, BMU and Corporate Centre	71,791.18	37,656.08
	b. Corporate / Wholesale Banking	66,331.50	38,386.95
	c. Retail Banking	119,417.46	79,499.40
	d. Other Banking business	-	-
	Sub-total	**257,540.14**	**155,542.43**
	Less : Inter-segmental Assets	65,811.46	49,599.62
	Total	**191,728.68**	**105,942.81**
	Add : Unallocated Assets	531.11	69.27
	Total Assets as per Balance Sheet	**192,259.79**	**106,012.08**
4.	**Segment Liabilities**		
	a. Treasury, BMU and Corporate Centre	68,635.96	33,953.33
	b. Corporate / Wholesale Banking	56,139.58	33,458.01
	c. Retail Banking	109,222.85	73,859.51
	d. Other Banking business	-	-
	Sub-total	**233,998.39**	**141,270.85**
	Less : Inter-segmental Liabilities	65,811.46	49,599.62
	Total	**168,186.93**	**91,671.23**
	Add : Unallocated liabilities	113.80	199.76
	Add : Share Capital & Reserves & surplus	23,959.06	14,141.09
	Total Liabilities as per Balance Sheet	**192,259.79**	**106,012.08**

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

			31st March, 2016	31st March, 2015
5.	**Capital Expenditure**			
	a.	Treasury, BMU and Corporate Centre	52.48	157.78
	b.	Corporate / Wholesale Banking	12.53	16.69
	c.	Retail Banking	169.88	124.63
	d.	Other Banking business	-	-
	Total		**234.89**	**299.10**
6.	**Depreciation / Amortisation**			
	a.	Treasury, BMU and Corporate Centre	129.69	76.58
	b.	Corporate / Wholesale Banking	13.18	10.48
	c.	Retail Banking	144.51	105.94
	d.	Other Banking business	-	-
	Total		**287.38**	**193.00**

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.

3. Lease Discloures:

a. The Bank has taken various premises and equipment under operating lease. The lease payments recognised in the Profit and Loss Account are ₹ 403.26 crore (previous year ₹ 266.41 crore). The sub-lease income recognised in the Profit and Loss Account is ₹ 7.13 crore (previous year ₹ 6.65 crore).

b. The future minimum lease payments under non-cancellable operating lease – not later than one year is ₹ 360.14 crore (previous year ₹ 242.99 crore), later than one year but not later than five years is ₹ 1,056.90 crore (previous year ₹ 722.54 crore) and later than five years ₹ 899.84 crore (previous year ₹ 674.31 crore).

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

4. Deferred Taxes:

"Others" in Other Assets (Schedule 11 (VI)) includes deferred tax asset (net) of ₹ 183.85 crore (previous year ₹ 69.28 crore). The components of the same are as follows:

(₹ in crore)

Particulars of Asset/ (Liability)	31st March, 2016	31st March, 2015
Provision for NPA and general provision on standard assets	277.79	67.91
Expenditure allowed on payment basis	32.03	65.35
Depreciation	(13.74)	(7.71)
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	(112.23)	(56.27)
Net Deferred Tax Asset	183.85	69.28

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

5. Credit card reward points:

The following table sets forth, for the periods indicated, movement in provision for credit card account reward points:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Opening provision for reward points	2.64	1.59
Provision for reward points made during the year	9.25	4.39
Utilisation/write-back of provision for reward points	(6.91)	(3.34)
Closing provision for reward points*	4.98	2.64

** The closing provision is based on the actuarial valuation of accumulated credit card account reward points. This amount will be utilised towards redemption of the credit card accounts reward points.*

6. Fixed Assets as per Schedule 10 B include intangible assets relating to purchased software and system development expenditure which are as follows **:**

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Gross Block		
At cost on 31st March of the preceding year	192.95	175.82
Additions during the year/on amalgamation	239.65	17.13
Deductions during the year	2.57	-
Total	**430.03**	**192.95**
Depreciation / Amortisation		
As at 31st March of the preceding year	162.31	137.03
Charge for the year/on amalgamation	202.24	25.28
Deductions during the year	0.89	-
Depreciation to date	**363.66**	**162.31**
Net Block	**66.37**	**30.64**

7. Related Party Disclosures :

A. Parties where control exists:

Nature of relationship	Related Party
Subsidiary Companies	Kotak Mahindra Prime Limited Kotak Securities Limited Kotak Mahindra Capital Company Limited Kotak Mahindra Old Mutual Life Insurance Limited Kotak Mahindra Investments Limited Kotak Mahindra Asset Management Company Limited Kotak Mahindra Trustee Company Limited Kotak Mahindra (International) Limited Kotak Mahindra (UK) Limited Kotak Mahindra Inc. Kotak Investment Advisors Limited Kotak Mahindra Trusteeship Services Limited Kotak Forex Brokerage Limited Kotak Mahindra Pension Fund Limited Kotak Mahindra Financial Services Limited Kotak Mahindra Asset Management (Singapore) Pte. Ltd. Kotak Mahindra General Insurance Company Limited (Incorporated on 20th Dec, 2014) IVY Product Intermediaries Limited (formerly known as ING Vysya Financial Services Limited)

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

B. Other Related Parties:

Nature of Relationship	Related Party
Individual having Significant Influence over the enterprise	Mr. Uday S. Kotak along with relatives and enterprises in which he has beneficial interest holds 33.64% of the equity share capital of Kotak Mahindra Bank Limited as on 31st March, 2016
Associates / Others	ACE Derivatives and Commodity Exchange Limited Infina Finance Private Limited Matrix Business Services India Private Limited Phoenix ARC Private Limited Kotak Education Foundation ING Vysya Foundation
Key Management Personnel (KMP)	Mr. Uday S. Kotak, Executive Vice Chairman and Managing Director Mr. C Jayaram, Joint Managing Director Mr. Dipak Gupta, Joint Managing Director
Enterprises over which KMP / relatives of KMP have control / Significant Influence	Aero Agencies Limited Kotak & Company Private Limited Komaf Financial Services Limited Asian Machinery & Equipment Private Limited Insurekot Sports Private Limited Kotak Trustee Company Private Limited Cumulus Trading Company Private Limited Palko Properties Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Limited Kotak Commodity Services Limited Harisiddha Trading and Finance Private Limited Puma Properties Private Limited Business Standard Private Limited Business Standard Online Limited (From 27th March, 2015) Allied Auto Accessories Private Limited Uday S Kotak HUF Suresh A Kotak HUF USK Benefit Trust II
Relatives of Key Management Personnel	Ms. Pallavi Kotak Mr. Suresh Kotak Ms. Indira Kotak Mr. Jay Kotak Mr. Dhawal Kotak Ms. Aarti Chandaria Ms. Anita Gupta Ms. Urmila Gupta Mr. Arnav Gupta Mr. Parthav Gupta Mr. Prabhat Gupta Ms. Jyoti Banga Ms. Usha Jayaram Mr. K. Madhavan Kutty Mr. Vivek Menon Ms. Nayantara Menon Mehta

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of Key Management Personnel	Total
Liabilities						
Deposits	**2,694.26**	**303.17**	**55.82**	**436.05**	**11.43**	**3,500.73**
	(2,016.85)	(231.37)	(26.17)	(218.81)	(10.44)	(2,503.64)
Interest Payable	**22.14**	**2.45**	**0.41**	**2.52**	**0.10**	**27.62**
	(19.47)	(1.78)	(0.42)	(2.06)	(0.18)	(23.91)
Other Liabilities	**7.49**	**#**	**-**	**0.01**	**-**	**7.50**
	(2.23)	(-)	(-)	(-)	(-)	(2.23)
Assets						
Advances	**60.00**	**-**	**-**	**-**	**-**	**60.00**
	(12.60)	(-)	(-)	(-)	(-)	(12.60)
Investments-Gross	**1,412.61**	**33.88**	**-**	**#**	**-**	**1,446.49**
	(1,072.95)	(33.88)	(-)	(#)	(-)	(1,106.83)
Diminution on Investments	**2.28**	**29.82**	**-**	**#**	**-**	**32.10**
	(2.28)	(27.64)	(-)	(#)	(-)	(29.92)
Commission Receivable	**24.14**	**-**	**-**	**-**	**-**	**24.14**
	(15.12)	-	(-)	(-)	(-)	(15.12)
Others	**45.95**	**0.12**	**-**	**0.19**	**-**	**46.26**
	(30.55)	(0.10)	(-)	(-)	(-)	(30.65)
Expenses						
Salaries/fees (Include ESOP)	**-**	**-**	**10.98**	**-**	**-**	**10.98**
	(-)	(-)	(9.48)	(-)	(-)	(9.48)
Interest Paid	**214.69**	**28.68**	**4.93**	**28.10**	**0.90**	**277.30**
	(179.64)	(27.84)	(1.70)	(11.96)	(0.47)	(221.61)
Others	**15.07**	**10.03**	**-**	**4.27**	**-**	**29.37**
	(42.45)	(6.04)	-	(3.19)	(-)	(51.68)
Income						
Dividend	**3.86**	**-**	**-**	**-**	**-**	**3.86**
	(4.95)	(-)	(-)	(-)	(-)	(4.95)
Interest Received	**52.24**	**-**	**-**	**-**	**-**	**52.24**
	(50.79)	(-)	(-)	(-)	(-)	(50.79)
Others	**241.16**	**0.76**	**-**	**0.89**	**-**	**242.81**
	(156.89)	(0.75)	(-)	(0.84)	(-)	(158.48)
Other Transactions						
Sale of investment	**1,431.17**	**-**	**-**	**-**	**-**	**1,431.17**
	(1,469.48)	(-)	(-)	(-)	(-)	(1,469.48)
Purchase of Investment	**1,394.80**	**-**	**-**	**-**	**-**	**1,394.80**
	(346.59)	(1.59)	(-)	(-)	(-)	(348.18)
Loan disbursed during the year	**60.00**	**-**	**-**	**-**	**-**	**60.00**
	(-)	(30.00)	(-)	(-)	(-)	(30.00)
Loan repaid during the year	**-**	**-**	**-**	**-**	**-**	**-**
	(-)	(30.00)	(-)	(-)	(-)	(30.00)
Dividend paid	**-**	**-**	**27.69**	**#**	**0.17**	**27.86**
	(-)	(-)	(24.60)	(-)	(0.16)	(24.76)

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of Key Management Personnel	Total
Reimbursement to companies	**16.50** (14.38)	**0.19** (0.19)	**-** (-)	**0.44** (0.39)	**-** (-)	**17.13** (14.96)
Reimbursement from companies	**100.02** (91.55)	**0.33** (0.71)	**-** (-)	**-** (-)	**-** (-)	**100.35** (92.26)
Purchase of Fixed assets	**0.02** (0.54)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**0.02** (0.54)
Sale of Fixed assets	**0.68** (0.61)	**-** (0.20)	**-** (-)	**-** (-)	**-** (-)	**0.68** (0.81)
Swaps/Forward/ Options contracts	**0.05** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**0.05** (-)
Guarantees/Lines of credit	**100.10** (0.10)	**-** (2.13)	**-** (-)	**1.00** (-)	**-** (-)	**101.10** (2.23)
I. Liabilities:						
Other Liabilities						
Other Payable						
Kotak Mahindra Prime Limited	**1.02** (0.10)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**1.02** (0.10)
Kotak Mahindra Investments Limited	**0.04** (0.38)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**0.04** (0.38)
Kotak Securities Limited	**5.88** (0.61)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**5.88** (0.61)
Others	**0.55** (1.14)	**#** -	**-** (-)	**0.01** -	**-** (-)	**0.56** (1.14)
II. Assets:						
Investments						
Kotak Mahindra Old Mutual Life Insurance Limited	**260.25** (260.25)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**260.25** (260.25)
Kotak Mahindra Prime Limited	**646.00** (526.78)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**646.00** (526.78)
Kotak Mahindra Capital Company Limited	**65.14** (65.14)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**65.14** (65.14)
Kotak Mahindra Investments Limited	**238.03** (168.03)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**238.03** (168.03)
Kotak Mahindra General Insurance Company Limited	**135.00** (1.05)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**135.00** (1.05)
Others	**68.19** (51.70)	**-** (-)	**-** (-)	**#** (#)	**-** (-)	**68.19** (51.70)
ACE Derivatives and Commodity Exchange Limited	**-** (-)	**33.88** (33.88)	**-** (-)	**-** (-)	**-** (-)	**33.88** (33.88)

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of Key Management Personnel	Total
Diminution on Investments						
Kotak Forex Brokerage Limited	**2.28** (2.28)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**2.28** (2.28)
ACE Derivatives and Commodity Exchange Limited	**-** (-)	**29.82** (27.64)	**-** (-)	**-** (-)	**-** (-)	**29.82** (27.64)
Others	**-** (-)	**-** (-)	**-** (-))	**#** (#)	**-** (-)	**#** (#)
Commission Receivable						
Kotak Mahindra Old Mutual Life Insurance Limited	**24.05** (15.12)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**24.05** (15.12)
Kotak Mahindra General Insurance Company Limited	**0.09** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**0.09** (-)
Other Receivable						
Kotak Mahindra Prime Limited	**21.28** (26.36)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**21.28** (26.36)
Kotak Securities Limited	**1.28** (0.93)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**1.28** (0.93)
Kotak Investment Advisors Limited	**14.04** (0.19)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**14.04** (0.19)
Kotak Mahindra Old Mutual Life Insurance Limited	**5.46** (1.09)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**5.46** (1.09)
Others	**3.89** (1.98)	**0.12** (0.10)	**-** (-)	**0.19** (-)	**-** (-)	**4.20** (2.08)
III. Expenses:						
Salaries / fees (Include ESOPs)						
Mr. Uday Kotak	**-** (-)	**-** (-)	**2.70** (2.47)	**-** (-)	**-** (-)	**2.70** (2.47)
Mr. C Jayaram	**-** (-)	**-** (-)	**4.14** (3.00)	**-** (-)	**-** (-)	**4.14** (3.00)
Mr. Dipak Gupta	**-** (-)	**-** (-)	**4.14** (4.01)	**-** (-)	**-** (-)	**4.14** (4.01)
Other Expenses						
Brokerage						
Kotak Securities Limited	**0.25** (0.64)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**0.25** (0.64)
Kotak Mahindra Financial Services Limited	**-** (7.90)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (7.90)
Kotak Forex Brokerage Limited	**0.08** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**0.08** (-)

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of Key Management Personnel	Total
Premium						
Kotak Mahindra Old Mutual Life Insurance Limited	**2.58** (1.25)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**2.58** (1.25)
Kotak Mahindra General Insurance Company Limited	**0.07** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**0.07** (-)
Donations						
Kotak Education Foundation	**-** (-)	**9.64** (5.63)	**-** (-)	**-** (-)	**-** (-)	**9.64** (5.63)
Others						
Kotak Mahindra Prime Limited	**1.25** (1.10)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**1.25** (1.10)
Kotak Mahindra Capital Company Limited	**-** (31.50)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (31.50)
Aero Agencies Limited	**-** (-)	**-** (-)	**-** (-)	**4.27** (3.18)	**-** (-)	**4.27** (3.18)
Kotak & Company Limited	**-** (-)	**-** (-)	**-** (-)	**#** (0.01)	**-** (-)	**#** (0.01)
Kotak Mahindra Trusteeship Services Limited	**0.02** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**0.02** (-)
Kotak Mahindra Financial Services Limited	**4.63** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**4.63** (-)
IVY Product Intermediaries Limited	**6.19** NA	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**6.19** NA
Others	**#** (0.06)	**0.39** (0.41)	**-** (-)	**-** (-)	**-** (-)	**0.39** (0.47)
IV. Income:						
Dividend						
Kotak Mahindra Asset Management Company Limited	**-** (4.95)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (4.95)
Kotak Mahindra Trustee Co Limited	**3.75** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**3.75** (-)
Kotak Mahindra Prime Limited	**0.11** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**0.11** (-)
Other Income						
Kotak Mahindra Old Mutual Life Insurance Limited	**140.98** (81.73)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**140.98** (81.73)
Kotak Mahindra General Insurance Company Limited	**1.11** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**1.11** (-)
Kotak Securities Limited	**18.96** (19.15)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**18.96** (19.15)
Kotak Mahindra Capital Company Limited	**12.33** (10.48)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**12.33** (10.48)

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of Key Management Personnel	Total
Kotak Mahindra Asset Management Company Limited	**20.08** (14.95)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**20.08** (14.95)
Kotak Mahindra Prime Limited	**14.74** (12.87)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**14.74** (12.87)
Kotak Investment Advisors Limited	**22.13** (9.13)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**22.13** (9.13)
Others	**10.83** (8.58)	**0.76** (0.75)	**#** (-)	**0.89** (0.84)	**-** (-)	**12.48** (10.17)
V. Other Transactions:						
Sale of Investment						
Kotak Mahindra Old Mutual Life Insurance Limited	**283.00** (1,224.61)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**283.00** (1,224.61)
Kotak Mahindra Prime Limited	**150.11** (225.00)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**150.11** (225.00)
Kotak Mahindra Investments Limited	**906.78** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**906.78** (-)
Kotak Securities Limited	**91.28** (19.87)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**91.28** (19.87)
Purchase of Investments						
Kotak Mahindra Old Mutual Life Insurance Limited	**135.19** (46.61)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**135.19** (46.61)
Kotak Mahindra Prime Limited	**313.95** (225.00)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**313.95** (225.00)
Kotak Mahindra Investments Limited	**806.71** (74.98)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**806.71** (74.98)
Kotak Mahindra Trusteeship Services Limited	**5.00** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**5.00** (-)
Kotak Mahindra General Insurance Company Limited	**133.95** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**133.95** (-)
ACE Derivatives and Commodity Exchange Limited	**-** (-)	**-** (1.59)	**-** (-)	**-** (-)	**-** (-)	**-** (1.59)
Loan Disbursed during the year						
Kotak Mahindra Prime Limited	**60.00** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**60.00** (-)
Phoenix A R C Private Limited	**-** (-)	**-** (30.00)	**-** (-)	**-** (-)	**-** (-)	**-** (30.00)
Loan Repaid during the year						
Phoenix A R C Private Limited	**-** (-)	**-** (30.00)	**-** (-)	**-** (-)	**-** (-)	**-** (30.00)

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of Key Management Personnel	Total
Dividend paid						
Mr. Uday Kotak	**-**	**-**	**27.56**	**-**	**-**	**27.56**
	(-)	(-)	(24.50)	(-)	(-)	(24.50)
Mr. C.Jayaram	**-**	**-**	**0.06**	**-**	**-**	**0.06**
	(-)	(-)	(0.05)	(-)	(-)	(0.05)
Mr. Dipak Gupta	**-**	**-**	**0.07**	**-**	**-**	**0.07**
	(-)	(-)	(0.05)	(-)	(-)	(0.05)
Ms. Pallavi Kotak	**-**	**-**	**-**	**-**	**0.05**	**0.05**
	(-)	(-)	(-)	(-)	(0.04)	(0.04)
Ms. Indira Kotak	**-**	**-**	**-**	**-**	**0.11**	**0.11**
	(-)	(-)	(-)	(-)	(0.10)	(0.10)
Others	**-**	**-**	**-**	**#**	**0.01**	**0.01**
	(-)	(-)	(-)	(-)	(0.02)	(0.02)
Reimbursements to companies						
Kotak Mahindra Capital Company Limited	**2.13**	**-**	**-**	**-**	**-**	**2.13**
	(2.45)	(-)	(-)	(-)	(-)	(2.45)
Kotak Mahindra Prime Limited	**6.47**	**-**	**-**	**-**	**-**	**6.47**
	(5.73)	(-)	(-)	(-)	(-)	(5.73)
Kotak Securities Limited	**7.20**	**-**	**-**	**-**	**-**	**7.20**
	(5.57)	(-)	(-)	(-)	(-)	(5.57)
Kotak Mahindra Old Mutual Life Insurance Limited	**0.27**	**-**	**-**	**-**	**-**	**0.27**
	(0.21)	(-)	(-)	(-)	(-)	(0.21)
Others	**0.43**	**0.19**	**-**	**0.44**	**-**	**1.06**
	(0.42)	(0.19)		(0.39)		(1.00)
Reimbursements from companies						
Kotak Mahindra Capital Company Limited	**3.84**	**-**	**-**	**-**	**-**	**3.84**
	(6.71)	(-)	(-)	(-)	(-)	(6.71)
Kotak Mahindra Prime Limited	**15.57**	**-**	**-**	**-**	**-**	**15.57**
	(15.98)	(-)	(-)	(-)	(-)	(15.98)
Kotak Mahindra Old Mutual Life Insurance Limited	**14.91**	**-**	**-**	**-**	**-**	**14.91**
	(14.37)	(-)	(-)	(-)	(-)	(14.37)
Kotak Securities Limited	**50.66**	**-**	**-**	**-**	**-**	**50.66**
	(36.69)	(-)	(-)	(-)	(-)	(36.69)
Kotak Mahindra Investments Limited	**5.28**	**-**	**-**	**-**	**-**	**5.28**
	(7.53)	(-)	(-)	(-)	(-)	(7.53)
Others	**9.76**	**0.33**	**-**	**-**	**-**	**10.09**
	(10.27)	(0.71)	(-)	(-)	(-)	(10.98)
Purchase of Fixed assets						
Kotak Mahindra Prime Limited	**0.01**	**-**	**-**	**-**	**-**	**0.01**
	(0.01)	(-)	(-)	(-)	(-)	(0.01)
Kotak Securities Limited	**-**	**-**	**-**	**-**	**-**	**-**
	(0.53)	(-)	(-)	(-)	(-)	(0.53)

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of Key Management Personnel	Total
Kotak Forex Brokerage Limited	**0.01** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**0.01** (-)
Sale of Fixed assets						
Kotak Mahindra General Insurance Company Limited	**0.47** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**0.47** (-)
Kotak Securities Limited	**-** (0.38)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (0.38)
Kotak Mahindra Prime Limited	**-** (0.01)	- (-)	**-** (-)	**-** (-)	**-** (-)	**-** (0.01)
Kotak Mahindra, Inc	**#** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**#** (-)
Kotak Mahindra Investments Limited	**0.21** (0.22)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**0.21** (0.22)
Phoenix ARC Private Limited	**-** (-)	**-** (0.20)	**-** (-)	**-** (-)	**-** (-)	**-** (0.20)
Swaps/Forward /Options contract						
Kotak Mahindra (International) Limited	**0.05** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**0.05** (-)
Guarantees/Lines of credit						
Kotak Securities Limited	**100.00** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**100.00** (-)
Kotak Mahindra Pension Fund Limited	**0.10** (0.10)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**0.10** (0.10)
Aero Agencies Limited	**-** (-)	**-** (-)	**-** (-)	**1.00** (-)	**-** (-)	**1.00** (-)
ACE Derivatives and Commodity Exchange Limited	**-** (-)	**-** (2.13)	**-** (-)	**-** (-)	**-** (-)	**-** (2.13)

Notes:

1. *Figures in brackets represent previous year's figures.*
2. *The above does not include any transactions in relation to listed securities done on recognised stock exchange during the year. However above includes transactions done on NDS with known related parties.*
3. *# in the above table denotes amounts less than ₹50,000.*

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Maximum Balance outstanding during the year

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of Key Management Personnel
Liabilities					
Deposits	**6,238.54**	**2,809.78**	**87.66**	**713.15**	**14.61**
	(3,840.15)	(2,780.28)	(34.25)	(308.40)	(17.65)
Other Liabilities	**33.45**	**2.47**	**0.41**	**2.53**	**0.10**
	(3.98)	(0.11)	(-)	(1.47)	(-)
Assets					
Advances	**320.55**	**-**	**-**	**-**	**-**
	(432.03)	(30.00)	(-)	(-)	(-)
Investments-Gross	**1,412.61**	**33.88**	**-**	**-**	**-**
	(1072.95)	(33.88)	(-)	(-)	(-)
Commission Receivable	**24.14**	**-**	**-**	**-**	**-**
	(15.12)	(-)	(-)	(-)	(-)
Others	**90.95**	**0.20**	**-**	**0.19**	**-**
	(25.64)	(0.37)	(-)	(-)	(-)

Note: *Figures in brackets represent previous year's figures.*

8. EMPLOYEE SHARE BASED PAYMENTS:

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

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

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

(c) Kotak Mahindra Equity Option Scheme 2005;

(d) Kotak Mahindra Equity Option Scheme 2007; and

(e) Kotak Mahindra Equity Option Scheme 2015.

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 140,327,654 options (including options issued in exchange on amalgamation) as on 31st March, 2016 (Previous year 124,798,000). In aggregate 8,757,098 options are outstanding as on 31st March, 2016 under the aforesaid schemes.

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

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

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

In aggregate 3,082,806 options are outstanding as on 31st March, 2016 under the aforesaid adopted schemes.

Equity-settled options

The Bank has granted options to employees of the Group vide various employee stock option schemes. During the year ended 31st March, 2016, the following schemes were in operation:

	Plan 2007	**Plan 2015**
Date of grant	Various Dates	Various Dates
Date of Board Approval	Various Dates	Various Dates
Date of Shareholder's approval	5th July, 2007 as amended on 21st August, 2007	29th June, 2015
Number of options granted	68,873,000	14,000
Method of Settlement (Cash / Equity)	Equity	Equity
Vesting Period	1 – 4.14 years	1.07 – 3.57 years
Exercise Period	0.30 – 1.08 years	0.50 years
Vesting Conditions	Graded / Cliff vesting	Graded / Cliff vesting

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

* Pursuant to the Scheme of Amalgamation of eIVBL with the Bank, the options granted under each of the above schemes and outstanding as on 1st April, 2015 have been exchanged for equivalent options of the Bank. The number of option and the exercise price have been adjusted to reflect the swap ratio. The said ESOP Schemes were adopted and approved by the Board of Directors of the Bank at its meeting held on 3rd April, 2015. The Scheme provided for accelerated vesting of options and all the aforesaid stock options are exercisable within a period of 5 years from the date of vesting.

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

	Year ended 31st March, 2016		Year ended 31st March, 2015	
	Number of Shares	**Weighted Average Exercise Price(₹)**	Number of Shares	Weighted Average Exercise Price(₹)
Outstanding at the beginning of the year	8,301,918	332.35	10,707,340	272.27
Granted during the year	3,801,400	661.73	2,154,960	400.50
Forfeited during the year	651,752	552.38	462,622	298.51
Exercised during the year	2,708,204	305.30	4,083,326	215.21
Expired during the year	264	371.00	14,434	162.34
Outstanding at the end of the year	8,743,098	467.54	8,301,918	332.35
Out of the above exercisable at the end of the year	1,501,046	310.96	496,180	203.86
Weighted average remaining contractual life (in years)	1.33		1.55	
Weighted average fair value of options granted	184.86		123.68	

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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

	Year ended 31st March, 2016		Year ended 31st March, 2015	
	Number of Shares	Weighted Average Exercise Price(₹)	Number of Shares	Weighted Average Exercise Price(₹)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	14,000	690.00	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	14,000	690.00	-	-
Out of the above exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)	2.28		-	
Weighted average fair value of options granted	189.63		-	

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

	Year ended 31st March, 2016	
	Number of Shares	Weighted Average Exercise Price(₹)
Addition on amalgamation	1,245,010	328.76
Forfeited during the year	-	-
Exercised during the year	837,324	296.39
Expired during the year	2	151.50
Outstanding at the end of the year	407,684	395.25
Out of the above exercisable at the end of the year	407,684	395.25
Weighted average remaining contractual life (in years)	3.46	

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

	Year ended 31st March, 2016	
	Number of Shares	Weighted Average Exercise Price(₹)
Addition on amalgamation	5,773,046	283.17
Forfeited during the year	2	252.00
Exercised during the year	4,380,058	285.67
Expired during the year	-	-
Outstanding at the end of the year	1,392,986	275.34
Out of the above exercisable at the end of the year	1,392,986	275.34
Weighted average remaining contractual life (in years)		2.90

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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

	Year ended 31st March, 2016	
	Number of Shares	**Weighted Average Exercise Price (₹)**
Addition on amalgamation	4,642,198	389.87
Forfeited during the year	536	379.50
Exercised during the year	3,359,526	390.80
Expired during the year	-	-
Outstanding at the end of the year	1,282,136	387.44
Out of the above exercisable at the end of the year	1,282,136	387.44
Weighted average remaining contractual life (in years)	4.02	

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 665.07 (Previous year ₹ 563.02).

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

31st March, 2016

Range of exercise prices (₹)	**Number of options outstanding**	**Weighted average remaining contractual life of options (in years)**	**Weighted average exercise price (₹)**
5-100	5,800	0.67	92.50
101-200	20,000	0.25	175.00
201-300	1,629,369	2.08	252.22
301-400	4,572,955	1.47	343.46
401-500	2,298,360	2.34	413.08
601-700	3,313,420	2.05	665.11

31st March, 2015

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
101-200	1,46,936	0.64	165.49
201-300	1,770,714	0.92	259.13
301-400	4,479,608	1.61	335.46
401-500	1,904,660	2.05	406.00

Stock appreciation rights

During the year, at the General Meeting, the shareholders of the Bank had unanimously passed Special Resolution on 29th June, 2015 to grant stock appreciation rights (SARs) to the eligible employees of the Bank, its subsidiary and associate companies. Pursuant to this resolution, Kotak Mahindra Stock Appreciation Rights Scheme 2015 has been formulated and adopted. The new SARs will be granted under the above scheme post the date of approval. The SARs granted and outstanding before the date of approval will continue. The Bank under its various plans/series has granted 1,152,360 SARs during FY 2016.

The SARs are settled in cash and vest on the respective due dates in a graded manner as per the terms and conditions of the grant. The contractual life of the SARs outstanding range from 1.13 to 4.23 years.

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Detail of activity under SARs is summarised below:

	Year Ended 31st March, 2016	Year Ended 31st March, 2015
Outstanding at the beginning of the year	1,306,020	1,489,910
Granted during the year	1,152,360	1,328,330
Additions / Reduction due to transfer of employees	614	10,722
Exercised during the year	943,268	1,478,726
Lapsed during the year	123,910	44,216
Outstanding at the end of the year	1,391,816	1,306,020

Fair value of employee stock options

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

Year ended 31st March,	**2016**		2015	
	Equity-settled	**Cash-settled**	Equity-settled	Cash-settled
Exercise Price ₹	400-690	5	300-406	5
Weighted Average Share Price ₹	664.59	665.29	409.26	437.18
Expected Volatility	26.55%-29.55%	21.42%-28.58%	28.13%- 31.11%	24.19%- 29.62%
Historical Volatility	26.55%-29.55%	21.42%-28.58%	28.13%- 31.11%	24.19%- 29.62%
Life of the options granted (Vesting and exercise period)				
- At the grant date	1.18-3.90		1.41-3.90	
- As at 31st March		0.08-3.59		0.08-3.08
Risk-free interest rate	7.64%-8.07%	7.08%-7.52%	8.31%-8.89%	7.97%-8.28%
Expected dividend rate	0.07%	0.07%	0.09%-0.10%	0.06%

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

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 the financial position:

₹ in crore

Year ended 31st March,	**2016**	2015
Total employee compensation cost pertaining to share-based payment plans	69.22	91.89
Compensation cost pertaining to equity-settled employee share-based payment plan included above	2.94	2.16
Liability for employee stock options outstanding as at year end	4.82	4.75
Deferred compensation cost	1.41	1.76
Closing balance of liability for cash-settled options	52.78	49.11
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	25.04	30.21

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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 ₹ 93.52 crore (Previous year ₹ 23.70 crore) and the profit after tax would have been lower by ₹ 61.16 crore (Previous year ₹ 15.65 crore). Consequently the basic and diluted EPS would have been ₹ 11.09 (Previous year ₹ 12.00) and ₹ 11.07 (Previous year ₹ 11.97) respectively.

The above number of ESOPs / SARs, exercise price, fair value and share price have been adjusted for bonus shares - one share for every share allotted on 10th July, 2015. The effect of the bonus share has been given in computation for the previous periods.

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 crore)

Particulars	31st March, 2016	31st March, 2015
Book value of advances securitized	-	-
Number of accounts	-	-
Sale consideration received for the accounts securitised	-	-
Gain on securitisation amortised during the year	-	-
Credit enhancement, liquidity support provided	-	-
Provision on securitised assets	-	-
Nature of post securitisation support	-	-

10. Employee Benefits

i. The Bank has recognised the following amounts in the Profit and Loss Account towards contributions to Provident Fund and Other Funds:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Provident Fund	83.60	55.67
Superannuation Fund	2.76	0.49
New Pension Fund	2.45	1.87

ii. Gratuity

The gratuity plan provides a lumpsum payment to vested employees at retirement or on termination of employment based on respective employee's salary and years of employment with the Bank subject to a maximum of ₹ 0.10 crore. There is no ceiling on gratuity payable to directors and certain categories of employees subject to service regulations and service awards.

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

(₹ in crore)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Change in benefit obligations		
Liability at the beginning of the year	86.23	67.29
Current Service cost	28.24	13.57
Interest cost	18.24	7.10
Actuarial Losses / (Gain)	42.57	9.84
Addition due to amalgamation	145.48	-
Past Service Cost	-	-
Liability assumed on acquisition / (Settled on divestiture)	0.06	(0.01)
Benefits paid	(42.49)	(11.56)
Liability at the end of the year	278.33	86.23

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Change in plan assets		
Fair value of plan assets at the beginning of the year	84.68	71.07
Expected return on plan assets	20.15	5.19
Actuarial Gain / (Losses)	(6.26)	15.59
Addition due to amalgamation	146.88	-
Benefits paid	(42.49)	(11.56)
Employer contributions	53.39	4.39
Fair value of plan assets at the end of the year	256.35	84.68

(₹ in crore)

Reconciliation of present value of the obligation and the fair value of the plan assets	31st March, 2016	31st March, 2015
Fair value of plan assets at the end of the year	256.35	84.68
Liability at the end of the year	278.33	86.23
Net Asset (included under Schedule 11.VI) / (Liability) (included under Schedule 5.IV)	(21.98)	(1.55)
Expense recognised for the year		
Current Service cost	28.24	13.57
Interest cost	18.24	7.10
Expected return on plan assets	(20.15)	(5.19)
Actuarial (Gain) / Losses	48.83	(5.75)
Past Service Cost	-	-
Net gratuity expense recognised in Schedule 16.I	75.16	9.73
Actual return on plan assets	13.89	20.79

(₹ in crore)

Reconciliation of the Liability recognised in the Balance Sheet	31st March, 2016	31st March, 2015
Net Liability / (Asset) at the beginning of the year	1.55	(3.78)
Addition due to amalgamation	(1.40)	-
Expense recognised	75.16	9.73
Liability assumed on acquisition / (Settled on divestiture)	0.06	(0.01)
Employer contributions	(53.39)	(4.39)
Net Liability / (asset)	21.98	1.55

Investment details of plan assets

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

	31st March, 2016 %	31st March, 2015 %
LIC managed funds #	46.06%	-
Government securities	19.03%	23.85%
Bonds, debentures and other fixed income instruments	10.05%	12.87%
Money market instruments	7.13%	8.30%
Equity shares	17.73%	54.98%
Total	**100.00%**	**100.00%**

 # In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Actuarial assumptions used

Discount rate	7.85% - 7.95% p.a. (Previous Year 7.98% p.a.)
Salary escalation rate	5.5% (IBA) and 8.50% (others) p.a. (Previous Year 8.50% p.a.)
Expected return on plan assets	7.50% - 8.75% 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.

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

Experience adjustments

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

(₹ in crore)

	Gratuity Year ended 31st March					
	2016	2015	2014	2013	2012	2011
Defined benefit obligation	278.33	86.23	67.29	62.65	46.29	39.85
Plan assets	256.35	84.68	71.07	60.67	41.31	34.66
Surplus / (Deficit)	(21.98)	(1.55)	3.78	(1.98)	(4.98)	(5.19)
Experience adjustments on plan liabilities	43.40	1.30	1.54	(1.41)	2.37	3.07
Experience adjustments on plan assets	(6.66)	15.59	3.76	1.32	(2.75)	0.64

The Bank expects to contribute ₹ 36.36 crore to gratuity fund in financial year 2016 -17.

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

iii. Pension

Pension liability relates to employees of eIVBL which was merged with the Bank, hence there are no corresponding figures for the previous year.

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

(₹ in crore)

	As at 31st March, 2016 Funded
Change in benefit obligations	
Liability at the beginning of the year	-
Addition due to amalgamation	503.60
Transfer of liabilities funded during the year	-
Current Service cost	29.69
Interest cost	34.31
Actuarial (gain) / loss on obligations	347.58
Past Service cost	-
Benefits paid	(133.16)
Liability at the end of the year	**782.02**

SCHEDULES

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

	As at 31st March, 2016 Funded
Change in plan assets	
Fair value of plan assets at the beginning of the year	-
Addition due to amalgamation	504.17
Expected return on plan assets	54.75
Actuarial Gain / (loss)	(13.79)
Benefits paid	(133.16)
Employer contributions	335.27
Fair value of plan assets as at the end of the year	**747.24**

(₹ in crore)

Reconciliation of present value of the obligation and the fair value of the plan Assets	As at 31st March, 2016 Funded
Fair value of plan assets as at the end of the year	747.24
Liability at the end of the year	782.02
Net Asset / (Liabilities) included in "Others" under "Other Assets" / "Other Liabilities"	**(34.78)**
Expenses recognised for the year	
Current service cost	29.69
Interest cost	34.31
Expected return on plan assets	(54.75)
Actuarial (gain) / loss	361.37
Effect of the limit in Para 59(b)	-
Net pension expense included in "[payments to and provision for employees]" under "Operating Expenses" [Schedule 16.I]	**370.62**
Actual return on plan assets	**40.96**

(₹ in crore)

Reconciliation of the Liability recognised in the Balance Sheet	As at 31st March, 2016 Funded
Net (Asset) / Liability at the beginning of the year	-
Addition due to amalgamation	(0.57)
Expense recognised	370.62
Employer contributions	(335.27)
Effect of the limit in Para 59(b)	-
Net (Asset) / Liability is included in "Others" under "Other Assets" / "Other Liabilities"	**34.78**

Investment details of plan assets

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

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Actuarial assumptions used

	As at 31st March, 2016
Discount rate	7.85% p.a.
Salary escalation rate	5.50% p.a.
Expected rate of return on plan assets	8.75% p.a.
Inflation	6.00% p.a.

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

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

Experience adjustments

Amounts for the current year are as follows:

(₹ in crore)

Pension	Year ended 31st March, 2016
Defined benefit obligation	782.02
Plan assets	747.24
Surplus / (deficit)	(34.78)
Experience adjustments on plan liabilities	344.62
Experience adjustments on plan assets	(15.35)

The Bank expects to contribute ₹ 110.72 crore to pension fund in financial year 2016-2017.

iv. Compensated absences

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

(₹ in crore)

	31st March, 2016	31st March, 2015
Total actuarial liability	175.37	55.58
Assumptions:		
Discount rate	7.85% - 7.95%	7.98%
Salary escalation rate	5.5% (IBA) and 8.50% (others)	8.50%

v. Long Service Award

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

(₹ in crore)

	31st March, 2016	31st March, 2015
Total actuarial liability	7.42	4.92
Assumptions:		
Discount rate	7.95%	7.98%

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

11. Provisions and Contingencies

Breakup of "Provisions and Contingencies" (including write-offs; net of write-backs) shown under the head Expenditure in Profit and Loss Account:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Provisions for Depreciation on Investments	136.32	(166.36)
Loss on valuation of securities on transfer between categories	0	55.02
Provision towards NPA	706.45	193.54
Provision towards Unhedged Foreign Currency Exposure	20.88	17.82
Provision towards Standard Assets	41.36	64.67
Provision for Taxes	1,033.94	966.98
Other Provision and Contingencies	12.35	(0.19)
Total Provisions and Contingencies	**1951.30**	**1,131.48**

12. Corporate Social Responsibility (CSR)

As per the provisions of the Section 135 of the Companies Act, 2013 the Bank is required to contribute ₹ 47.33 crore. The Bank has contributed ₹ 9.64 crore to the Kotak Education Foundation and ₹ 6.77 crore to other CSR initiatives in the current financial year. The Bank has also adopted a strong CSR policy, charting out its plan to invest in society and its own future. The Bank is building its CSR capabilities on a sustainable basis and is committed to gradually increase its CSR spend in the coming years.

Details of CSR expenditure				**(₹ in crore)**
a)	**Gross amount required to be spent during the year ₹47.33 (Previous year ₹39.20)**			
b)	**Amount spent during the year ending on 31st March, 2016:**	**Paid**	**Yet to be paid**	**Total**
	i) Construction/acquisition of any asset	-	-	-
	ii) On purposes other than (i) above	16.41	-	16.41
c)	**Amount spent during the year ending on 31st March, 2015:**	**Paid**	**Yet to be paid**	**Total**
	i) Construction/acquisition of any asset	-	-	-
	ii) On purposes other than (i) above	11.97	-	11.97

13. Tier II Bonds

a) Lower Tier II Bonds outstanding as at 31st March, 2016 ₹ 969.70 crore (previous year ₹ 482.00 crore).

During the current year and previous year the Bank had not issued lower Tier II bonds. In accordance with the RBI requirements lower Tier II bonds of ₹ 524.71 crore (previous year ₹ 220.44 crore) are not considered as Tier II capital for the purposes of capital adequacy computation under Basel III guidelines.

b) Upper Tier II Bonds outstanding as at 31st March, 2016 are ₹ 806.31 crore (previous year ₹ 417.25 crore) of which bonds issued outside India are ₹ 670.31 crore (previous year ₹ 281.25 crore).

During the current and previous year, the Bank did not issue upper Tier II bonds.

c) Interest Expended-Others (Schedule 15(III)) includes interest on subordinated debt (Lower and Upper Tier II) ₹ 125.97 crore (previous year ₹ 62.88 crore).

SCHEDULES

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

14. Details of payments of audit fees

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Statutory Audit fees	1.98	1.37
Other Matters	0.13	0.16
Total	**2.11**	**1.53**

15. Description of Contingent Liabilities:

Sr. No.	Contingent Liability*	Brief Description
1.	Claims not acknowledged as debts	This includes liability on account of income tax, sales tax, lease tax demands, property tax demands and legal cases filed against the Bank. The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, result of operations or cash flows. In respect of appeals filed by the Income Tax department with higher authorities, where the matter was settled in favour of the Bank at the first appellate stage, and where in view of the Management, it gives rise to an item of timing difference, no contingent liability is envisaged by the Bank.
2.	Liability on account of outstanding forward exchange contracts	The Bank enters into foreign exchange contracts with inter Bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.
3.	Guarantees on behalf of constituents	As a part of its Banking activities, the Bank issues guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of customer failing to fulfill its financial or performance obligations.
4.	Acceptances, endorsements and other obligations	These includes: ● Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Bank. ● Bills re-discounted by the Bank and cash collateral provided by the Bank on assets which have been securitised. ● Underwriting commitments in respect of Debt Syndication.
5.	Other items for which the Bank is contingently liable	These include: ● Liabilities in respect of interest rate swaps, currency swaps, forward rate agreements, futures and options contracts. The Bank enters into these transactions with inter Bank participants on its own account and for customers. Currency Swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are amounts used as a benchmark for the calculation of interest component of the contracts. ● Liability in respect of Capital commitments relating to fixed assets and undrawn commitments in respect of investments.

* Also refer Schedule 12 – Contingent Liability

SCHEDULES
FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

16. 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, 2016, 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. The above is based on information available with the Bank and relied upon by the Auditors.

17. Figures for the previous year have been regrouped / reclassified wherever necessary to conform to current years' presentation. The previous year comparative numbers were audited by a firm of Chartered Accountants other than S. R. Batliboi & Co. LLP.

As per our report of even date attached.

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

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai, 11th May, 2016

For and on behalf of the Board of Directors

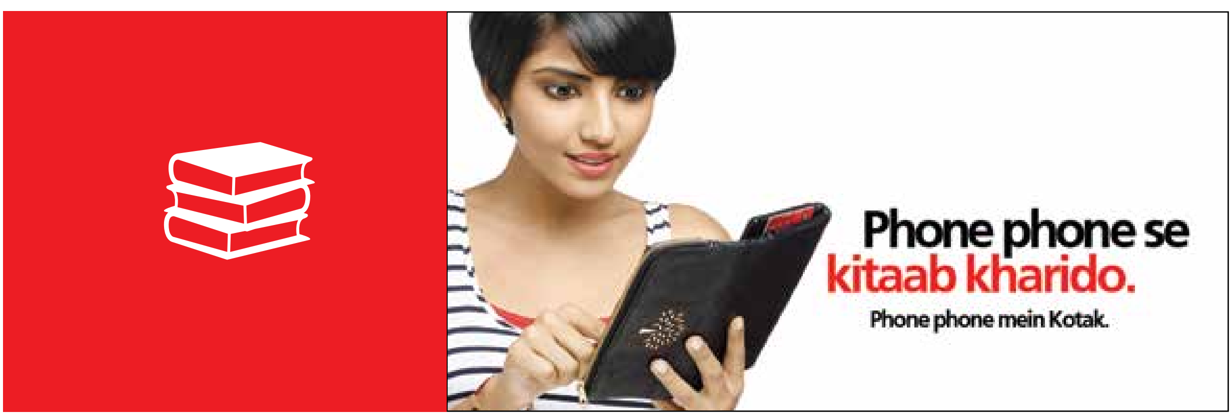
Dr. Shankar Acharya
Chairman

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



#KonaKonaKotak

Kotak Mahindra Bank Ltd. | Conditions apply.

kotak

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CIN: L65110MH1985PLC038137

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