kotak

Kotak Mahindra Bank

24th July 2017

The Manager Corporate Relationship, BSE Limited, 1st Floor, New Trading Ring, Rotunda Building, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.	The Manager National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Plot No.C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051.

Dear Sir,

Pursuant to Regulation 34 (1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Thirty Second Annual Report of the Bank for the financial year 2016-2017, approved and adopted by the shareholders in the Annual General Meeting of the Bank held on 20th July 2017 as per the provisions of Companies Act, 2013.

Kindly acknowledge receipt.

Yours faithfully,
Kotak Mahindra Bank Limited

B.R. Chandarana
Bina Chandarana
Company Secretary &
Sr. Executive Vice President

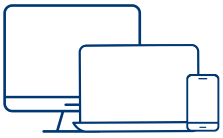
Kotak Mahindra Bank Limited
Mumbai

Kotak Mahindra Bank Ltd.
CIN: L65110MH1985PLC038137
Registered Office:
27 BKC, C 27, G Block,
Bandra Kurla Complex,
Bandra (E), Mumbai 400051,
Maharashtra, India.
T +91 22 61660000
F +91 22 67132403
www.kotak.com

Annual Report 2016-17

CHANGING WITH INDIA. FOR INDIA.

Inside the report



To get this report online and for any other information log on to www.kotak.com

Registered Office

Kotak Mahindra Bank Limited,
27BKC, C 27, G Block,
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051
Tel.: +91 22 61660001
Fax: +91 22 67132403
Website: www.kotak.com

Company Secretary

Bina Chandarana,
Company Secretary and
Senior Executive Vice President

Auditor

Messrs S. R. Batliboi & Co. LLP,
Chartered Accountants,
14th Floor, The Ruby,
29, Senapati Bapat Marg,
Dadar West,
Mumbai - 400 028

Registrar 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

Where new-age aspirations necessitate new-age solutions.

Where transforming financial needs demand structured systems.

And where unorganised traditional financial channels give way to formal digital tools.

It is the story of a changing India.

Evolving and empowered.

It is the story of a transforming financial community.

We, at Kotak Mahindra, are at the helm of this change.
Pulsating with a new kind of dynamism in our operational and people processes.
Digitised to scale new levels of growth aligned to growing consumer aspirations.

**Changing with India.
For India.**

An India which is moving faster than ever before towards adoption of digital financial channels post demonetisation.
An India which is seeing a massive shift towards financial services spanning the entire gamut of bank and fixed deposits, mutual funds, stocks and more.

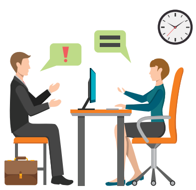
It is the story of our change, and our ability to drive change.
Across financial segments, across regions, across channels.
It is the story of our capacity to embrace change, and to be inspired by it.

Where change is the only constant

One of India's leading financial services conglomerate, providing banking (consumer, commercial, corporate), credit and financing, equity broking, wealth and asset management, insurance (general and life), and investment banking solutions, Kotak Mahindra operates through a change agenda designed to cater to diverse customer segments across India.

As one of the first financial entities to go for an organisation-wide digital transformation to enhance customer engagement and experience, we have set new benchmarks of excellence in this niche industry by achieving better operational efficiencies across our portfolio of unique products and services.

₹2.8 trillion



Institution*

~44,000

Employees

₹173,287 crore

Market Capitalisation**

160,000+

Shareholders

1,369

Bank Branches

2,163

ATMs

8 million+

Active customer base

~5 million

Debit card holders

1 million+

Credit card holders

*Consolidated Assets
**As on May 22, 2017

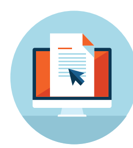
Kotak's Digital DNA

1 Agile	2 Customer centric	3 Make it simple	4 Innovation at heart
5 Design thinking	6 Collaborative	7 Skilled resources	8 Fail fast, learn fast

Kotak's Digital Focus


Online Acquisition


Digital Payments


Lending & Services


Digital Adoption & Analytics

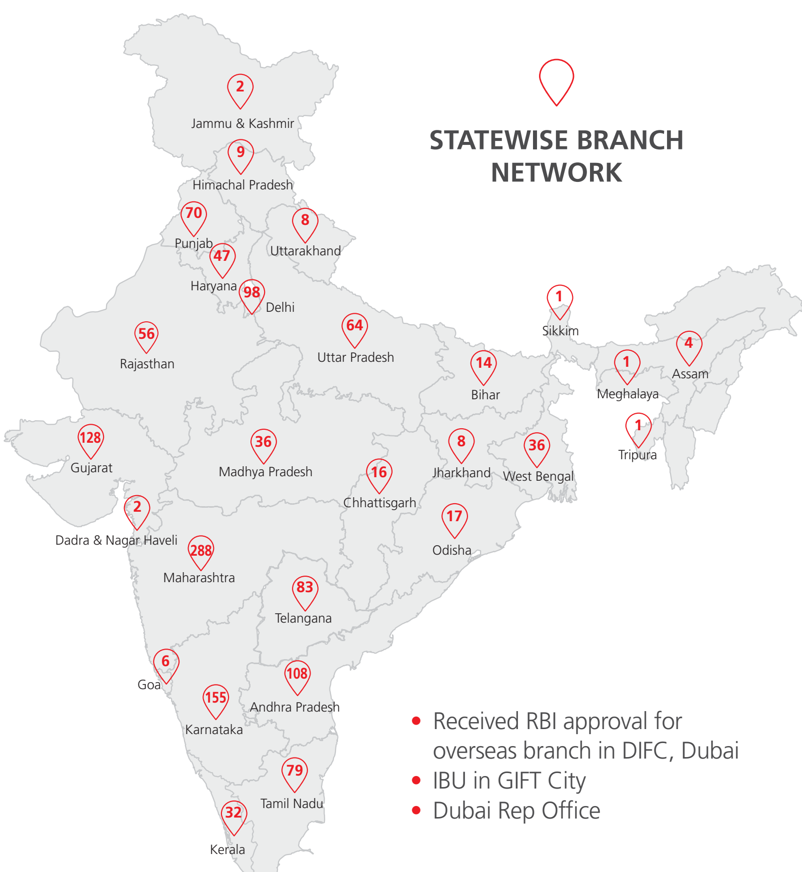

Digital Transformation

PHYSICAL AND DIGITAL CO-EXISTENCE

Digital platform focussed

Transformation focussed

STATEWISE BRANCH NETWORK



- Received RBI approval for overseas branch in DIFC, Dubai
- IBU in GIFT City
- Dubai Rep Office

Category-wise branch classification as on 31.03.2017

State	No. of branches	% of total network
Metro	604	44
Rural	195	14
Semi-Urban	283	21
Urban	287	21
Grand Total	**1,369**	**100**

Zone-wise branch classification as on 31.03.2017

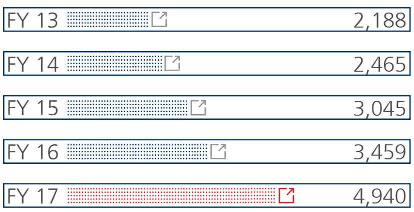
Zone	No. of branches	% of total network
North	406	30
South	457	33
West	424	31
East	82	6
Grand Total	**1,369**	**100**

Map not to scale - for illustration purposes only

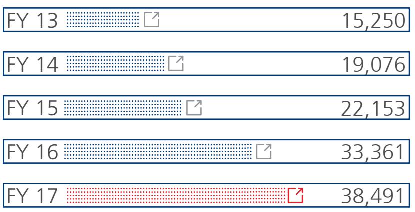
Technology contributing to growing numbers

Net Interest Income
(₹ in cr)

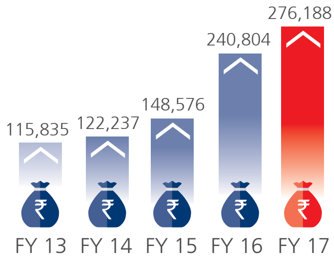
Net Profit
(₹ in cr)



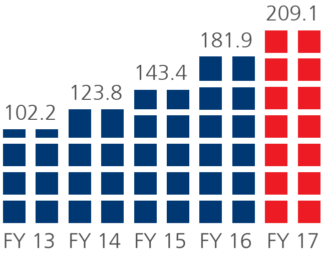
Net Worth
(₹ in cr)



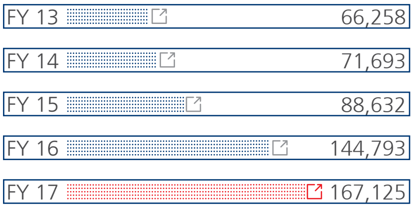
Total Assets
(₹ in cr)



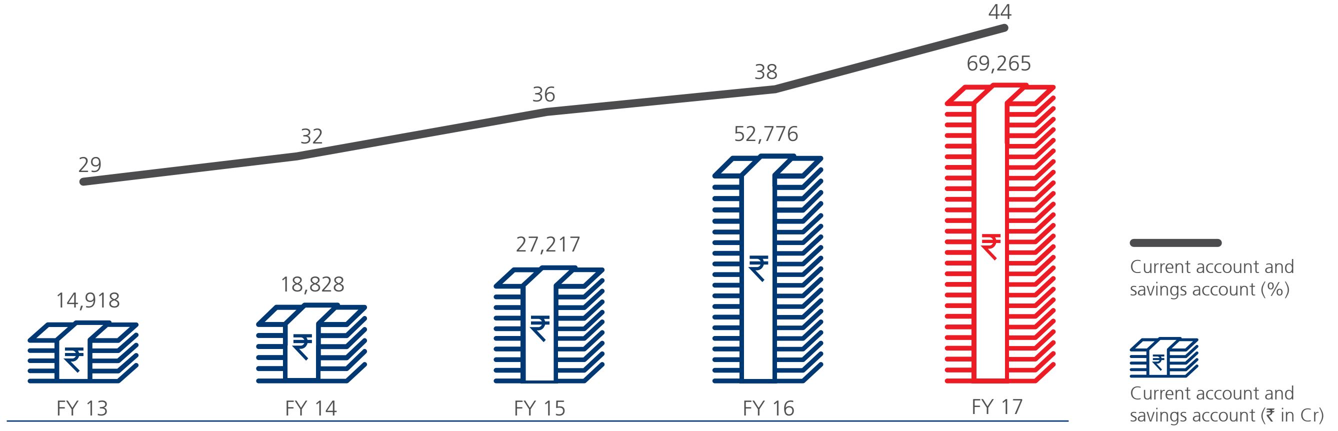
Book Value Per Share
(₹)



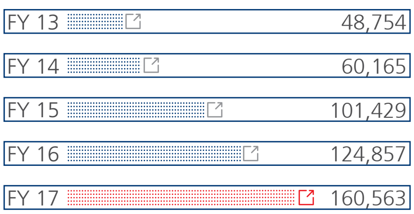
Advances
(₹ in cr)



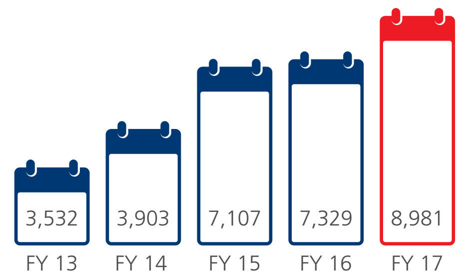
Current Account and Savings Account Balances
(Bank Standalone)



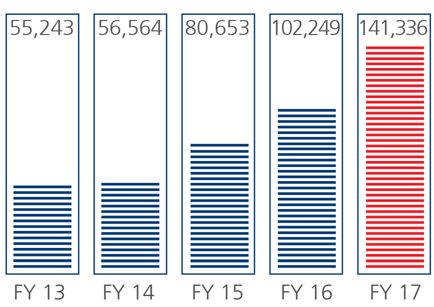
Market Capitalisation
(₹ in cr)



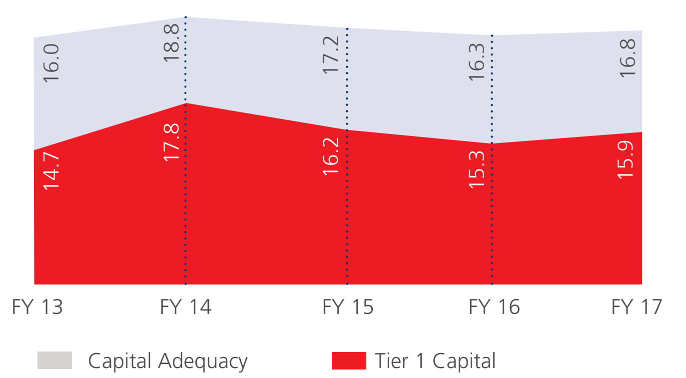
Kotak Securities Average Daily Volume
(₹ in cr)



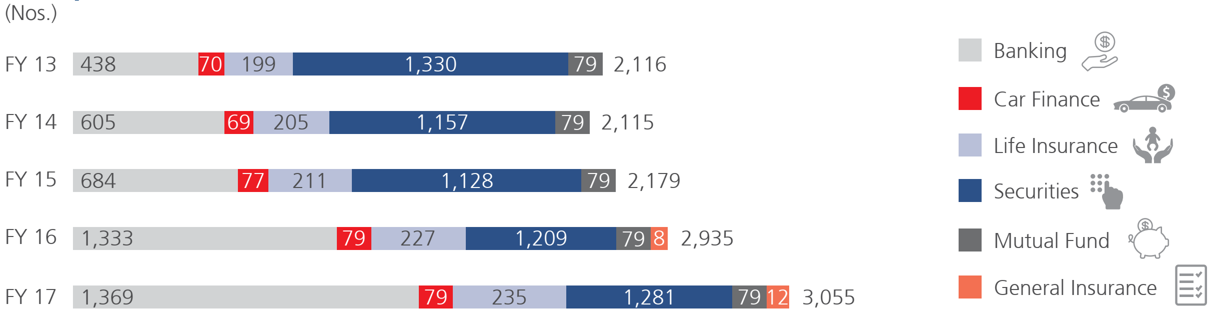
Group Assets Under Management
(₹ in cr)



Bank Capital Adequacy Ratio and Tier 1 Capital (%)



Group Branch Network
(Nos.)



All nos. are consolidated except where stated

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

Strategic Business Review

Group Business Overview

Consumer Banking

(Kotak Mahindra Bank Limited)

- Provides a bouquet of liability and asset products to retail customers, NRIs, retail institutions and 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, foreign exchange services, cash management services and credit facilities
- Comprehensive banking, investment and insurance solutions for non-resident Indians

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

Commercial Banking

(Kotak Mahindra Bank Limited)

- Plays a significant role in meeting financial inclusion goals and financing deep into 'Bharat' through an expanding network of branches and associates
- Participates in India's growth by partnering Small and Medium Enterprises (SMEs) in the country
- Focuses on financing the priority sector lending requirement by providing finance for tractors, crop loans, small enterprises and allied agricultural activities
- Offers a range of products for purchase and operation of commercial vehicles and construction equipment

Wealth Management

(Kotak Mahindra Bank Limited)

- One of the oldest and most respected wealth management businesses in India providing bespoke financial solutions to high net worth families. Kotak Wealth caters to over 40% of India's top 100 families in Forbes India Rich List 2016
- Kotak Wealth offers 'Family Office Services' to ultra high net worth investors, providing solutions that go beyond investments
- 'Kotak Mahindra Trusteeship Services' offers Estate Planning services that deal with succession planning by creating private family trusts

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 a complete finance solutions through a 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)

- The youngest subsidiary in the Kotak Mahindra Group completes its first full financial year of operations
- Launched end-to-end insurance buying portal, using the best-in-class UI/UX practices. Successfully integrated multiple digital business partners within a short span of time
- Launched tablet-based motor claims assessment App to reduce turnaround time (TAT) significantly

Mutual Fund

(Kotak Mahindra Asset Management Company Limited)

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

Brokerage

(Kotak Securities Limited)

- Among the leaders in securities broking in India
- Voted 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
- Facilitates investment opportunities in equities, derivatives, distribution of IPOs, Gold ETFs and mutual funds for retail investors

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)

- Operates in overseas markets through international subsidiaries with presence in the UK, Singapore, UAE, US and Mauritius
- Dedicated fund management team overseas that manages a wide range of India dedicated funds (equity and debt) through which international investors can invest in India
- Also engaged in dealing in securities, advisory services, broker-dealer activities and investments on own account

Group Business Highlights

Consumer Banking

- Launched 811 - India's unique full-service digital banking ecosystem on mobile
- First bank in India to launch DigiLocker - secured access, storage of documents on Government of India's platform
- First Bank in India to offer Flipkart on mobile banking app for a seamless in-app shopping experience
- Partnered with Biz2Credit offering access to salaried individuals for Personal Loans

Commercial Banking

- Following the merger with the erstwhile ING Vysya Bank, the SME/Business Banking portfolio was consolidated during the year, which has resulted in creating efficiency and a wider customer base
- Commercial Vehicle, Construction Equipment and Tractor Finance reported significant growth and gained market share in their respective businesses
- Agriculture Financing business has registered growth despite volatility and uncertainty in the commodities market

Corporate Banking

- The year saw stabilisation of the Integrated Corporate & Investment Banking (CIB) coverage model, set up for large conglomerates and corporate groups. This has helped the Bank to significantly increase its banking wallet share and also grow its investment banking business with these corporates
- GIFT City branch, set up this year, has helped the Bank participate in dollar loan syndication
- Risk Adjusted Return on Capital (RaRoC) based pricing model has been implemented and has helped optimise pricing and better judge the risk-return balance
- Bank has been focussed on offering customised solutions to its customers and has been able to significantly grow its structured products book
- Trade Funded Book crossed ₹ 10,000 crore this year
- There has been a focussed approach to implement operational efficiencies through implementation of various workflows
- Pan-India dedicated Service Solutions vertical, set up last year, has stabilised. Focus on this area has helped significantly improve Turn-Around-Time (TAT) across various processes including account opening and disbursals and has also helped improve RM productivity

Life Insurance

- Total Gross Written Premium (GWP) stood at ₹ 5,111 crore
- Investment performance of Unit Linked funds has largely remained above benchmarks and in top quartile across time periods
- Products launched
  - o **Group:**
    1. Kotak Gratuity Group Plan – a Unit Linked Fund Based Product
    2. Kotak Group Secure – Pure Term Product with option to cover Terminal Illness for affinity groups
    3. Kotak Group Secure One – One Year Renewable Term Product with optional cover for terminal illness for affinity groups
  - o **Individual:**
    1. Guaranteed Savings Plan
    2. Premier Income Plan
- Initiated the process of internalising the new brand promise – Koi Hai… Hamesha

General Insurance

- Total Gross Written Premium (GWP) stood at ₹ 84.9 crore
- Loss ratios have been well within estimates across Motor & Health products
- TAT on claims settlement, a key measure of customer service, has been extremely satisfactory
- Expanded our range of products by launching seven new products – Kotak Fire Secure, Kotak Burglary Secure,

Kotak Corporate Vehicle Secure, Kotak Long Term Two Wheeler Secure, Kotak Accident Care, Kotak Secure Shield & Kotak Group Accident Care

Mutual Fund

- On the 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 Associationof Mutual Funds in India's (AMFI) QAAUM, the AMC continues to be the 7th largest Fund House in the country
- Market share was at 8.08%, on net equity inflows
- Market share stood at 4.53% on yearly average assets under management (YAAUM)
- Digitisation initiatives:
  - **Account Opening** – i) Created an online self-service model for opening mutual fund accounts.Through this, customers can open mutual fund accounts and invest through lumpsum and SIP modes. ii) For customers who may not want to make an immediate investment but invest subsequently, there is a provision to make them investment ready by opening a zero balance account
  - **Quick Invest** – Mobile number/Folio number based transaction facility for existing Investors to make the transaction experience faster
  - **Easy Login** – Simplified the process of login access creation for investors to give them a hassle-free experience to adopt digital transactions
  - **Go Digital** – Created knowledge partnership with a software solution provider to help distribution partners to create their digital infrastructure to facilitate business penetration

Brokerage

- Average daily volume (ADV) of KSL increased by more than 20% over the previous year
- Research coverage on the institutional desk increased
- Deepening deployment of technology and using digital platforms covering Trading, Mobile/Web Trading, Sales automation, Client access and Client onboarding
- New products launched for customers on the online platform

Investment Banking

- Completed twelve marquee transactions in the Indian equity capital markets, raising a total of ₹ 14,318 crore in FY 2016-17*
- Ranked #2 in IPOs and #5 across all equity offerings* (IPOs, FPOs, QIPs, OFS, IPPs and Rights issues)
- Advised on a diverse array of 26 M&A and Private Equity transactions across a wide range of products and sectors, for a total deal value of US$ 27 billion
- Ranked #1 by volume of deals and #2 by value of deals in the M&A league tables**

* Source: Prime Database

**Source: Bloomberg, as on April 11, 2017; amongst investment banks only

Alternate Assets

- Kotak Private Equity has raised its third Growth fund and completed the first close at ~ US$ 70 mn with commitments from international institutional investors. The fund would invest in growth stage companies with significant focus on the life sciences industry
- Kotak Listed Equities' maiden fund called 'The India Whizdom Fund' (IWF) has drawn down 50% of the committed amount in FY 2016-17. The fund adopts a long-term approach and combines its private equity and public market experience to invest in Indian listed equities

International Business

- Though there has been a sharp recovery in the Indian markets towards the end of FY 2016-17, the unexpected events globally as well as in India along with profit taking by key clients impacted the growth in Assets Under Management (AUM). Consequently, net outflows were witnessed from open-ended equity and debt funds in FY 2016-17. However, positive mark-to-market on equity and debt funds and net inflow into certain close-ended debt funds more than offset these outflows keeping the Assets under management (AUM) steady at US$ 4.2 bn as on March 31, 2017

Message from Uday Kotak

Embracing the new India

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

Dear Friend,

Financial Year 2016-17 was an eventful year with Brexit, President Trump's victory, demonetisation of the Indian currency and of course results of the UP elections.

The theme of good macro but a challenging micro continued to play out. Private investment cycle is yet to pick up, while public investment is gaining some traction.

The financial sector, however, is witnessing 3 mega trends.

Formalisation of financial savings

Formal financial savings are getting a huge fillip due to positive real interest rates and impact of demonetisation, leading to growth of the formal sector at the cost of the informal sector. Household and other savings are moving from gold and real estate to formal financial savings. The resulting reduced demand for gold manifested itself through a drop in gold imports by over 20%. Also sales of land and residential real estate have slowed down.

This is a long-term beneficial trend for financial services across the board - Banking, Asset Management, Insurance, and Capital Markets. In fact, the non-bank businesses will grow even faster since they are growing from a smaller base and savers will look at diversification avenues beyond bank deposits.

Increased allocation towards formal financial savings will also lead to a significant money multiplier effect. This is hugely beneficial for our nation's economy.

The runway ahead for financial savings growth is wide and clear for a long, long time.

Redefinition of industry structure

Banking industry's current structure is not sustainable. The system's inability to recognise the inconvenient truth that banking is an economic and commercial activity with high leverage, and that years of '*kicking the can down the road*' in high risk areas, mixing of social objectives and weak governance have all contributed to

We must never get complacent and always remember that if we are not paranoid, others will eat our lunch.

The launch of 811 as 'a digital bank' is inspired by the day India changed, 8/11/2016. It is a symbol of us embracing the 'new India'.

bringing this industry to a weak position. Banking industry is one of the few where '*errors of commission*' are significantly more expensive than '*errors of omission*'.

At the same time, while we have relaxed entry norms in many areas of financial services, including banking, we need to give more thought to mortality and exits in this sector with potential systemic risks.

The time has now come to bite the bullet. The state, sooner or later, may have to make the difficult choice between putting in more good (tax payers') money after bad or being open to 'strategic' choices. I wonder whether that can happen now or sometime after 2019. I also see a diversification of the financial services industry structure, moving beyond the current 'bank led' structure.

Digital transformation

Digital combined with Aadhaar is a powerful combination which has the potential to, and already has transformed the contours of many industries in India. The change we see taking place in telecom is now being unleashed in banking. Digital will enhance customer experience, increase productivity and reduce costs beyond belief. It will also result in a few winners and many losers. But the rapid innovation that digital promises needs to be supported with effective laws and regulations which would need to keep pace with the changes. These include areas of security and privacy.

Consequently, I see significant consolidation taking place in the financial services industry in the next few years either through mortality or combinations.

What does this mean for Kotak? We must never get complacent and always remember that if we are not paranoid, others will eat our lunch. Growth in financial savings works for us across all our arms - Banking, Financing, Asset Management, Insurance and Capital Markets. We will try and play an active role in reshaping the structure of the financial services industry, be it stressed assets or consolidation.

Further, we must grab the digital space. The launch of 811 as 'a digital bank' is inspired by the day India changed, 8/11/2016. It is a symbol of us embracing the 'new India'.

On the organic side, we aspire to grow at at least two times nominal GDP growth in most of our businesses. We need to gain share and be relevant. And through this we will at all times keep our principles of prudence, simplicity and humility at the core of who we are.

I am proud to be a part of a changing India in which I see a big opportunity for us to play a meaningful role.

Best wishes,

Uday

May 22, 2017

Board of Directors

Standing L - R:

- Prof. S. Mahendra Dev, *Director*
- Dipak Gupta, *Joint Managing Director*
- C. Jayaram, *Director*
- Uday Chander Khanna, *Director*
- Amit Desai, *Director*

Sitting L - R:

- Prakash Apte, *Director*
- Uday Kotak, *Executive Vice Chairman & Managing Director*
- Dr. Shankar Acharya, *Chairman*
- Farida Khambata, *Director*
- Mark Edwin Newman, *Director*

Changing Through Innovation
Innovating For Change

Kotak's pioneering digital initiatives

811
India's first instant, Aadhaar-verified, pure-play digital, paperless savings bank account, enabling customers to open a bank account in less than 5 minutes from anywhere, at any time. 811 can be used for all transactions, payments, and shopping, while also providing customers access to regular savings bank services like loans and investment management.

Digital Highlights of the Year

- 59% - Recurring deposit sourced digitally in FY 2016-17
- 59% - Term deposit sourced digitally in FY 2016-17
- 52% - Bank active customers were digitally active as on March 31, 2017
- 16% - Digital share of salaried personal loan in FY 2016-17
- 115% - Total Payment Gateway transactions value growth (March 2017 v/s March 2016)
- 68% - Total Payment Gateway transactions growth (March 2017 v/s March 2016)
- 25% - New individual life insurance policies sourced through Genie in FY 2016-17

New-age consumers expect seamless connectivity and ease of use. They need to remain connected to the external world 24x7, are always looking for solutions on the go – anytime and anywhere, and in search of digital solutions for all their needs.

In an age where 'online shopping', 'e-commerce', '4G' and 'cashless' have emerged as the buzzwords for any business, captivating millions of Indian consumers across the urban and rural divide, there is an urgency among BFSI firms to go digital in a big way to better service their customers. From websites to social media, from laptops to mobile, Indian BFSI companies are changing in tandem with the changing India. The financial world is integrating with the digital world to drive solutions designed for today's India.

The opportunity is large, and we at Kotak have unleashed the power of the digital across our businesses to better service our customers. This is coupled with robust digital presence across all social media platforms. We focus on listening to our customers, and learning from them in order to provide them with targeted and differentiated solutions to address their financial requirements.

Our pioneering digital initiatives are helping us expand our social reach while in parallel reducing the entry barriers for potential customers and enhancing convenience for our existing clients.

The Change Opportunity

The change opportunity being mapped by Kotak spans the digital growth that India is set to achieve by the end of this decade, and beyond, as well as the favourable regulatory environment being created by the Government of India to promote digitisation.

A growing digital landscape

- Internet consumer numbers and usage in India are set to explode. According to Nasscom's 'The Future of Internet in India' report, by 2020:
  - Internet users will double from 350 million to 730 million
  - ~75% of new connections will come from rural areas
  - 75% of new users would consume data in local languages
  - Smartphone users will grow significantly to 702 million
  - 70% of E-Commerce transactions will be done via mobile phones
  - India will remain the fastest growing internet market
- As per McKinsey Global Institute of Technology, digital transactions in India are expected to grow ten-fold to 12 billion transactions by 2025
- As per Yral Social Media Report 2016, social media penetration in India at 10% is expected to rise significantly with rising Internet penetration

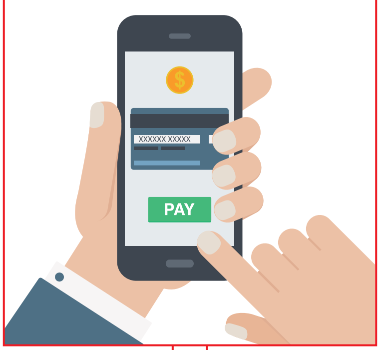
Facilitative changes

- Approval for eKYC via Aadhaar
- Information Bureaus for instant credit approval
- Financial changes proposed in the FY 2017-18 Union Budget:
  - ₹ 10,000 crore allocation to Bharat Net Project
  - Cash transaction limit capped at ₹ 300,000
  - Removal of duties on manufacturing of PoS card readers, mPoS, fingerprint and iris scanners
  - ₹ 2,500 crore allocated for incentivising digital payments
  - Referral Bonus and Cashback Schemes for individuals and merchants joining BHIM app
  - No service tax on online train ticket booking
  - Establishment of Computer Emergency Response Team (CERT) for enhancing cyber security
  - Focus on launch of Aadhaar Enabled Payment System (AEPS)

We recognise the evolving consumer need for digital solutions to meet their everyday needs and their recurring expenses, and have moved aggressively to align our products and services accordingly. This process of change, and the resultant initiatives, have helped us raise our service bar multifold. We shall continue to leverage India's digital potential to change with India and for India.

An App designed to change

We have developed India's highest rated banking App (4.5 rating on Google Playstore), which facilitates best-in-class transaction experience and is also integrated with E-commerce sites facilitating ticket bookings (air, hotel, and bus), shopping, single-click multifactor authentication, as well as seamless checkout.



Mobile – Kotak's change centre in FY 2016-17:

- 100+ - No. of unique features that can be done through mobile
- < 5 mins - Average time taken to open an 811 savings account
- Volume of Mobile banking transactions grew 138% (March 2017 v/s March 2016)
- Value of Mobile banking transactions grew 143% (March 2017 v/s March 2016)
- 54% of Mobile banking customers bank only on Mobile App (March 2017)
- Mobile banking usage more than 3X of Net banking (March 2017)
- 43% of Online Shopping Payment Gateway transactions are from Mobile in FY 2016-17
- > ₹ 49,400 crore - Value of mobile transactions in FY 2016-17
- Kotak Securities Mobile App ADV grew by 46% in FY 2016-17

Changing Through Integration
Integrating To Change

The evolving consumer landscape across India's financial matrices has inspired Kotak to transform its systems and processes through convergence of the traditional branch-based model with multiple digital channels and branches. Amidst this change, the physical is making way for virtual existence, with digital disruptions cascading a change in the industry.

The change is evident in the enhancement of operational speed, with real-time solutions now being provided to customers at their convenience. Cash/cheque payments are being replaced by digital payments (wallets, Bharat Bill pay and UPI). Transforming to provide one-stop customised solutions to address all customer needs, we have undertaken a series of organisation-wide digital initiatives to augment customer experience through rapid unbundling and democratisation of services.

Initiatives for easy account opening and customer acquisition

KMBL

- Launched 811 – India's first downloadable bank account, which uses Aadhaar OTP for authentication, ensuring a smooth and seamless banking experience. 811 also enables customers to shop, book bus and flight tickets, scan and pay, transfer money instantly via UPI, etc.
- High security iris-based biometric authentication for opening commercial account, which facilitates verification of individual identity and credentials through the Aadhaar route
- Corporate Salary Tab banking that facilitates automation of corporate salary onboarding process through tablets, along with faster and smoother processing

KSL

- Launched Digital Insta Kit that instantly generates login ID and password for providing potential customers first-hand experience of Kotak's trading app

KLI

- E-insurance, facilitating customers to instantly buy policy online and get real-time help in resolving queries

KMAMC

- Launched an online self-service portal for customers
- Go Digital - Initiated the pioneering concept of collaborating with a software solution provider to facilitate distribution partners in creating a robust digital infrastructure for enhancing penetration

KGI

- Enabled facility to procure health insurance through net banking or mobile banking

For providing customers wider and better payment, and fund transfer options

KMBL

We have strategically adopted multi-faceted payment systems to provide our customers exhaustive and simplified modes of payment. These payment modes include Visa payWave, Bharat Bill Pay System, Bharat QR code, USSD banking, mVisa, MobilePay, Allpay, and UPI in Mobile App. This has enabled the customer in making any kind of transaction (shopping, entertainment, utility bill payment, funds transfer, POS payment) from any medium (online, offline, smartphone, traditional mobile, desktop, physical) in real time without any hindrance.

For operational efficiency, and enhancing customer convenience and engagements

KMBL

- Launched e-Signature facility, whereby mobile registered Aadhaar card holder's signature is authenticated via Aadhaar-based e-KYC service, enabling customers to sign documents quickly, safely, anytime and from anywhere
- Instant online pre-qualified personal loan within 72 hours
- Launched first fully functional digital branch in Mumbai resulting in faster turnaround and reducing paper usage
- Enabled DigiLocker facilitating digital issuance, verification and storage of documents and certificates
- Digitalised call centres to address queries faster
- Upgrading ATMs to enable self-service stations to replicate functions of branches
- Introduced Robotic Process Automation (RPA) at Customer Contact Centre which has reduced the per request processing turnaround time from 1-3 days (manually) to 3-5 minutes (RPA)
- Kotak Wealth Online – A best-in-class end-to-end online reporting platform that provides anytime and anywhere access to view investment portfolio along with in-depth analytical reports
- Launched Kotak Wealth App, an exclusive App for the private banking clients, which provides a consolidated view of overall portfolio performance, holding statement and other detailed reports

KMPL

- Customer self-service portal for various Car Loan related processes

KSL

- Opened up a new social media based customer service channel that facilitates chat through WhatsApp, Telegram, Facebook Messenger and Twitter. Hashtag broking for facilitating customers and prospects to chat with customer services and get automated responses

KLI

- Launched Genie (tablet-based end-to-end solution) to handle new business transactions from lead management and pre-sales to sales fulfilment. It also facilitates instant receipt issuance for online modes of payment (net banking, credit/debit card)
- Portal and app for customers
- Lead Management System for lead tracking (from direct channels and B2B), and upselling campaign management

KGI

- Introduced digital invoice for premium payment resulting in faster policy issuance
- A partner portal for intermediaries for quick turnaround and servicing

KMAMC

- Quick invest facility that facilitates mobile or folio number based transaction for existing investors for faster transaction
- Simplified login access creation process for investors for a hassle-free experience to adopt digital transactions

For enhancing security

KMBL

- Debit card switch on/off facility on mobile banking app to eliminate risks of potential misuse
- New password options for authentication – allowing MPin and Debit Pin
- Biometric scanner for customer verification

For providing customers a seamless experience by integrating with E-commerce

KMBL

- mStore and eStore – Partnered with PVR, Mobilepay, Goibibo, Indiamag, and Flipkart for facilitating ease of payment, better customer engagement and cross-selling opportunities. Also added features for a seamless experience (no separate logins for merchant sites, single-click payments and pre-populating personal details). Plans to include IRCTC and ShopClues in future for train ticket booking

KSL

- Tied up with Moneycontrol and MarketsMojo to redirect potential customers to Kotak Securities' page when they click Trade

Changing To Boost Productivity
Productive Initiatives For Change

With customers getting more demanding and digital disruptions transforming the pace of business in the BFSI sector, the need to boost productivity across functions and the business value chain assumes high priority. Given the competitive landscape, this requires a 360 degree approach, providing customers an omni-channel experience with 24/7 access to competitively priced financial products and services across multiple platforms. This also necessitates a bouquet of value-added services to be provided to customers without an iota of delay, since even a miniscule delay can lead to loss of existing or potential customer.

Reduction of costs, promotion of cross-selling opportunities and pre-emption of customer needs are some of the productive initiatives we have taken to enhance productivity and scale-up consumer engagement.

Enhancing competitiveness and ensuring continuity of its digital journey

- Set-up an innovations lab at Bengaluru which plays a critical role in digital transformation. The lab works on developing new digital solutions to keep pace with the rapidly changing technology and customer needs
- Collaborated with Fintech owners to get best ideas to work with and create new solutions to existing problems or innovating delivery proposition

Branch Repurposing Initiatives

Kotak's branch repurposing initiatives seek to combine people and technology for focusing on next-generation BFSI services.

Initiatives	Benefit
KMBL	
Service Request (SR) digitisation	Facilitates scanning of customer service requests/instructions received in physical form across branches and enables instantaneous sharing of the same with the processing team via CRM system. This results in faster processing, cost savings, reducing number of handoffs and promoting paperless environment. Large part of SRs have been processed at an average turnaround time of three hours.
Portfolio management tracker	The application provides Relationship Managers/Officers a 360 degree view of customers' portfolio of current products and services and their propensity towards others products/services which could be cross-sold.
KMPL	
LMS Mobile App	Mobile based lead management cum activity tracker for convenient updation of leads, tracking lead life cycle, dissemination of leads and synchronising mobile calendar for lead basis appointments.
Mobile collection device	For automating allocation of cases, direct punching of amount collected, providing APAC wise details, collection and allocation status, real-time updation of cases, streamlining processes, and reducing errors.
KSL	
LEAP App	Provide employees access to track leads, status of forms, educational materials, Live TV, reward programme, and knowledge programme.
Dealsmart	An application for stock market dealers which enables them to provide the right research calls to the right set of customers, allows them to check real-time positions and advise clients based on it, and get a 360 degree view of client's portfolio.
KLI	
Egurukul Portal	Provide online training and digital learning to employees for enhancing their skills.
Enterprise mobility solutions	Encouraging employees and distributors on the BYOD (bring your own device) concept for cost savings.
Agent recruitment digitalisation	Standardising recruitment process, leading to 70% reduction in turnaround time.
KGI	
Surveyor App	Empowers the surveyor to process claim application through a smartphone for faster turnaround time. The app allows the surveyor to assess loss in real time and upload image of damaged vehicle, enabling the back office team to review and settle the claim faster.
PASS (quote management module)	An in-house designed module for internal users enabling them to generate premium for retail business lines and mail them to customers with digital invoice link for simplifying the buying process.

ESG Practices

Doing Business Responsibly

Stakeholder satisfaction continues to be one of the key focal points for Kotak, and the Bank does so in line with its principles of integrity, transparency and accountability. Its Code of Conduct (CoC) ensures that all business practices are conducted in an ethical and responsible manner, and acts as the central guide for the employees to act professionally. The Bank acknowledges the pivotal role that employees play in Kotak's success and has implemented several initiatives to enhance employee engagement and satisfaction. The recently designed employee portal 'Redscape' is a platform to improve the Bank's communication with its employees. Kotak's Fair Practice Code ensures that products and services are provided without any discrimination on the basis of caste, creed, colour, religion, sex, etc. The Bank has been increasing its overall customer base on a year-on-year basis by offering easy-to-use and simple solutions.

811 – India's first downloadable zero balance, zero charge savings bank account, launched in FY 2016-17, is a completely digital and paperless account opening experience across 700 locations in India and can be opened anywhere, anytime. Kotak is the first bank in India to integrate the newly introduced Aadhaar-based OTP authentication process for account opening on mobile. A customer only needs Aadhaar and PAN to open an 811 account.

Kotak's financial inclusion initiatives provide the Bank with an opportunity to reach out and make an impact on the large un-banked and un-served sectors of the society. Through the Pradhan Mantri Jan Dhan Yojana Scheme (PMJDY), 180,895 savings accounts were opened as on March 31, 2017. With the help of its branches and Business Correspondents (BC), Kotak has also opened 791,547 new basic and small savings bank deposit accounts worth ₹ 118 crore in FY 2016-17. Further, the Agri business unit also increased its lending portfolio to support farming communities and help farmers improve their crop yield and thereby, their annual earning potential.

From November 8, 2016, following the announcement by Hon'ble Prime Minister Shri Narendra Modi to demonetise the old ₹ 1,000 and ₹ 500 notes, Kotak conducted special camps to open bank accounts for customers from both, the organised and unorganised sectors. A total of 467 camps were conducted and 6,670 accounts were opened from November 21, 2016 to March 31, 2017. Kotak conducted financial literacy camps in 15 rural and unbanked locations in Maharashtra, Uttar Pradesh and Goa that benefited over 750 villagers. Various case studies outlined in the BRR for FY 2016-17 are a testimony to the success of the financial inclusion initiatives undertaken by the Bank.

Kotak is well aware of its responsibility towards reducing its carbon footprint and making a more positive impact on the environment. The Bank's energy efficiency and carbon footprint reduction initiatives include installation of LED lights, ensuring occupancy sensors are always in a working condition, installation of capacitors at the chiller end of the Heating, ventilation and air conditioning (HVAC) systems, and installation of cloud-based video conferencing. Further, the Bank also consolidated four of its data centres across India into just two, thus reducing its water and energy consumption by a significant amount.

In an attempt to enhance inclusive growth and improving the quality of education available to the under-privileged youth, through Kotak Education Foundation (KEF), Kotak carried out numerous activities to help empower students, enhance employable skills and improve their access to higher education.

Key Highlights of FY 2016-17

- 25.5 million A4 size paper saved
- 340.34 Tonnes of Greenhouse Gas (GHG) emissions avoided
- 117 lakh litres of water saved
- 1,281 Mega Watt Hours (MWh) of energy saved
- Kotak's Corporate Responsibility Spend was ₹ 1,733 lakh
- Kotak's micro-loan portfolio exceeded ₹ 100 crore, catering to over 50,000 women borrowers
- KEF's education programmes impacted lives of nearly 40,000 children and young adults
- Through KEF, Mid Day meals were provided to 4,841 students in 14 partner schools

3,00,000+

Mid Day meals have been served since inception in FY 2015-16

32,000+

candidates have been trained at BVV Sangha Kotak Mahindra Bank Rural Self Employment Training Institute (RSETI), Bagalkot, Karnataka since inception in FY 1999-00.

Kona Kona Charity

We rolled out the Kona Kona Cashfree contest in early December 2016 where we promised to give ₹ 10/- to charitable causes for every digital transaction that customers made. Fulfilling our promise, we rolled out CSR projects of over ₹ 1 crore through seven NGOs – IIMPACT[1], Teach to Lead[2], Purkal Youth Development Society[3], IT For Change[4], Oscar Foundation[5], Samvedna Trust[6] and The Gujarat Cancer & Research[7]. Each NGO is championing a worthy cause in Kona Kona of India.

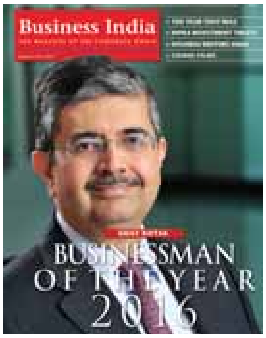
Kotak Bats for the Blind

We supported the cause of visually challenged in association with the Blind Welfare Organisation for the seventh edition of the National Blind Cricket Tournament in January 2017. Players from eight state teams across India's Kona Kona – Gujarat, Haryana, Jammu and Kashmir, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and West Bengal – participated in the tournament.

Nurturing Young Brains through Mid Day Meals

Our Mid Day meal programme, which we implement through KEF, is a unique model. While the government's Mid Day Meal programme covers students from Standard 1 to 8 in all government aided schools, students in junior and senior kindergarten and Standards 9 and 10 are not covered. It also does not include schools which are not aided by the government. Kotak's Mid Day meal plugs these critical gaps to ensure that students who do not get benefit from the government's Mid Day meal programme get fresh, hot and nutritious food.

Awards and Accolades



Uday Kotak recognised as Businessman of the Year 2016 by Business India magazine

ET Company of the Year

Uday Kotak received the Company of the Year Award from Hon'ble Minister of Finance & Defence Shri Arun Jaitley at The Economic Times Awards for Excellence 2016

Mumbai Marathon 2017

Kotak Mahindra Bank recognised as Second Highest Fund Raising Corporate in the Corporate Challenge category at Mumbai Marathon 2017. KVS Manian and Shanti Ekambaram recognised as the Highest Fundraising Change Champion for Cancer Patients Aid Association (CPAA) and SOPAN, respectively.

Most Powerful Women 2016

Shanti Ekambaram recognised as one of the Most Powerful Women 2016 by Business Today magazine

ICAI Awards 2016

Narayan SA recognised as CA Business Leader – Banking at ICAI Awards 2016

ICAI Awards 2016

G Murlidhar recognised as CA Business Leader – Insurance at ICAI Awards 2016

CFO100 Roll of Honour 2017

Himanshu Vasa, Sr. EVP & Financial Controller, Kotak Mahindra Bank recognised as part of CFO100 Roll of Honour 2017 in the "Merger and Acquisitions" category by CFO India Magazine

CFO100 Roll of Honour 2017

Gobind Jain, EVP, Kotak Mahindra Bank recognised as part of CFO100 Roll of Honour 2017 in the "Technology" category by CFO India Magazine

Acknowledgement by CanSupport

CanSupport acknowledged Kotak Mahindra Bank's support for palliative care to cancer patients. Rohit Rao, EVP & Head – Corporate Communication, Business Responsibility & CSR, Kotak Mahindra Bank received the memento of appreciation on behalf of the Bank from Hon'ble Vice President of India Shri Hamid Ansari

Bullion Bank of the Year

Kotak Mahindra Bank recognised as Bullion Bank of the Year at the 4th India Bullion and Jewellery Awards 2016 by India Bullion and Jewellers Association (IBJA). Shekhar Bhandari, Sr. EVP and Business Head-Global Transaction Banking & Precious Metals, Kotak Mahindra Bank, Mahesh Dayani (fourth from right), Sr. EVP, Kotak Mahindra Bank and Team Kotak received the award on behalf of the Bank.

Best Local Cash Management Bank

Kotak Mahindra recognised as Best Local Cash Management Bank in India in the mid-cap space at Asiamoney Cash Management Poll 2016. Arati Kaulgud, SVP, Kotak Mahindra Bank received the award on behalf of the Bank.

BFSI Digital Innovators

Kotak Mahindra Bank recognised as BFSI Digital Innovators Awards in the Digital Pioneer category for "Kotak Bharat Banking" app by Express Computer (Financial Express). Manish Shah (fifth from left), VP, Kotak Mahindra Bank received the award on behalf of the Bank.

CFONEXT 100

Anil Lohidakshan, VP – Business Enabling Team, International Business, Kotak Mahindra Bank recognised as CFONext 100 2016 by CFO India Magazine

CFONEXT 100

Paresh Goraksha, EVP – Bank Finance, Kotak Mahindra Bank recognised as CFONext 100 2016 by CFO India Magazine

CFONEXT 100

Pradeep Mohapatra, VP – Treasury and Investments, Kotak Mahindra Old Mutual Life Insurance recognised as CFONext 100 2016 by CFO India Magazine

Kotak Mahindra Bank

- Uday Kotak recognised as Banker of the Year 2013-14 (awarded in 2016) at FE Best Bank's Awards
- Shanti Ekambaram recognised as one of the 50 Most Powerful Women in the country by Fortune India
- Elizabeth Venkatraman recognised with a special mention in IMPACT's 50 Most Influential Women List 2017
- Ashok Singh, Sr. VP, received VMWare IT Excellence Award 2016 in association with Economic Times
- Ashok Singh, Sr. VP, received Dell EMC Transformation Award 2016
- Company with Great Managers at the Great Managers Award 2016 by People Business and The Times of India
- Best Corporate and Investment Bank for India at Asiamoney Best Bank Awards 2017 – India
- Fastest Growing Midsized Bank 2017 at Business Today-Money Today Financial Awards
- Best Cash Management Bank in India at the Asian Banker Transaction Banking Awards 2016
- Custody Business adjudged Market Outperformer (as a consequence of becoming Category Outperformer in all 10 categories) in the Domestic Market Survey 2015-16
- Best Savings Bank Product at FE India's Best Banks Award 2015-16
- Asset Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2017
  - Best in Treasury and Working Capital for Non-Banking Financial Institutions, India
  - Best Trade Finance Solution, India for Snapdeal
  - Best Cash Management Solution, India for Life Insurance Corporation of India
  - Best Cash Management Solution, India for National Insurance Company
- Agent Banks in Emerging Markets (AEBM) Global Excellence Award in the Value Delivered category by Global Custodian magazine
- Global Custodian magazine recognises Kotak Mahindra Bank's Custody Business as Global Outperformer, Market Outperformer and Category Outperformer (in all seven categories, including Relationship Management and Client Service, Value Delivered,

Settlement, Asset Servicing, Ancillary Services, Reporting, Technology) in the 2016 India Survey of Agent Banks in Emerging Markets

- National Payments Excellence Awards 2016 by NPCI:
  - o Best Mid-Sized Bank for excellent performance in Cheque Truncation System (CTS)
  - o Best Mid-Sized Bank for excellent performance in IMPS
- Runner-up in the New Private Sector Bank 2014-15 category (awarded in 2016) at FE Best Bank's Awards

Kotak Wealth Management

- Best Private Bank in India at FinanceAsia Country Awards 2016
- Best Private Bank in India at Global Private Banking Awards 2016

Kotak Institutional Equities

- Institutional Investor's 2016 All-India Rankings
  - o Ranked #1 in Institutional Investor's 2016 All-India Research Team across foreign and domestic brokerages, based on an annual survey of leading institutional investors investing into India
  - o Ranked #1 in Institutional Investor's 2016 All-India Sales Team across foreign and domestic brokerages
- Asiamoney Brokers Poll 2016
  - o Ranked #1 in Overall Country Research
  - o Ranked #2 in Execution
  - o Ranked #3 in Most Independent Research Brokerage
  - o India's Best Local Brokerage for the 11th year in a row

Kotak Mahindra Capital Company

- Securities Advisory Firm of the Year in India, Corporate INTL Global Awards, 2017
- Best Equity House, India in The Asset Triple A Country Awards 2016
- Best IPO (India), Best QIP (India), Best M&A Deal (India) in The Asset Triple A Country Awards 2016
- Telecom Towers Deal of the Year for American Tower Corp's acquisition of Viom Networks at the TMT Finance World Congress Awards 2016
- Best Domestic Investment Bank and Best Domestic Equity House over the last 20 years, FinanceAsia Platinum Awards – 20 Years of Excellence
- Best Domestic Equity House by Asiamoney, 2016
- IPO Dealmaker of the Year in the Businessworld PwC I-Banking Survey 2016

Kotak Securities

- Top Performer in New Accounts opened category (Non-Bank Category) – 1st Position at the NSDL Star Performer Awards, 2016
- Bombay Stock Exchange recognised Kotak Securities on the occasion of Muhurat Trading in October 2016 as:
  - o One of the top five performers in Equity Retail Segment (FY 2015-16)
  - o One of the top five performers in Equity Institutional Segment (FY 2015-16)
  - o One of the top three performers in OFS Segment (FY 2015-16)
- Agar Magar Campaign recognised at Asia Pacific Customer Engagement Award 2016:
  - o Silver for the Best Use of Branded Content in the Marketing Capability category
  - o Gold for Best Use of Data & Research in the Marketing Capability category
  - o Gold for Effective Use of Market research
  - o Bronze for Effectiveness in Radio
  - o Bronze for Innovation in Cupshup campaign
- DMA Asia (India Edition) 2016:
  - o Bronze for Media Effectiveness was awarded to Agar Magar campaign
  - o Leader certificate for best use of Digital Search for Acquisition campaign
- Bronze for Acquisition campaign in the category of Best Use of Data for New Business & for PPC (HCGBB) in the search category awarded by Campaign India's Digital Crest Awards, 2016
- Bronze for Best Single Radio Commercial in Insurance, Banking & Financial services at Golden Mikes Awards 2016 by Exchange4media

Kotak Mahindra Asset Management Company

- Best Group over three years in Equity Category by Thomson Reuters Lipper Awards 2017
- Special Award for Innovative Approach to Investor Awareness by Outlook Money
- Pankaj Tibrewal featured among India's Best Fund Managers 2017 by Outlook Business & Value Research Annual Ranking of Fund Managers
- Pankaj Tibrewal featured in "ET-Wealth Morningstar Ranking: Top 10 Mutual Fund Managers 2016"
- ETFI Asia and Asset Management ETF & Indexing Awards
  - o ETF Manager of the Year Award (2016 & 2015)
  - o Best New ETF of the Year Award (2016)
- I-Invest International UK (2016)
  - o Best Open-Ended Gold ETF (Since Inception): Kotak Gold ETF
  - o Best Asia-Focussed ETF Manager

Kotak Mahindra Old Mutual Life Insurance Limited

- Recognised by LEAD - HR.com:
  - o Best Train The Trainer Program 2017
  - o Parimal Rathod - Top Corporate Leader (over 35 years of age)
- Internal Learning Solution of the Year 2017 (Bronze) by The Learning Awards
- Honourable Mention at 2016 ATD Excellence in Practice for Sales Enablement by Association of Talent & Development (ATD)
- Business World Award for Excellence in L&D for 2016
- HR Excellence Award 2016 for Learning & Development by Businessworld
- Chief Learning Officer of the Year 2016 by TISS Leap Vault CLO

Financial Statements and Statutory Reports

Consolidated Financial Highlights 2016-17

₹ in crore

FINANCIAL HIGHLIGHTS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Advances	66,258	71,693	88,632	144,793	167,125
Investments*$	30,823	26,685	31,910	55,304	49,974
Total Assets	115,835	122,237	148,576	240,804	276,188
Net Profit	2,188	2,465	3,045	3,459	4,940
KEY FINANCIAL INDICATORS					
Net Interest Margin (NIM)	4.7%	5.0%	4.9%	4.4%	4.5%
Return on Average Assets (RoAA)	2.1%	2.1%	2.3%	1.6%	2.0%
Book Value Per Share (₹)	102	124	143	182	209
Earnings Per Share (EPS) Face Value ₹ 5 per share^	14.7	16.1	19.7	18.9	26.9
Return on Equity (RoE)	15.6%	14.0%	14.8%	11.0%	13.8%
Capital Adequacy Ratio**	17.0%	18.9%	17.6%	17.0%	17.2%
Gross NPA (₹ crore)	848	1,178	1,392	3,017	3,804
Net NPA (₹ crore)	361	634	697	1,353	1,814
Gross NPA Ratio	1.3%	1.6%	1.6%	2.1%	2.2%
Net NPA Ratio	0.6%	0.9%	0.8%	0.9%	1.1%

* Excludes Policyholders' investments

$ Deposits placed with NABARD, SIDBI and NHB on account of shortfall in lending to priority sector reclassified to "Other Assets" from "Investments" pursuant to RBI guidelines. Accordingly, numbers for FY2013, FY2014 and FY2015 have been regrouped.

^ FY2013, FY2014 and FY2015 have been adjusted for 1:1 bonus done in July, 2015.

** For the Year 2013 Capital Adequacy Ratio and Tier I Ratio is computed on the basis of BASEL II Norms issued by RBI and thereafter based on BASEL III Norms.

MARKET RELATED RATIOS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Market Price (₹)#	327	391	657	681	872
Market Capitalisation (₹ crore)	48,754	60,165	101,429	124,857	160,563
Price to Book Ratio	3.2	3.2	4.6	3.7	4.2
Price to Earnings Ratio	22.3	24.3	33.3	36.1	32.5

FY2013, FY2014 and FY2015 have been adjusted for 1:1 bonus done in July, 2015.

Standalone Financial Highlights 2016-17

₹ In crores

Financial Highlights	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Deposits	51,029	59,072	74,860	138,643	157,426
Advances	48,469	53,028	66,161	118,665	136,082
Investments$	28,356	24,381	28,659	51,260	45,074
Total Assets	83,694	87,585	106,012	192,260	214,590
Net Interest Income	3,206	3,720	4,224	6,900	8,126
Fee Income	737	853	1,226	1,764	2,121
Other Non Interest Income	424	547	802	848	1,356
Operating profit	2,157	2,577	2,997	4,041	5,985
Provisions and Contingencies	185	304	164	917	837
Tax Provision	611	770	967	1,034	1,737
Net Profit	1,361	1,503	1,866	2,090	3,411
KEY FINANCIAL INDICATORS					
Net Interest Margins	4.6%	4.9%	4.9%	4.3%	4.5%
Cost to Income Ratio	51%	50%	52%	58%	48%
Return on Average Assets	1.8%	1.8%	2.0%	1.2%	1.7%
Fee / NII Plus other Income	16.9%	16.7%	19.6%	18.5%	18.3%
NII / NII Plus other Income	73.4%	72.7%	67.6%	72.5%	70.0%
Capital Adequacy Ratio*	16.0%	18.8%	17.2%	16.3%	16.8%
Tier I *	14.7%	17.8%	16.2%	15.3%	15.9%
Gross NPA Ratio	1.6%	2.0%	1.9%	2.4%	2.6%
Net NPA Ratio	0.6%	1.1%	0.9%	1.1%	1.3%

$ 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 & 2017 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)

	2016-2017		2015-2016		31st March, 2017	31st March, 2016
	Profit before Tax	Profit after Tax	Profit before Tax	Profit after Tax	Networth	Networth
Kotak Mahindra Bank Limited	5,148.07	3,411.50	3,123.72	2,089.78	27,616.07	23,959.06
Subsidiaries						
Kotak Mahindra Prime Limited	787.79	514.75	772.64	502.31	4,227.07	3,851.66
Kotak Securities Limited	543.30	361.27	380.97	250.66	2,995.95	2,634.68
Kotak Mahindra Capital Company Limited	60.57	45.61	46.42	32.40	493.23	447.62
Kotak Mahindra Old Mutual Life Insurance Limited	342.70	303.27	281.93	250.75	1,824.72	1,521.44
Kotak Mahindra General Insurance Company Limited	(34.72)	(34.72)	(9.73)	(9.73)	90.28	125.00
Kotak Mahindra Investments Limited	290.11	196.43	235.90	153.90	1,037.55	841.12
Kotak Mahindra Asset Management Company Limited	58.59	38.23	71.94	59.33	147.82	109.59
Kotak Mahindra Trustee Company Limited	25.36	17.45	18.38	12.72	80.72	63.27
Kotak Mahindra (International) Limited	54.89	52.96	52.13	50.22	467.05	424.75
Kotak Mahindra (UK) Limited	51.42	41.37	60.65	53.51	201.49	165.24
Kotak Mahindra, Inc.	(6.39)	(6.44)	2.55	2.53	11.76	18.38
Kotak Investment Advisors Limited	6.06	5.93	7.47	4.66	276.85	270.93
Kotak Mahindra Trusteeship Services Limited	2.85	1.93	1.44	0.99	14.24	12.30
Kotak Infrastructure Debt Fund Limited (formerly known as Kotak Forex Brokerage Limited)	5.05	3.38	(0.10)	(0.10)	309.24	(0.05)
Kotak Mahindra Pension Fund Limited	(0.22)	(0.22)	0.34	0.30	25.34	25.55
Kotak Mahindra Financial Services Limited	(1.22)	(1.22)	(1.71)	(1.71)	4.40	5.71
Kotak Mahindra Asset Management (Singapore) Pte. Limited	(0.63)	(0.63)	0.42	0.42	8.99	9.80
IVY Product Intermediaries Limited	0.38	0.26	0.66	0.46	5.19	4.92
Total	**7,333.96**	**4,951.11**	**5,046.02**	**3,453.40**	**39,837.96**	**34,490.97**
Add: Associates		70.18		92.93	749.71	679.53
Less: Dividend, Minority interest, Inter company and other adjustment		80.86		87.48	2,096.83	1,809.86
Consolidated Profit After Tax / Netwoth		**4,940.43**		**3,458.85**	**38,490.84**	**33,360.64**
Consolidated Earnings per Share (₹)		26.86		18.87		
Consolidated Book Value per Share (₹)					209.09	181.86

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, 2017, 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 Companies (Accounting Standards) Amendment Rules, 2016 in so far as they apply to the Group and the guidelines issued by the Reserve Bank of India. The respective Board of Directors of the companies included in the Group 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, 2017, 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 and the Companies (Accounting Standards) Amendment Rules, 2016;

(e) On the basis of the written representations received from the directors of the Bank as on March 31, 2017 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, 2017 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, as amended, 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 2X and Schedule 17-Note 9 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 2X and Schedule 17-Note 9 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.

   iv. The disclosure requirement as envisaged in Notification G.S.R 308(E) dated 30th March, 2017 is not applicable to the Bank - Refer Schedule 17 – Note 24.

OTHER MATTER

(a) The accompanying consolidated financial statements include total assets of ₹ 660,751,573 (thousands) as at March 31, 2017, and total revenues and net cash inflows of ₹ 130,238,299 (thousands) and ₹ 16,428,801 (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 ₹ 687,240 (thousands) for the year ended March 31, 2017, as considered in the consolidated financial statements, in respect of 2 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-section (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 ₹ 14,542 (thousands) for the year ended March 31, 2017, 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 to amounts and disclosures included in respect of these subsidiaries, and associates, and our report in terms 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 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, 2017 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 under claims outstanding as at 31 March 2017 has been duly certified by the Appointed Actuary of KGIL and in his opinion, the assumptions taken for such valuation is 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 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's Registration No.: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749
Place of Signature: Mumbai
Date: 27 April 2017

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

REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")

To the Members of Kotak Mahindra Bank Limited

In conjunction with our audit of the consolidated financial statements of Kotak Mahindra Bank Limited as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of Kotak Mahindra Bank Limited (hereinafter referred to as the "Bank"), its subsidiary companies and its associate companies, which are companies incorporated in India, as of that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

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

AUDITOR'S RESPONSIBILITY

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

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

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

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

OPINION

In our opinion, the Bank, its subsidiary companies and its associate companies, which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

OTHER MATTERS

a) Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Bank, insofar as it relates to these 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, 2017. 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's Registration No.: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749
Place of Signature: Mumbai
Date: 27 April 2017

Consolidated Balance Sheet

AS AT 31ST MARCH, 2017

(₹ in thousands)

	Schedule	As at 31st March, 2017	As at 31st March, 2016
CAPITAL AND LIABILITIES			
Capital	1	9,204,489	9,171,911
Reserves and Surplus	2	375,703,944	324,434,499
Minority Interest	2A	4,744,261	3,955,985
Employees' Stock Options (Grants) Outstanding		18,676	34,136
Deposits	3	1,555,399,984	1,359,487,601
Borrowings	4	496,899,092	437,297,936
Policyholders' Funds		187,928,768	151,482,783
Other Liabilities and Provisions	5	131,976,373	122,170,908
Total		**2,761,875,587**	**2,408,035,759**
ASSETS			
Cash and Balances with Reserve Bank of India	6	75,122,255	69,249,004
Balances with Banks and Money at Call and Short Notice	7	180,763,235	46,745,080
Investments	8	684,615,381	702,738,989
Advances	9	1,671,249,109	1,447,928,152
Fixed Assets	10	17,552,021	17,575,969
Other Assets	11	132,539,392	123,764,371
Goodwill on Consolidation		34,194	34,194
Total		**2,761,875,587**	**2,408,035,759**
Contingent Liabilities	12	1,961,720,654	2,447,118,640
Bills for Collection		203,182,634	149,640,490
Significant Accounting Policies and Notes to Accounts forming part of the Consolidated Financial Statements	17		

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

As per our report of even date

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

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai
27th April, 2017

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, 2017

(₹ in thousands)

		Schedule	Year ended 31st March, 2017	Year ended 31st March, 2016
I.	**INCOME**			
	Interest Earned	13	223,242,067	204,016,360
	Other Income	14	116,595,592	76,307,283
	Total		**339,837,659**	**280,323,643**
II.	**EXPENDITURE**			
	Interest expended	15	114,575,099	111,229,729
	Operating expenses	16	142,454,072	108,940,849
	Provisions and Contingencies (Refer Note 7 - Schedule 17)		33,317,656	25,841,852
	Total		**290,346,827**	**246,012,430**
III.	**PROFIT**			
	Net Profit for the year		49,490,832	34,311,213
	Less: Share of Minority Interest		788,276	651,942
	Add: Share in profit / (loss) of Associates		701,782	929,217
	Consolidated Profit for the year attributable to the Group		**49,404,338**	**34,588,488**
	Add: Balance in Profit and Loss Account brought forward from previous year		162,238,798	118,641,309
	Add: Additions on Amalgamation		-	18,041,086
	Less: Adjustments on Amalgamation		-	1,253,799
	Add: MTM Gain on Derivatives (net of tax) (Refer Note 2(H)(xv) - Schedule 17)		8,946	-
	Total		**211,652,082**	**170,017,084**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		8,528,800	5,224,500
	Transfer to Special Reserve u/s 45 IC of RBI Act, 1934		1,422,600	1,312,700
	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		550,000	450,000
	Transfer to Capital Redemption Reserve		10,000	-
	Transfer to Capital Reserve		105,500	91,700
	Transfer (from) / to Investment Reserve Account		(484,902)	(415,180)
	Dividend / Proposed Dividend		702	918,355
	Corporate Dividend Tax		(6,227)	196,211
	Balance carried over to Balance Sheet		201,525,609	162,238,798
	Total		**211,652,082**	**170,017,084**
V.	**EARNINGS PER SHARE [Refer Note 10 - Schedule 17]**			
	Basic (₹)		26.89	18.91
	Diluted (₹)		26.86	18.87
	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
Chartered Accountants
Firm Registration No. 301003E/E300005

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai
27th April, 2017

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 2017

(₹ in thousands)

	Year Ended 31st March, 2017	Year Ended 31st March, 2016
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit for the year	49,490,832	34,311,213
Add: Provision for tax	23,828,515	15,926,231
Net Profit before taxes	**73,319,347**	**50,237,444**
Adjustments for:-		
Employee Stock Options expense	15,028	29,489
Depreciation on Group's property	3,622,140	3,445,129
Amortisation of Premium on Investments	2,454,151	1,622,064
Diminution / (write back) in the value of investments	1,515,276	1,399,726
(Profit) / Loss on revaluation of investments (net)	(8,043,394)	6,407,316
Profit on sale of Investments (net)	(12,649,520)	(7,163,719)
Provision for Non Performing Assets, Standard Assets and Other Provisions	7,973,865	8,515,895
Profit on sale of fixed assets	(137,068)	(45,846)
(Decrease) / Increase in Foreign Currency Translation Reserve [Refer Note 2 (H) (xi) - Schedule 17]	(205,355)	296,543
	67,864,470	**64,744,041**
Adjustments for :-		
Decrease / (Increase) in investments [other than HTM and Long Term investment]	84,417,212	(33,712,822)
Increase in Advances	(230,137,099)	(166,121,456)
Increase in Other Assets	(11,136,690)	(4,638,931)
Increase in Deposits	195,912,383	174,257,640
Increase in Policyholders' Funds	36,445,985	13,353,343
Increase in Other Liabilities and Provisions	9,748,679	19,251,050
	85,250,470	**2,388,824**
Direct Taxes Paid (net of refunds)	**(21,095,250)**	**(16,887,018)**
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**132,019,690**	**50,245,847**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(4,044,989)	(3,251,002)
Proceeds from sale of Fixed assets	224,099	147,132
Dividend received from Associates	2,965	1,977
Investments in Associates	-	(22,680)
Increase in HTM and Long Term Investments	(48,862,958)	(83,499,366)
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	**(52,680,883)**	**(86,623,939)**

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST MARCH 2017

(₹ in thousands)

	Year Ended 31st March, 2017	Year Ended 31st March, 2016
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid including corporate dividend tax	(1,106,638)	(990,701)
Money received on issue of shares / exercise of stock options	2,463,731	3,639,075
Share issue expenses	(2,200)	(5,578)
Redemption of Prefrence Shares	(403,450)	-
Increase / (Decrease) in borrowings	59,601,156	17,601,283
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES (C)	**60,552,599**	**20,244,079**
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)	**139,891,406**	**46,959,669**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**115,994,084**	**69,034,415**
(Refer Note below)		
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	255,885,490	115,994,084
(Refer Note below)		
Note:		
Balance with banks in India in Other Deposit Accounts (As per Schedule 7 I (i) (b))	29,046,646	1,853,575
Balance with banks in India in Current Account (As per Schedule 7 I (i) (a))	1,899,368	3,107,727
Money at call and short notice in India with Banks (As per Schedule 7 I (ii) (a))	20,147,844	18,272,970
Money at call and short notice in India with Other Agencies (As per Schedule 7 I (ii) (b))	115,500,000	3,000,000
Cash in hand (As per Schedule 6 I)	10,167,735	9,686,586
Balance with RBI in Current Account (As per Schedule 6 II)	64,954,520	59,562,418
Balance with banks Outside India:		
(i) In Current Account (As per Schedule 7 II (i))	11,352,387	9,097,701
(ii) In Other Deposit Accounts (As per Schedule 7 II (ii))	2,816,990	11,413,107
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**255,885,490**	**115,994,084**

As per our report of even date

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

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai
27th April, 2017

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, 2017

SCHEDULE 1 - CAPITAL

(₹ in thousands)

	As at 31st March, 2017	As at 31st March, 2016
Authorised Capital		
3,000,000,000 Equity Shares of ₹ 5/- each		
(31st March, 2016: 3,000,000,000 Equity Shares of ₹ 5 each)	**15,000,000**	**15,000,000**
Issued, Subscribed and Paid-up Capital		
1,840,897,877 Equity Shares of ₹ 5/- each (31st March, 2016: 1,834,382,158 Equity Shares of ₹ 5 each) fully paid-up	9,204,489	9,171,911
(During the last year, 912,841,920 Equity shares have been issued as bonus shares by capitalisation of Reserves)		
Total	**9,204,489**	**9,171,911**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
I.	**Statutory Reserve**		
	Opening Balance	36,354,783	21,052,000
	Add: Additions on Amalgamation	-	10,078,283
	Add: Transfer from Profit and Loss Account	8,528,800	5,224,500
	Total	**44,883,583**	**36,354,783**
II.	**Capital Reserve**		
	Opening Balance	1,718,486	352,403
	Add: Additions on Amalgamation	-	1,274,383
	Add: Transfer from Profit and Loss Account	105,500	91,700
	Total	**1,823,986**	**1,718,486**
III.	**General Reserve**		
	Opening Balance	6,505,937	6,180,055
	Add: Additions on Amalgamation	-	325,632
	Add: Amount transferred from Debenture Redemption Reserve	-	250
	Total	**6,505,937**	**6,505,937**
IV.	**Securities Premium Account**		
	Opening Balance	102,177,372	59,926,097
	Add: Additions on Amalgamation	-	43,206,510
	Add: Received during the year	2,461,641	3,614,553
	Less: Utilised for Share Issue Expenses	2,200	5,578
	Less: Utilised for issue of bonus shares	-	4,564,210
	Less: Utilised for redemption of Preference Shares	403,450	-
	Total	**104,233,363**	**102,177,372**
V.	**Special Reserve under Section 45IC of the RBI Act, 1934**		
	Opening Balance	7,283,256	5,970,556
	Add: Transfer from Profit and Loss Account	1,422,600	1,312,700
	Total	**8,705,856**	**7,283,256**

Schedules

FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2017

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
VI.	**Debenture Redemption Reserve**		
	Opening Balance	-	250
	Less: Amount transferred to General Reserve	-	250
	Total	**-**	**-**
VII.	**Capital Reserve on Consolidation**		
	Opening Balance	1,475,671	1,474,546
	Add: Additions on Amalgamation	-	1,125
	Total	**1,475,671**	**1,475,671**
VIII.	**Foreign Currency Translation Reserve**		
	(Refer Note 2(H)(xi) - Schedule 17)		
	Opening Balance	1,521,948	1,225,396
	(Decrease) / Increase during the year	(205,355)	296,552
	Total	**1,316,593**	**1,521,948**
IX.	**Investment Reserve Account**		
	Opening Balance	484,902	866,500
	Add: Additions on Amalgamation	-	33,582
	Add: Transfer from / (to) Profit and Loss Account	(484,902)	(415,180)
	Total	**-**	**484,902**
X.	**Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961**		
	Opening Balance	3,442,000	1,825,000
	Add: Additions on Amalgamation	-	1,167,000
	Add: Transfer from Profit and Loss Account	550,000	450,000
	Total	**3,992,000**	**3,442,000**
XI.	**Capital Redemption Reserve**		
	Opening Balance	6,800	6,800
	Add: Transfer from Profit and Loss Account	10,000	-
	Total	**16,800**	**6,800**
XII.	**Revaluation Reserve - Investment Property**		
	Opening Balance	-	150,475
	Transfer from / (to) Minority interest	-	52,869
	Less: Transfer to Policy Holder's Reserve	-	203,344
	Total	**-**	**-**
XIII.	**Amalgamation Reserve**		
	Opening Balance	1,224,046	-
	Add: Additions on Amalgamation	-	1,224,046
	Total	**1,224,046**	**1,224,046**
XIV.	**Investment Allowance (Utilised) Reserve**		
	Opening Balance	500	-
	Add: Additions on Amalgamation	-	500
	Total	**500**	**500**
XV.	**Balance in the Profit and Loss Account**	201,525,609	162,238,798
	Total	**375,703,944**	**324,434,499**

Schedules

FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2017

(₹ in thousands)

	As at 31st March, 2017	As at 31st March, 2016
SCHEDULE 2A - Minority Interest		
Minority Interest at the date on which parent subsidiary relationship came into existence	396,700	396,700
Subsequent Increase	4,347,561	3,559,285
Total	**4,744,261**	**3,955,985**

SCHEDULE 3 - DEPOSITS

(₹ in thousands)

	As at 31st March, 2017	As at 31st March, 2016
A I. Demand Deposits		
(i) From Banks	3,839,881	3,951,425
(ii) From Others	270,828,268	226,635,753
Total	**274,668,149**	**230,587,178**
II. Savings Bank Deposits	415,039,313	294,947,214
III. Term Deposits		
(i) From Banks	5,776,790	7,476,262
(ii) From Others	859,915,732	826,476,947
Total	**865,692,522**	**833,953,209**
Total Deposits (I + II + III)	**1,555,399,984**	**1,359,487,601**
B I. Deposits of Branches in India	1,553,871,243	1,359,487,601
II. Deposits of Branches Outside India	1,528,741	-
Total Deposits (I + II)	**1,555,399,984**	**1,359,487,601**

SCHEDULE 4 - BORROWINGS

(₹ in thousands)

	As at 31st March, 2017	As at 31st March, 2016
I. Borrowings in India		
(i) Reserve Bank of India	5,000,000	15,670,000
(ii) Other Banks	152,521,205	102,625,564
(iii) Institutions, Agencies and others (Refer Note 12 - Schedule 17)	277,705,211	235,952,624
Total	**435,226,416**	**354,248,188**
II. Borrowings outside India		
Banks, Institutions, Agencies and others (Refer Note 12 - Schedule 17)	61,672,676	83,049,748
Total	**61,672,676**	**83,049,748**
Total Borrowings (I + II)	**496,899,092**	**437,297,936**
Secured Borrowings included in I & II above	**174,989,043**	**159,866,105**

Schedules

FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2017

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
I.	Bills Payable	13,147,598	10,475,636
II.	Interest Accrued	15,463,981	13,866,688
III.	Provision for tax (net of advance tax and tax deducted at source)	646,071	545,451
IV.	Standard Asset provision	7,601,701	5,932,768
V.	Others (including provisions) (Refer Note 3, 6 and 21 - Schedule 17)	95,117,022	90,237,598
VI.	Proposed Dividend (includes tax on dividend) (Refer Note 2C - Schedule 17)	-	1,112,767
	Total	**131,976,373**	**122,170,908**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
I.	Cash in hand (including foreign currency notes)	10,167,735	9,686,586
II.	Balances with RBI in current account	64,954,520	59,562,418
	Total	**75,122,255**	**69,249,004**

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

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
I.	**In India**		
	(i) Balances with Banks [Refer Note 4 - Schedule 17]		
	(a) In Current Accounts	1,899,368	3,107,727
	(b) In Other Deposit Accounts	29,046,646	1,853,575
	Total	**30,946,014**	**4,961,302**
	(ii) Money at Call and Short Notice		
	(a) With Banks	20,147,844	18,272,970
	(b) With Other Agencies	115,500,000	3,000,000
	Total	**135,647,844**	**21,272,970**
	Total (i + ii)	**166,593,858**	**26,234,272**
II.	**Outside India**		
	(i) In Current Accounts	11,352,387	9,097,701
	(ii) In Other Deposit Accounts	2,816,990	11,413,107
	Total (i + ii)	**14,169,377**	**20,510,808**
	Total (I + II)	**180,763,235**	**46,745,080**

Schedules

FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2017

SCHEDULE 8 - INVESTMENTS

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
I.	**Investments in India in [Refer Note 5 - Schedule 17]**		
	(i) Government Securities	431,439,553	477,660,120
	(ii) Other approved Securities	-	-
	(iii) Shares	78,867,803	63,405,434
	(iv) Debentures and Bonds	116,599,583	96,720,232
	(v) Associates *	8,995,900	8,288,741
	(vi) Others [Units, Certificate of Deposits, Commercial Paper (CP), Security Receipts, Pass Through Certificates (PTC), Alternate Asset and other similar funds]	46,091,738	55,523,341
	Total	**681,994,577**	**701,597,868**
II.	**Investments Outside India in**		
	(i) Government Securities	323,513	-
	(ii) Shares	8,754	8,754
	(iii) Debentures and Bonds	1,312,433	-
	(iv) Others [Venture, Private Equity and other similar funds]	976,104	1,132,367
	Total	**2,620,804**	**1,141,121**
	Total Investments (I + II)	**684,615,381**	**702,738,989**
*	**Investment in Associates**		
	Equity Investment in Associates	1,494,886	1,494,886
	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	5,098
	Cost of Investment in Associates	**1,510,644**	**1,510,644**
	Add: Post-acquisition profit / loss and Reserve of Associates (Equity method)	7,485,256	6,778,097
	Total	**8,995,900**	**8,288,741**

SCHEDULE 9 - ADVANCES

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
A.	(i) Bills purchased and discounted#	58,036,427	38,324,103
	(ii) Cash Credits, Overdrafts and Loans repayable on demand	419,191,202	404,120,100
	(iii) Term Loans	1,194,021,480	1,005,483,949
	Total	**1,671,249,109**	**1,447,928,152**
	# Bills purchased and discounted is net of Bills Rediscounted ₹ 1,428.12 crore (Previous Year ₹ 835.58 crore)		
B.	(i) Secured by tangible assets *	1,341,451,501	1,155,838,281
	(ii) Covered by Bank / Government guarantees	-	342,386
	(iii) Unsecured	329,797,608	291,747,485
	Total	**1,671,249,109**	**1,447,928,152**
	* including advances secured against book debts		

Schedules

FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2017

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
C. I	**Advances in India**		
	(i) Priority Sector	487,109,122	413,449,029
	(ii) Public Sector	2,796,032	1,747,083
	(iii) Banks	-	-
	(iv) Others	1,168,715,383	1,032,732,040
C.II	**Advances outside India**		
	(i) Due from banks	-	-
	(ii) Due from others	-	-
	a) Bills purchased and discounted	-	-
	b) Syndicated and term loans	12,627,839	-
	c) Others	733	-
	Total	**1,671,249,109**	**1,447,928,152**

SCHEDULE 10 - FIXED ASSETS

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
A.	**Premises (Including Land)**		
	Gross Block		
	At cost on 31st March of the preceding year	11,664,270	8,760,455
	Additions during the year (including on amalgamation)	3,588	4,098,678
	Deductions during the year (including on amalgamation)	10,346	1,194,863
	Total	**11,657,512**	**11,664,270**
	Depreciation		
	As at 31st March of the preceding year	1,365,709	766,553
	Add: Charge for the year (including on amalgamation)	195,349	717,389
	Deductions during the year (including on amalgamation)	3,962	118,233
	Depreciation to date	**1,557,096**	**1,365,709**
	Net Block	**10,100,416**	**10,298,561**
B.	**Other Fixed Assets (Including Furniture and Fixtures)**		
	Gross Block		
	At cost on 31st March of the preceding year	27,230,187	17,955,382
	Additions during the year (including on amalgamation)	3,681,635	10,035,057
	Deductions during the year	742,918	760,252
	Total	**30,168,904**	**27,230,187**
	Depreciation		
	As at 31st March of the preceding year	20,109,763	12,133,756
	Add: Charge for the year (including on amalgamation)	3,426,791	8,635,104
	Deductions during the year	662,271	659,097
	Depreciation to date	**22,874,283**	**20,109,763**
	Net Block [Refer Note 22 - Schedule 17]	**7,294,621**	**7,120,424**
C.	**Leased Fixed Assets**		
	Gross Block		
	At cost on 31st March of the preceding year	1,540,585	-
	Additions during the year (including on amalgamation)	-	1,540,585
	Total	**1,540,585**	**1,540,585**
	Depreciation		
	As at 31st March of the preceding year	1,383,601	-
	Add: Charge for the year (including on amalgamation)	-	1,383,601
	Depreciation to date	**1,383,601**	**1,383,601**
	Net Block	**156,984**	**156,984**
	Total (A) +(B)+(C)	**17,552,021**	**17,575,969**

Schedules

FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2017

SCHEDULE 11 - OTHER ASSETS

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
I.	Interest accrued	26,116,895	23,255,586
II.	Advance tax (net of provision for tax)	436,930	3,918,637
III.	Stationery and stamps	16,958	23,154
IV.	Cheques in course of collection	461,132	86,667
V.	Non Banking assets acquired in satisfaction of claims	67,824	67,824
VI.	Others (Refer Note 3 and 21 - Schedule 17)	105,439,653	96,412,503
	Total	**132,539,392**	**123,764,371**

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
I.	Claims not acknowledged as debts	16,016,026	16,396,690
II.	Liability on account of outstanding forward exchange contracts	1,166,206,826	1,658,110,187
III.	Guarantees on behalf of constituents	249,897,759	240,236,028
IV.	Acceptances, Endorsements and Other Obligations	115,154,901	106,140,681
V.	Other items for which the Group is contingently liable:		
	Liability in respect of interest rate, currency swaps and forward rate agreements	343,346,731	381,124,022
	Liability in respect of other derivative contracts	64,053,007	41,762,808
	Capital commitments not provided	5,686,311	2,207,788
	Unclaimed customer balances transferred to RBI DEAF Scheme	1,359,093	1,140,436
	Total	**1,961,720,654**	**2,447,118,640**

Schedules

FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2017

SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)

		Year ended 31st March, 2017	Year ended 31st March, 2016
I.	Interest / discount on advances / bills	166,198,366	154,123,677
II.	Income from investments	48,553,607	44,082,777
III.	Interest on balances with RBI and other inter-bank funds	3,078,677	1,320,509
IV.	Others	5,411,417	4,489,397
	Total	**223,242,067**	**204,016,360**

SCHEDULE 14 - OTHER INCOME

(₹ in thousands)

		Year ended 31st March, 2017	Year ended 31st March, 2016
I.	Commission, exchange and brokerage	35,396,651	29,705,192
II.	Profit on sale of Investments (net)	12,649,520	7,163,719
III.	Profit / (Loss) on revaluation of investments of Insurance business	8,043,394	(6,407,316)
IV.	Profit on sale of building and other assets (net)	137,068	45,846
V.	Profit on exchange on transactions (net) (including derivatives)	5,571,041	4,912,028
VI.	Premium on Insurance business	51,377,655	39,112,885
VII.	Profit on recoveries of non-performing assets acquired	2,295,586	1,130,265
VIII.	Miscellaneous Income	1,124,677	644,664
	Total	**116,595,592**	**76,307,283**

SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)

		Year ended 31st March, 2017	Year ended 31st March, 2016
I.	Interest on Deposits	80,626,576	76,493,893
II.	Interest on RBI / Inter-Bank Borrowings	12,291,820	14,582,755
III.	Others (Refer Note 13 - Schedule 17)	21,656,703	20,153,081
	Total	**114,575,099**	**111,229,729**

Schedules

FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2017

SCHEDULE 16 - OPERATING EXPENSES

(₹ in thousands)

		Year ended 31st March, 2017	Year ended 31st March, 2016
I.	Payments to and provision for employees (Refer Note 3 and 11 - Schedule 17)	39,823,117	38,540,504
II.	Rent, taxes and lighting (Refer Note 16 - Schedule 17)	6,162,892	5,881,393
III.	Printing and Stationery	1,033,909	944,883
IV.	Advertisement, Publicity and Promotion	2,415,664	2,596,172
V.	Depreciation on Group's property	3,622,140	3,445,129
VI.	Directors' fees, allowances and expenses	31,930	19,732
VII.	Auditors' fees and expenses*		
	Statutory Audit fees	66,325	60,939
	Other Matters	7,305	4,634
VIII.	Law Charges	309,850	321,797
IX.	Postage, telephones etc.	1,689,313	1,603,816
X.	Repairs and maintenance	4,255,277	3,655,155
XI.	Insurance	1,429,033	1,234,494
XII.	Travel and Conveyance	1,466,529	1,530,981
XIII.	Professional Charges	5,496,304	5,252,771
XIV.	Brokerage	5,640,486	4,610,478
XV.	Stamping Expenses	673,842	550,044
XVI.	Policyholders' Reserves	37,091,902	13,504,069
XVII.	Insurance Business Expenses (claims and benefits paid)	23,109,591	18,242,446
XVIII.	Other Expenditure	8,128,663	6,941,412
Total		**142,454,072**	**108,940,849**

* The audit fees is aggregate of statutory audit fees of Kotak Mahindra Bank Limited and its subsidiaries. Of the above ₹ 2.15 crore (previous year ₹ 2.29 crore) have been paid to S.R. Batliboi & Co. LLP the statutory auditors of the Bank.

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") and its subsidiaries, (which constitute "the Group") are prepared in accordance with Accounting Standard 21 (AS-21), "Consolidated Financial Statements". Investment in Associates are accounted by the Group under the equity method in accordance with Accounting Standard 23 (AS-23), "Accounting for Investments in Associates in Consolidated Financial Statements" specified under Section 133 of the Companies Act, 2013, read with paragraph 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. 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, 2017.

b. The list of subsidiaries is as under:

Name of the Subsidiary	Country of Origin	% Shareholding of group (31st March, 2017)	% Shareholding of group (31st March, 2016)
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	UK	**100.00**	100.00
Kotak Mahindra, Inc.	USA	**100.00**	100.00
Kotak Investment Advisors Limited	India	**100.00**	100.00
Kotak Mahindra Trusteeship Services Limited	India	**100.00**	100.00
Kotak Infrastructure Debt Fund Limited (formerly known as 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. Limited	Singapore	**100.00**	100.00
Kotak Mahindra General Insurance Company Limited	India	**100.00**	100.00
IVY Product Intermediaries Limited	India	**100.00**	100.00

** The Company has received permission from RBI to commence and carry on the business as Non Banking Finance Company (" NBFC").*

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, 2017)	% Shareholding of group (31st March, 2016)
Infina Finance Private Limited	India	**49.99**	49.99
Phoenix ARC Private Limited	India	**49.90**	49.90
ACE Derivatives & Commodity Exchange Limited (ACE) (Unaudited)	India	**40.00**	40.00
Matrix Business Services India Private Limited (Unaudited)$	India	**19.77**	19.77

$ *Significant influence exercised through Board representation.*

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 Group has prepared these financial statements to comply in all material respects with the Accounting standards notified under Section 133 of the Companies Act, 2013 read with paragraph 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016, 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 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. ACCOUNTING FOR PROPOSED DIVIDEND

As per the requirements of pre-revised AS-4 – 'Contingencies and Events Occurring after the Balance sheet date', the Group used to create a liability for dividend proposed / declared after the Balance Sheet date if dividend related to periods covered by the financial statements. As per (AS-4) (Revised), the Group is not required to create provision for dividend proposed / declared after the Balance Sheet date unless a statute requires otherwise.

Had the Group continued with creation of provision for proposed dividend, its surplus in Profit and Loss Account would have been lower by ₹ 132.94 crore and Other Liabilities would have been higher by ₹ 132.94 crore (including dividend distribution tax of ₹ 22.49 crore).

D. REVENUE RECOGNITION

a. Banking / Investing:

i. Interest income is recognised on accrual basis.

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

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

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

Schedules

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

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

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

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

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

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

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

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

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

b. Investment Banking:

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

c. Life Insurance:

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

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

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

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

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

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 occurs 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. Re-insurance 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.

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

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

e. Broking:

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

ii. Brokerage Income (net of 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 the Securities and Exchange Board of India ("SEBI") guidelines), such that the total expenses, including management fees do not exceed the rates prescribed within the provision of - the SEBI (Mutual Fund) Regulations, 1996 on an annual basis.

ii. Management 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.

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

Property, Plant and Equipment and Intangible assets have been stated at cost less accumulated depreciation and amortisation and adjusted for impairment, if any. Cost includes cost of purchase inclusive of freight, duties and other incidental expenses and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to put to use. Subsequent expenditure incurred on assets put to use

Schedules

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

is capitalised only when it increases the future benefit / functioning capability from / of such assets. Gain or losses arising from the retirement or disposal of a Property, Plant and Equipment / Intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognised as income or expense in the Profit and Loss Account. Profit on sale of premises of the Bank, if any, is appropriated to Capital Reserve as per the RBI guidelines.

DEPRECIATION / AMORTISATION:

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

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

F. 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 employees of erstwhile ING Vysya Bank Limited ("eIVBL") employees under Indian Banks' Association ("IBA") structure, the Bank contributes 10% of basic salary to a pension fund and the balance amount is provided based on actuarial valuation conducted by an independent actuary as at the Balance Sheet date. The Pension Fund is 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.

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.

G. 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.

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.

Schedules

FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND 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 are determined as per the norms prescribed by the RBI as under:

- In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to maturity for Government Securities as published by FIMMDA / PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA is adopted for this purpose;
- In case of bonds and debentures (including PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by the RBI. Interest on such securities is not recognised in the Profit and Loss Account until received;
- Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹ 1 per investee company;
- Units of Venture Capital Funds ("VCF") held under AFS category where current quotations are not available are marked to market based on the Net Asset Value ("NAV") shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF. Investment in unquoted VCF made after 23rd August, 2006 are categorised under HTM category for an initial period of three years and valued at cost as per RBI guidelines;
- Security receipts are valued as per the NAV obtained from the issuing Asset Reconstruction Company or Securitisation Company or estimated recoverable value, whichever is lower.

g. Non-performing investments are identified and 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. Unlisted shares or shares awaiting listing are stated at historical cost subject to provision for diminution, if any. 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.

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

f. Investments in mutual funds are valued at the 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.

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 is accreted over the period to maturity on an internal rate of return basis. Listed equity shares and Exchange traded funds ("ETF") are valued at fair value, being the last quoted

Schedules

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

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

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

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

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

For General Insurance Company

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

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

c. Mutual fund units are stated at their 'Net Asset Value' as at the Balance Sheet date. Any unrealised gain / loss 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:

In accordance with 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.

Schedules

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

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

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".

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

Interest rate / Currency swaps:

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.

Schedules

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

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. In accordance with 'Guidance Note on Accounting for Derivative Contracts' issued by the Institute of Chartered Accountants of India effective on 1st April 2016, the Subsidiaries and Associates have changed their accounting policy to recognise all mark to market gains or losses on derivative contracts in the Profit and Loss Account. Earlier mark to market gains or losses on derivative contracts were determined on a portfolio basis with net unrealised losses being recognised and the net unrealised gains ignored on grounds of prudence as enunciated in Accounting Standard 1 (AS-1) 'Disclosure of Accounting Policies'. The impact of the above change in accounting policy is recognised in the opening reserves to the extent of ₹ 0.89 crore (net of tax). Had the company followed the earlier method, the profit after tax for year ended 31st March, 2017 would have been lower by ₹ 2.71 crore.

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.

I. ADVANCES

Classification:

i. Advances are classified as performing and non-performing advances ("NPAs") based on the RBI guidelines and are stated net of bills rediscounted, specific provisions, interest in suspense for non-performing advances and claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan and provisions in lieu of diminution in the fair value of restructured assets. Also, NPAs are classified into sub-standard, doubtful as required by RBI guidelines. 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 over dues. If these over dues are in excess of 90 days, the Group classifies such assets into sub-standard, doubtful or loss as required by the RBI guidelines on purchase of non-performing assets.

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

Schedules

Provisioning:

For Bank:

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

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

vi. In accordance with RBI guidelines the Bank has provided general provision on standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, and gold at levels stipulated by RBI from time to time - farm credit to agricultural activities 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%. Additional 2% standard asset provision is done for overseas step down subsidiaries of Indian corporates.

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

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

For other entities:

ix NBFC subsidiaries provide general provision on standard assets at 0.30% 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.

J. 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 (H)(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.

K. 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'.

L. ACTUARIAL METHOD – LIFE INSURANCE

i **Actuarial method and assumptions:** The actuarial liabilities have been calculated by the Appointed Actuary in accordance with generally accepted actuarial principles, the requirements of the Insurance Act, 1938 as amended by the Insurance Laws (Amendment) Act, 2015, the Insurance Regulatory and Development Authority Act, 1999 and the regulations framed thereunder, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2002, the Insurance Regulatory and Development Authority of India (Assets, Liabilities and Solvency Margin of Life Insurance Business) Regulations, 2016, and

Schedules

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

other relevant regulations, orders / directions issued by IRDAI in this regard and the prescribed guidance notes issued by the Institute of Actuaries of India. In respect of unit linked policies, a unit reserve equal to the value of units as on the Balance Sheet date and an additional non-unit reserve calculated on gross premium prospective valuation method is created. The method adopted for par policies (accumulation contracts) is the value of the accumulated fund and an additional non-unit reserve calculated on gross premium prospective valuation method. In respect of individual conventional business / Group 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 expenses and mortality benefits.

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

M. 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. As per circular vide IRDA/F&A/CIR/CPM/056/03/2016 dated 4th April, 2016 such reserves are calculated on a pro-rata basis under 1/365 basis subject to 100% for marine hull business, on all unexpired policies at Balance Sheet date.

N. 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.

O. 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.

P. 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.

Q. 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.

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.

R. 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

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

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

Segment results are net of segment revenue and segment expenses.

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

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

S. 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.

Schedules

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

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

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, 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 vesting date with changes in intrinsic value recognised in the Profit and Loss Account in 'Payments to and provision for employees'.

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

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

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

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

U. 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.

V. 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.

Schedules

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

W. LEASES

As Lessee

Leases where the Group does not retain 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.

X. 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.

Y. 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.

Z. CONTRIBUTION TO TERRORISM POOL

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

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

AA. CONTRIBUTION TO SOLATIUM FUND

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

AB. SHARE ISSUE EXPENSES

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

AC. 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.

Schedules

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

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.

AD. 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.

AE. CASH AND CASH EQUIVALENTS

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

NOTES TO ACCOUNTS

3. EMPLOYEE BENEFITS:

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

Provident Fund	₹ 127.78 crore (Previous Year ₹ 118.55 crore)
Superannuation Fund	₹ 2.71 crore (Previous Year ₹ 3.01 crore)
New Pension Fund	₹ 4.27 crore (Previous Year ₹ 3.85 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, 2017		As on 31st March, 2016	
	Funded	**Unfunded**	**Funded**	**Unfunded**
Change in benefit obligations				
Liability as at the beginning of the year	320.65	7.49	123.85	7.65
Current Service cost	36.43	0.97	35.57	0.88
Interest cost	24.75	0.64	21.66	0.62
Actuarial (gain) / loss on obligations	5.52	0.47	41.50	0.07
Past Service cost	-	-	-	-
Addition due to amalgamation	-	-	145.48	0.14
Liabilities assumed on acquisition / (settled on divestiture)	(0.04)	0.03	(0.02)	0.24
Benefits paid	(59.70)	(1.37)	(47.39)	(2.11)
Liability as at the end of the year	**327.61**	**8.23**	**320.65**	**7.49**
Change in plan assets				
Fair value of plan assets as at the beginning of the year	295.10	-	120.56	-
Expected return on plan assets	22.68	-	22.84	-
Actuarial Gain / (loss)	16.02	-	(7.74)	-
Addition due to amalgamation	-	-	146.88	-
Benefits paid	(59.70)	(1.37)	(47.39)	(2.11)
Employer contributions	70.22	1.37	59.95	2.11
Fair value of plan assets as at the end of the year	**344.32**	**-**	**295.10**	**-**

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, 2017		As on 31st March, 2016	
	Funded	Unfunded	Funded	Unfunded
Fair value of plan assets as at the end of the year	344.32	-	295.10	-
Liability at the end of the year	327.61	8.23	320.65	7.49
Net Asset / (Liabilities) included in "Others" under "Other Assets" or "Other Liabilities"	**16.71**	**(8.23)**	**(25.55)**	**(7.49)**
Expenses recognised for the year				
Current service cost	36.43	0.97	35.57	0.88
Interest cost	24.75	0.64	21.66	0.62
Expected return on plan assets	(22.68)	-	(22.84)	-
Actuarial (gain) / loss	(10.50)	0.47	49.24	0.07
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]	**28.00**	**2.08**	**83.63**	**1.57**
Actual return on plan assets	**38.70**	**-**	**15.11**	**-**

Reconciliation of the Liability recognised in the Balance Sheet

(₹ in crore)

	As on 31st March, 2017		As on 31st March, 2016	
	Funded	Unfunded	Funded	Unfunded
Net (Asset) / Liability as at the beginning of the year	25.55	7.49	3.29	7.65
Addition due to amalgamation	-	-	(1.40)	0.14
Expense recognised	28.00	2.08	83.63	1.57
Liabilities assumed on acquisition / (settled on divestiture)	(0.04)	0.03	(0.02)	0.24
Employer contributions	(70.22)	(1.37)	(59.95)	(2.11)
Effect of the limit in Para 59(b)	-	-	-	-
Net (Asset) / Liability included in "Others" under "Other Assets" or "Other Liabilities"	**(16.71)**	**8.23**	25.55	7.49

Investment details of plan assets

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

	As on 31st March, 2017 %	As on 31st March, 2016 %
LIC managed funds#	27.66	40.01
Government securities	14.24	21.06
Bonds, debentures and other fixed income instruments	15.01	10.86
Money market instruments	6.88	8.04
Equity shares and other current assets	36.21	20.03
Total	**100.00**	100.00

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

Schedules

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

Actuarial assumptions used

	As on 31st March, 2017	As on 31st March, 2016
Discount rate	7.18% - 7.22% p.a.	7.85% - 7.95 % p.a.
Salary escalation rate	5.50% (IBA) and 7.00% (others) p.a.	5.50% (IBA) and 8.50% (others)% p.a.
Expected rate of return on plan assets	7.50% - 8.00% p.a.	7.50% - 8.75% p.a.

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

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

Experience adjustments

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

(₹ in crore)

Gratuity	Year ended 31st March,				
	2017	2016	2015	2014	2013
Defined benefit obligation	335.84	328.14	131.50	102.46	97.54
Plan assets	344.32	295.10	120.56	101.27	88.87
Surplus / (deficit)	8.48	(33.04)	(10.94)	(1.19)	(8.67)
Experience adjustments on plan liabilitiess	4.18	42.28	4.25	1.84	(4.72)
Experience adjustments on plan assets	14.74	(8.14)	20.30	4.04	1.66

The Group expects to contribute ₹ 29.77 crore to gratuity fund in financial year 2017-2018.

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

Pension

Pension liability relates to employees of eIVBL.

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

(₹ in crore)

	As on 31st March, 2017 Funded	As on 31st March, 2016 Funded
Change in benefit obligations		
Liability as at the beginning of the year	782.02	-
Addition due to amalgamation	-	503.60
Current Service cost	29.52	29.69
Interest cost	52.01	34.31
Actuarial (gain) / loss on obligations	210.06	347.58
Past Service cost	-	-
Benefits paid	(123.47)	(133.16)
Liability as at the end of the year	**950.14**	**782.02**
Change in plan assets		
Fair value of plan assets as at the beginning of the year	747.24	-
Addition due to amalgamation	-	504.17
Expected return on plan assets	66.89	54.75
Actuarial Gain / (loss)	(0.75)	(13.79)
Benefits paid	(123.47)	(133.16)
Employer contributions	235.00	335.27
Fair value of plan assets as at the end of the year	**924.91**	**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, 2017 Funded	As on 31st March, 2016 Funded
Fair value of plan assets at the end of the year	924.91	747.24
Liability at the end of the year	950.14	782.02
Net Liability included in "Others" under "Other Liabilities"	**(25.23)**	**(34.78)**
Expenses recognised for the year		
Current service cost	29.52	29.69
Interest cost	52.01	34.31
Expected return on plan assets	(66.89)	(54.75)
Actuarial (gain) / loss	210.81	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]	**225.45**	**370.62**
Actual return on plan assets	**66.14**	**40.96**

Reconciliation of the Liability recognised in the Balance Sheet

(₹ in crore)

	As on 31st March, 2017 Funded	As on 31st March, 2016 Funded
Net (Asset) / Liability at the beginning of the year	34.78	-
Addition due to amalgamation	-	(0.57)
Expense recognised	225.45	370.62
Employer contributions	(235.00)	(335.27)
Effect of the limit in Para 59(b)	-	-
Net Liability included in "Others" under "Other Liabilities"	**25.23**	**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, 2017	As on 31st March, 2016
Discount rate	7.22% p.a.	7.85% p.a.
Salary escalation rate	5.50% p.a.	5.50% p.a.
Expected rate of return on plan assets	8.00% p.a.	8.75% p.a.
Inflation	6.00% p.a.	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, 2017**	Year ended 31st March, 2016
Defined benefit obligation	950.14	782.02
Plan assets	924.91	747.24
Surplus / (deficit)	(25.23)	(34.78)
Experience adjustments on plan liabilities	178.79	344.62
Experience adjustments on plan assets	(7.02)	(15.35)

The Bank expects to contribute ₹ 56.42 crore to pension fund in financial year 2017-2018.

Compensated absences

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

(₹ in crore)

	As on 31st March, 2017	**As on 31st March, 2016**
Total actuarial liability	223.32	205.25
Assumptions:		
Discount rate	7.18% - 7.22% p.a.	7.85% - 7.95% p.a.
Salary escalation rate	5.50% (IBA) and 7.00% (others) p.a.	5.50% (IBA) and 8.50% (others) p.a.

Long Service Award

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

(₹ in crore)

	As on 31st March, 2017	**As on 31st March, 2016**
Total actuarial liability	10.54	9.30
Assumptions:		
Discount rate	7.18% p.a.	7.95% p.a.

4. DEPOSIT UNDER LIEN:

Balance with Banks in other deposit accounts include ₹ 1,960.12 crore (previous year ₹ 66.89 crore) which are under lien.

5. SECURITIES PLEDGED AND ENCUMBERED:

(a) Investments include Government Securities with face Value of ₹ 1,231.53 crore (previous year ₹ 2,288.05 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, 2017 ₹ 133.29 crore (previous year ₹ 107.18 crore).

6. "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.

Schedules

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

Provision for Contingencies: -

(₹ in crore)

Description	Balance as on 1st April, 2016	Addition during the year	Reversed / paid during the year	Balance as on 31st March, 2017
Stamp duty on Trades	3.21	-	-	3.21
Customer claims with respect to repossessed vehicles	0.26	-	0.04	0.22
Total	**3.47**	**-**	**0.04**	**3.43**
Previous year	3.45	0.08	0.06	3.47

7. PROVISIONS AND CONTINGENCIES:

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

(₹ in crore)

Year ended 31st March,	2017	2016
Provision for taxation (Refer Note 8 below)	2,382.85	1,592.62
Provision for Non-performing Assets and Contingencies (including write-offs and net of recoveries)	681.61	752.42
Provision for Standard Assets	116.13	64.96
Provision for Unhedged Foreign Currency Exposure	(9.46)	20.88
Provision for Diminution in value of Investments	151.53	139.97
Provision Others	9.11	13.34
Total	**3,331.77**	**2,584.19**

8. PROVISION MADE FOR TAXES DURING THE YEAR:

(₹ in crore)

Year ended 31st March,	2017	2016
Current tax	2,467.76	1,607.50
Deferred tax	(84.91)	(15.08)
Wealth Tax	-	0.20
Total	**2,382.85**	**1,592.62**

9. DESCRIPTION OF CONTINGENT LIABILITIES:

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

Schedules

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

Sr. No.	Contingent Liability*	Brief Description
5.	Other items for which the Group is contingently liable	These include: • Liabilities in respect of interest rate swaps, currency swaps, forward rate agreements, futures, options and other derivative contracts. The Group enters into these transactions on its own account and for customers. Currency Swaps are commitments to exchange cash flows by way of interest or principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are amounts used as a benchmark for the calculation of interest component of the contracts. • Liability in respect of Capital commitments relating to fixed assets and undrawn commitments in respect of investments.

** Also refer Schedule 12 – Contingent Liabilities*

10. EARNINGS PER EQUITY SHARE:

Particulars	As on 31st March, 2017	As on 31st March, 2016
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	1,837,185,095	1,829,184,376
Effect of potential equity shares for stock options outstanding	2,013,926	4,134,235
Weighted average number of equity shares used in computation of diluted earnings per share	1,839,199,021	1,833,318,611
Following is the reconciliation between basic and diluted earnings per share:		
Nominal value per share (₹)	5.00	5.00
Basic earnings per share (₹)	26.89	18.91
Effect of potential equity shares for stock options (₹)	0.03	0.04
Diluted earnings per share (₹)	26.86	18.87
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	4,940.43	3,458.85

11. EMPLOYEE SHARE BASED PAYMENTS:

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

(a) Kotak Mahindra Equity Option Scheme 2001-02;
(b) Kotak Mahindra Equity Option Scheme 2002-03;
(c) Kotak Mahindra Equity Option Scheme 2005;
(d) Kotak Mahindra Equity Option Scheme 2007; and
(e) Kotak Mahindra Equity Option Scheme 2015

Further, pursuant to the Scheme of Amalgamation of ING Vysya Bank 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

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 144,210,124 options (including options issued in exchange on amalgamation) as on 31st March, 2017 (Previous year 140,327,654).

In aggregate 8,663,925 options are outstanding as on 31st March, 2017 under the aforesaid schemes.

Schedules

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

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, 2017, 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	3,896,470
Method of Settlement (Cash / Equity)	Equity	Equity
Vesting Period	1.00 – 4.14 years	1.00 – 4.02 years
Exercise Period	0.30 – 1.08 years	0.25 – 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.*

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

	Year ended 31st March, 2017		Year ended 31st March, 2016	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	8,743,098	467.54	8,301,918	332.35
Granted during the year	-	-	3,801,400	661.73
Forfeited during the year	417,350	587.02	651,752	552.38
Exercised during the year	5,086,246	391.04	2,708,204	305.30
Expired during the year	11,266	632.12	264	371.00
Outstanding at the end of the year	3,228,236	572.03	8,743,098	467.54
Out of the above exercisable at the end of the year	330,038	397.83	1,501,046	310.96
Weighted average remaining contractual life (in years)		1.25		1.33
Weighted average fair value of options granted		-		184.86

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

	Year ended 31st March, 2017		Year ended 31st March, 2016	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	14,000	690.00	-	-
Granted during the year	3,882,470	720.94	14,000	690.00
Forfeited during the year	114,740	712.88	-	-
Exercised during the year	3,500	690.00	-	-
Expired during the year	-	-	-	-

Schedules

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

	Year ended 31st March, 2017		Year ended 31st March, 2016	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the end of the year	3,778,230	721.10	14,000	690.00
Out of the above exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)		2.40		2.28
Weighted average fair value of options granted		201.36		189.63

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

	Year ended 31st March, 2017		Year ended 31st March, 2016	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	407,684	395.25	-	-
Addition on amalgamation	-	-	1,245,010	328.76
Forfeited during the year	-	-	-	-
Exercised during the year	251,662	386.84	837,324	296.39
Expired during the year	-	-	2	151.50
Outstanding at the end of the year	156,022	408.82	407,684	395.25
Out of the above exercisable at the end of the year	156,022	408.82	407,684	395.25
Weighted average remaining contractual life (in years)		2.63		3.46

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

	Year ended 31st March, 2017		Year ended 31st March, 2016	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	1,392,986	275.34	-	-
Addition on amalgamation	-	-	5,773,046	283.17
Forfeited during the year	6	416.00	2	252.00
Exercised during the year	676,002	269.82	4,380,058	285.67
Expired during the year	-	-	-	-
Outstanding at the end of the year	716,978	280.53	1,392,986	275.34
Out of the above exercisable at the end of the year	716,978	280.53	1,392,986	275.34
Weighted average remaining contractual life (in years)		2.19		2.90

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

	Year ended 31st March, 2017		Year ended 31st March, 2016	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	1,282,136	387.44	-	-
Addition on amalgamation	-	-	4,642,198	389.87
Forfeited during the year	28	379.50	536	379.50
Exercised during the year	497,649	387.01	3,359,526	390.80
Expired during the year	-	-	-	-
Outstanding at the end of the year	784,459	387.72	1,282,136	387.44
Out of the above exercisable at the end of the year	784,459	387.72	1,282,136	387.44
Weighted average remaining contractual life (in years)		3.02		4.02

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 772.59 (Previous year ₹ 665.07).

Schedules

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

31st March, 2017

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
201-300	649,724	1.89	250.50
301-400	883,365	2.26	375.32
401-500	1,226,430	1.66	413.82
501-600	71,430	2.00	550.00
601-700	2,136,676	1.47	665.12
701-800	3,696,300	2.41	724.50

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

Stock appreciation rights

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 subsidiaries and associate companies. Pursuant to this resolution, Kotak Mahindra Stock Appreciation Rights Scheme 2015 has been formulated and adopted. Subsequently, the SARs have been granted under this scheme and the existing SARs will continue.

The SARs are settled in cash and vest on the respective due dates in a graded manner as per the terms and conditions of grant. The contractual life of the SARs outstanding range from 1.12 to 4.24 years.

Detail of activity under SARs is summarised below:

	Year Ended 31st March, 2017	Year Ended 31st March, 2016
Outstanding at the beginning of the year	2,213,354	1,926,254
Granted during the year	1,252,558	1,992,080
Settled during the year	983,585	1,498,960
Lapsed during the year	135,742	206,020
Outstanding at the end of the year	**2,346,585**	**2,213,354**

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:

Schedules

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

Year ended 31st March,	2017		2016	
	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Exercise Price ₹	550 - 795	0 - 710	400 - 690	5 - 665
Weighted Average Share Price ₹	724.39	709.31	664.59	665.85
Expected Volatility	23.63% - 28.05%	14.68% - 24.24%	26.55% - 29.55%	21.42% - 28.58%
Historical Volatility	23.63% - 28.05%	14.68% - 24.24%	26.55% - 29.55%	21.42% - 28.58%
Life of the options granted (Vesting and exercise period)				
- At the grant date	1.24 - 4.21		1.18 - 3.90	
- As at 31st March		0.08 - 2.71		0.08 - 3.59
Risk-free interest rate	6.64% - 7.46%	5.89% - 6.64%	7.64% - 8.07%	7.08% - 7.52%
Expected dividend rate	0.06% - 0.07%	0.06%	0.07%	0.07%

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

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

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

(₹ in crore)

Year ended 31st March,	2017	2016
Total Employee compensation cost pertaining to share-based payment plans	96.24	105.07
Compensation cost pertaining to equity-settled employee share-based payment plan included above	1.50	2.95
Liability for employee stock options outstanding as at year end	3.45	4.82
Deferred Compensation Cost	1.59	1.41
Closing balance of liability for cash-settled options	101.38	76.08
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	66.79	34.08

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 ₹ 46.49 crore (Previous year ₹ 103.70 crore) and the profit after tax would have been lower by ₹ 31.18 crore (Previous year ₹ 67.81 crore). Consequently the basic and diluted EPS would have been ₹ 26.72 (Previous year ₹ 18.54) and ₹ 26.69 (Previous year ₹ 18.50) 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.

12. TIER II BONDS

a. Lower Tier II Bonds outstanding as on 31st March, 2017 ₹ 1,051.60 crore (previous year ₹ 1,152.50 crore).

b. Upper Tier II Bonds outstanding as on 31st March, 2017 ₹ 348.28 crore (previous year ₹ 806.31 crore) of which bonds issued outside India ₹ 212.28 crore (previous year ₹ 670.31 crore).

13. Interest Expended-Others (Schedule 15.III) includes interest on subordinated debt (Lower and Upper Tier II) ₹ 134.87 crore (previous year ₹ 145.00 crore).

14. 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 ₹ 115.53 crore (previous year ₹ 115.12 crore) is carried forward in the Balance Sheet under "Other Assets".

Schedules

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

15. SEGMENT REPORTING

The Summary of the operating segments of the Group for the year ended 31st March, 2017 are as given below:

(₹ in crore)

31st March,	2017	2016
Segment Revenues:		
Treasury, BMU and Corporate Centre	5,439.55	4,666.60
Retail Banking	10,274.57	9,345.42
Corporate / Wholesale Banking	8,285.12	6,825.36
Vehicle Financing	2,138.17	2,042.26
Other Lending Activities	1,475.55	1,272.57
Broking	1,009.74	810.14
Advisory and Transactional Services	116.34	120.43
Asset Management	649.51	571.15
Insurance	7,678.48	4,550.08
Sub-total	**37,067.03**	**30,204.01**
Add: Unallocated Income	-	-
Less: inter-segment revenues	(3,083.27)	(2,171.65)
Total Income	**33,983.76**	**28,032.36**
Segment Results:		
Treasury, BMU and Corporate Centre	1,554.18	416.55
Retail Banking	1,194.72	916.58
Corporate / Wholesale Banking	2,670.37	2,030.39
Vehicle Financing	495.22	450.90
Other Lending Activities	514.82	489.13
Broking	372.08	199.60
Advisory and Transactional Services	25.11	32.12
Asset Management	199.52	216.27
Insurance	305.91	272.20
Sub-total	**7,331.93**	**5,023.74**
Add: Unallocated Income / (Expense)	-	-
Total Profit before tax, minority interest and associates	**7,331.93**	**5,023.74**
Provision for tax	2,382.85	1,592.62
Net Profit before share of Associates and Minority	**4,949.08**	**3,431.12**
Segment Assets:		
Treasury, BMU and Corporate Centre	79,561.15	73,614.47
Retail Banking	122,665.94	119,417.46
Corporate / Wholesale Banking	80,202.99	66,331.50
Vehicle Financing	19,037.54	17,208.93
Other Lending Activities	15,131.04	11,353.35
Broking	3,423.72	1,608.24
Advisory and Transactional Services	41.66	54.00
Asset Management	2,196.96	1,768.99
Insurance	21,306.89	17,491.85
Sub-total	**343,567.89**	**308,848.79**
Less: inter-segment assets	(67,768.17)	(68,694.73)
Total	**275,799.72**	**240,154.06**
Add: Unallocated Assets	387.83	649.52
Total Assets as per Balance Sheet	**276,187.55**	**240,803.58**

Schedules

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

31st March,	2017	2016
Segment Liabilities:		
Treasury, BMU and Corporate Centre	75,372.90	73,260.93
Retail Banking	114,071.16	109,222.85
Corporate / Wholesale Banking	69,800.85	56,139.58
Vehicle Financing	15,188.49	13,564.50
Other Lending Activities	6,765.43	5,413.55
Broking	2,986.21	1,251.36
Advisory and Transactional Services	24.64	19.67
Asset Management	1,088.14	761.06
Insurance	19,626.16	15,939.13
Sub-total	**304,923.98**	**275,572.63**
Less: inter-segment liabilities	(67,768.17)	(68,694.73)
Total	**237,155.81**	**206,877.90**
Add: Unallocated liabilities	66.47	169.44
Add: Share Capital, Reserves and Surplus and Minority Interest	38,965.27	33,756.24
Total Capital and Liabilities as per Balance Sheet	**276,187.55**	**240,803.58**
Capital Expenditure		
Treasury, BMU and Corporate Centre	58.06	52.67
Retail Banking	203.27	169.88
Corporate / Wholesale Banking	23.01	12.53
Vehicle Financing	2.79	4.19
Other Lending Activities	0.58	1.35
Broking	19.48	31.57
Advisory and Transactional Services	1.05	1.48
Asset Management	8.08	8.99
Insurance	52.20	42.09
Total	**368.52**	**324.75**
Depreciation / Amortisation		
Treasury, BMU and Corporate Centre	91.21	130.69
Retail Banking	182.40	144.43
Corporate / Wholesale Banking	17.29	13.18
Vehicle Financing	2.86	2.66
Other Lending Activities	0.79	0.79
Broking	22.32	19.24
Advisory and Transactional Services	1.69	1.76
Asset Management	10.09	8.90
Insurance	33.56	22.86
Total	**362.21**	**344.51**

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

16. 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 ₹ 468.53 crore (previous year ₹ 444.01 crore).

(ii) The future minimum lease payments under non-cancelable operating lease not later than one year is ₹ 402.16 crore (previous year ₹ 392.95 crore), later than one year but not later than five years is ₹ 1,270.02 crore (previous year ₹ 1,134.58 crore) and later than five years ₹ 1,027.63 crore (previous year ₹ 916.02 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.

17. ASSETS GIVEN ON LEASE

The lease income recognised in the Profit and Loss Account in respect of premises and equipment under operating lease is ₹ 0.01 crore (previous year ₹ 0.00 crore).

The future minimum lease payments expected to be received under non-cancelable operating lease – not later than one year is ₹ 0.66 crore (previous year ₹ 0.63 crore), later than one year but not later than five years is ₹ 2.91 crore (previous year ₹ 2.81 crore) and later than five years ₹ 1.13 crore (previous year ₹ 1.89 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,	2017	2016
Gross Investments (A):		
(i) Not later than 1 year	86.01	82.99
(ii) Between 1-5 years	154.99	133.34
Total	**241.00**	**216.33**
Unearned Finance Income (B):		
(i) Not later than 1 year	21.01	19.10
(ii) Between 1-5 years	22.04	19.17
Total	**43.05**	**38.27**
Present Value of Rentals (A-B):		
(i) Not later than 1 year	65.00	63.89
(ii) Between 1-5 years	132.96	114.17
Total	**197.96**	**178.06**
Accumulated provision on the Gross Investments	**1.14**	**1.06**

18. 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 cost of the investment properties those are purchased post 31st March, 2015 are considered as market value as at the 31st March, 2017. The real estate investment property is accordingly valued at ₹ 178.53 crore at 31st March, 2017 (previous year ₹ 69.84 crore). The historical cost of the property is ₹ 158.19 crore (previous year ₹ 49.51 crore). The revaluation gains have been included in policyholder's funds.

Schedules

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

19. 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, 2017

As on 31st March, Particulars of Derivatives	2017 Quantity	2016 Quantity	Purpose
Futures			
S&P CNX Nifty Futures Short	75,975	237,000	Trading
Bank Nifty Futures Long	5,000	3,630	Trading
Stock Futures Long	2,326,330	3,198,325	Trading
Stock Futures Short	2,070,486	386,000	Trading
USD-INR Long	-	119,000	Trading
USD-INR Short	412,000	-	Trading
Options			
S&P CNX Nifty Options Long	877,875	341,175	Trading
S&P CNX Nifty Options Short	424,425	418,500	Trading
Stock Options Long	100,200	18,600	Trading
Bank Nifty Options Long	10,680	-	Trading
Bank Nifty Options Short	2,760	-	Trading
USD-INR Long	2,264,000	643,000	Trading
USD-INR Short	2,532,000	725,000	Trading
Credit Default Swaps	-	USD 40,000,000	Trading
Forward Exchange Contracts			
USD-INR Long	USD 29,939,044	USD 13,000,000	Hedging
Interest Rate Swap	USD 68,500,000	USD 40,500,000	Hedging
Total Return Swap	USD 5,335,985	USD 8,003,978	Trading

Unhedged forex exposure outstanding as on the Balance Sheet date

(₹ in crore)

Particulars	As on 31st March, 2017	As on 31st March, 2016
Amount Receivable in foreign currency	5.48 (USD 844,174)	1.62 (USD 244,672)
	0.03 (GBP 3,300)	0.00 (GBP 100)
		0.53 (JPY 9,039,474)
		0.01 (EUR 1,060)
Amount Payable in foreign currency	0.46 (USD 70,248)	1.13 (USD 170,130)

Schedules

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

20. Additional information to consolidated accounts at 31st March, 2017, (Pursuant to Schedule III of the Companies Act, 2013)

(₹ in crore)

Name of the Subsidiary	Net Assets*				Share in profit or loss			
	2016 - 2017		2015 - 2016		**2016 - 2017**		2015 – 2016	
	As % of Consolidated Net Assets	**Amount**	As % of Consolidated Net Assets	Amount	**As % of Consolidated Profit or Loss**	**Amount**	As % of Consolidated Profit or Loss	Amount
Kotak Mahindra Bank Limited	71.75%	27,616.07	71.82%	23,959.06	69.05%	3,411.50	60.42%	2,089.78
Indian Subsidiaries:								
Kotak Mahindra Prime Limited	10.98%	4,227.07	11.55%	3,851.66	10.42%	514.75	14.52%	502.31
Kotak Securities Limited	7.78%	2,995.95	7.90%	2,634.68	7.31%	361.27	7.25%	250.66
Kotak Mahindra Capital Company Limited	1.28%	493.23	1.34%	447.62	0.92%	45.61	0.94%	32.40
Kotak Mahindra Old Mutual Life Insurance Limited	4.74%	1,824.72	4.56%	1,521.44	6.14%	303.27	7.25%	250.75
Kotak Mahindra General Insurance Company Limited	0.23%	90.28	0.37%	125.00	(0.70%)	(34.72)	(0.28%)	(9.73)
Kotak Mahindra Investments Limited	2.70%	1,037.55	2.52%	841.12	3.98%	196.43	4.45%	153.90
Kotak Mahindra Asset Management Company Limited	0.38%	147.82	0.33%	109.59	0.77%	38.23	1.72%	59.33
Kotak Mahindra Trustee Company Limited	0.21%	80.72	0.19%	63.27	0.35%	17.45	0.37%	12.72
Kotak Investment Advisors Limited	0.72%	276.85	0.81%	270.93	0.12%	5.93	0.13%	4.66
Kotak Mahindra Trusteeship Services Limited	0.04%	14.24	0.04%	12.30	0.04%	1.93	0.03%	0.99
Kotak Infrastructure Debt Fund Limited (formerly known as Kotak Forex Brokerage Limited)	0.80%	309.24	0.00%	(0.05)	0.07%	3.38	(0.00%)	(0.10)
Kotak Mahindra Pension Fund Limited	0.07%	25.34	0.08%	25.55	(0.00%)	(0.22)	0.01%	0.30
IVY Product Intermediaries Limited	0.01%	5.19	0.01%	4.92	0.01%	0.26	0.01%	0.46
Foreign Subsidiaries:								
Kotak Mahindra (International) Limited	1.21%	467.05	1.27%	424.75	1.07%	52.96	1.45%	50.22
Kotak Mahindra (UK) Limited	0.52%	201.49	0.50%	165.24	0.84%	41.37	1.55%	53.51
Kotak Mahindra, Inc.	0.03%	11.76	0.06%	18.38	(0.13%)	(6.44)	0.07%	2.53
Kotak Mahindra Financial Services Limited	0.01%	4.40	0.02%	5.71	(0.02%)	(1.22)	(0.05%)	(1.71)
Kotak Mahindra Asset Management (Singapore) Pte. Limited	0.02%	8.99	0.03%	9.80	(0.01%)	(0.63)	0.01%	0.42
Minority Interests in subsidiary	(1.23%)	(474.43)	(1.19%)	(395.60)	(1.60%)	(78.83)	(1.88%)	(65.19)
Associates:								
Infina Finance Private Limited					1.16%	57.42	2.35%	81.21
Phoenix ARC Private Limited					0.23%	11.30	0.31%	10.55
ACE Derivatives & Commodity Exchange Limited (ACE)					0.00%	0.21	0.00%	0.14
Matrix Business Services India Private Limited					0.03%	1.24	0.03%	1.03
Inter-company and Other adjustments	(2.27%)	(872.69)	(2.21%)	(734.73)	(0.04%)	(2.02)	(0.66%)	(22.29)
Total	**100.00%**	**38,490.84**	**100.00%**	**33,360.64**	**100.00%**	**4,940.43**	**100.00%**	**3,458.85**

** Total assets minus total liabilities*

Schedules

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

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

(₹ in crore)

Particulars	Year ended 31st March, 2017	Year ended 31st March, 2016
Deferred Tax Assets		
Provision for non-performing and doubtful debts, standard advances and contingencies	325.21	340.06
Depreciation on assets	43.30	37.23
Provision for investments	3.72	3.74
Unamortised Income	2.49	0.08
Expenditure allowed on payment basis and others	158.64	47.76
Total Deferred Tax Assets	**533.36**	**428.87**
Deferred Tax Liabilities		
Deferred expenses	42.84	42.48
Depreciation on assets	24.72	16.88
Others	129.70	118.32
Total Deferred Tax Liabilities	**197.26**	**177.68**
Net Deferred Tax Assets / (Liabilities)	**336.10**	**251.19**

22. FIXED ASSETS:

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

(₹ in crore)

Particulars	Year ended 31st March, 2017	Year ended 31st March, 2016
PURCHASED SOFTWARE AND SYSTEM DEVELOPMENT EXPENDITURE		
Gross Block		
At cost on 31st March of the preceding year	588.12	326.34
Additions during the year (including on amalgamation)	113.30	266.13
Deductions during the year	-	4.35
Total	**701.42**	**588.12**
Amortisation		
As on 31st March of the preceding year	492.33	276.59
Charge for the year (including on amalgamation)	84.64	218.42
Deductions during the year	-	2.68
Amortisation to date	**576.97**	**492.33**
Net Block	**124.45**	**95.79**
MEMBERSHIP CARDS OF STOCK EXCHANGE		
Gross Block		
At cost on 31st March of the preceding year	4.66	4.66
Total	**4.66**	**4.66**
Amortisation		
As on 31st March of the preceding year	4.20	4.03
Charge for the year	0.12	0.17
Amortisation to date	**4.32**	**4.20**
Net Block	**0.34**	**0.46**

Schedules

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

Particulars	Year ended 31st March, 2017	Year ended 31st March, 2016
GOODWILL		
Gross Block		
At cost on 31st March of the preceding year	1.88	1.88
Deductions during the year	1.88	-
Total	**-**	**1.88**
Amortisation		
As on 31st March of the preceding year	1.88	1.88
Charge for the year	-	-
Deductions during the year	1.88	-
Amortisation to date	**-**	**1.88**
Net Block	**-**	**-**
FOREX BROKING BUSINESS RIGHTS		
Gross Block		
At cost on 31st March of the preceding year	3.83	3.83
Deductions during the year	3.83	-
Total	**-**	**3.83**
Amortisation		
As on 31st March of the preceding year	3.83	3.83
Charge for the year	-	-
Deductions during the year	3.83	-
Amortisation to date	**-**	**3.83**
Net Block	**-**	**-**
ASSET MANAGEMENT RIGHTS		
Gross Block		
At cost on 31st March of the preceding year	15.90	15.90
Additions during the year	-	-
Deductions during the year	-	-
Total	**15.90**	**15.90**
Amortisation		
As on 31st March of the preceding year	3.70	0.52
Charge for the year	3.18	3.18
Deductions during the year	-	-
Amortisation to date	**6.88**	**3.70**
Net Block	**9.02**	**12.20**

Schedules

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

23. 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 32.02% of the equity share capital of Kotak Mahindra Bank Limited as on 31st March, 2017.
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 Private Limited (Formerly known as Business Standard Online Limited) Kotak and Company Private Limited Kotak Commodity Services Private Limited (Formerly known as Kotak Commodity Services Limited) Komaf Financial Services Private Limited (Formerly known as 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 Private Limited (Formerly known as 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 (upto 30th April, 2016) 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 (upto 30th April, 2016) Mr. K. Madhavan Kutty (upto 30th April, 2016) Mr. Vivek Menon (upto 30th April, 2016) Ms. Nayantara Menon Mehta (upto 30th April, 2016) 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	0.21	0.60	0.04	0.01	-
	(0.79)	(0.52)	(0.16)	(0.01)	(-)
Deposits	201.87	-	249.22	127.80	11.58
	(303.17)	(-)	(436.13)	(55.82)	(11.43)
Interest Payable	1.34	-	1.73	0.90	0.07
	(2.45)	(-)	(2.52)	(0.41)	(0.10)
II. Assets					
Investments - Gross	152.22	-	#	-	-
	(152.22)	(-)	(#)	(-)	(-)
Diminution on Investments	0.78	-	#	-	-
	(0.78)	(-)	(#)	(-)	(-)
Others	0.03	-	0.28	-	-
	(0.13)	(-)	(0.34)	(-)	(-)
III. Expenses					
Salaries / fees (Include ESOP cost)*	-	-	-	7.83	-
	(-)	(-)	(-)	(10.99)	(-)
Interest Paid	61.93	-	26.21	6.10	0.93
	(28.69)	(-)	(28.07)	(4.93)	(0.82)
Others	17.93	-	6.15	0.11	-
	(14.19)	(-)	(6.91)	(0.08)	(-)
IV. Income					
Others	3.60	-	3.78	0.08	-
	(3.20)	(-)	(3.23)	(0.01)	(-)
V. Other Transactions					
Dividend paid	-	-	0.04	30.69	0.19
	(-)	(-)	(#)	(27.68)	(0.17)
Reimbursement to companies	0.12	-	1.73	-	-
	(0.26)	(-)	(1.48)	(-)	(-)
Reimbursement from companies	0.16	0.21	1.94	-	-
	(0.33)	(-)	(2.08)	(-)	(-)
Purchase of Investments	-	-	-	-	-
	(30.62)	(-)	(-)	(-)	(-)
Loan disbursed during the year	-	-	-	-	-
	(3.00)	(-)	(-)	(-)	(-)
Loan repaid during the year	-	-	-	-	-
	(4.00)	(-)	(-)	(-)	(-)
Sale of Fixed Assets	-	-	#	-	-
	(-)	(-)	(-)	(-)	(-)
Deposits taken during the year	-	-	0.01	-	-
	(-)	(-)	(0.01)	(-)	(-)
Deposits given during the year	-	-	-	-	-
	(0.02)	(-)	(-)	(-)	(-)
Deposits repaid during the year	-	-	#	-	-
	(-)	(-)	(0.01)	(-)	(-)
Guarantees / Lines of credit	-	-	-	-	-
	(-)	(-)	(1.00)	(-)	(-)

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 subsidiary	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
I. Liabilities:						
Other liabilities						
Old Mutual Life Assurance Company (South Africa) Limited		0.60 (0.52)				0.60 (0.52)
Aero Agencies Limited			0.01 (0.02)			0.01 (0.02)
Kotak Commodity Services Private Limited			0.03 (0.14)			0.03 (0.14)
Infina Finance Private Limited	0.08 (0.78)					0.08 (0.78)
Matrix Business Services India Private Limited	0.12 (0.01)					0.12 (0.01)
Others	# (#)			0.01 (0.01)		0.01 (0.01)
II. Assets:						
Investments						
ACE Derivatives and Commodity Exchange Limited	47.62 (47.62)					47.62 (47.62)
Phoenix ARC Private Limited	101.18 (101.18)					101.18 (101.18)
Others	3.42 (2.43)		# (0.00)			3.42 (2.43)
Diminution on investments						
ACE Derivatives and Commodity Exchange Limited	0.78 (0.78)					0.78 (0.78)
Others			# (#)			# (#)
Others						
Kotak Commodity Services Private Limited			0.28 (0.15)			0.28 (0.15)
ACE Derivatives and Commodity Exchange Limited	0.02 (0.02)					0.02 (0.02)
Infina Finance Private Limited	0.01 (0.04)					0.01 (0.04)
Others	# (0.07)		# (0.19)			# (0.26)

Schedules

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

(₹ in crore)

Items / Related Party	Associates / Others	Investing Party of the subsidiary	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
III. Expenses:						
Salaries (Includes ESOP cost)						
Mr. Uday Kotak*				2.85		2.85
				(2.70)		(2.70)
Mr. C. Jayaram*				0.78		0.78
				(4.14)		(4.14)
Mr. Dipak Gupta*				4.20		4.20
				(4.15)		(4.15)
Interest Paid						
Infina Finance Private Limited	61.24					61.24
	(25.84)					(25.84)
Kotak Commodity Services Private Limited			6.51			6.51
			(5.34)			(5.34)
USK Benefit Trust II			19.10			19.10
			(21.42)			(21.42)
Others	0.68		0.60	6.10	0.93	8.31
	(2.85)		(1.31)	(4.93)	(0.82)	(9.91)
Others						
Aero Agencies Limited			6.12			6.12
			(6.91)			(6.91)
Kotak Education Foundation	17.23					17.23
	(13.39)					(13.39)
Others	0.70		0.03	0.11		0.84
	(0.80)		(0.01)	(0.08)		(0.89)
IV. Income:						
Others						
Fee and Other Income						
Phoenix ARC Private Limited	0.01					0.01
	(0.50)					(0.50)
ACE Derivatives and Commodity Exchange Limited	0.01					0.01
	(0.37)					(0.37)
Kotak Commodity Services Private Limited			2.82			2.82
			(2.32)			(2.32)
USK Benefit Trust II			0.87			0.87
			(0.89)			(0.89)
Infina Finance Private Limited	0.09					0.09
	(0.08)					(0.08)
Others			0.01	#		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 subsidiary	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	0.02					0.02
	(0.01)					(0.01)
Kotak Commodity Services Private Limited			0.06			0.06
			(0.01)			(0.01)
Others	#			0.06		0.06
	(-)			(-)		(-)
Brokerage Income						
Infina Finance Private Limited	3.47					3.47
	(2.24)					(2.24)
Kotak Commodity Services Private Limited			0.02			0.02
			(0.01)			(0.01)
Others				0.01		0.01
				(0.01)		(0.01)
V. Other Transactions:						
Dividend Paid						
Mr. Uday Kotak				30.63		30.63
				(27.56)		(27.56)
Ms. Pallavi Kotak					0.06	0.06
					(0.05)	(0.05)
Ms. Indira Kotak					0.12	0.12
					(0.11)	(0.11)
Suresh A Kotak HUF			0.01			0.01
			(#)			(#)
USK Benefit Trust II			0.03			0.03
			(-)			(-)
Others				0.07	0.01	0.08
				(0.12)	(0.01)	(0.13)
Reimbursements made						
Infina Finance Private Limited	0.09					0.09
	(0.21)					(0.21)
Matrix Business Services India Private Limited	0.03					0.03
	(0.04)					(0.04)
Kotak Commodity Services Private Limited			1.58			1.58
			(1.04)			(1.04)
Others	-		0.15			0.15
	(#)		(0.44)			(0.44)
Reimbursements received						
Old Mutual PLC		0.21				0.21
		(-)				(-)

Schedules

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

(₹ in crore)

Items / Related Party	Associates / Others	Investing Party of the subsidiary	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
Kotak Commodity Services Private Limited			1.94			1.94
			(2.08)			(2.08)
Infina Finance Private Limited	0.12					0.12
	(0.11)					(0.11)
Phoenix ARC Private Limited	0.03					0.03
	(0.10)					(0.10)
Others	-					-
	(0.12)					(0.12)
Purchase of / subscription to Investments						
Phoenix ARC Private Limited	-					-
	(30.62)					(30.62)
Loan Disbursed during the year						
ACE Derivatives and Commodity Exchange Limited	-					-
	(3.00)					(3.00)
Loan Repaid during the year						
ACE Derivatives and Commodity Exchange Limited	-					-
	(4.00)					(4.00)
Sale of Fixed Assets						
Kotak Commodity Services Private Limited			#			#
			(-)			(-)
Deposits taken during the year						
Kotak Commodity Services Private Limited			0.01			0.01
			(0.01)			(0.01)
Deposits given during the year						
ACE Derivatives and Commodity Exchange Limited	-					-
	(0.02)					(0.02)
Deposits repaid during the year						
Kotak Commodity Services Private Limited			#			#
			(0.01)			(0.01)
Guarantees / Lines of credit			-			-
			(1.00)			(1.00)

**includes incentive paid during the year*

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

Schedules

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

Maximum balance outstanding

(₹ in crore)

Items / Related Party	Associates / Others	Investing Party of the Subsidiary	Enterprise over which KMP / relative of KMP have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel
I. Liabilities					
Deposits	5,902.00		522.73	149.22	55.70
	(2,809.78)		(713.15)	(87.66)	(14.61)
Other Liabilities	0.79	0.60	0.16	0.01	
	(0.79)	(0.62)	(0.16)	(0.01)	
II. Assets					
Investments-Gross	152.22		#		
	(152.22)		(0.03)		
Advances	-				
	(3.00)				
Others	0.13		0.34		
	(0.57)		(0.34)		

Note: Figures of previous year are given in bracket.

24. DISCLOSURE OF SPECIFIED BANK NOTES (SBNS)

As per the clarification from RBI, the provisions of the MCA Notification dated 30th March, 2017 requiring companies to disclose details of the SBNs held and transacted during the notified period is not applicable to banks.

25. ADDITIONAL DISCLOSURE

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

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

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman and Managing Director

Dipak Gupta
Joint Managing Director

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai
27th April, 2017

Jaimin Bhatt
President and Group Chief Financial Officer

Bina Chandarana
Company Secretary

kotak

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 Infrastructure Debt Fund Limited (formerly known as 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	310.00	28.00	8.45	9.40	2.21
Reserves & Surplus	4,223.57	2,994.35	489.79	1,314.43	(44.72)	1,032.38	118.02	80.67	450.89	194.48	11.69	272.26	14.15	(0.76)	(2.66)	(4.05)	(0.41)	2.98
Total Networth	4,227.07	2,995.95	493.23	1,824.72	90.28	1,037.55	147.82	80.72	467.05	201.49	11.76	276.85	14.24	309.24	25.34	4.40	8.99	5.19
Total Assets	27,161.17	6,222.13	512.26	21,807.04	173.75	7,754.48	218.38	81.14	1,199.55	472.14	13.91	301.17	15.27	310.06	25.85	10.85	9.11	5.28
Total Liabilites	22,934.10	3,226.18	19.03	19,982.32	83.47	6,716.93	70.56	0.42	732.50	270.65	2.15	24.32	1.03	0.82	0.51	6.45	0.12	0.09
Investments (excluding investment in subsidiaries)	1,231.33	474.37	140.43	20,620.67	147.16	669.14	99.20	78.30	873.52	-	4.26	206.14	12.82	-	25.57	-	-	-
Turnover	2,922.15	1,184.34	135.94	7,591.03	46.62	761.70	291.24	26.56	82.68	123.51	16.27	98.19	6.06	8.19	2.22	17.88	0.02	0.46
Profit before taxation	787.79	543.30	60.57	342.70	(34.72)	290.11	58.59	25.36	54.89	51.42	(6.39)	6.06	2.85	5.05	(0.22)	(1.22)	(0.63)	0.38
Provision for taxation	273.04	182.03	14.96	39.43	-	93.68	20.36	7.91	1.93	10.05	0.05	0.13	0.92	1.67	-	-	-	0.12
Profit after taxation	514.75	361.27	45.61	303.27	(34.72)	196.43	38.23	17.45	52.96	41.37	(6.44)	5.93	1.93	3.38	(0.22)	(1.22)	(0.63)	0.26
Proposed Dividend (Equity)	20.97	NIL	NIL	NIL	NIL	NIL	NIL	7.50	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
% 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 includes Preference Share Capital and excludes Equity Share Capital and Reserves.

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

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

(5) Dividend excludes corporate dividend tax. As per AS 4 (Revised), the Company cannot create provision for dividend proposed / declared after the balance sheet date unless a statute requires otherwise. The Company has disclosed the same in notes to the financial statements in accordance with AS 4 (Revised).

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

(7) The figures in respect of Kotak Mahindra, Inc., Kotak Mahindra (UK) Limited, Kotak Mahindra (International) Limited, Kotak Mahindra Financial Services Limited and Kotak Mahindra Asset Management (Singapore) Pte. Limited are based on the accounts prepared under Indian Accounting Standards. The reporting currency of these subsidiaries is US$ and exchange rate as on the last day of the financial year ending 31st March, 2017 is 1 USD = 64.85 INR

(8) Kotak Infrastucture Debt Fund Limited (formerly known as Kotak Forex Brokerage Limited) has received permission from RBI to commence and carry on the business as Non Banking Finance Company ("NBFC").

STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES/ASSOCIATE COMPANIES (CONTD.)

PART "B" : ASSOCIATES

(₹ in crore)

Particulars	Infina Finance Private Limited	Phoenix ARC Private Limited	ACE Derivatives and Commodities Exchange Limited [1 & 4]	Matrix Business Services India Private Limited [1 & 3]
Latest Audited Balance Sheet date	31-Mar-17	31-Mar-17	31-Mar-16	31-Mar-16
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 gross Investment in Associates	1.10	100.02	47.62	2.32
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 [3 & 4]	730.40	154.32	6.08	7.98
Profit / Loss for the year	114.87	22.65	0.53	6.29
(i) Considered in the Consolidation	57.42	11.30	0.21	1.24
(ii) Not considered in the Consolidation	57.45	11.35	0.32	5.05

Note:

(1) For the purpose of preparation of consolidation financial statements, the Group has considered unaudited financial statement as of 31st March, 2017.

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

(3) Share of audited Networth based on share holding as on 31st March, 2016 of 19.77% is ₹ 6.71 Crs.

(4) Share of audited Networth based on share holding as on 31st March, 2016 of 40.00 % is ₹ 5.91 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

Bina Chandarana
Company Secretary

Mumbai, 27th April, 2017

Basel III (Pillar 3) Disclosures (Consolidated) as at 31st March, 2017

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 liquidity coverage ratio under the Basel III Framework.

These disclosures are available on the Bank's website at the following link: http://ir.kotak.com/financials/regulatory-disclosure-section

These disclosures have not been subjected to audit or limited review by the statutory auditors of the Bank.

Directors' Report

To the Members of

KOTAK MAHINDRA BANK LIMITED

The Directors present their Thirty-second Annual Report together with the audited accounts of your Bank for the year ended 31st March 2017.

FINANCIAL HIGHLIGHTS

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

	31st March 2017 ₹ crore	31st March 2016 ₹ crore
Total income	**33,983.77**	28,032.36
Total expenditure, excluding provisions and contingencies	**25,702.92**	22,017.06
Operating Profit	**8,280.85**	6,015.30
Provisions and contingencies, excluding provision for tax	**948.92**	991.56
Profit before tax	**7,331.93**	5,023.74
Provision for taxes	**2,382.85**	1,592.62
Profit after tax	**4,949.08**	3,431.12
Less: Share of minority interest	**78.83**	65.19
Add: Share in profit of Associates	**70.18**	92.92
Consolidated profit for the Group	**4,940.43**	3,458.85
Earnings per Equity Share:		
Basic (₹)	**26.89**	18.91
Diluted (₹)	**26.86**	18.87

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

	31st March 2017 ₹ crore	31st March 2016 ₹ crore
Total Income	**21,176.09**	18,996.42
Total expenditure, excluding provisions and contingencies	**15,191.28**	14,955.33
Operating Profit	**5,984.81**	4,041.09
Provisions and contingencies, excluding tax provisions	**836.74**	917.37
Profit before tax	**5,148.07**	3,123.72
Provision for taxes	**1,736.57**	1,033.94
Profit after tax	**3,411.50**	2,089.78
Add: Surplus brought forward from the previous year	**8,214.12**	5,095.26
Add: Net Additions on Amalgamation	**-**	1,674.71
Amount available for appropriation	**11,625.62**	8,859.75
Appropriations:		
Statutory Reserve under Section 17 of the Banking Regulation Act, 1949	**852.88**	522.45
General Reserve	**-**	-
Transfer to / (from) Investment Reserve Account	**(48.49)**	(41.52)
Transfer to Capital Reserve	**10.55**	9.17
Transfer to Special Reserve	**55.00**	45.00
Dividend / Proposed Dividend	**0.07***	91.84
Corporate Dividend Tax	**(0.68)***	18.69
Surplus carried to Balance Sheet	**10,756.29**	8,214.12

** As per the requirements of pre-revised AS 4 – 'Contingencies and Events Occurring after the balance sheet date', the Bank used to create a liability for dividend proposed / declared after the balance sheet date if dividend related to periods covered by the financial statements. As per AS 4 (Revised), with effect from April 2016, the Bank is not required to provide for dividend proposed / declared after the balance sheet date.*

DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 0.60 per equity share (previous year ₹0.50 per equity share) for the year ended 31st March 2017. This would entail a payout of ₹132.94 crore including dividend distribution tax (previous year ₹ 110.53 crore) based on the number of shares as at 31st March 2017. 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.

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

CAPITAL

During the year, your Bank has allotted 50,89,746 equity shares arising out of the exercise of Employees Stock Options granted to the employees and whole-time directors of your Bank and its subsidiaries and 14,25,313 equity shares arising out of the exercise of Employee Stock Options under the adopted ESOP Schemes of the erstwhile ING Vysya Bank Ltd. (eIVBL). Further, in November 2016, your Bank allotted 660 equity shares in lieu of the rights entitlement held in abeyance by eIVBL and bonus entitlement thereon.

Post allotment of equity shares as aforesaid, the issued, subscribed and paid-up share capital of the Bank stands at ₹ 9,20,44,89,385 comprising of 1,840,897,877 equity shares of ₹ 5 each as on 31st March 2017.

Your Bank has a Capital Adequacy Ratio ('CAR') under Basel III as at 31st March 2017 of 16.77% with Tier I being 15.90%.

During the year, your Bank has not issued any capital under Tier II. As on 31st March 2017, outstanding Unsecured, Redeemable Non-Convertible, Subordinated Debt Bonds were ₹ 858.80 crore and outstanding Unsecured, Non-Convertible, Redeemable Debt Capital Instruments Upper Tier II stood at ₹348.28 crore.

Pursuant to the approval of the Board of Directors on 30th March 2017 and approval of the shareholders on 9th May 2017, your Bank undertook a Qualified Institutions Placement of up to 6.2 crore equity shares of ₹ 5 each of the Bank at an issue price of ₹ 936 per equity share which received an overwhelming response. Allotment of the equity shares pursuant to the issue is pending and are proposed to be allotted on 18th May 2017.

OPERATIONS

Consumer Banking

The Consumer Banking business of your Bank, services a wide spectrum of customers including domestic individual and households, non-residents, small and medium business segments for a range of products from basic savings & checking accounts to term deposits, credit cards, unsecured and secured loans, working capital and distribution of investment products.

Your Bank completed integration of branches and technology of the merged network of the erstwhile ING Vysya Bank during the course of the year. This has enabled your Bank a wider foot print coupled with the Digital push. Bank has engaged in a calibrated network expansion and as of 31st March 2017 had 1369 branches and 2163 ATMs, covering 689 locations. Of the 36 new branches commissioned this year, 12 were in rural and semi-urban locations. It added about 13.99 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:

Products and Services

- Enhanced its suite of products positioned at customer clusters and launched a new offer, Flexi-Balance – a Current Account proposition tailored exclusively for SMEs having common/same family promoters. The proposition gives the benefit of pooling in balances across related SMEs without each SME needing to maintain independent balance in each of the Current Accounts.
- Overall strategy of segmented approach continues to yield benefits. The segmented Savings programs like Silk and Junior continue to show significant growth Y-o-Y.
- Launched a new program, MY FAMILY, focused on acquiring banking relationship of the whole family by giving proposition to pool the balances across multiple savings accounts and get additional benefits. The Investment led Savings Account – Alpha was re-launched in the last quarter on this fiscal based on customer and channel feedback.
- Instituted Customer life cycle management programs, targeting key journeys of the customer. The New to Bank Customer life cycle management program was launched to ensure a smooth and seamless on-boarding of new customers. The other significant journey that was launched was Inactive / Dormant life cycle to manage attrition of the customers.
- Focused on activities like Aadhaar penetration and digital activation of customers.

Business Lines

a) Non Resident Indian Business

Some of the key initiatives taken this year are:

- Extended C2R money transfer mode for UAE. NRI clients can now use this medium to transfer money from UAE to their Kotak Bank account in India.
- Further expanded the network of exchange house relationships and the count now stands at 35, covering the following countries – Australia, Canada, GCC, Hong Kong, Malaysia, New Zealand, Singapore, UK and USA.
- Participated in various international business forums organized by the Indian community in various countries, as a platform to reach out to the overseas Indian community.
- Signed MoU with Ecobank, Nigeria for mutual customer referrals. Ecobank is a leading pan-African bank with operations in 36 countries across the continent.

b) Priority Banking Business

A new tier – "Maxima" was launched across semi urban and rural branches to cater to the aspiring and affluent segment in these locations. A Privy League branded variant of the "Delight" credit card with exclusive benefits, was also launched for the Privy League Prima customers.

c) Corporate Salary Business

Corporate salary business introduced a niche team of Premier Acquisition Managers to tap the every growing boutique and niche smaller firms in finance; technology and start-up segment. With this initiative, the corporate salary business on-boarded over 35 large niche corporates this year.

d) Consumer Assets

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

Credit Card: Credit card business has issued 9.03 lac cards by March 2017 and is in its eighth year of operations. The credit card business has clocked total spends of ₹6,696 crore for the year at 47.3% growth Y-o-Y with a book size of ₹1459 crore.

Home Finance: As on 31st March 2017, Home Loan disbursement volumes were up 20% Y-o-Y while book growth was at 12% Y-o-Y. The Non Individual LAP book growth was 14% while disbursement volumes in LAP were up 18% Y-o-Y. Your Bank has expanded its home finance business further in Tier II cities.

Cross Sell through Bank Branches, Corporate Salary, Priority Channel, and Wealth Teams contributed to around 44% of total volume.

This year also witnessed very low losses on account of effective recovery and collection processes and policies adopted.

Commercial Banking

The Commercial Banking business focuses on meeting the banking and financial needs of various segments. It partners Small and Medium Enterprises (SMEs) across the country and provides financing in the manufacturing, trading and service industry. The business has specialised units which offer financial solutions in the areas of commercial vehicles, construction equipment, tractor, gold loans and agriculture business. It services the priority sector by providing finance for tractor, crop loans, small enterprises and allied agricultural activities. The business plays a significant role in meeting financial inclusion goals and financing deep into 'Bharat' through an expanding network of branches and associates.

Following the merger with the erstwhile ING Vysya Bank Ltd., the SME/Business Banking portfolio was consolidated during the year, which has resulted in creating efficiency and a wider customer base. While the stress levels in the sector went up in the first half, they have stabilized considerably in the second half.

The Commercial Vehicle (CV), Construction Equipment (CE) and Tractor Finance businesses reported significant growth and gained market share in their respective businesses. The demand for commercial vehicles was primarily led by replacement and regulatory changes such as revised body specifications and transition from BSIII to BSIV. Further, Government spending in the infrastructure sector has led to a strong demand in the CE industry. The growth in the tractor finance portfolio was driven by higher tractor sales following a good monsoon. The overall delinquency percentage of the CV, CE and tractor finance portfolios has reduced.

The Agriculture Financing business continued its focus on the agriculture value chain funding for various agro processing activities. It has registered growth despite volatility and uncertainty in the commodities market. Further, the Bank has expanded its crop loan business, so far concentrated in Punjab and Haryana, to Western and Central India.

Wholesale Banking

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

Having completed the integration of the erstwhile ING Vysya Bank last year, the Wholesale Banking division has been focused on maximizing the benefits of this transaction through higher growth in a profitable manner.

Given the slow credit off-take in the economy during the year, the Wholesale Banking Business has targeted growth through growth of market share and this has been achieved through higher customer acquisition, improved customer service and product innovations.

Some of the key initiatives to serve customers better are:

- Continue to have equally high focus on adding new customers as increasing its wallet share with the existing customers. The year saw a healthy addition of New-to-Bank customers across customer segments, which in turn sets a strong foundation for future growth in the business.
- Set up a dedicated Service Solutions vertical to ensure faster customer response and improve customer experience. This vertical is the single point of contact for all service related and documentation issues with personnel present across the country. Focus on this area has helped your Bank significantly improve its Turn-Around-Time (TAT) across various processes including account opening and disbursals. Ongoing initiatives such as digitization and Tablet Banking will help reduce TAT further in the coming year.
- Focus on improving its suite of product offerings. During the year, the Wholesale Banking business launched a number of new innovative state of the art, best in class product solutions sets. The Bank witnessed significant addition of assets through higher focus on products such as LCBDs (discounting of Letters of Credit), Factoring, external benchmarked linked loans and discounting of long term lease rentals (LRDs). Your Bank has set up its GIFT City branch this year which has helped it to participate in syndication of overseas loans.

Your Bank has continued to work on ensuring a healthy portfolio through a volatile economic environment and has kept a tight control on asset slippages. This has been achieved through a proactive rebalancing of the portfolio to reflect economic situations and reduction in exposure to situations with heightened risk. Your Bank's focus on risk management has helped the business reduce its risk weighted assets (RWA) over the past few years despite an increase in its exposure. Bank has also put in place a pricing mechanism based on the Risk Adjusted Return on Capital (RaRoC) model which has helped to optimize pricing and better utilize capital. Coupled with the reduction in RWA, the business has achieved a significant improvement in its return on equity.

It has an integrated Corporate and Investment Banking (CIB) coverage model for some of the top conglomerates and large corporate. The year saw a stabilization of the CIB model with the Bank being able to significantly increase its banking wallet share and also increase its investment banking business with these large corporate. As a testimony to your Bank's efforts in this area, Asiamoney has awarded your Bank the Best Corporate and Investment Bank in 2017 in India.

It has continued to focus on institutionalizing and improving practises leading to better efficiencies. A number of tools are being put in place to monitor the productivity and efficiency of the sales force. Given high focus in this area, costs have been kept well in control further improving profitability of the business.

The Integrated Global Transaction Banking Services has had a strong year across its large suite of products. Current Account & Savings Account balances saw significant growth through focused marketing efforts and early to launch products such as ASBA. Trade funded book crossed ₹10,000 crore this year. Bank's Cash Management System (CMS) has won a number of awards this year including Best Cash Management Bank in India by the Asian Banker. A separate LCBD desk was set up which reduced TAT and helped grow this business significantly.

Digitization and Automation are key pillars of your Bank's growth strategy and coupled with ease of doing business and improvisations of our internal processes, have led to efficiency improvements apart from improving TAT compared to competition across products & Services. The year saw a number of digital initiatives by the Wholesale Banking division. The response to the Bank's Liquidity management product, a state-of-the art integrated treasury management solution for corporates has been encouraging. Your Bank also launched All-Pay, a one-stop shop for all payment needs of e-commerce and m-commerce companies. A number of other Digital initiatives including a corporate mobility solution, an online trade portal and an integrated corporate portal are currently under implementation. The business has also demonstrated proof of concept for transactions using the advanced block chain technology and further implementations are in progress.

Asset Reconstruction

The new bankruptcy code was introduced this year by the government to expedite the turnaround of the stressed assets. One needs to wait and watch the evolution of this new legislation.

The Division continued to focus on last mile turn around financing due to cash flow based recoveries possible in such cases.

The Bank is seeing signs of some green shoots in resolutions and turn around in the stress asset space. More opportunities are expected in the coming year and your Bank is well positioned to play a pivotal role in providing financial and other turnaround solutions.

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.
  - 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) ensures maintenance of regulatory reserves and adequate liquidity buffers and also manages the Interest rate risk & Liquidity risk within the Risk appetite of the Bank.

Human Resources

FY 2016-17 has been a year with increased focus on assimilation of integrated employees through improved engagement with the organization.

To ensure a seamless alignment, various initiatives were launched to internalize behavioral parameters, transitioning to the expected behaviors and ownership to the cause at the first line of leadership hierarchy in the organization.

Your Bank enhanced the focus to drive customer experience and service quality with interventions in back office functions. Bank has been focused on improving productivity through process simplification, automation and training. The talent base bank has reached to 33013 employees. A proactive approach has been adopted to bring automation on query management and engagement of employees with the aid of technology to manage the distributed workforce.

With an average age of 33 years 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. Pre-trained manpower acquisition channels such as Kotak Sales Officer (KSO) and Junior Sales Officer (JSO) programs have been creating a sustainable workforce pipeline.

To enhance engagement and connect with workforce, a dedicated team was institutionalized to focus on employee connect, engagement and communication. Focus of engagement initiatives was driven from the internal model for improved connect. Bank continues its focus on engagement and retention through initiatives that provide 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.

Your Bank is committed to developing its capabilities as an organization and as individuals to meet current and future business challenges. In the year 2016-17, it has invested significantly in training and professional development – leveraging the latest technologies to deliver highly impactful and relevant training programs to its employees. These learning initiatives are designed around development of individual and team. Leadership Development Programs focused on developing the leadership capabilities of the senior executives, to help them prepare for future roles in the organization.

With the wave of digital, employee touchpoints are also digitized with the launch of digital portal for all employee HR touchpoints. The portal facilitates simplifications, access to information and self-service for employees.

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

The merger of all technology systems of the erstwhile ING Vysya Bank Ltd. with the Bank's systems was concluded. With this integration, all staff in the merged entity have a standardised technology environment to work in; from call center telephony to desktops and networks. This has enabled seamless communication and collaboration amongst the Bank's personnel. The merger and rationalisation of four data centers down to two datacenters has resulted in streamlined technology operations with financial gains ensuing from the synergies. The Bank's customers are all now serviced out of a single set of business applications, ensuring a consistent experience to all customers of the merged entity.

Digitization

The introduction of Digital products and services was key a focus throughout the Bank. Some of the highlights being:

- The Bank's retail customers' mobile experience was enriched with a full range capabilities from online shopping, restaurant payments, movies ticket booking, and magazine subscriptions.
- Keeping up with the digital infrastructure introduced in the country, the Bank's customers have been provided with a wide variety of payment mechanisms to choose from, ranging from UPI, Mvisa and Bharat QR code. While the traditional payment methods of NEFT and RTGS continued to see growth, the IMPs payment option, available to the customers 24 hours a day, is a much appreciated feature showing constantly increasing adoption throughout the year.
- The Bank's (salaried) customers can now avail themselves of a pre-approved Personal Loan on mobile app. A pre-qualified customer can apply for a personal loan while logged into the Mobile app and the disbursed amount is instantly credited to customer's banking account.
- Leveraging the digital infrastructure provided by the Government of India, the Bank's Netbanking now offers access to customers to a 'DigiLocker'. This is a platform that enables a customer to store and verify personal documents online.
- The culmination of the digital offerings in the year has been the '811' product on the mobile application. Kotak 811 is a mobile based account opening platform using Aadhaar OTP, where customers can open an account with their Aadhaar details. It enables a new customer to simply download an application on his/her mobile phone, and open an account in less than 5 minutes. Customers can set their PINs for the mobile banking app during the process and they also receive a virtual debit card. A first of its kind in the banking industry, the product has already seen much interest.
- On the lending side, the commercial customers' experience of applying for a loan was enhanced by equipping the sales and relationship personnel, with mobile and tablet applications to accept loan application details and even make immediate initial loan eligibility information available to the customers.
- The wealth management customers got a new mobile app for quick and easy access to investment information. In the digital arena, the corporate banking business focused on online merchant acquisition capability for their customers.
- An Innovation Hub has been established to incubate ideas and develop proof of concepts in emerging technologies such as Artificial Intelligence and Blockchain.

Cybersecurity

As customers get more knowledgeable about security considerations, they have been empowered to directly control the access to their debit cards. The mobile application and net banking provide functions that enable the customer to "turn off" his/her debit card when not in use, and "turn on" the card at the point of usage. Thus putting control, directly in the customers' hands.

To keep pace with the Bank's digital initiatives, there is a constant need to raise the bar on information security. Several advanced security monitoring measures that track unrelated transactions and data streams for possible correlation and potential cyber threats were implemented. In accordance with RBI guidelines released in the year, your Bank's cyber security policies and procedures were enhanced.

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 2017, your Bank has eighteen (18) subsidiaries as listed below:

<u>Domestic Subsidiaries</u>

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 Infrastructure Debt Fund Limited (formerly known as 'Kotak Forex Brokerage Limited')

Kotak Mahindra Pension Fund Limited

Kotak Mahindra General Insurance Company Limited

IVY Product Intermediaries 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

During the year, Kotak Forex Brokerage Limited changed its name to Kotak Infrastructure Debt Fund Limited, to commence new business activity of an Infrastructure Debt Fund. It has received approval of Reserve Bank of India in April 2017 for commencing the new business.

Your Bank has executed a Share Purchase Agreement in April 2017 for acquisition of the 26% equity stake of Old Mutual plc in Kotak Mahindra Old Mutual Life Insurance Limited (KLI). The transaction is subject to obtaining all necessary regulatory and other approvals. Upon completion of the said acquisition, the Bank along with its subsidiaries will hold 100% beneficial interest in KLI.

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 2017, 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 2017, has been sent to all the members of your Bank. Web link of the Annual Report has been 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 stock options and the stock appreciation rights granted to the employees of the Bank and its subsidiaries currently operate under the following Schemes:

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

The disclosures requirements under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, for the aforesaid ESOP & SARs Schemes, in respect of the year ended 31st March 2017, 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. Mark Newman, retires by rotation as a Director at this Annual General Meeting and is eligible for re-appointment.

Directors appointed during the year

Mr. Uday Khanna (DIN 00079129) was appointed as an Additional Director of the Bank with effect from 16th September 2016. Mr. Khanna who holds office as a Director up to the date of this Annual General Meeting is proposed to be appointed as an Independent Director, not liable to retire by rotation, for a term of 5 years from the date of his appointment i.e. 16 September 2016, under Section 149 of the Companies Act, 2013, at the ensuing Annual General Meeting. In terms of Section 160 of the Companies Act, 2013, your Bank has received notice in writing from a member along with requisite deposit of ₹1,00,000 proposing candidature of Mr. Khanna for his appointment as an Independent Director of the Bank.

Prof. S. Mahendra Dev (DIN 06519869) was appointed as an Independent Director of the Bank for a term of 5 years upto 14th March 2018. Based on the recommendation of the Nomination & Remuneration Committee, the Board of Directors of the Bank, at its meeting held on 15th May 2017 re-appointed Prof. Dev as an Independent Director for a further term of 3 years pursuant to the provisions of Section 149, 150(2) & 152 of the Companies Act, 2013 and Section 10-A(2-A) of the Banking Regulation Act, 1949, subject to the approval of the shareholders at the ensuing Annual General Meeting of the Bank.

The Board of Directors of the Bank, at the same meeting, also re-appointed Mr. Uday Kotak as Executive Vice-Chairman and Managing Director for the period from 1st January 2018 to 31st December 2020, subject to the approval of the shareholders and of the Reserve Bank of India. Further, Mr. Dipak Gupta has been re-appointed as Whole-time Director of the Bank designated as Joint Managing Director for the period from 1st January 2018 to 31st December 2020 subject to the approval of the shareholders and of the Reserve Bank of India. The approval of the shareholders in this regard is being sought at the ensuing Annual General Meeting of the Bank.

The details of the Directors appointed/re-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 specialised 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.

In line with the SEBI Guidance note on Board Evaluation, a Board effectiveness assessment questionnaire was designed for the performance evaluation of the Board, its Committees, Chairman and individual directors and in accordance with the criteria set and covering various aspects of performance including structure of the board, meetings of the board, functions of the board, role and responsibilities of the board, governance and compliance, evaluation of risks, grievance redressal for investors, conflict of interest, stakeholder value and responsibility, relationship among directors, director competency, board procedures, processes, functioning and effectiveness. 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 quite satisfied with the results of the performance evaluation of the Board & its Committees, Chairman and individual directors.

Key Managerial Personnel (KMPs)

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

- Mr. Uday Kotak, 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 2017 is provided in the Corporate Governance Report annexed to this Report.

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

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

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

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

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

At the Annual General Meeting of the Bank held on 22nd July 2016, the shareholders have approved the payment of commission to the NEDs of the Bank with effect from the financial year 2015-16.

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

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

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

Directors	Title	Ratio
Mr Uday Kotak	Vice Chairman & Managing Director	46.86x
Mr Dipak Gupta	Joint Managing Director	46.38x
Dr Shankar Acharya	Non-Executive Chairman	5.33x

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	6.55	6.55
Mr Dipak Gupta	Joint Managing Director	6.85	6.85
Dr Shankar Acharya	Non-Executive Chairman	11.11	11.11
Mr Jaimin Bhatt	Group CFO	1.18	5.84
Ms Bina Chandarana	Company Secretary	5.48	13.08

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

For employees who were in employment for the whole of FY 2015-16 and FY 2016-17 increase in the median remuneration is 10.26%.

4. Number of permanent employees on the rolls of Bank at the end of the year: 33,013

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

For employees other than managerial personnel who were in employment for the whole of FY 2015-16 and FY 2016-17 the average increase is 10.34% and 11.95% excluding SARs.

Average increase for managerial personnel is 4.48% and 7.07% excluding SARs.

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

The Bank is in compliance with its Compensation Policy

Notes:

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

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

3) The Non-Executive Directors of the Bank (other than the Non-Executive Chairman) receive remuneration in the form of sitting fees for attending the Board/Committee meetings and in the form of an annual profit based commission. Such annual profit based commission was paid for the first time for FY 2015-16 during FY 2016-17.

4) Increase in remuneration of Mr. C. Jayaram who retired as Joint Managing Director on 30th April 2016, but continues as non-executive director w.e.f. 1st May 2016, has not been provided.

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 2017 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.

IMPLEMENTATION OF IND AS

The Ministry of Finance, Government of India has vide its press release dated January 18, 2016 outlined the roadmap for implementation of International Financial Reporting Standards (IFRS) converged Indian Accounting Standards (Ind AS) for Banks, Non-banking Financial Companies and Insurance companies. RBI has advised Banks vide RBI/2015-16/315DBR.BP.BC.No.76/21.07.001/2015-16 to follow the Ind AS as notified under the Companies (Indian Accounting Standards) Rules, 2015 subject to any guideline/direction issued in this regard. For Banking companies, the implementation of Ind AS will begin from April 1, 2018 onwards, with comparatives for the year beginning April 1, 2017. The Ind AS quarterly financials of FY 2017-18 will need to be published as Y-o-Y comparison from June 2018 onwards.

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

- Submitted Standalone Proforma Ind AS financial statements to the RBI for the half-year ended September 30, 2016, as required.
- Formed Steering Committee for Ind AS implementation. The Steering Committee comprises of representatives from Finance, Risk, Operations and Treasury. The Committee oversees the progress of Ind AS implementation in the Bank, and provides guidance on critical aspects of the implementation such as Ind AS technical requirements, systems and processes, business impact, people and project management. The Committee closely reviews progress of Ind AS implementation.
- Evaluating various IT solutions to automate Ind AS especially Expected Credit Losses (ECL) computation and other accounting changes in order to improve the robustness of the process.

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

RELATED PARTY TRANSACTIONS

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

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

All Related Party Transactions as required under Accounting Standards AS-18 are reported in Note 23 of Schedule 17 – Notes to Accounts of the Consolidated financial statements and Note 7 of Schedule 18 – 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). The CSR Committee presently consists of Mr. C. Jayaram, Mr. Dipak Gupta and Prof. S. Mahendra Dev.

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 2017 is ₹ 2,746.24 crore.

The prescribed CSR expenditure required u/s 135, of the Act for FY 2016-17 is ₹ 5,492 lac.

The CSR expenditure incurred for the period 1st April 2016 to 31st March 2017 under Section 135 of Companies Act, 2013 amounts to ₹ 1,733 lac as against ₹ 1,641 lac CSR spend in the financial year 2015-16. The unspent amount for FY 2016-17 is ₹3,759 crore.

CSR expenditure of ₹ 1,733 lac in FY 2016-17 as a percentage of average net profit u/s 198 of the Bank standalone at ₹ 2,746.24 crore is 0.63%.

The Bank has been spending on CSR focused themes and programmes, which have been approved by the Board CSR Committee and the Board. The CSR spending is guided by the vision of creating long-term benefit to the society. The Bank is building its CSR capabilities on a sustainable basis and is committed to gradually increase its CSR spend in the coming years The Bank's commitment to achieve the mandated spend can be seen from the increasing CSR spends over the years. In FY 2014-15, Bank's CSR spend was ₹1,197 lac, in FY 2015-16 it was ₹1,641 lac. In the reporting period, FY 2016-17, the CSR expenditure has been further increased to ₹1,733 lac.

Though the Bank is eligible to consider upto 5% of total CSR spend as administrative expenditure towards building its CSR capacities, etc., the Bank has taken a call not to consider it as a part of CSR spend for the year FY 2016-17.

The details of CSR activities and report under Section 135 of the Companies Act, 2013 for FY 2016-17, are annexed to this Report.

RISK MANAGEMENT POLICY

Your Bank has in place a comprehensive Group 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. During the year, the Group ERM Policy was revised, keeping in mind the advances in Risk Management over the past few years and emerging / evolving guidelines. 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 33,000 and along with its subsidiaries was over 44,000 as of 31st March 2017.

114 employees employed throughout the year and 56 employees employed for part of the year were in receipt of remuneration of ₹ 1.02 crore or more per annum.

Organizational culture aspects like trust & inclusiveness were also reiterated through 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 21% women amongst all new hires in the Bank. While continuing with our philosophy of providing equal opportunities, an aggressive push in this area will help us achieve a better balance in gender diversity.
- Prevention of Sexual Harassment (POSH): Bank continues with the belief on zero tolerance towards sexual harassment at workplace and continues to uphold and maintain itself as a safe and non-discriminatory organization. To achieve the same Kotak reinforces the understanding and awareness of Prevention of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Bank has formulated Internal Complaints Committee (ICC) at three regions for reporting any untoward instance. Any complaints pertaining to sexual harassment are diligently reviewed and investigated and treated with great sensitivity. The ICC members have been trained in handling and resolving complaints and have also designed an online e-learning POSH Awareness module which covers the larger employee base.

  Following is a summary of sexual harassment complaints received and disposed off during the year 2016-17:

  o No. of complaints received : 19

  o No. of complaints disposed off : 12

  In the case of 7 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 bank continues to put efforts through various interventions.

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

(i) your Bank has, in the preparation of the annual accounts for the year ended 31st March 2017, 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 2017 and of the profit of your Bank for the financial year ended 31st March 2017;

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

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

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

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

ANNEXURES

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

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

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Place: Delhi
Date: 16th May 2017

Annexure - A

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31st March 2017

[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 (East), Mumbai - 400051	U67120MH1995PLC134050	Subsidiary	100.00	2(87)
4	Kotak Mahindra Old Mutual Life Insurance Limited 2nd Floor, Plot C-12, G-Block, BKC, Bandra (East), Mumbai - 400051	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)
6	Kotak Mahindra Asset Management Company Limited 27 BKC, C-27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051	U65991MH1994PLC080009	Subsidiary	100.00	2(87)

Sl. no.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary / Associate	% of shares held *	Applicable Section
7	Kotak Mahindra Trustee Company Limited 27 BKC, C-27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051	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 - 400051	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 - 400051	U65991MH2000PLC125008	Subsidiary	100.00	2(87)
10	Kotak Infrastructure Debt Fund Limited (formerly known as 'Kotak Forex Brokerage Limited') 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	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 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	U85110MH1987PLC294572	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)
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 - 380001	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 17, Arulambal Street, T. Nagar, Chennai - 600017	U74140TN2003PTC051482	Associate	19.77	2(6)
22	Phoenix ARC Private Limited Dani Corporate Park, 5th floor, 158, CST Road, Kalina, Santacruz (E), Mumbai 400098	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	617,568,279	-	617,568,279	33.67	589,968,128	-	589,968,128	32.05	-1.62
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp	624,556	-	624,556	0.03	624,556	-	624,556	0.03	0.00
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
Sub total (A) (1)	**618,192,835**	**-**	**6181,92,835**	**33.70**	**590,592,684**	**-**	**590,592,684**	**32.08**	**-1.62**
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)	**618,192,835**	**-**	**618,192,835**	**33.70**	**590,592,684**	**-**	**590,592,684**	**32.08**	**-1.62**
B. Public Shareholding as per classification given by Depository									
1. Institutions									
a) Mutual Funds	71,943,553	38,940	71,982,493	3.92	99,520,869	38,940	99,559,809	5.41	1.48
b) Banks / FI	14,865,904	10,068	14,875,972	0.81	2,227,279	10,068	2,237,347	0.12	-0.69
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Alternative Investment Funds	-	-	-	-	155,020	-	155,020	0.01	0.01
g) Insurance Companies	-	-	-	-	42,551,269	-	42,551,269	2.31	2.31
h) FIIs	658,502,789	82,666	658,585,455	35.90	709,768,506	82,666	709,851,172	38.56	2.66
i) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
j) Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	**745,312,246**	**131,674**	**745,443,920**	**40.64**	**854,222,943**	**131,674**	**854,354,617**	**46.41**	**5.77**
2. Non-Institutions									
a) Bodies Corp.	73,160,249	124,294	73,284,543	4.00	44,223,176	124,034	44,347,210	2.41	-1.59
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	70,607,237	11,007,285	81,614,522	4.45	74,758,011	9,977,628	84,735,639	4.60	0.15
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	115,611,804	150,000	115,761,804	6.31	108,466,725	150,000	108,616,725	5.90	-0.41
c) Others (specify)	-	-	-	-	-	-	-	-	-
Non Resident Indians	4,486,468	1,978,624	6,465,092	0.35	2,980,814	1,866,184	4,846,998	0.26	-0.09
Non Resident Indians Non-Repatriable	-	-	-	0.00	2,577,568	-	2,577,568	0.14	0.14
Overseas Bodies Corporate	8,716,960	400	8,717,360	0.48	8,716,960	400	8,717,360	0.47	0.00
Foreign Bank	32,800,000	-	32,800,000	1.79	32,800,000	-	32,800,000	1.78	-0.01
Foreign Bodies	143,866,170	-	143,866,170	7.84	97,166,170	-	97,166,170	5.28	-2.56
Foreign Bodies-DR	173,652	-	173,652	0.01	173,600	-	173,600	0.01	-
Trust	5,090,287	-	5,090,287	0.28	8,613,405	-	8,613,405	0.47	0.19

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	
HUF	-	-	-	0.00	-	-	-	-	-
Clearing Members	2,941,952	-	2,941,952	0.16	2,966,457	-	2,966,457	0.16	-
NBFC	28,571	-	28,571	-	387,794	-	387,794	0.02	0.02
Foreign National	1,450	-	1,450	-	1,650	-	1,650	-	-
Sub-total(B)(2):-	**457,484,800**	**13,260,603**	**470,745,403**	**25.66**	**383,832,330**	**12,118,246**	**395,950,576**	**21.51**	**-4.15**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**1,202,797,046**	**13,392,277**	**1,216,189,323**	**66.30**	**1,238,055,273**	**12,249,920**	**1,250,305,193**	**67.92**	**1.62**
C. Shares held by Custodian for	-	-	-	-	-	-	-	-	-
GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	**1,820,989,881**	**13,392,277**	**1,834,382,158**	**100.00**	**1,828,647,957**	**12,249,920**	**1,840,897,877**	**100.00**	

Note:

The increase in Equity Share Capital during FY 2016-17 is on account of allotment of equity shares under the various ESOP Schemes of the Bank.

(ii) Shareholding of Promoters

Sl no.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of 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	612,527,100	33.39	0.00	584,927,100	31.77	0.00	-1.62
2	Kotak Trustee Company Pvt. Ltd. Beneficial Owner Mr. Uday S Kotak	624,556	0.03	0.00	624,556	0.03	0.00	0.00
3	Indira Suresh Kotak	2,426,720	0.13	0.00	2,426,720	0.13	0.00	0.00
4	Pallavi Kotak	1,111,580	0.06	0.00	1,111,580	0.06	0.00	0.00
5	Dinkarrai Kalidas Desai	793,508	0.04	0.00	793,508	0.04	0.00	0.00
6	Kusum Dinkarrai Desai	298,260	0.02	0.00	298,260	0.02	0.00	0.00
7	Suresh Amritlal Kotak	200,000	0.01	0.00	200,000	0.01	0.00	0.00
8	Suresh A Kotak (HUF)	110,000	0.01	0.00	110,000	0.01	0.00	0.00
9	Aarti Suresh Kotak	57,360	0.00	0.00	57,360	0.00	0.00	0.00
10	Janak Dinkarrai Desai	43,751	0.00	0.00	43,600	0.00	0.00	0.00
	Total	**618,192,835**	**33.70**	**0.00**	**590,592,684**	**32.08**	**0.00**	**-1.62**

(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		618,192,835	33.70	618,192,835	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	Sale 15th July 2016	-151	0.00	618,192,684	33.67
2	Uday Suresh Kotak	Sale 8th March 2017	-27,600,000	-1.50	590,592,684	32.10
	At the End of the year				590,592,684	32.08

(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	Sumitomo Mitsui Banking Corporation	32,800,000	1.79	-	-		31/03/2016	32,800,000	1.79
				-	-		31/03/2017	32,800,000	1.78
2	Europacific Growth Fund	90,708,514	4.94	-	-		31/03/2016	90,708,514	4.94
				-	886,700	Market Purchase	03/02/2017	91,595,214	4.98
				-	-		31/03/2017	91,595,214	4.98
3	Caladium Investment Pte Ltd	25,966,992	1.42	-	-		31/03/2016	25,966,992	1.42
				-	-		31/03/2017	25,966,992	1.41
4	ING Mauritius Investments I	117,899,178	6.43	-	-		31/03/2016	117,899,178	6.43
				46,700,000	-	Market Sale	30/09/2016	71,199,178	3.88
							31/03/2017	71,199,178	3.87
5	Oppenheimer Developing Markets Fund	16,921,981	0.92	-	-		31/03/2016	16,921,981	0.92
				-	8,666,854	Market Purchase	07/10/2016	25,588,835	1.39
				-	759,090	Market Purchase	27/01/2017	26,347,925	1.43
				-	831,702	Market Purchase	03/02/2017	27,179,627	1.48
				-	-		31/03/2017	27,179,627	1.48
6	Canada Pension Plan Investment Board - Managed By IM2	89,838,850	4.90	-	-		31/03/2016	89,838,850	4.90
				-	16,125,000	Market Purchase	07/10/2016	105,963,850	5.77
				-	9,200,000	Market Purchase	10/03/2017	115,163,850	6.26
				-	-		31/03/2017	115,163,850	6.26
7	Capital World Growth and Income Fund	20,831,276	1.14	-	-		31/03/2016	20,831,276	1.14
				-	395,456	Market Purchase	03/02/2017	21,226,732	1.15
				-	351,044	Market Purchase	10/02/2017	21,577,776	1.17
				-	421,000	Market Purchase	03/03/2017	21,998,776	1.20
				-	-		31/03/2017	21,998,776	1.20
8	First State Investments ICVC-Stewart Investors Asia Pacific Leaders Fund	29,558,894	1.61	-	-		31/03/2016	29,558,894	1.61
				-	229,096	Market Purchase	07/10/2016	29,787,990	1.62
				-	869,294	Market Purchase	21/10/2016	30,657,284	1.67
				-	19,665	Market Purchase	28/10/2016	30,676,949	1.67
				-	158,087	Market Purchase	11/11/2016	30,835,036	1.68
				-	2,074,577	Market Purchase	18/11/2016	32,909,613	1.79
				-	3,091,427	Market Purchase	25/11/2016	36,001,040	1.96
				-	1,672,099	Market Purchase	02/12/2016	37,673,139	2.05
				-		Market Purchase	31/03/2017	37,673,139	2.05

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
9	Caisse De Depot Et Placement Du Quebec	1,618,864	0.09	-	-		31/03/2016	1,618,864	0.09
				16,353		Market Sale	03/06/2016	1,602,511	0.09
				-	75,000	Market Purchase	24/06/2016	1,677,511	0.09
				-	46,000	Market Purchase	05/08/2016	1,723,511	0.09
				33,987	-	Market Sale	02/09/2016	1,689,524	0.09
				28,075	-	Market Sale	09/09/2016	1,661,449	0.09
				-	533,722	Market Purchase	23/09/2016	2,195,171	0.12
				642,534	-	Market Sale	23/09/2016	1,552,637	0.08
				-	751,301	Market Purchase	30/09/2016	2,303,938	0.13
				642,526	-	Market Sale	30/09/2016	1,661,412	0.09
				-	23,699	Market Purchase	07/10/2016	1,685,111	0.09
				-	84,870	Market Purchase	02/12/2016	1,769,981	0.10
				-	47,203	Market Purchase	09/12/2016	1,817,184	0.10
				-	25,000	Market Purchase	13/01/2017	1,842,184	0.10
				-	14,794	Market Purchase	20/01/2017	1,856,978	0.10
				-	34,376	Market Purchase	10/02/2017	1,891,354	0.10
				-	200,000	Market Purchase	24/02/2017	2,091,354	0.11
				-	18,400,000	Market Purchase	10/03/2017	20,491,354	1.11
				-	-		31/03/2017	20,491,354	1.11
10	SBI Mutual Funds	8,823,378	0.48	-	-		31/03/2016	8,823,378	0.48
				-	498,577	Market Purchase	08/04/2016	9,321,955	0.51
				5,843	-	Market Sale	08/04/2016	9,316,112	0.51
					102,618	Market Purchase	15/04/2016	9,418,730	0.51
				4,800	-	Market Sale	15/04/2016	9,413,930	0.51
				-	30,614	Market Purchase	22/04/2016	9,444,544	0.51
				-	217,343	Market Purchase	29/04/2016	9,661,887	0.53
				4,926	-	Market Sale	29/04/2016	9,656,961	0.53
				-	282,755	Market Purchase	06/05/2016	9,939,716	0.54
				-	188,585	Market Purchase	13/05/2016	10,128,301	0.55
				100,000	-	Market Sale	13/05/2016	10,028,301	0.55
				-	33,066	Market Purchase	20/05/2016	10,061,367	0.55
				2,500	-	Market Sale	20/05/2016	10,058,867	0.55

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
				-	264,489	Market Purchase	27/05/2016	10,323,356	0.56
				3,000	-	Market Sale	27/05/2016	10,320,356	0.56
				-	302,831	Market Purchase	03/06/2016	10,623,187	0.58
				-	194,785	Market Purchase	10/06/2016	10,817,972	0.59
				3,361	-	Market Sale	10/06/2016	10,814,611	0.59
				-	133,549	Market Purchase	17/06/2016	10,948,160	0.60
				36,507	-	Market Sale	17/06/2016	10,911,653	0.59
				-	62,986	Market Purchase	24/06/2016	10,974,639	0.60
				14,641	-	Market Sale	24/06/2016	10,959,998	0.60
				-	244,029	Market Purchase	30/06/2016	11,204,027	0.61
				137	-	Market Sale	30/06/2016	11,203,890	0.61
				145	-	Market Sale	01/07/2016	11,203,745	0.61
				-	92,811	Market Purchase	08/07/2016	11,296,556	0.62
				18,189	-	Market Sale	08/07/2016	11,278,367	0.61
				-	85,323	Market Purchase	15/07/2016	11,363,690	0.62
				375	-	Market Sale	15/07/2016	11,363,315	0.62
				-	245,436	Market Purchase	22/07/2016	11,608,751	0.63
				1,571	-	Market Sale	22/07/2016	11,607,180	0.63
				-	21,551	Market Purchase	29/07/2016	11,628,731	0.63
				-	44,055	Market Purchase	05/08/2016	11,672,786	0.64
				-	29,020	Market Purchase	12/08/2016	11,701,806	0.64
				-	84,678	Market Purchase	19/08/2016	11,786,484	0.64
				-	111,299	Market Purchase	26/08/2016	11,897,783	0.65
				-	348,499	Market Purchase	02/09/2016	12,246,282	0.67
				-	103,870	Market Purchase	09/09/2016	12,350,152	0.67
				40,000	-	Market Sale	09/09/2016	12,310,152	0.67
				-	109,612	Market Purchase	16/09/2016	12,419,764	0.68
				-	73,740	Market Purchase	23/09/2016	12,493,504	0.68
				-	633,159	Market Purchase	30/09/2016	13,126,663	0.71
				4	-	Market Sale	30/09/2016	13,126,659	0.71
				-	4,169,327	Market Purchase	07/10/2016	17,295,986	0.94

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
				-	10,338	Market Purchase	14/10/2016	17,306,324	0.94
				1,932	-	Market Sale	14/10/2016	17,304,392	0.94
				-	71,722	Market Purchase	21/10/2016	17,376,114	0.95
				-	47,634	Market Purchase	28/10/2016	17,423,748	0.95
				-	125,033	Market Purchase	04/11/2016	17,548,781	0.96
				-	53,466	Market Purchase	11/11/2016	17,602,247	0.96
				138	-	Market Sale	11/11/2016	17,602,109	0.96
				-	139,704	Market Purchase	18/11/2016	17,741,813	0.97
				19,200	-	Market Sale	18/11/2016	17,722,613	0.96
				-	60,450	Market Purchase	25/11/2016	17,783,063	0.97
				-	200,996	Market Purchase	02/12/2016	17,984,059	0.98
				-	147,403	Market Purchase	09/12/2016	18,131,462	0.99
				-	174,727	Market Purchase	16/12/2016	18,306,189	1.00
				-	213,163	Market Purchase	23/12/2016	18,519,352	1.01
				-	231,266	Market Purchase	30/12/2016	18,750,618	1.02
				-	241,867	Market Purchase	06/01/2017	18,992,485	1.03
				1,589	-	Market Sale	06/01/2017	18,990,896	1.03
				-	146,249	Market Purchase	13/01/2017	19,137,145	1.04
				10,284	-	Market Sale	13/01/2017	19,126,861	1.04
				-	37,729	Market Purchase	20/01/2017	19,164,590	1.04
				19,777	-	Market Sale	20/01/2017	19,144,813	1.04
				-	47,369	Market Purchase	27/01/2017	19,192,182	1.04
				-	113,116	Market Purchase	03/02/2017	19,305,298	1.05
				95,231	-	Market Sale	03/02/2017	19,210,067	1.04
				-	418,473	Market Purchase	10/02/2017	19,628,540	1.07
				370	-	Market Sale	10/02/2017	19,628,170	1.07
				-	135,879	Market Purchase	17/02/2017	19,764,049	1.07
				-	173,351	Market Purchase	24/02/2017	19,937,400	1.08
				70,614	-	Market Sale	24/02/2017	19,866,786	1.08
				-	178,628	Market Purchase	03/03/2017	20,045,414	1.09

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
				-	99,853	Market Purchase	10/03/2017	20,145,267	1.09
				200,022	-	Market Sale	10/03/2017	19,945,245	1.08
				-	104,669	Market Purchase	17/03/2017	20,049,914	1.09
				-	61,711	Market Purchase	24/03/2017	20,111,625	1.09
				54,532	-	Market Sale	24/03/2017	20,057,093	1.09
				-	83,076	Market Purchase	31/03/2017	20,140,169	1.09
				33,728	-	Market Sale	31/03/2017	20,106,441	1.09

Notes:

1) *Top ten shareholders (on basis of PAN numbers) of the Bank as on 31st March 2017 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 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
	DIRECTORS								
1	Dipak Gupta	1,373,326	0.07	-	-		31/03/2016	1,373,326	0.07
				5,000	-	Market Sale	17/05/2016	1,368,326	0.07
				10,000	-	Market Sale	18/05/2016	1,358,326	0.07
				5,000	-	Market Sale	19/05/2016	1,353,326	0.07
				2,000	-	Market Sale	25/05/2016	1,351,326	0.07
				8,000	-	Market Sale	25/05/2016	1,343,326	0.07
				5,150	-	Market Sale	03/06/2016	1,338,176	0.07
				-	20,000	ESOP Allotment	30/06/2016	1,358,176	0.07
				-	16,000	ESOP Allotment	03/08/2016	1,374,176	0.07
				10,000	-	Market Sale	18/08/2016	1,364,176	0.07
				9,850	-	Market Sale	22/08/2016	1,354,326	0.07
				10,000	-	Market Sale	31/08/2016	1,344,326	0.07
				5,000	-	Market Sale	02/09/2016	1,339,326	0.07
				8,076	-	Market Sale	30/10/2016	1,331,250	0.07
				-	11,500	ESOP Allotment	02/11/2016	1,342,750	0.07
				1,924	-	Market Sale	02/11/2016	1,340,826	0.07
				5,000	-	Market Sale	04/11/2016	1,335,826	0.07
				-	2,500	ESOP Allotment	24/11/2016	1,338,326	0.07

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 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
				-	32,646	ESOP Allotment	19/12/2016	1,370,972	0.07
				-	10,000	ESOP Allotment	13/01/2017	1,380,972	0.08
				5,000	-	Market Sale	03/02/2017	1,375,972	0.07
				10,000	-	Off Market (Gift)	06/02/2017	1,365,972	0.07
				15,000	-	Market Sale	07/02/2017	1,350,972	0.07
				-	12,620	Market Sale	09/03/2017	1,363,592	0.07
				10,000	-	Market Sale	14/03/2017	1,353,592	0.07
				10,000	-	Market Sale	15/03/2017	1,343,592	0.07
				-	-		31/03/2017	1,343,592	0.07
2	C Jayaram	1,217,720	0.07	-	-		31/03/2016	1,217,720	0.07
				75,000	-	Market Sale	16/05/2016	1,142,720	0.06
				-	70,320	ESOP Allotment	08/06/2016	1,213,040	0.07
				55,000	-	Market Sale	03/03/2017	1,158,040	0.06
				-	-		31/03/2017	1,158,040	0.06
3	Amit K Desai	1,554,750	0.08	-	-		31/03/2016	1,554,750	0.08
				-	-		31/03/2017	1,554,750	0.08
4	Farida Dara Khambata	30,000	0.00	-	-		31/03/2016	30,000	0.00
				-	6,000	Market Purchase	10/08/2016	36,000	0.00
				-	-		31/03/2017	36,000	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 shares	% 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	1,384,092	0.08	-	-		31/03/2016	1,384,092	0.08
				5,000	-	Market Sale	26/05/2016	1,379,092	0.08
				5,000	-	Market Sale	27/05/2016	1,374,092	0.07
				5,000	-	Market Sale	03/06/2016	1,369,092	0.07
				-	7,374	ESOP Allotment	08/06/2016	1,376,466	0.08
				1,000	-	Off Market (Gift)	09/06/2016	1,375,466	0.07
				5,000	-	Market Sale	16/06/2016	1,370,466	0.07
				-	6,000	ESOP Allotment	03/06/2016	1,376,466	0.08

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 shares	% of total shares of the company	No. of shares Decrease	No. of shares Increase	Reason		No. of shares	% of total shares
				5,000	-	Market Sale	09/08/2016	1,371,466	0.07
				1,000	-	Off Market (Gift)	18/08/2016	1,370,466	0.07
				-	5,000	ESOP Allotment	29/08/2016	1,375,466	0.07
				-	10,000	ESOP Allotment	02/11/2016	1,385,466	0.08
				5,000	-	Market Sale	10/11/2016	1,380,466	0.08
				-	18,976	ESOP Allotment	24/11/2016	1,399,442	0.08
				-	2,500	ESOP Allotment	13/01/2017	1,401,942	0.08
				100,000	-	Off Market (Gift)	30/01/2017	1,301,942	0.07
				-	8,000	ESOP Allotment	15/02/2017	1,309,942	0.07
				5,000	-	Market Sale	14/03/2017	1,304,942	0.07
				15,000	-	Market Sale	15/03/2017	1,289,942	0.07
				-	7,000	ESOP Allotment	22/03/2017	1,296,942	0.07
				-	-		31/03/2017	1,296,942	0.07
2	Bina Rameshchandra Chandarana	83,184	0.00	-	-		31/03/2016	83,184	0.00
				-	964	ESOP Allotment	12/07/2016	84,148	0.00
				-	1,074	ESOP Allotment	03/08/2016	85,222	0.00
				-	672	ESOP Allotment	02/11/2016	85,894	0.00
				-	966	ESOP Allotment	13/01/2016	86,860	0.00
				5,000	-	Market Sale	07/02/2017	81,860	0.00
				11,015	-	Market Sale	10/02/2017	70,845	0.00
				5,000	-	Market Sale	13/02/2017	65,845	0.00
				500	-	Market Sale	15/02/2017	65,345	0.00
				5,000	-	Market Sale	16/02/2017	60,345	0.00
				2,478	-	Market Sale	17/02/2017	57,867	0.00
				2,000	-	Market Sale	20/02/2017	55,867	0.00
				2,000	-	Market Sale	22/02/2017	53,867	0.00
				6,000	-	Market Sale	23/02/2017	47,867	0.00
				-	-		31/03/2017	47,867	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	20,975.34	1,38,643.02	1,59,618.36
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**	**1,39,165.15**	**1,60,435.18**
Change in Indebtedness during the financial year *				
• Addition				
• Reduction				
Net Change	**NIL**	**130.33**	**18,868.76**	**18,999.10**
Indebtedness at the end of the financial year				
i) Principal Amount	NIL	21,095.48	1,57,425.86	1,78,521.34
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	304.88	608.05	912.94
Total (i+ii+iii)	**NIL**	**21,400.36**	**1,58,033.91**	**1,79,434.28**

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	263.28	260.60	76.42	600.30
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961 @	0.40	465.62	236.42	702.44
	(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)	**263.68**	**726.22**	**312.84**	**1302.74**
	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, amounting to Nil for Mr. Uday Kotak, ₹ 465.22 lac for Mr. Dipak Gupta and ₹ 236.39 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.*

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

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**	**Mr. Uday Khanna @**	
	Fee for attending board/committee meetings	6.10	-	11.50	13.90	3.90	5.60	41.00
	Commission **	5.00	5.00	6.00	6.00	6.00	-	28.00
	Others, please specify	-	-	-	-	-	-	-
	Total (1)	**11.10**	**5.00**	**17.50**	**19.90**	**9.90**	**5.60**	**69.00**
2	**Other Non-Executive Directors**	**Dr. Shankar Acharya**	**Mr. N. P. Sarda @**	**Mr. Mark Newman #**	**Mr. C. Jayaram @**			
	Fee for attending board/committee meetings	6.10	3.30	-	4.90			14.30
	Commission **	-	6.00	-	-			6.00
	Others - Remuneration	30.00	-	-	-			30.00
	Total (2)	**36.10**	**9.30**	**-**	**4.90**			**50.30**
	Total (B)=(1+2)							**119.30**
	Total Managerial Remuneration							
	Overall Ceiling as per the Act *							

Notes:

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

** *Commission pertaining to FY 2015-16 paid during FY 2016-17.*

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

@ *Mr. Asim Ghosh retired w.e.f. 9th May 2016*

Mr. Uday Khanna appointed w.e.f. 16th September 2016

Mr. N.P. Sarda retired w.e.f. 22nd July 2016

Mr C. Jayaram retired as a Joint Managing Director on 30th April 2016 but continues as a Non-Executive Director w.e.f.1st May 2016

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	94.08	362.38	456.46
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	11.99	230.02	242.01
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2.	Stock Option @	Cost included in 1(b) above		
3.	Sweat Equity	-	-	-
4.	Commission			
	- as % of profit	-	-	-
	- others, specify…	-	-	-
5.	Others, please specify	-	-	-
	Total	**106.07**	**592.40**	**698.47**

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, amounting to ₹11.68 lac for Company Secretary and ₹ 229.73 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 2017

[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 2017, 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 2017, according to the provisions of:

(i) The Companies Act, 2013 (the Act) 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) 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 Seventeen Crore Thirty Three Lakhs Fourteen Thousand Five Hundred And Twenty 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 of the Company had approved the issue of unsecured redeemable, non convertible debenture/ bonds on an private placement basis through postal ballot.

Rupal Dhiren Jhaveri
FCS No: 5441
Certificate of Practice No. 4225

Place: Mumbai
Date: 10th May 2017

*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.*

To,
The Members

KOTAK MAHINDRA BANK LIMITED

My report of even date is to be read along with this letter.

'Annexure A'

1. Maintenance of secretarial record is the responsibility of the management of the Bank. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.
4. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

Rupal Dhiren Jhaveri
FCS No: 5441
Certificate of Practice No. 4225

Place: Mumbai
Date: 10th May 2017

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
Promoting education and Livelihood programmes Implemented through Kotak Education Foundation (KEF)	Promoting education & Livelihood Enhancement	Mumbai, Maharashtra	1,303.33	977.99	144.22	2,830.66 (Out of CSR spend of ₹ 1,303.33 lac, the NGO has not utilised ₹ 181.14 lac. This will be utilised in FY 2017-18.	1,303.33 (Implemented through Kotak Education Foundation)
Promoting education for children with autism/other developmental disabilities and their families through SOPAN	Promoting education, measures to reduce inequalities	Mumbai, Maharashtra	3.33	3.33	NIL	10.66	3.33 (Implemented through SOPAN)
Promoting education for differently abled implemented through Action For Ability Development And Inclusion (AADI)	Promoting education, measures to reduce inequalities	New Delhi	3.50	3.50	NIL	9.50	3.50 (Implemented through Action For Ability Development And Inclusion - AADI)
Promoting education - Provided food, medical aid, educational aid through Shri Mahesh Shah Charitable Trust	Promoting education	Mumbai, Maharasthra & Sankheshwar, Gujarat	10.00	8.05	NIL	10.00 (Out of the CSR spend of ₹ 10.0 lac, the NGO has not utilised ₹ 1,95,041/-. This will be utilised in FY 2017-18)	10.00 (Implemented through Shri Mahesh Shah Charitable Trust)
Promoting education - Provided pre-school education (Balwadi) for economically backward children through National Society for Clean Cities India (NSCI)	Promoting education	Mumbai, Maharashtra	2.00	1.67	0.33	4.00	2.00 (Implemented through National Society for Clean Cities India - NSCI)
Promoting education for primary education of underprivileged girls through IIMPACT	Promoting education	Pakur, Jharkhand	20.00	1.08	0.13	20.00 (Out of CSR spend of ₹ 20 lac, the NGO has not utilised ₹18.79 lac. This will be used towards meeting expenses in FY2017-18)	20.00 (Implemented through IIMPACT)

(₹ 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 - Established a teacher development model for quality education through Information Technology integration through IT For Change	Promoting education	Hyderabad, Telangana	20.00	5.43	3.00	20.00 (Out of CSR spend of ₹ 20 lac, the NGO has not utilised ₹11.58 lac. This will be used towards meeting expenses in FY2017-18)	20.00 (Implemented through IT For Change)
Promoting education using sports (football) training to instill the value of education at two schools in the underserved segment through Oscar Foundation	Promoting education	Mumbai, Maharashtra	5.81	2.61	0.26	5.81 (Out of CSR spend of ₹ 5.81 lac, the NGO has not utilised ₹2.94 lac. This will be used towards meeting expenses in FY2017-18)	5.81 (Implemented through Oscar Foundation)
Promoting education - Provided a school bus to Purkal Youth Development Society for ferrying children to school and back home for the underprivileged segment	Promoting education	Dehradun, Uttarakhand	20.00	18.91	1.09	25.00	20.00 (implemented through Purkal Youth Development Society)
Promoting education - Supported six fellows through Teach to Lead (Project Teach for India)	Promoting education	Chennai, Tamil Nadu	21.00	19.99	NIL	35.00 (Out of CSR spend of ₹ 21 lac, the NGO has not utilised ₹1,00,562/- This will be used towards meeting expenses in FY2017-18)	21.00 (Implemented through Teach to Lead)
Promoting education - Pan-India book collection and distribution to the underprivileged students through Ratnanidhi Charitable Trust	Promoting education	Mumbai, Maharashtra	1.02	0.53	0.49	1.02	1.02 (Implemented through Ratnanidhi Charitable Trust)
Promoting education - Scholarships provided for higher education to 19 meritorious students from an weak economic background through Samvedana	Promoting education	Ahmadabad, Gujarat	5.00	5.00	NIL	5.00	5.00 (Implemented through Samvedana)

(₹ 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 - Supported education of cancer affected children from the underserved segment through Dhanwantari Medical Trust.	Promoting education	Mumbai, Maharashtra	5.00	NIL	NIL	14.00 (CSR spend of ₹ 5 lac made in March 2017 has not been utilised by the NGO. It will be utilised in FY 2017-18)	5.00 (Implemented through Dhanwantari Medical Trust)
Promoting education - Provided educational support and remedial education of girls from Stree Adhyapan Mandir College through Sabarmati Harijan Ashram Trust	Promoting education	Ahmedabad, Gujarat	2.00	NIL	NIL	2.00 (The amount has not been utilised by the NGO. It will be utilised in FY 2017-18)	2.00 (Implemented through Sabarmati Harijan Ashram Trust)
Promoting Education - College Preparatory programme for the students with hearing disabilities through DEEDS	Promoting education	Mumbai, Maharashtra	15.00	NIL	NIL	17.00 (CSR spend of ₹ 15 lac made in March 2017 has not been utilised by the NGO. It will be utilised in FY 2017-18)	15.00 (Implemented through DEEDS)
Promoting Education - Provided support for establishing a tuition centre to support education of underprivileged through Samarpan Foundation	Promoting education	Chimbel, Goa	1.00	0.73	0.04	1.00 (Out of CSR spend of ₹ 1.00 lac, the NGO has not utilised ₹ 22,505/-. This will be used towards meeting expenses in FY2017-18)	1.00 (Implemented through Samarpan Foundation)
Promoting Education - Provided food delivery van for mid-day meal programme through The Akshaya Patra Foundation	Promoting Education	Bengaluru, Karnataka	16.88	NIL	NIL	16.88 (The amount has not been utilised by the NGO. It will be utilised in FY 2017-18)	16.88 (Implemented through the Akshaya Patra 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
Enhancing Livelihood - Supported livelihood enhancement programme for small and marginal tribal farmers through agriculture development by high value vegetable cultivation under trellis and water resources through N M Sadguru Water and Development Foundation	Livelihood enhancement projects	Various districts of Gujarat, Rajasthan, Madhya Pradesh	65.00	NIL	1.27	135.00 (Out of CSR spend of ₹ 65 lac, the NGO has not utilised ₹ 63.73 lac which will be utilised in FY2017-18)	65.00 (N M Sadguru Water and Development Foundation)
Healthcare - Provided to leukemia affected childred through Cancer Patients Aid Association (CPAA)	Promoting preventive healthcare	Mumbai, Maharashtra	3.33	3.33	NIL	10.66	3.33 (Implemented through CANCER PATIENTS AID ASSOCIATION-CPAA)
Healthcare and special education - Provided psychiatric and counseling services to children with developmental disabilities provided through Indian Council For Mental Health (ICMH). ICMH also conducts Occupationl therapists, Speech therapists, Yoga, Color therapy along with sports, drama and vocational training	Promoting preventive healthcare	Mumbai, Maharashtra	3.33	1.25	NIL	10.66 (Out of CSR spend of ₹ 3.33 lac, the NGO has not utilised ₹ 2,07,500)	3.33 (Implemented through Indian Council for Mental Health)
Preventive healthcare -Provided holistic home based palliative care for people living with cancer in West Delhi through CanSupport	Promoting preventive healthcare	New Delhi	14.80	9.63	NIL	41.20 (Out of the CSR spend of ₹ 14.8 lac, the NGO has not utilised ₹5,16,740/-. This will be used towards meeting direct expenses in FY2017-18)	14.8 (Implemented through CanSupport)
Preventive healthcare - Free of cost cancer treatment to the underserved sections of the society through The Gujarat Cancer and Research Institute	Promoting preventive healthcare	Ahmedabad, Gujarat	15.00	15.00	NIL	15.00	15.00 (Implemented through The Gujarat Cancer and Research Institute)
Preventive healthcare - Suppported expansion of Mahesh Memorial Pediatric Cancer Ward through MRT1 Charitable Trust	Promoting preventive healthcare	Chennai, Tamil Nadu	7.50	NIL	NIL	7.50 The amount has not been utilised by the NGO. It will be utilised in FY 2017-18)	7.50 (Implemented through MRT1 Charitable 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
Preventive Healthcare - Provided an ambulance for cancer patients through Vidya Jagat Cancer Foundation	Promoting preventive healthcare	Faridabad, Haryana	10.00	10.00	NIL	10.00	10.00 (Implemented through Vidya Jagat Cancer Foundation)
Preventive Healthcare - Provided an ambulance for underprivileged patients through Vishwa Manav Ruhani Kendra	Promoting preventive healthcare	Kalka, Haryana	15.00	NIL	NIL	15.00 (The amount has not been utilised by the NGO. It will be utilised in FY 2017-18)	15.00 (Implemented through Vishva Manav Ruhani Kendra)
Preventive Healthcare - Provided an ambulance for underprivileged patients through Sri Kanchi Kamakoti Medical Trus	Promoting preventive healthcare	Guntur, Andhra Pradesh	15.62	15.62	NIL	15.62	15.62 (Implemented through Sri Kanchi Kamakoti Medical Trust)
Construction of houses for families in need - provided homes to low-income, marginalised families across India implemented through Habitat For Humanity India Trust	Setting up homes for economically backward families	Raigad, Maharashtra and Bengaluru, Karnataka	4.50	3.00	1.5	9.75	4.5 (Implemented through Habitat For Humanity India Trust)
Sports - Trained and mentored young and established athletes to promote nationally recognised sports through JSW Foundation	Training to promote nationnally recognised sports	New Delhi	25.00	NIL	NIL	50.00 (CSR spend of ₹ 25 lac made in March 2017 has not been utilised by the NGO. It will be utilised in FY 2017-18)	25.00 (Implemented through JSW Foundation)
Sports - Supported training and preparation of atheletes for Olympic sports	Training to promote olympic sports	Mumbai, Maharashtra	80.00	NIL	NIL	80.00 (The amount has not been utilised by the NGO. It will be utilised in FY 2017-18)	80.00 (Implemented through Foundation for promotion of sports and games)
Clean India - Construction of Toilets at Baba Gurukulam Home implemented through Bhumi.	Sanitation	Chennai, Tamil nadu	1.50	1.50	NIL	1.50	1.5 (Implemented through Bhumi)
Clean India - Beautification (wall paintings depicting messages related to cleanliness and sanitation) of Padav over bridge under Swachh Bharat Mission	Sanitation	Gwalior, Madhya Pradesh	3.00	3.00	NIL	3.00	3.00 (Direct Implementation)

(₹ 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
Clean India - Cleaning and maintenance of traffic island under Swachh Bharat Mission	Sanitation	Madurai, Tamil Nadu	1.80	0.30	NIL	1.80 (Out of CSR spend of ₹ 1.80 lac, the vendor has not utilised ₹1.50 lac. This will be used towards meeting expenses in FY2017-18)	1.80 (Direct Implementation)
Clean India - Construction of 10 toilets through Commissioner Madurai City Municipal Corporation under Swachh Bharat Mission	Sanitation	Madurai, Tamil Nadu	2.50	2.50	NIL	2.50	2.50 (Direct implemention)
Relief and Rehabilitation - Providing drinking water to 10 drought affected villages	Making available safe drinking water	Latur, Maharashtra	9.98	9.98	NIL	9.98	9.98 (Direct Implementation)
GiveIndia - Support provided to GiveIndia for its various community programmes	Multiple sectors as GiveIndia supprots several NGOs	Mumbai, Maharashtra	0.42	0.42	NIL	1.41	0.42 (Implemented through GiveIndia)
TOTAL CSR SPEND U/S 135 OF THE COMPANIES ACT, 2013, DURING FY 2016-17							**1,733.15**

Note: Though the Bank is eligible to consider upto 5% of total CSR spend as administrative expenditure towards building its CSR capacities, etc., the Bank has taken a call not to consider it as a part of CSR spend for the year FY 2016-17.

Management's Discussion & Analysis

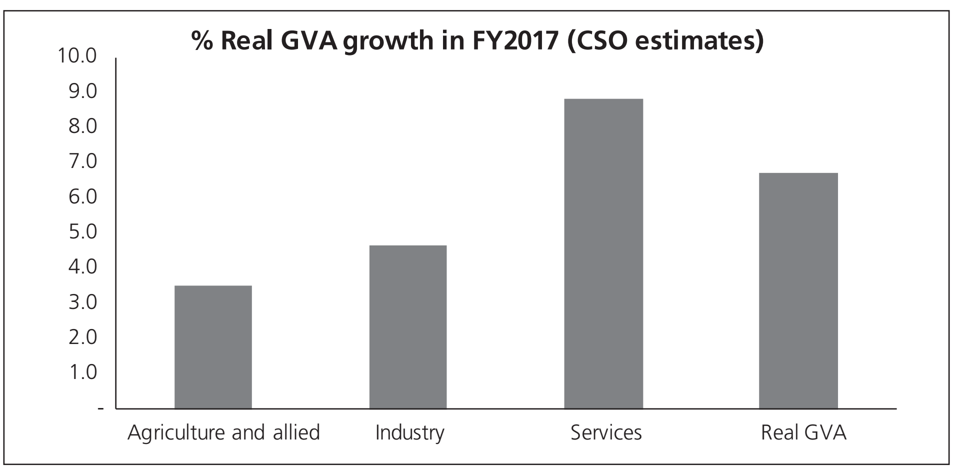
Macro-economic environment

Against the backdrop of global volatilities, India macro fundamentals continued to fare well in FY2017 and steady progress is being made with regard to India's own medium-term potential. FY2017 was marked by two major domestic policy developments, demonetisation of Specified Bank Notes (SBNs) i.e. ₹ 500 and ₹ 1,000 bank notes prevailing as on 8th November 2016 and the passage of the Constitutional amendment and follow-up legislation, paving way for GST implementation. On external sector front, current account deficit remains within comfortable limits. Fiscal consolidation at central government level has continued with an improvement in spending quality by shifting expenditures away from current to capital expenditures. However, state government finances appeared to be under stress in FY2017. Inflation eased further, which helped RBI ease 50 bps in FY2017.

Overall, the economic fundamentals have fared reasonably well in FY2017. Despite the short-term costs, Demonetisation holds the potential for long-term benefits. Over the medium term, consistent traction in policy reforms, increasing digitisation and successful GST implementation will improve India's growth potential.

The growth environment

On growth front, real GDP seems to have slowed in FY2017 from FY2016. As per CSO, the second advance estimate of growth for FY2017 stood at 7.1% as against the upwardly revised 7.9% in FY2016. On value added basis, real GVA (grossa value added) growth estimate for FY2017 has been revised down to 6.7% from 7.8%. On the positive side, the economy was buoyed by government consumption, as the 7th Pay Commission salary recommendations were implemented. Besides, a good monsoon helped keep agricultural production buoyant. However, private investment has remained anaemic. Ground realities, such as low capacity industrial utilisation, continued debt overhang of corporates and worsening NPA position of banking sector remain the biggest impediment to private investment. Demonetisation also seems to have further added, albeit marginally, to slowdown in growth. A part of real GVA growth slowdown in FY2017 owed to first half which slowed to 6.8% as against 8.1% in same period in FY2016. The Q3FY2017 – the period where demonetisation took place – slowed further to 6.6%.

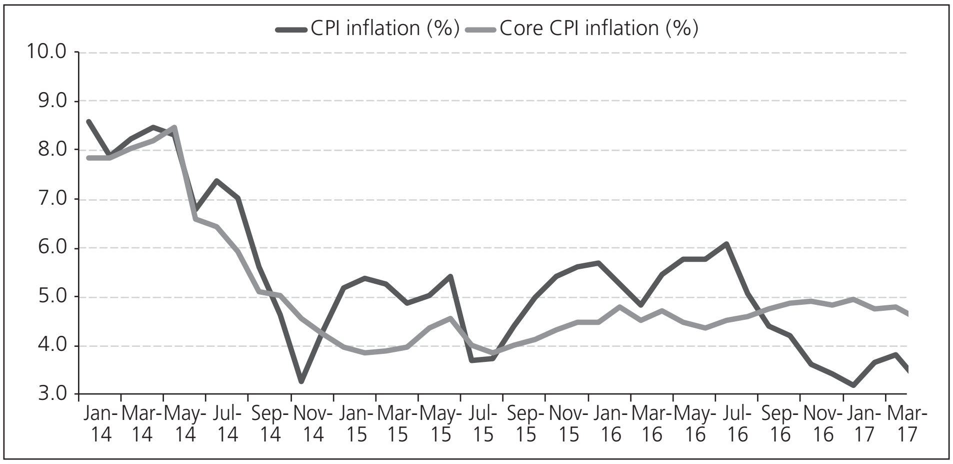


Source: CSO, Kotak Economic Research

Domestic price dynamics

The overall domestic price pressures remained contained in FY2017. The CPI inflation averaged 4.5% in FY2017 (as against 4.9% in FY2016), and has displayed a downward trend, largely helped by sharp correction in food inflation due to good Kharif and pulses production and managed vegetables inflation. Core CPI inflation, on the other hand, has averaged 4.7% in FY2017 as against 4.3% in FY2016. WPI inflation, on the other hand, picked up in FY2017 due to reversal of favourable base effect and pick in oil and other commodity prices. However, for the year as a whole, the CPI inflation was comfortably below the RBI's target of 5%, a trend partly likely to be helped by demonetisation. Despite easing headline CPI inflation, RBI has now shifted its stance to neutral from accommodative, premised on possible second-round impact of sticky-to-rising core inflation, tighter global financial conditions, foreign exchange volatility and higher commodity prices.

CPI inflation moderated further in FY2017 from the previous fiscal



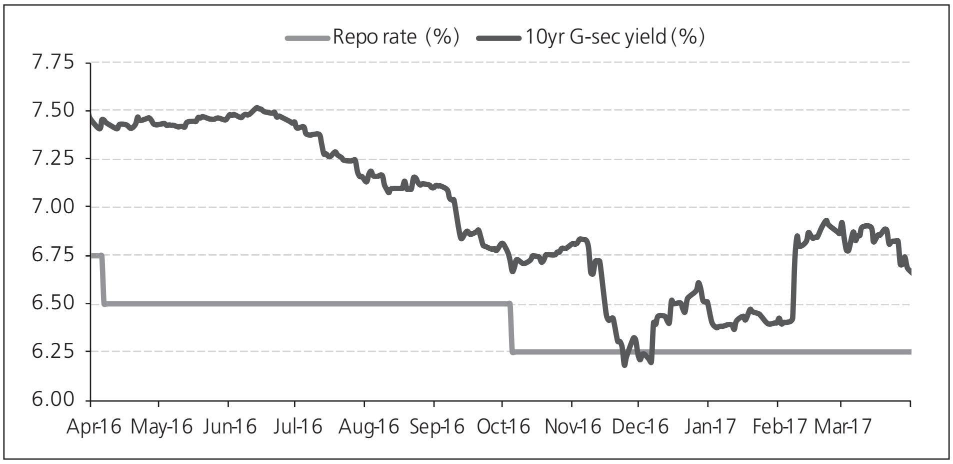
Source: CEIC, Kotak Economic Research

Monetary policy and interest rates

RBI continued with its accommodative stance in FY2017. It started the year by cutting repo rate by 25 bps in April 2016, with focus having moved to liquidity management in a bid to reach neutral banking system liquidity over a period of time. The new liquidity framework was designed to align (then tighter) liquidity conditions with accommodative monetary stance for smoother monetary policy transmission over the medium term. During the year, the disinflationary pressures continued but global event risks also kept RBI vigilant. The baton was passed to the new Monetary Policy Committee (MPC) regime headed by Dr. Urjit Patel as the new RBI Governor in October 2016. The MPC cut repo rate further by 25 bps to 6.25% in October, helped by plunge in food inflation momentum, partly owing to better food management by the Government. However, RBI kept its vigilance on inflation and continued to expect CPI inflation slightly above 5% in the coming months. However in December policy, RBI's tone turned relatively hawkish and RBI changed its stance from accommodative to neutral in the February 2017 policy, premised on upside risk to inflation, limited transient growth drag owing to demonetisation and global risks.

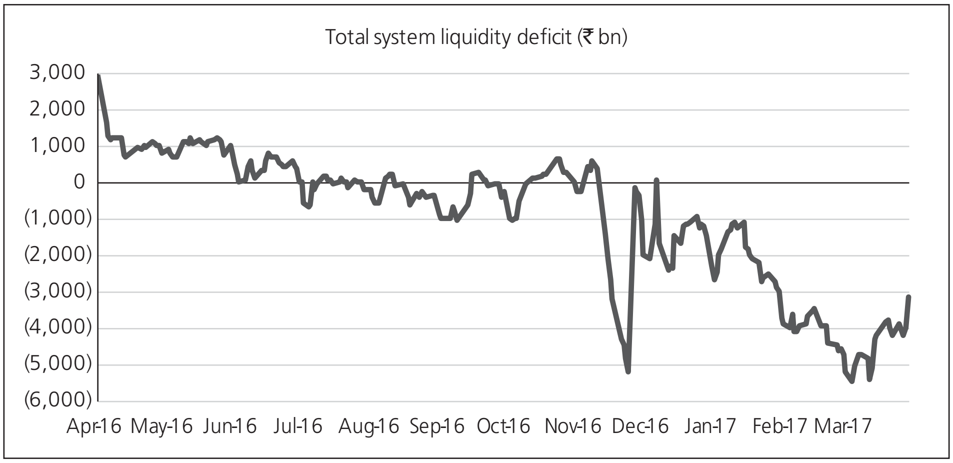
The bond yields started the year with a marginal downward bias, helped by rate cut in April policy and RBI's accommodative stance. Besides, OMO purchases in H1FY2017 also helped bond yields somewhat. However, the bond market dynamics changed dramatically since mid-June. The bond rally was initially triggered by news of former RBI Governor Rajan's exit on June 18, with markets seeming to interpret the change of guard as a shift towards potentially more dovish RBI regime. Besides India enjoyed the global spill over of BREXIT led global bond rally where markets globally believed a limited regional shock is going to result in a significantly easier stance for global monetary policy. The domestic bond rally continued with global rally till around October. However, global yields started hardening post October. November onwards, India rates market saw very divergent dynamics from rest of the world. Even as the global bond sell-off was triggered post the surprise US election outcome, Indian bonds rallied sharply owing to demonetisation of high denomination currency notes. Demonetisation led to consequent increase in banks' deposit base which boosted SLR demand, while strengthening rate cut hopes are amid slow growth and inflation, further helped bonds. The benchmark 10-yr paper yield saw the lows of 6.16% by ~end-November. Mid December onwards, yields started hardening as the demonetisation impact peaked for bonds, while global yields started hardening on Fed's relatively hawkish stance. Bonds further lost momentum after RBI sounded hawkish in December and eventually changed its stance to neutral from accommodative in February – signalling an end to the easing cycle. This unexpected move led to sharp sell-off in bonds. However, due to sudden short squeeze and year-end valuation buying helped bonds ease marginally in March. The benchmark 10-yr paper eased to ~6.68% to end the fiscal year, easing around ~79bps from end-March FY2016. The yield spread with repo rate narrowed to ~43 bps by end-March 2017.

The spread between Repo rate and Benchmark G-sec yield crashed sharply post demonetisation



Source: Bloomberg, Kotak Economic Research

The system liquidity saw a bumper surplus post demonetisation



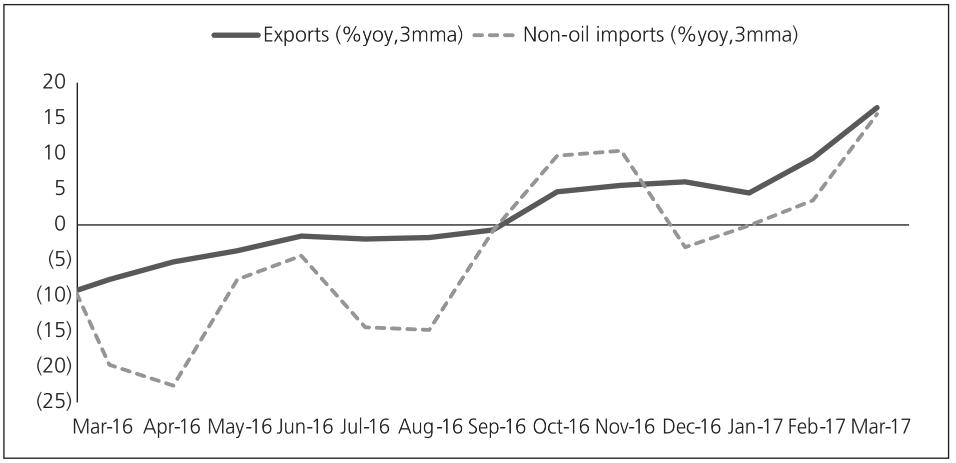
Source: Bloomberg, Kotak Economic Research

External sector dynamics and the USD/INR

It was another comfortable year on external sector front. The economy weathered the sizeable redemption of FCNR deposits in late CY2016, and global volatility associated with the US election and demonetisation. The current account deficit has declined to average 0.7% in first nine months of FY2017 (summing US$11.6 billion), with the last official 3QFY2016 print reporting a comfortable 1.4%. In FY2017, exports as reported by Ministry of Commerce and Industry stood at US$275.5 billion, against US$262.3 billion in the same period last year, registering a growth of 5%. Imports increased a tad 0.4%yoy (~US$ 382 billion), with oil imports increasing 4.5% and non-oil imports contracting a tad ~0.8%. While CAD has been comfortable, the Balance of Payment surplus appears to have increased marginally in FY2017, owing to better foreign portfolio inflows and steady FDI flows. Foreign exchange reserves have risen to US$370 billion by end-March 2017, and are comfortably above the standard norms for reserve adequacy.

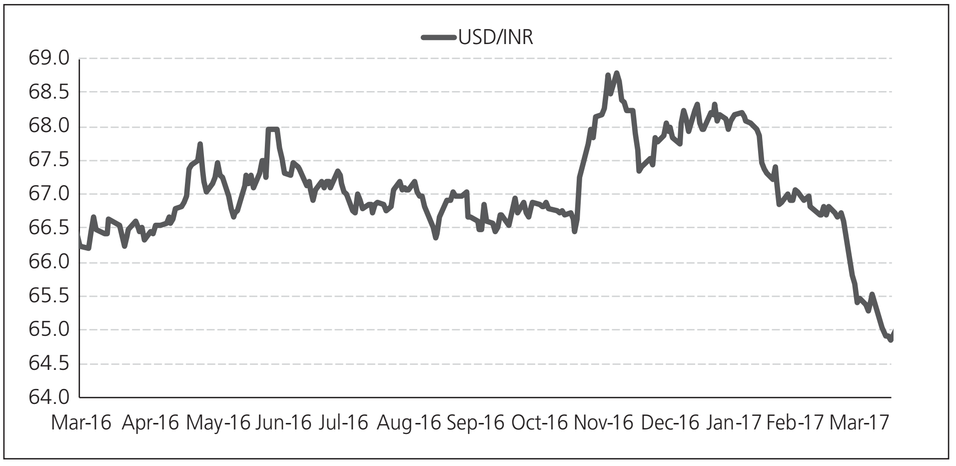
INR also remained mostly resilient, helped by improving macro fundamentals, particularly the external account. We saw bouts of sharp volatilities in INR in 3QFY2017 and in 4QFY2017. We saw INR weaken to ~68.80 against USD in 3QFY2017, partly due to global realignment of risks post US presidential election outcome. However, aided by surge in FII flows due to broad dollar weakness and loss of steam of global reflation there and UP election outcome and GST bill passage, INR saw a strong 4QFY2017. Rupee ended the year at 64.85, rallying by 4.7% by end-4QFY2017 from end 3QFY2017. However on an average, INR depreciated ~2.4% against USD in FY2017.

Exports and imports, both improved during FY2017



Source: CEIC, Kotak Economic Research

INR appreciated sharply during 4QFY2017



Source: Bloomberg, Kotak Economic Research

Demonetisation

On 8th November, 2016, the Government of India announced the demonetisation of all existing ₹ 500 and ₹ 1,000 bank notes. As a result, RBI has withdrawn all the then prevailing ₹ 500 and ₹ 1,000 bank notes as legal tender effective from 9th November, 2016. This policy was introduced to, among other reasons, (i) lower cash circulation in the country as a means of counteracting corruption, which is often directly cash-linked and (ii) eliminate counterfeit money. The demonetisation period also saw a significant increase in digital banking channels, with first-time logins, net banking by value and volume, debit card and credit card customers, cheque book requests, all significantly increasing.

The immediately ensuing adverse impact, caused by limited cash availability, had a downward impact on some of the businesses of the Group, especially those with a non-urban and Business Banking focus. Consequently, the Group saw a short-term decrease in loan growth in our agricultural, tractor, loan against gold and Business Banking portfolios, most of which recovered in the next quarter of the year. The Bank also saw a significant increase in the number of credit cards issued.

Within the liabilities side of our business, the Bank saw a significant increase in current account deposits (CA), savings account deposits (SA) and sweep deposits, as a result of which CASA ratio of the Bank significantly improved. The Bank's standalone CASA ratio was 38.1% and 44.0% as of 31st March, 2016 and 31st March, 2017 respectively.

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 85% 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 7% 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 ₹ 38,490.8 crore as on 31st March, 2017 (₹ 33,360.6 crore as on 31st March, 2016) and book value per share at ₹ 209.1 (₹ 181.9 as on 31st March, 2016). The Group earned a Return on Average Assets (RoAA) of 1.95% in FY2017 (1.55% in FY2016). FY2016 included higher provisions on account of retiral benefits for erstwhile ING Vysya Bank (eIVBL) employees under Indian Banks' Association (IBA) structure, integration costs and additional provisions from eIVBL book.

The Bank and major entities of the Group continued to be rated "AAA" rating during the year.

The entity wise net worth of the Group is as follows:

(₹ in crore)

	31st March, 2017	31st March, 2016
Kotak Mahindra Bank	27,616.1	23,959.1
Kotak Mahindra Prime	4,227.1	3,851.7
Kotak Mahindra Investments	1,037.5	841.1
Kotak Securities	2,995.9	2,634.7
Kotak Mahindra Capital Company	493.2	447.6
Kotak Mahindra Old Mutual Life Insurance	1,824.7	1,521.4
Kotak Mahindra General Insurance	90.3	125.0
Kotak Mahindra AMC & Trustee Co	228.5	172.9
International Subsidiaries	693.7	623.9
Kotak Investment Advisors	276.9	270.9
Other Entities	354.0	42.7
Total	**39,837.9**	**34,491.0**
Add: Share in associates	749.7	679.5
Less: Minority, inter-company and other adjustments	2,096.8	1,809.9
Consolidated Net worth	**38,490.8**	**33,360.6**

The consolidated performance for FY2017 is as follows:

(₹ in crore)

Particulars	FY2017	FY2016
Total income	33,983.8	28,032.4
Consolidated networth	38,490.8	33,360.6
Earnings per share (diluted) (₹)	26.9	18.9
Book-value per share (₹)	209.1	181.9
Net interest margin (NIM) %	4.49%	4.37%
Return on average assets (RoAA)	1.95%	1.55%
Return on average networth %	13.80%	11.02%
Net NPA %	1.09%	0.93%
Consolidated capital adequacy ratio (CAR) %*	17.23%	16.97%
Tier I*	16.52%	16.11%

** Capital Adequacy Ratio and Tier I Ratio is computed as per Basel III norms issued by RBI.*

The financial results of subsidiaries are explained later in this discussion but a snapshot of the entity-wise Profit before Tax (PBT) and Profit after Tax (PAT) of the Group is as follows:

(₹ in crore)

	FY2017		FY2016	
	PBT	**PAT**	**PBT**	**PAT**
Kotak Mahindra Bank	5,148.1	3,411.5	3,123.7	2,089.8
Kotak Mahindra Prime	787.8	514.8	772.6	502.3
Kotak Mahindra Investments	290.1	196.4	235.9	153.9
Kotak Securities	543.3	361.3	381.0	250.7
Kotak Mahindra Capital Company	60.6	45.6	46.4	32.4
Kotak Mahindra Old Mutual Life Insurance	342.7	303.3	281.9	250.7
Kotak Mahindra General Insurance	(34.7)	(34.7)	(9.7)	(9.7)
Kotak Mahindra AMC & Trustee Co	84.0	55.7	90.3	72.0
International Subsidiaries	98.1	86.0	114.0	105.0
Kotak Investment Advisors	6.1	5.9	7.5	4.7
Others	7.9	5.3	2.4	1.6
Total	**7,334.0**	**4,951.1**	**5,046.0**	**3,453.4**
Minority Interest, Equity Affiliates and Others		(10.7)		5.4
Consolidated PAT		**4,940.4**		**3,458.8**

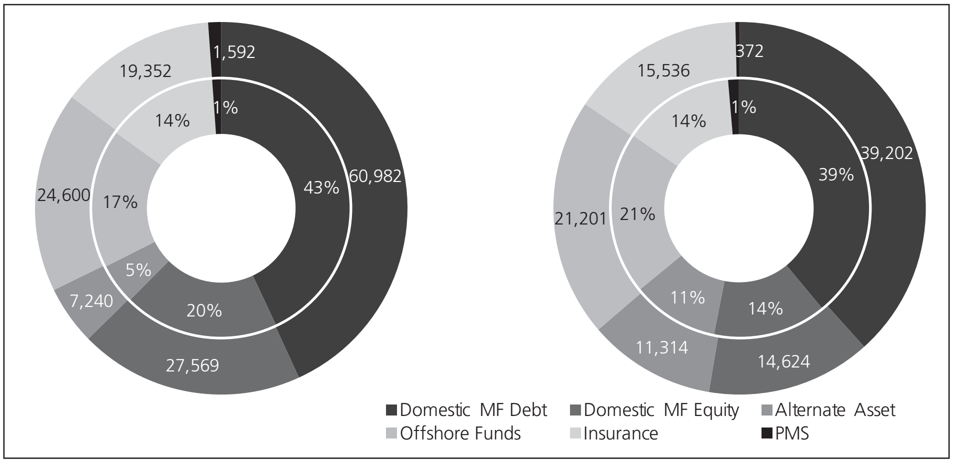
The contribution of the affiliates to the net profit of the Group is as follows:

(₹ in crore)

Name of the Company	**Investment by Kotak Group**	**% shareholding of the Group**	**Group's share for FY2017**
ACE Derivatives and Commodity Exchange Ltd	46.8	40.00%	0.2
Infina Finance Pvt Ltd	2.0	49.99%	57.4
Phoenix ARC Pvt Ltd	99.3	49.90%	11.3
Matrix Business Services India Pvt Ltd	1.7	19.77%	1.2

Assets under Management (AUM) as on 31st March, 2017 were ₹ 141,336 crore (previous year ₹ 102,249 crore), comprising assets managed and advised by the Group. The split of the AUM is as follows:

AUM - ₹ 141,336 crore – 31st March, 2017 **AUM - ₹ 102,249 crore – 31st March, 2016**



The Group has a wide distribution network through branches and franchisees across India, an International Business Unit at Gujarat International Finance Tec-City (GIFT city), Gujarat, and international offices in London, New York, Dubai, Abu Dhabi, Mauritius and Singapore. The Group has also received the RBI approval to set up a bank branch in Dubai International Financial Centre (DIFC).

Bank, Its Subsidiaries and Its Associates: Financial and operating performance

Bank Highlights

Kotak Mahindra Bank (the 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) in May, 2016, which offers foreign currency loans and deposits to corporates.

Profit before tax of the Bank for FY2017 was ₹ 5,148.1 crore as against ₹ 3,123.7 crore for FY2016. Profit after tax of the Bank was ₹ 3,411.5 crore in FY2017 compared with ₹ 2,089.8 crore in FY2016. The financial results of FY2016 were impacted by higher provision for retiral benefits for erstwhile ING Vysya Bank (eIVBL) employees under IBA structure, integration costs and additional provisions from eIVBL book. RoAA for FY2017 was 1.73% compared to 1.19% for FY2016.

PROFIT AND LOSS ACCOUNT

A synopsis of the Profit and Loss Account is presented below:

(₹ in crore)

Particulars	FY2017	FY2016
Net interest income	8,126.1	6,900.4
Other income	3,477.2	2,612.2
Net total income	**11,603.3**	**9,512.6**
Employee cost	2,744.6	2,804.0
Other operating expenses	2,873.9	2,667.5
Operating expenditure	**5,618.5**	**5,471.5**
Operating profit	**5,984.8**	**4,041.1**
Provision & contingencies (net)	**836.7**	**917.4**
- Provision on advances (net)	690.9	768.7
- Provision on other receivables	6.6	12.4
- Provision on investments	139.2	136.3
PBT	**5,148.1**	**3,123.7**
Provision for tax	1,736.6	1,033.9
PAT	**3,411.5**	**2,089.8**

Net Interest Income:

Net Interest Income (NII) of the Bank for FY2017 was ₹ 8,126.1 crore compared to ₹ 6,900.4 crore for FY2016. The Bank had a Net Interest Margin (NIM) of 4.49% for FY2017 compared to 4.30% for FY2016. The increase in NIM was primarily on account of:

- Decrease in cost of funds by around 70 bps primarily due to increase in average CASA deposits and decrease in cost of deposits;
- Increase in average advances by 13.7% and average earning investments by 9.1% and
- Interest on income tax refund received in FY2017.

The above increase was offset, in part, by decrease in yield on interest-earning assets by around 40 bps due to decrease in yield on advances and investments and higher reverse repo transactions with RBI and inter-bank balances.

Non-Interest Income:

The details of non-interest income is provided in the table below:

(₹ in crore)

Particulars	FY2017	FY2016
Commission, exchange and brokerage	2,120.7	1,764.4
Profit on sale of investments	441.6	213.2
Profit on exchange/derivative transactions	528.4	421.9
Profit on recoveries of non-performing assets acquired	229.6	113.0
Income from subsidiaries/associates	80.4	76.9
Dividend from subsidiaries	3.4	3.9
Others	73.1	18.9
Total other income	**3,477.2**	**2,612.2**

Non-interest income increased from ₹ 2,612.2 crore in FY2016 to ₹ 3,477.2 crore in FY2017 primarily due to:

- Increase in commission, exchange and brokerage income primarily on account of increase in loan processing fees, credit card fees and third party referral fees for insurance and mutual fund product distribution;
- Increase in profit on sale of investments primarily government securities and increase in profit on exchange/derivative transactions compared to previous year;
- Increase in profit on recoveries of non-performing assets acquired and
- Income received from sale of PSL certificates.

Employee Cost

Employee expenses of the Bank have decreased to ₹ 2,744.6 crore for FY2017 compared to ₹ 2,804.0 crore for FY2016 primarily due to -

- Lower provision for retiral benefits in FY2017 compared to FY2016 and
- This was offset, in part, by increase in staff strength to an employee base of around 33,000 as on 31st March, 2017 from around 31,400 as on 31st March, 2016.

Other Operating Expenses

Other operating expenses were ₹ 2,873.9 crore for FY2017 compared to ₹ 2,667.5 crore for FY2016 primarily on account of:

- Increase in the branch and ATM network, leading to higher infrastructure expenses i.e. premises cost and depreciation cost;
- Increase in repairs and maintenance primarily due to refurbishment of branches and relocation of eIVBL branches;
- Increase in charges levied by VISA due to increase in credit and debit card transactions;
- Expenses on purchase of PSL certificates and
- Increase in expenses like professional charges, brokerage and insurance expenses consistent with increase in business.

Provisions and Contingencies (excluding tax)

Provisions and contingencies (excluding tax) were ₹ 836.7 crore for FY2017 compared to ₹ 917.4 crore for FY2016 primarily due to:

- Lower specific provision in FY2017. Credit cost was 61 bps for FY2017 compared to 82 bps for FY2016 and
- This was offset in part, by increase in provision for standard assets and provision on security receipts.

The reportable segments of the Bank as per RBI guidelines are as under:

(₹ in crore)

Segment	**FY2017**	**FY2016**
Corporate / Wholesale Banking	2,670.4	2,030.4
Retail Banking	1,194.7	916.6
Treasury, BMU and Corporate Centre	1,283.0	176.7
PBT	**5,148.1**	**3,123.7**

BALANCE SHEET

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

(₹ in crore)

Liabilities	**31st March, 2017**	**31st March, 2016**
Networth	27,616.0*	23,959.1
Deposits	157,425.9	138,643.0
- Current Account Deposits (CA)	27,760.8	23,281.7
- Savings Account Deposits (SA)	41,503.9	29,494.7
- Term Deposits (TD) Sweeps	10,078.5	6,947.5
- Other TDs	78,082.7	78,919.1
Borrowings	21,095.5	20,975.3
Other Liabilities and Provisions	8,452.6	8,682.4
Total	**214,590.0**	**192,259.8**

(₹ in crore)

Assets	31st March, 2017	31st March, 2016
Cash and Bank Balances	22,572.0	10,879.7
Investments	45,074.2	51,260.2
- Government Securities	36,189.9	40,761.0
- Other Securities	8,884.3	10,499.2
Advances	136,082.1	118,665.3
Fixed Assets and Other Assets	10,861.7	11,454.6
Total	**214,590.0**	**192,259.8**

** In accordance with AS 4 (revised) – "Contingencies and Events Occurring After the Balance Sheet Date", the impact of dividend declared will be given post shareholders' approval.*

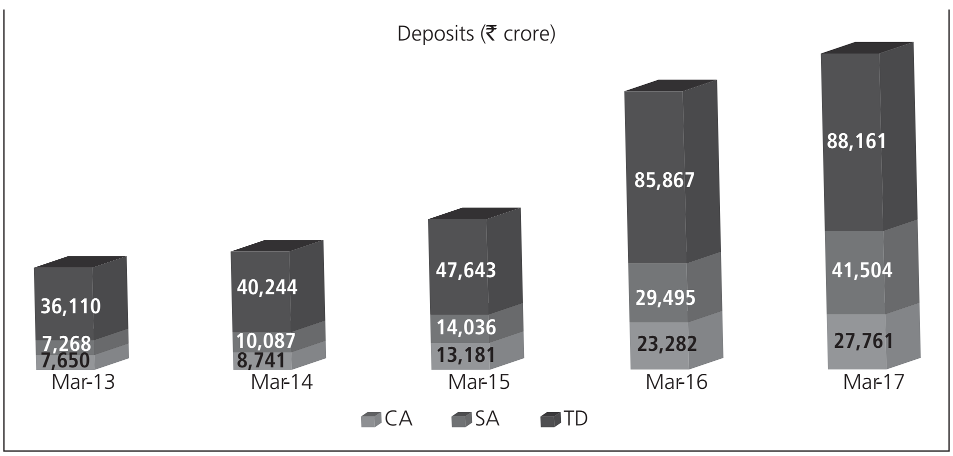
The Bank's capitalisation levels remain one of the strongest in the industry with overall CRAR at 16.8% (Tier I ratio of 15.9%) as compared to 16.3% as on 31st March, 2016 (Tier I ratio of 15.3%).

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 Bank's deposits grew to ₹ 157,425.9 crore as on 31st March, 2017 compared to ₹ 138,643.0 crore as on 31st March, 2016. CASA deposits increased to ₹ 69,246.7 crore as on 31st March, 2017 to ₹ 52,776.4 crore as on 31st March, 2016. The increase in CASA was largely due to:

- Synergies from the eIVBL merger, which helped the Bank to access larger customer base than it had before the merger;
- Demonetisation and
- High savings rate offered by the Bank.

CASA plus term deposits below ₹ 5 crore, account for 73% of the total deposits.



The numbers for 31st March, 2015 and prior are not comparable due to merger of eIVBL, effective 1st April, 2015.

Advances

The classification of advances of the Bank is as follows:

(₹ in crore)

Segment	31st March, 2017	31st March, 2016
Corporate Banking	41,703.1	34,277.5
Commercial Vehicles & Construction Equipment (CV/CE)	10,827.0	7,873.8
Agriculture Division	18,968.7	17,582.5
Business Banking	17,884.1	17,997.1
Home Loans and Loan Against Property (LAP)	26,120.9	23,009.4
Small Business, Personal Loans & Credit Cards	17,386.5	14,947.8
Other Loans	3,191.8	2,977.2
Total Advances	**136,082.1**	**118,665.3**

Advances as per RBI segmental classification:

(₹ in crore)

Segment	31st March, 2017	31st March, 2016
Retail	55,237.3	52,583.6
Corporate	80,844.8	66,081.7
Total	**136,082.1**	**118,665.3**

Advances have primarily been driven by growth in:

- Corporate Banking book as a result of the Bank's focus on growing its corporate loan portfolio;
- Commercial Vehicle and Construction Equipment book as a result of the Bank's conscious decision to increase its lending to these category of loans based on its risk assessment of these category of loans and also due to lower base effect and
- Retail advances - Small business, Personal Loans and Credit Cards as a result of a general increase in demand in these markets.

Asset Quality

While there has been some stress in segments such as Business Banking, Agriculture division, Personal Loans and Corporate accounts, the Bank has an overall healthy asset quality.

RBI had allowed a 60 or 90 days dispensation on recognition of NPAs during demonetisation. Banks were permitted to defer the downgrading of an account (across certain loans) that was standard on 1st November, 2016 and would have become NPA for dues payable during the period from 1st November, 2016 to 31st December, 2016 by 60 or 90 days. The Bank has deferred the downgrade of certain accounts as a result of this dispensation beyond 31st March, 2017.

The position of Gross and Net NPA is as under:

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
Gross NPA	3,578.6	2,838.1
Gross NPA %	2.59%	2.36%
Net NPA	1,718.1	1,262.0
Net NPA %	1.26%	1.06%

The net restructured advances considered standard as on 31st March, 2017 are ₹ 101.7 crore (0.07% of net advances). Further, during FY2017, the Bank has not sold any of its loans to Asset Reconstruction Company, no 5/25 loans, no rectification of standard asset and no new CDR case. Total SMA2 outstanding as on 31st March, 2017 was ₹ 130.8 crore (0.10% of net advances).

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

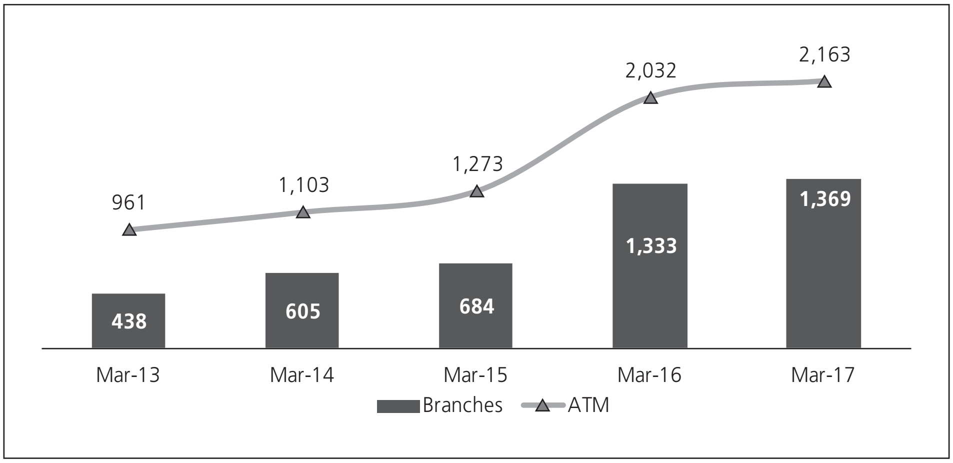
Consumer Banking

Branch Banking

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

Network

The Bank added 36 branches during FY2017 taking the total branch count to 1,369 branches across 689 locations and 2,163 ATMs as on 31st March, 2017.



The numbers for 31st March, 2015 and prior are not comparable due to merger of eIVBL, effective 1st April, 2015.

Key Initiatives

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

I. Products and Services

- Kotak 811 - India's first mobile based account opening platform using Aadhar OTP, where customers can open an account with their Aadhaar details. This product is available within the mobile banking app, allowing the customers to proceed to digital banking services through the application seamlessly. Customers can set their PINs during the process and they also get a virtual debit card. It brings down the time taken to onboard a customer from 4-7 days to 2-3 minutes, thereby offering customer delight. It eliminates dependency on manual processes and brings down costs since the product has no physical deliverables.
- Bank focused on activities like Aadhaar penetration and digital activation of customers. Digital penetration on active base increased to 51.5%, while Aadhaar seeding is at 25% of the base.
- Strategy of segmented approach continues to yield benefits. Segment focused Savings programs like Silk, Grand and Junior continue to show significant growth YOY. Silk base at ₹ 1,942 crore grew by 95% over FY2016. Grand, our program for 55+ segment grew by 153% to ₹ 930 crore and Junior (Junior along with Guardian) grew by 135% to reach ₹ 1,212 crore. The MY FAMILY program, focused on enabling banking engagement of entire household, reaped excellent benefits with customer base growing to upward of 20,000 accounts and savings book of ₹ 219 crore in short span.
- Corporate Salary business introduced a niche team of Premier Acquisition Managers to tap every growing boutique and niche smaller firms in finance; technology and start-up segment and on-boarded over 35 large niche corporates this year.
- Privy League Program: The Privy League program now services more than 4.3 lac customers. A new tier- "Maxima" was launched across Commercial Bank branches to cater to customers in semi urban/ rural locations. A Privy League branded variant of the "Delight" credit card with exclusive benefits, was also launched for our Privy League Prima customers.

II. Customer Convenience

Digital Initiatives

Saving Account Transformation

- Launched Biometric based account opening for new to bank customers which can be accessed through an Android smartphone. This is a 10 minute account opening experience with no documentation and straight through processing by pulling Aadhaar data from UIDAI. 10,000+ accounts activated since inception.
- Revamped the existing Corporate Salary Tab Banking app for on-boarding customers quickly. Approx. 25% of the sourcing is done through this mode across 9 live locations by more than 400 users.
- Introduced a unified lead management system cum activity tracker. This can be accessed & updated "on the go" by the Acquisition team using an Android smartphone. Further this aids tracking of the lead lifecycle from creation to closure.

Mobile Banking

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

- Launched Personal Loan in 72 hours on Mobile Banking for selected customers. Selected customers can apply within the app and, if approved, the amount will be disbursed into customer's bank account;
- Personal Loan on Credit Card for selected customers;
- Apply for Credit Card: Selected customers can apply for offered credit card. This is a completely paperless process and the card will be dispatched to customer's address on successful application;
- Activate/Deactivate Debit Card: Customer will be able to Activate or De-activate debit cards;
- ASBA (IPO) on Mobile Banking: Customers will be able to apply for IPOs and also know status of the bid and allocation details;
- Scan & Pay: Customers will be able to do card-less transactions on selected merchants by scanning QR code. Customer can select the debit or credit card from which the amount has to be deducted;
- UPI: Customer can create a VPA (Virtual Payment Address) for his Kotak accounts and also do a UPI transaction with any bank;
- Credit Card Limit Increase – Selected customers will be able to increase the limit on their credit card to the offered limit and
- Credit Card Upgrade – Selected customers will be able to upgrade their credit card to the offered card.

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 3.9 % (₹ 6,705 crore) by value and 3.9% (44.7 lakh) by volume in Mar 2017

Net Banking

- Introduced option to update Profile details like mobile number, email ID, correspondence address, Aadhaar number etc. through Net Banking. Customer can instantly update the details online;
- Launched DigiLocker, which will enable customer to connect with Aadhaar base Digital locker seamlessly through Net Banking;
- Customer can now submit Form 15 G/H online through Net Banking and the waiver will get marked instantly in the system;
- Customer can enroll for Atal Pension Yojana online through Net Banking;
- Option to apply for Image Debit Card through Net Banking has been enabled;
- Launched Personal Loan in 72 hours on Net Banking for pre-approved customers. Loan amount will be disbursed within 72 hours and credited into customer's bank account and
- Preapproved Personal Loan on Credit Card to selected customers.

Innovation Lab

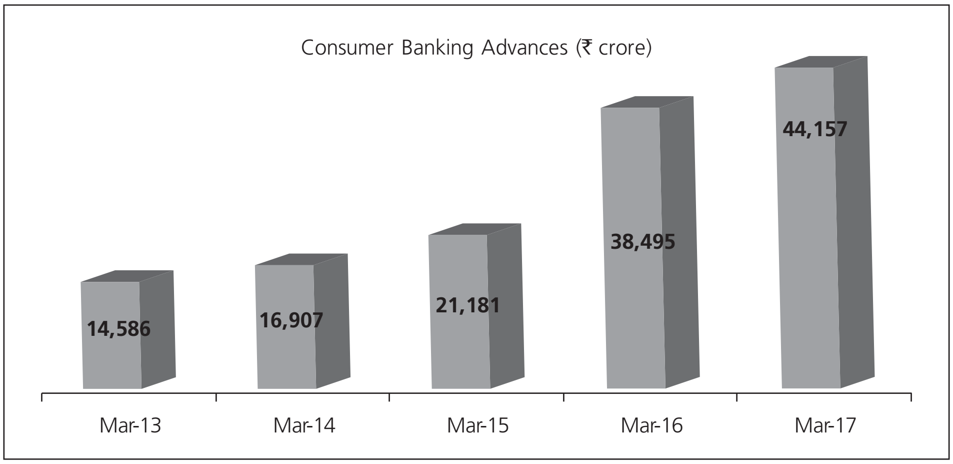
- Incubation of ideas and technologies – AI, Blockchain, Security and Analytics. Execution of proofs of concept for emerging use cases;
- Setup Design studio in Bengaluru to drive User Experience and UI engagement across all digital channels;
- Launched Digital Lending Challenge to identify potential FinTech partners for collaboration and
- Collaboration with NASSCOM to identify potential SME service providers for SME ecosystem.

Digital Payments

- Scan & Pay: Customers will be able to make paperless transactions to selected merchants by scanning the merchant QR code. This option is available for both mVISA and Bharat QR standards and the customer can select debit or credit card. Currently made available on Android.
- UPI: Customer can create a unique Virtual Private Address for his Kotak account and use the UPI framework to send and receive money to and from any bank in India.
  - mStore: Multiple new partnerships have been added to mStore to increase the number of eCommerce categories within the Kotak Mobile Banking App. These partnerships were with the following brands:
  - PVR: One of the top movie cinema franchises in India;
  - Flipkart: One of the most popular eCommerce marketplaces in India;
  - 10kya: One of the largest stores for your passion such as sports, adventure, hobbies, etc;
  - MobilePay: Make cashless payments at your nearest F & B stores and
  - Indiamags: One of the widest collection of magazine subscriptions.

Consumer Assets

The Consumer Assets business maintained its growth trajectory across the wide range of products offered by the Bank. Trend of Consumer Bank advances outstanding over the last five years is as below:



The numbers for 31st March, 2015 and prior are not comparable due to merger of eIVBL, effective 1st April, 2015.

Credit card business has 10.4 lakh cards in force as on 31st March, 2017. YoY spends have grown at 47.3%.

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 16% in FY2017 with significant business coming from active engagement with existing liability customers of the Bank.

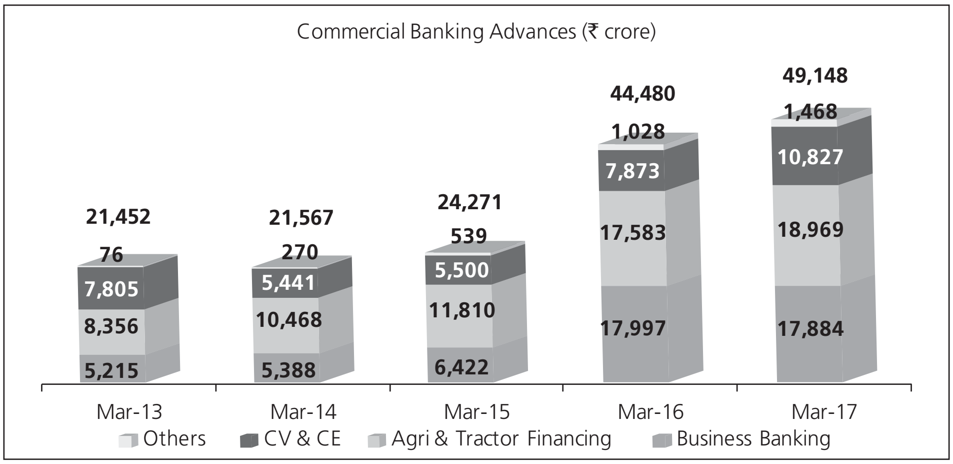
In FY2017, ATM network serviced 7.6 crore transactions, which is 22.8% more than last year. Of this, 6.3 crore were cash withdrawals.

POS spends for the year grew by 87% (including e-Commerce) with the overall spends at ₹ 5,919.2 crore and total spends through payment gateway for online shopping were a very healthy at ₹ 5,844.3 crore, a jump of 89.0% over last year. Transactions through Bill pay and Visa Money Transfer increased by 49.4% for a value throughput of ₹ 1,189.8 crore.

Commercial Banking

The Commercial Banking business focuses on meeting the banking and financial needs of various segments. It partners Small and Medium Enterprises (SMEs) across the country and provides financing in the manufacturing, trading and service industry. The Commercial Bank has specialised units which offer financial solutions in the areas of commercial vehicles, construction equipment, tractor, gold loans and agriculture business. It services the priority sector by providing finance for tractor, crop loans, small enterprises and allied agricultural activities. The business plays a significant role in meeting financial inclusion goals and financing deep into 'Bharat' through an expanding network of branches and associates.

Split of commercial advances over the last five years is as below:



The numbers for 31st March, 2015 and prior are not comparable due to merger of eIVBL, effective 1st April, 2015.

Following the merger with the erstwhile ING Vysya Bank, the SME/Business Banking portfolio was consolidated during the year, which has resulted in creating efficiency and a wider customer base. While the advances growth in SME/Business Banking is flat for the year ended 31st March, 2017, the demand from the sector has picked up in the last quarter. The stress levels in the sector stabilised considerably in the second half.

The Commercial Vehicle (CV), Construction Equipment (CE) and Tractor Finance businesses reported significant growth and gained market share in their respective businesses. The demand for commercial vehicles was primarily led by replacement and regulatory changes such as revised body specifications and transition from BSIII to BSIV. Further, Government spending in the infrastructure sector has led to a strong demand in the CE industry. The growth in the tractor finance portfolio was driven by higher tractor sales following a good monsoon. The overall delinquency percentage of the CV, CE and tractor finance portfolios has reduced.

The Agriculture Financing business continued its focus on the agriculture value chain funding for various agro processing activities. It has registered growth despite volatility and uncertainty in the commodities market. Further, the Bank has expanded its crop loan business, so far concentrated in Punjab and Haryana, to Western and Central India.

Branches in Semi-urban and Rural area comes under the umbrella of Commercial Bank. During the year bank completed integration of branches of eIVBL in these areas taking total strength to 440 branches under commercial bank (Out of total 1,369 bank branches). This network plays a crucial role in meeting the financial inclusion goals and credit demand of 'Bharat'.

Corporate Banking

The Bank's Wholesale Business has a number of business groups catering to various customer and industry segments viz. Conglomerates and Large Corporates, Mid-market Corporates, Financial Institutions, Multinational Corporates and 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 & other transaction banking requirements. The focus has been on customised solutions delivered through efficient technology platforms backed by high quality service. The Bank's core focus has been to acquire quality customers on a consistent basis and ensure value add through cross sell of the varied products and services.

The 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 put in place an Integrated Corporate and Investment Banking (CIB) model for conglomerates and large corporate groups. The year saw a stabilisation of the CIB model and the Bank has been able to increase both its banking wallet share and its investment banking business with these corporates.

Bank has focused on increasing its share of the large & mid corporate space. Given the slow credit off-take in the economy, the Bank has been focused on growth through growth of market share. There has been equal focus on gaining new customers as well as gaining wallet share in existing customers. 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.

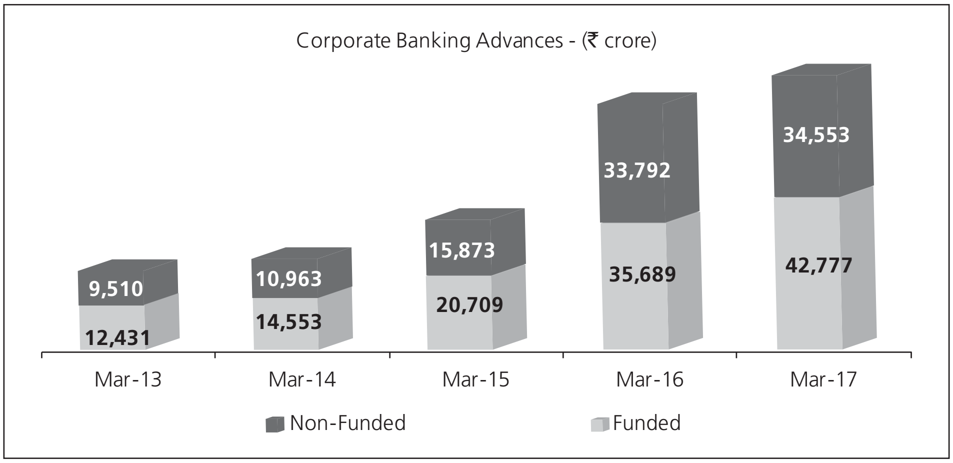
Transaction Banking Group in the Bank continued to focus on acquiring clients through in-depth understanding of client requirements and ability to deliver tailored solutions in both Trade & Cash Management businesses. Driven by innovation, leveraged on robust technology and specialised product solutions, the Bank has been able to consistently add value to transaction banking clients across Cash Management & Trade Services. This has helped its clients achieve optimised working capital & liquidity management benchmarks. We are active participants in the Global Trade Finance Program (GTFP) programme offered by IFC, Washington.

The Bank has been able to improve its share of fee based services, and to improve current account deposits. The product offering includes Documentary Credits, Bank Guarantees, Export Credit, Supply Chain Financing, Factoring, 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.

Custody and other capital market linked businesses have witnessed a strong growth in the year on the back of robust capital markets and increased activity in both primary and secondary markets. The Bank provides a range of fund based and non-fund-based services to Capital Market intermediaries and custody and derivative clearing-services to domestic and foreign institutional-investors. The focus has been on product innovation and risk management through efficient technology platforms backed by high quality service.

The Bank has also set up its GIFT City branch this year and this has helped the Bank to participate in the syndication of overseas loans.

The mix between funded and non-funded for last five years is as follows:



The numbers for 31st March, 2015 and prior are not comparable due to merger of eIVBL, effective 1st April, 2015.

The Bank has put in place a Risk Adjusted Return on Capital (RaRoC) pricing model that has helped to optimise pricing and better judge the risk return balance. It is in part due to the findings from this RaRoC model that the Bank has consciously focused on growing the Fund Based book faster than the Non-Fund Based book.

The risk appetite of the bank mandates a well-diversified portfolio. The Bank has laid down exposure limits for various industries. These are reviewed periodically based on industry performance. The Bank has an industry research group that rates industries on an internal scale and defines the outlook towards various industries which forms an input to management in defining industry strategies.

The Bank continually monitors portfolio diversification through tracking of industry, group and company specific exposure limits. The entire portfolio is rated based on internal credit rating tool, which facilitates appropriate credit selection & monitoring. The portfolio continued to show robust characteristics throughout the year.

Treasury

Post-merger of eIVBL, the treasury teams have emerged stronger and started the year on a sure footing. However, event based volatility was probably the central theme of FY2017 which will be remembered by the markets for three major events - BREXIT, outcome of US presidential elections and Demonetisation of the Indian economy.

Expectations of lower interest rates, mildly correcting crude and commodity prices, sluggish growth in Euro zone, Japan and China were major themes at the beginning of FY2017. RBI continued on the path of accommodative policy in early part of FY2017; while the major Central Banks retained accommodative stance, the US FED stayed on a cautious path of policy normalisation. However, in the second half of FY2017, global reflation amid gradual economic recovery began shaping up the forward guidance of major Central Banks, raising concerns of more broad-based policy normalisation.

Global markets headed into 'risk-off' modes in the immediate term immediately after the above events. As further clarity on events emerged, some of the 'risk off' impacts were negated. Crude prices stabilised in the $50-$55 range. The US 10YT after touching a low of 1.3%, rebounded to 2.4% by end of year.

India remained a shiny spot in a global market which kept alternating between clouds and sunshine. Domestic markets – somewhat benefitted from global turmoil. Global investors put in about $8.5billion into Indian equity markets in FY2017.

USD-INR remained in the 66.00 – 68.25 in Q1FY2017. After an initial reaction to BREXIT, USD-INR stabilised in the 66.50 – 67.20 range; 10Y Gsec Yield also remained range bound in the earlier part of FY2017 between 7.4% – 7.6% even as RBI moved its liquidity stance to accommodative. Yields realigned lower between 6.7% – 6.9% by October 2016 led by expectations from change in helm at RBI. Front loaded Open Market Operations (OMO) purchases further supported the Indian bond markets.

Announcement of demonetisation by the Prime Minister on 8th November, 2016 took the markets by complete surprise. While global markets were reacting to the unexpected win of Mr. Trump in the US Presidential elections, Indian markets moved only on the domestic trails. Surge in system liquidity, business uncertainties and temporary blip in priorities were dominant during this period. In the initial fortnight – 8th November, 2016 to 24th November, 2016, Rupee weakened from 66.51 to 68.86 on account of a global USD rally following Trump victory in the US elections; 10Y Gsec Yield dipped from 6.8% to 6.2% following the deluge in banking system liquidity; NIFTY moved from 8,543 to 7,965. While India worked to make demonetisation a success, the world took notice of this massive effort. Foreign investors poured about $6.7 billion in equity markets in the last quarter – raising NIFTY to 9,173 at the end of FY2017. Additionally, $4.5 billion of inflows were seen in the debt market in Q4FY2017. The surge in foreign flows was aided by global risk-on led by Dollar weakness and loss of steam of global reflation story. Additionally, domestic factors like RBI's shift in monetary policy stance in February 2017 from "accommodative" to "neutral" and a strong political mandate for the ruling party in UP elections coupled with passage of the GST bill further aided the sentiments. Consequently, Rupee ended the year at 64.85, rallying by 4.7% in Q4FY2017, logging its best performance since 1975. 10Y Gsec Yield ended the year at 6.7%.

The Treasury Fixed Income Trading Desk – maintained a positive outlook balanced with abundant caution. The portfolio durations were efficiently moved in anticipation of the opportunity – within 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 a 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 took measured and calibrated positions in an eventful market with positive outcomes.

The relative economic weakness in significant trade partner countries led to some slowing of export and import flows in India. Notwithstanding, Treasury successfully maintained its focus on expanding the foreign exchange flows from client businesses. Treasury also continued its endeavor in technology initiatives and continued to harness technology for delivering superior service to its customers.

The Treasury Bullion desk continued its strategy of building the annuity book of Gold Loans – achieving stability and sustained profitability. The Bank was adjudged "Best Bullion Bank in India" by Indian Bullion and Jewellers Association.

The Balance sheet Management Unit (BMU) continued to maintain a prudent stance on the ALM of the Bank. The RBI policy initiative of easing liquidity did result in ebbing of near term funding rates. Incremental system liquidity as a result of Demonetisation further added to liquidity surplus in the system. While efficiently meeting the reserve requirements and maintaining optimal funding mix, the BMU 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

The merger of all technology systems of the eIVBL with Kotak Mahindra Bank's systems was concluded. With this integration, all staff in the merged entity have a standardised technology environment to work in; from call center telephony to desktops and networks. This has enabled seamless communication and collaboration amongst the Bank's personnel. The merger and rationalisation of four data centers down to two data centers has resulted in streamlined technology operations with financial gains ensuing from the synergies. The Bank's customers are all now serviced out of a single set of business applications, ensuring a consistent experience to all customers of the merged entity.

The introduction of Digital products and services was key a focus throughout the Bank.

The Bank's retail customers' mobile experience was enriched with a full range capabilities from online shopping, restaurant payments, movies ticket booking and magazine subscriptions. Keeping up with the digital infrastructure introduced in the country, the Bank's customers have been provided with a wide variety of payment mechanisms to choose from, ranging from UPI, mVISA and Bharat QR code. While the traditional payment methods of NEFT and RTGS continued to see growth, the IMPS payment option, available to our customers 24 hours a day, is a much appreciated feature showing constantly increasing adoption throughout the year.

The culmination of the digital offerings in the year has been the '811' product on the mobile application. Enabling a new customer to simply download an application on her mobile phone, and open an account in less than 5 minutes. A first of its kind in the banking industry, the product has already seen much interest.

On the lending side, the commercial customers' experience of applying for a loan was enhanced by equipping the sales and relationship personnel, with mobile and tablet applications to accept loan application details and even make immediate initial loan eligibility information available to the customers.

The wealth management customers got a new mobile app for quick and easy access to investment information. In the digital arena, the corporate banking business focused on online merchant acquisition capability for their customers.

Considering the security concerns of a knowledgeable customer, they have been empowered to directly control the access to their debit cards. The mobile application and net banking provide functions that enable the customer to "turn off" her debit card when not in use, and "turn on" the card at the point of usage. Thus putting control, directly in the customers' hands.

To keep pace with the bank's digital initiatives, there is a constant need to raise the bar on information security. Several advanced security monitoring measures that track unrelated transactions and data streams for possible correlation and potential cyber threats were implemented. In accordance with RBI guidelines released in the year, the Bank's Cyber security policies and procedures were enhanced.

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. KMP is also engaged in finance against securities, corporate loans, developer finance and other lending. KMP has recently entered the consumer durable financing space.

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	FY2017	FY2016
NII	1,017.1	967.3
Other Income	224.6	210.0
Total Income	**1,241.7**	**1,177.3**
PBT	787.8	772.6
PAT	514.8	502.3

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
Net Customer Assets	25,121.5	22,262.0
- Car advances	18,177.6	16,706.7
Net NPA %	0.4%	0.4%
ROAA %	2.0%	2.3%

The passenger car market in India grew by 8.2% for FY2017 similar to growth in FY2016. Total unit sales of cars and MUVs crossed 30.2 lakh units in FY2017 compared to 27.9 lakh units in FY2016. KMP added 130,070 contracts in FY2017 compared to 128,680 in FY2016.

Gross NPA was ₹ 216.8 crore (0.9% of gross advances) while net NPA was ₹ 91.5 crore (0.4% of net advances) as on 31st March, 2017. Further, the CAR as on 31st March, 2017 was 17.2% (18.2% as of 31st March, 2016).

Kotak Mahindra Investments Limited (KMIL)

KMIL is primarily engaged in finance against securities, corporate loans, developer finance and other activities such as holding long-term strategic investments. KMIL 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.

Financial Highlights

(₹ in crore)

Particulars	FY2017	FY2016
NII	307.0	249.9
Other Income	40.7	29.7
Total Income	**347.7**	**279.6**
PBT	290.1	235.9
PAT	196.4	153.9

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
Net Customer Assets	6,905.9	4,794.9
Net NPA %	0.1%	0.1%
ROAA %	3.1%	3.4%

During FY2017, the customer assets increased to ₹ 6,905.9 crore as on 31st March, 2017 as compared to ₹ 4,794.9 crore as on 31st March, 2016. KMIL reported a growth of 27.6% in PAT to ₹ 196.4 crore for FY2017 compared to ₹ 153.9 crore for FY2016.

Gross NPA was ₹ 8.5 crore (0.1% of gross advances) while net NPA was ₹ 4.7 crore (0.1% of net advances) as on 31st March, 2017. Gross NPA were maintained at similar levels even after decent growth in customer advances. Further, the CAR as on 31st March, 2017 was 16.8% (18.2% as of 31st March, 2016).

Kotak Securities Limited (KS)

KS provides securities broking in cash equities, equity and currency derivatives segment, depository and primary market distribution services. KS is a member of BSE Limited, NSE Limited and Metropolitan Stock Exchange of India Limited. KS is also a depository participant of National Securities Depository Limited and Central Depository Services Limited and is also registered as a portfolio manager with Securities and Exchange Board of India. Further, KS is registered as Mutual Fund Advisor with Association of Mutual Funds in India and also acts as corporate agent of Kotak Mahindra Old Mutual Life Insurance Limited.

Financial Highlights

(₹ in crore)

Particulars	FY2017	FY2016
Total Income	1,184.3	974.6
PBT	543.3	381.0
PAT	361.3	250.7

The financial year started on muted expectations against the back drop of Cash Market Volumes in FY2016 being lower than that of FY2015. The new Government was soon completing 2 years and while there were expectations on their passing new legislations including GST, the loss in assembly elections in Delhi and in Bihar had put a dampener on these expectations. Oil prices had dropped to a low in December 2015 and was showing some increase. The lower oil prices continued to help the Indian economy in keeping fiscal deficit under control. 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 25,342 as on 31st March, 2016 closed at 29,620 as on 31st March, 2017 with a high of 29,825 and low of 24,523. Similarly, the benchmark Nifty which closed at 7,738 as on 31st March, 2016 closed at 9,173 as on 31st March, 2017 with a high of 9,218 and low of 7,517.

Market average daily volumes increased to ₹ 24,511 crore in FY2017 from ₹ 20,247 crore in FY2016 for the Cash Segment, and increased to ₹ 382,066 crore in FY2017 from ₹ 264,107 crore in FY2016 for Derivatives Segment. There was an increase in the volumes in the Derivative Segment and the market mix further skewed in favour of Derivatives.

Institutional Equities division has strengthened its leadership position in the Broking Segment and more so among Domestic Brokers. While the Institutional cash segment volumes showed a modest growth, the Derivatives segment recorded a significant growth compared to FY2016, resulting in a further skew towards Derivatives. Yields across the client segments continued to remain under pressure. KS's strategy has resulted in a market share growth in the cash segment and has successfully executed a number of block trades. KS continued to invest in technology upgrading and introducing new products wherever required and increased its offering on Algo Trades. The Institutional Equity Research continued to be recognised for its in-depth high quality financial modeling, width of stock coverage and valuable investment insights, winning valuable votes from its clients.

Retail market volumes in Cash Segment and Equity Derivatives Segment, recorded a significant increase over the volumes recorded in FY2016. Gold prices showed a steady increase the middle of the third quarter before easing off; however prices at the year-end were higher than the previous year-end. Significant events during the year viz. BREXIT, US Elections and Demonetisation had an effect on the retail participation during certain parts of the year. While real estate has not shown a significant change, the inflows to Mutual Fund AUMs has seen a positive change in the second half of the year. KS's focus on Cash Segment led to an increase in market share on the increased market volumes. Given the rise in the retail derivative segment, KS has devised a suitable strategy to increase market share in this segment too.

KS has upgraded its customer on-boarding process and introduced digital options for the same. Customer acquisition resulted in addition of about 167,959 customers with a large part of them being online trading customers. The new Mobile Trading App launched during the year has been well received and KS is seeing a steady increase in trading volumes through the mobile app. KS also introduced a new web terminal for trading and enhanced its internet trading app – KEAT PRO. A number of other digital initiatives are being taken for customer convenience and delight as well as further efficiency in operations. KS had a total of 1,281 branches, sub-brokers and authorised persons as on 31st March, 2017. The number of registered sub-brokers / authorised persons stood at 2,332 for NSE and 1,971 for BSE.

Kotak Mahindra Capital Company Limited (KMCC)

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

Financial Highlights

(₹ in crore)

Particulars	FY2017	FY2016
Total Income	135.9	113.8
PBT	60.6	46.4
PAT	45.6	32.4

Equity Capital Markets

In FY2017, the Indian Equity Capital Markets saw a significant uptick in primary market activity led by 25 IPOs. A total of ₹ 45,219 crore was raised across Initial Public Offerings (IPOs), Qualified Institutional Placements (QIPs) and Rights Issues, while ₹ 8,390 crore was raised from the secondary market through Offers for Sale (OFS) *(Source: Prime Database).*

KMCC successfully completed twelve marquee transactions, including 11 IPOs and 1 QIP, raising a total of ₹ 14,318 crore in FY2017 (Source: Prime Database).

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

PNB Housing Finance IPO – ₹ 3,000 crore, Avenue Supermarts IPO – ₹ 1,870 crore, Laurus Labs IPO – ₹ 1,331 crore, L&T Infotech IPO – ₹ 1,236 crore, RBL Bank IPO – ₹ 1,213 crore, Varun Beverages IPO – ₹ 1,113 crore, Mahanagar Gas IPO – ₹ 1,039 crore, L&T Technology Services IPO – ₹ 894 crore, Ujjivan Financial Services IPO – ₹ 882 crore, Parag Milk Foods IPO – ₹ 751 crore, Bharat Financial Inclusion QIP – ₹ 750 crore and CL Educate IPO – ₹ 239 crore.

KMCC was ranked the #2 Book Running Lead Manager in IPOs and #5 across all Equity Offerings (IPOs, FPOs, QIPs, OFS, IPPs and Rights Issues) in FY2017 *(Source: Prime Database).*

Mergers & Acquisitions

The total M&A Advisory deal value in India for FY2017 stood at US$ 94 billion compared to US$ 55 billion in FY2016, while deal volumes decreased to 1,750 in FY2017 from 1,903 in FY2016 (Source: Bloomberg, as on 11th April, 2017). In FY2017, KMCC was ranked #1 by volume of deals and #2 by value of deals in the M&A league tables (Source: Bloomberg, as on 11th April, 2017; amongst investment banks only). KMCC advised on a diverse array of twenty-six M&A and Private Equity transactions across a wide range of products and sectors, for a total deal value of US$ 27 billion:

- Across products, ranging from Acquisitions, Divestments, Mergers, Private Equity investments, Restructuring, Delisting Offers, Buyback Offers and Open Offers; and
- Across sectors, ranging from Financial Services, Technology, Industrials, Telecom, Auto, Consumer, Infrastructure, etc.

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

- Financial Advisor to Tata Chemicals for the sale of its Urea Business to Yara International, Norway – ₹ 2,670 crore;
- Financial Advisor to Mahindra CIE for the Acquisition of Bill Forge; followed by equity investment in MCIE by shareholders of Bill Forge and PIA2 – ₹ 2,421 crore;
- Financial Advisor to JTEKT Corporation for the acquisition of 25.1% stake in Sona Koyo Steering Systems Limited from Sona Group followed by an open offer for the acquisition of 26% stake in Sona Koyo – ₹ 853 crore;

- Financial Advisor to Ingenico Group for the acquisition of 100% stake in TechProcess Payment Services;
- Financial Advisor to Accelya Holding World SL for the acquisition of Accelya by Warburg Pincus LLC – ₹ 3,518 crore;
- Financial Advisor to SBI Life for divestment of stake to KKR and Temasek – ₹ 1,794 crore;
- Financial Advisor to selling shareholders of AU Financiers for investment by domestic investors including Insurance companies, Investment Funds, Family offices and HNIs – ₹ 750 crore;
- Fairness Opinion to Aditya Birla Nuvo for the merger with Grasim Industries; followed by demerger of Financial Services Business – ₹ 53,038 crore;
- Manager to the Buyback Offer for Bharti Infratel – ₹ 2,000 crore and
- Advisor to the Committee of Independent Directors of Crompton Greaves Electricals for the Open Offer made by Amalfiaco along with MacRitchie Investments – ₹ 1,695 crore.

FY2017 has been a significantly action-packed year with tremendous growth in M&A deal activity and a slew of economic and structural reforms. Increasing confidence in the Indian economy, FDI reforms and a vibrant primary market have also helped in providing a further impetus to M&A deal activity.

The coming year has the potential to be the year of reckoning for India where implementation of structural policies and reforms such as the GST, seventh pay commission and one rank one pension (OROP) are expected to drive growth. Expected improvements in the banking sector, boost in private investments, pick up in rural demand, a robust primary market and improving utilisation rates across industries are likely to drive domestic growth. Globally, India continues to be the bright spot and this is likely to drive resilient growth in deal activity in FY2018 as well.

Kotak Mahindra Old Mutual Life Insurance Limited (KLI)

Kotak Mahindra Old Mutual Life Insurance is a 74:26 joint venture partnership between Kotak Mahindra Group and Old Mutual Plc, an international savings, wealth management and Insurance company based in UK. On 27th April, 2017, the Bank has executed a share purchase agreement with Old Mutual Plc. to acquire its 26% stake in KLI, subject to regulatory approvals.

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

Private insurance industry as a whole registered a growth of 22.0% on Total New Business Premium – Adjusted Premium Equivalent (APE) terms (Single 1/10), whereas KLI registered a growth of 26.8% on Total New Business Premium- APE terms. On the same basis, KLI market share stood at 6.2% of private industry.

On individual APE Basis (Single 1/10) KLI has posted 5th rank within private industry. The financial performance of Kotak Life Insurance for the current and previous financial year is given below:

Financial Highlights

(₹ in crore)

Particulars	FY2017	FY2016
Gross Premium	5,139.5	3,971.7
First Year Premium (incl. Group and Single)	2,849.7	2,209.7
PBT – Shareholders' Account	342.7	281.9
PAT – Shareholders' Account	303.3	250.7

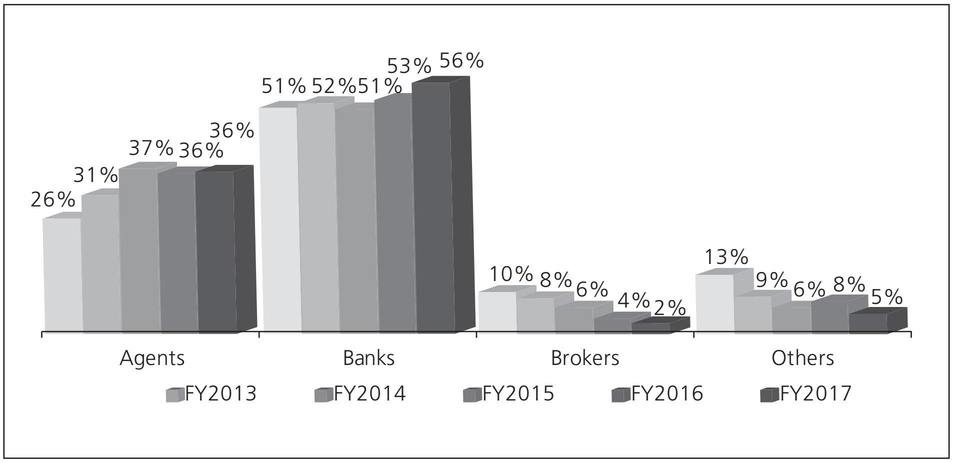
Revenue Performance

KLI has recorded a growth of 29.4% on the gross premium, mainly coming from Individual renewal premium. The summary of premiums is as under:

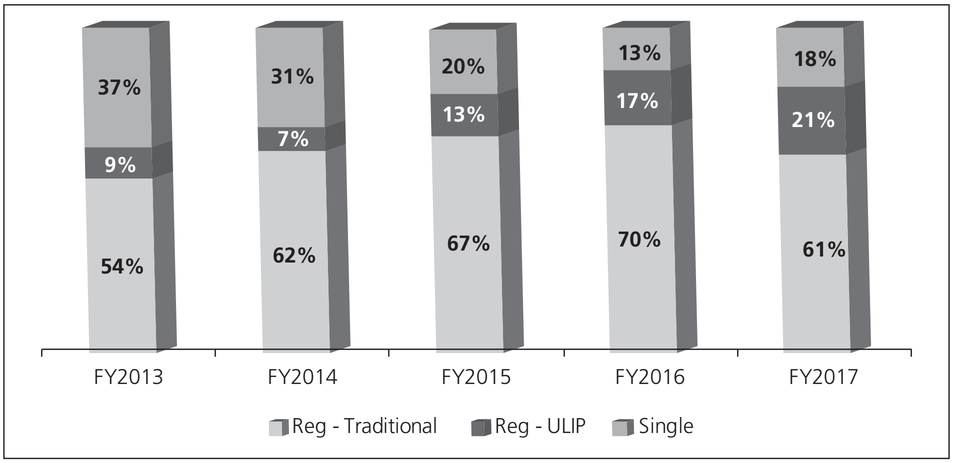
(₹ in crore)

Particulars	FY2017	FY2016
Individual Regular Premium	1,176.2	925.0
Individual Single Premium	260.4	138.7
Group Premium	1,413.1	1,145.9
Total New Business Premium	**2,849.7**	**2,209.7**
Renewal Premium	2,289.8	1,762.0
Gross Premium	**5,139.5**	**3,971.7**

Distribution Mix (Individual business)



Individual Product Mix



Alternate Channels and Agency channels posted a growth of 20.0% and 37.6%, respectively over the previous year at regular premium. Alternate channels growth was mainly led by Kotak Bank. The product mix of KLI has moved towards traditional products, from 53.7% in FY2013 to 61.1% in FY2017 of total Individual premium.

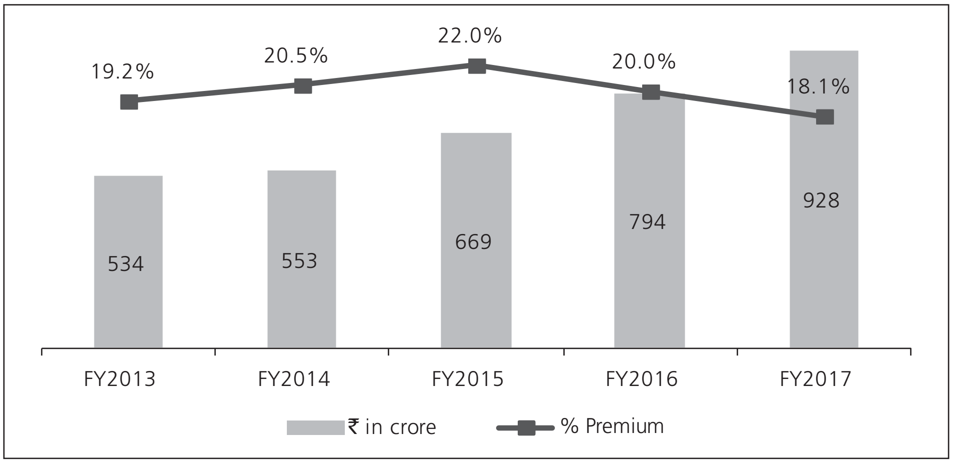
Profits and Solvency:

The networth of KLI increased by 19.9% to ₹ 1,824.7 crore from ₹ 1,521.4 crore. KLI has solvency ratio of 3.0 against requirement of 1.5.

Further, conservation ratio is 85.2% in FY2017 compared to 83.9% in FY2016. KLI has set up a dedicated retention team to improve the retention of the premiums of KLI.

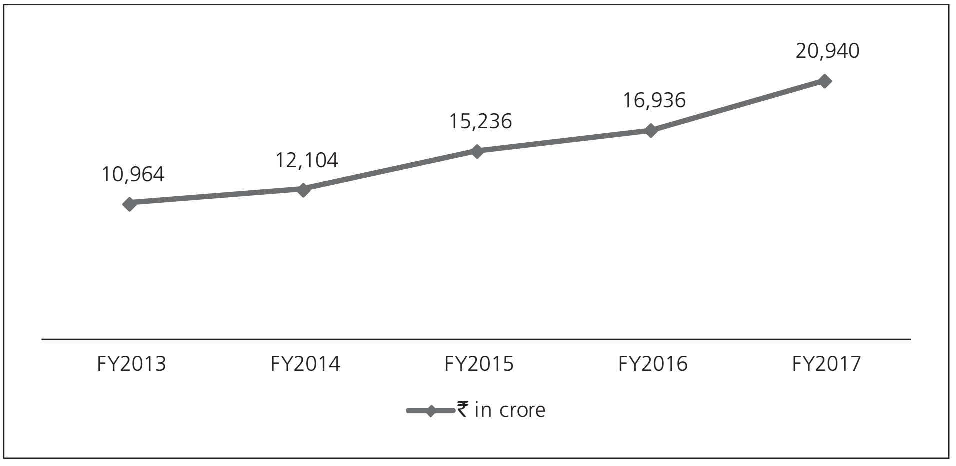
Cost Analysis:

Operating expense ratio (net of service tax) has improved to 18.1% as against 20.0% in previous year. KLI is putting in efforts to bring in variabalisation of cost so as to bring down its overall cost ratio.



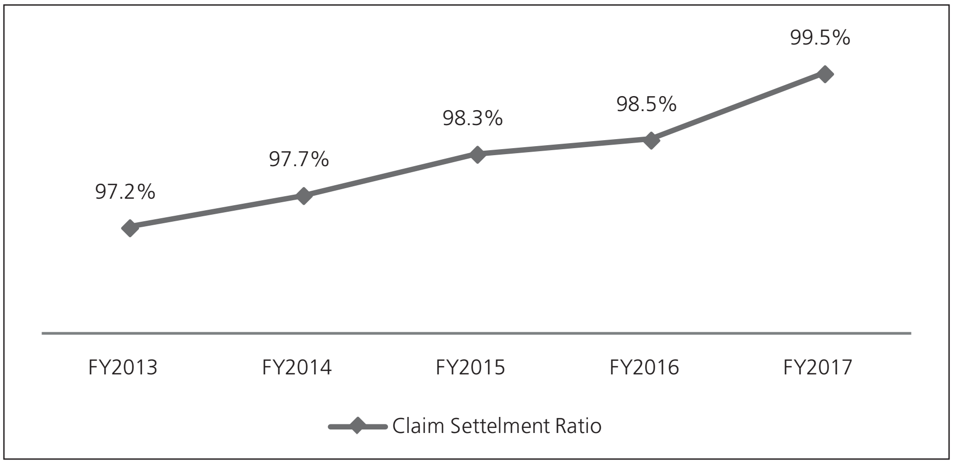
Assets Under Management:

KLI saw an increase in its AUM (including shareholders') by 23.6% YoY, to 20,940 crore in FY2017.



Claims Settlement Ratio:

Claims settlement ratio in FY2017 stood at 99.5% (FY2016 - 98.5%), which is one of the best in the industry.



Network:

KLI had 235 life insurance outlets across 170 locations. KLI has 96,729 life advisors, 14 Bancassurance partners and 167 brokers and corporate agency tie-ups.

Social and Rural Obligations:

KLI has written rural policies 64,608 (FY2016: 56,247) representing 21.5% of total policies against regulatory requirement of 20.0%. Further, KLI has covered 1,117,943 social lives against the regulatory requirement of 55,000. KLI 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 the Bank. KGI received its certificate of registration from Insurance Regulatory and Development Authority (IRDAI) in November 2015 and subsequently commenced operations in December 2015.

KGI is in the business of underwriting general insurance policies relating to Fire and Miscellaneous segments. Currently, the Bank and KMP are Corporate Agents of KGI for sourcing of insurance policies. KGI has also tied up with brokers for sourcing of insurance policies.

The general insurance industry as a whole registered a growth of 30.2%, in which the private sector (excluding standalone health insurance companies) grew by 35.1%. KGI has managed to grow its premium from ₹ 3.7 crore in FY2016 to ₹ 84.9 crore in FY2017. However, the growth numbers are not applicable as KGI commenced operations on 17th December, 2015.

Financial and Other Highlights

(₹ in crore)

Particulars	FY2017	FY2016
Gross Premium	84.9	3.7
Loss Before and After Tax	(34.7)	(9.7)
Solvency Ratio	1.80	2.45

Revenue Review

KGI issued 101,058 numbers of policies (FY2016: 3,178) amounting to a gross written premium of ₹ 84.9 crore (FY2016: 3.7 crore).

Product Mix

Motor insurance contributed 84.0% to total premium and the rest was from Health and Commercial line of business.

Solvency

An insurance company is considered to be solvent if its assets are adequate and liquid to pay off claims/liabilities as and when they arise. Solvency ratio indicates company's claim/liability paying ability.

As on 31st March, 2017, the solvency ratio of KGI stood at 1.8 against the regulatory requirement of 1.5.

Investments

Investments of KGI as on 31st March, 2017 stood at ₹ 147.2 crore against the previous year amount of ₹ 114.4 crore.

Distribution Network

KGI has a network of 12 branches catering to more than 250 locations. KGI has registered 2 Corporate Agents, 11 Individual Agents and 89 Brokers.

Rural and Social Obligations

KGI has written a premium of ₹ 8.8 crore under rural obligation representing 11% of total premium. Further, KGI has covered 48 social lives against the regulatory requirement of 17.

Kotak Mahindra Asset Management Company Limited (KMAMC)

Kotak Mahindra Trustee Company Limited (KMTCL)

Kotak Mahindra Asset Management Company Limited (KMAMC) is the asset manager of Kotak Mahindra Mutual Fund ('KMMF') and Kotak Mahindra Trustee Company Limited (KMTCL) acts as the trustee to KMMF.

Financial Highlights

(₹ in crore)

Kotak Mahindra Asset Management Company Limited	FY2017	FY2016
Total Income	291.2	240.0
PBT	58.6	71.9
PAT	38.2	59.3
AAUM	77,091	54,745
Kotak Mahindra Trustee Company Limited	**FY2017**	**FY2016**
Total Income	26.6	19.4
PBT	25.4	18.4
PAT	17.5	12.7

FY2017 witnessed impressive growth for the Mutual Fund Industry, in terms of AUM. The Mutual Fund Industry Quarterly Average Assets Under Management (AAUM) grew by 35.0% to ₹ 1,834,960 crore in Q4FY2017 against ₹ 1,358,843 crore in Q4FY2016.

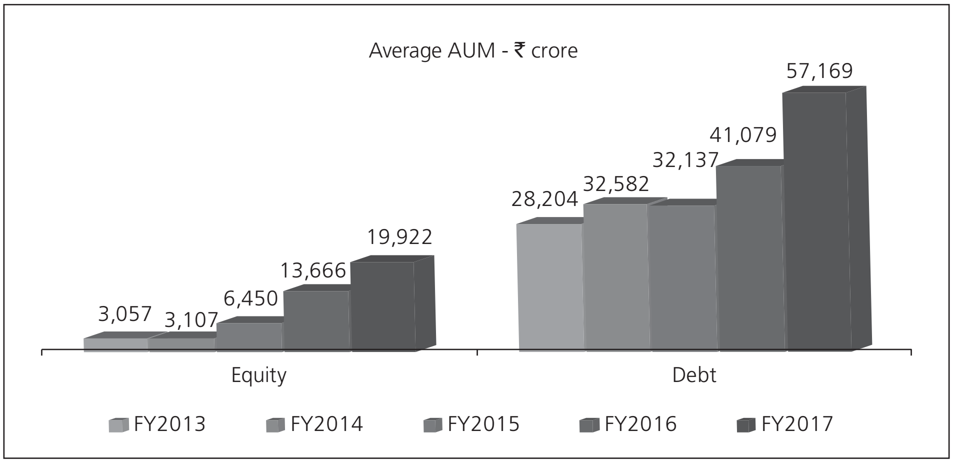
KMMF witnessed Quarterly AAUM increase of 57.4% at ₹ 92,440 crore for Q4FY2017 against ₹ 58,731 crore for Q4FY2016. KMMF was one of the fastest growing mutual fund in the industry in FY2017 across asset classes. This resulted in AAUM market share of 4.7%, in FY2017 compared to 4.2% in FY2016.

KMMF's total number of live non-gold fund SIPs increased significantly by 113.0% in FY2017 and stood at around 0.4 crore.

There has been a significant growth in the portfolio management activity during FY2017. The Company ended the year with AUM of ₹ 1,439.2 crore against ₹ 147.9 crore as on 31st March 2016.

The AAUM of the Industry for FY2017 was ₹ 1,648,649 crore against ₹ 1,315,347 crore in FY2016, a growth of 25.3%. The AAUM of the KMMF for FY2017 was ₹ 77,091 crore against ₹ 54,745 crore in FY2016, a growth of 40.8%. The overall net revenue from operations grew by 20.0% to ₹ 286.1 crore from ₹ 238.5 crore. The higher growth resulted in higher brokerage expenditure in the schemes. The overall costs grew to ₹ 232.6 crore in FY2017 against ₹ 168.0 crore in FY2016, a growth of 38.5% primarily due to the increase in business promotion expenses and distribution cost to acquire volume. Hence, the PBT dropped by 18.5% to ₹ 58.6 crore in FY2017 compared to ₹ 71.9 crore in FY2016.

The equity AAUM market share for FY2017 was 3.7% as against 3.2% in FY2016. The average AUM of AMC over years is given below:



The Funds managed by KMAMC continued to deliver consistent risk adjusted return to their investors over the long term.

Kotak Mahindra Pension Fund Limited (KMPFL)

Financial Highlights

(₹ in crore)

Particulars	FY2017	FY2016
Total Income	2.2	2.1
PBT	(0.2)	0.3
PAT	(0.2)	0.3

During September 2016, PFRDA issued a fresh Request for Proposal (RFP) for selection of Pension Funds for NPS Private Sector Schemes in conjunction with PFRDA (Pension Fund) Regulations, 2015. It called for bids afresh with applications from the sponsors and allowed differential pricing by PFMs with a cap on investment management fee at 0.1% per annum. The current RFP gave Kotak Mahindra Bank Ltd. (Bank) an opportunity to apply as a sponsor, since KMAMC is its subsidiary.

An application was made by the Bank to PFRDA in October 2016 as a standalone sponsor for managing NPS assets and to directly hold KMPFL as a subsidiary rather as a step-down subsidiary of KMAMC. As per the current RFP the net worth of KMPFL should be minimum of ₹ 50 crore. The Bank acting as a Sponsor would infuse the additional net worth requirement.

PFRDA intimated the Bank of the commercial bid opening in November 2016, implying that the Bank had cleared the stages of Minimum Eligibility criteria and technical evaluation. The commercial bid of all the eligible nine sponsors were opened in November 2016, in the presence of all the qualifying participants. The fees bid by the Bank at 0.0895% is higher than the existing fees. PFRDA is yet to formally intimate the sponsor, which would require the Bank to submit acceptance of the terms and complete the requisite formalities.

KMAMC would continue to act as the Sponsor of KMPFL till the completion of the said RFP process.

Considering the low rates of management fees in Pension Fund Management Business, the revenue generated from the investment management activity for FY2017 is ₹ 0.02 crore (FY2016 - ₹ 0.01 crore). Investment Management Fees for Tier I and Tier II schemes are charged @ 0.01% p.a. and 0.0102% p.a. for NPS Lite scheme on the AUM on a daily basis inclusive of brokerage except Custodian Charges, applicable taxes and any other charges permitted by PFRDA from time to time.

There has been an increase in other income to ₹ 2.2 crore in FY2017 as compared to ₹ 2.1 crore in FY2016 and the costs have increased to ₹ 3.4 crore in FY2017 from ₹ 1.8 crore in FY2016, largely on account of cost due to increase in authorised share capital and employee remuneration. Resultantly, the Company has reported a loss during FY2017 of ₹ 0.2 crore against a PBT of ₹ 0.3 crore in FY2016.

Kotak International subsidiaries

Kotak International subsidiaries consist of following entities:-

1. Kotak Mahindra (UK) Limited
2. Kotak Mahindra (International) Limited
3. Kotak Mahindra, Inc.
4. Kotak Mahindra Financial Services Limited
5. Kotak Mahindra Asset Management (Singapore) Pte. Limited

The overseas subsidiaries have offices in UK, Singapore, UAE, US and Mauritius.

The international subsidiaries are mainly engaged in investment management, advisory services, dealing in securities, broker-dealer activities and investments on own accounts.

Financial Highlights

(₹ in crore)

Particulars	FY2017	FY2016
Total Income	240.4	238.6
PBT	98.1	114.0
PAT	86.0	105.0

FY2017 was dominated by unexpected events, globally and in India. Global events included the result of the United Kingdom (UK) referendum to leave the European Union (EU) in June 2016 and the presidential election in US in November 2016. In India, SBNs withdrawal was announced on 8th November, 2016 (enacting demonetisation of ₹ 500 and ₹ 1,000 denominated notes).

Net FPI inflows to the Indian capital markets were US$ 7.17 billion in FY2017, consisting of net inflows into equities of US$ 8.39 billion and net outflows from debt instruments of US$ 1.22 billion. The majority of inflows occurred in the fourth quarter (net inflows of US$ 11.20 billion), in particular in March 2017 (net inflows of US$ 9.14 billion). These significant inflows helped drive the strengthening of the INR against the USD towards the end of the year, with INR appreciating by 2.2% during the FY2017.

During the FY2017, the large cap NIFTY index gained 21.0% while the mid cap index gained 37.7% in United States Dollar terms – based on strong domestic flows into equity markets directly and via mutual funds and other financial products along with strong flows during fourth quarter of FY2017.

The asset management arm of the international subsidiaries 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.

AUM managed/advised by the international subsidiaries were at ₹ 27,894 crore (US$ 4.3 billion) as on 31st March, 2017.

Although the overall AUM has increased year on year, the average AUM of the open ended equity and debt funds which contributes the most to the revenue generated out of the fund management business fell resulting into a reduction in investment management income. However, this was offset by higher income from dealing in securities and other fee income. Hence, the total income earned by international subsidiaries increased marginally from ₹ 238.6 crore for FY2016 to ₹ 240.4 crore for FY2017. The operating expenses increased from ₹ 124.6 crore during FY2016 to ₹ 142.3 crore for FY2017 largely due to the higher staff costs. Consequently, PAT for FY2017 decreased to ₹ 86.0 crore from ₹ 105.0 crore for FY2016.

The Bank had set-up a subsidiary in Singapore in March 2014 namely, Kotak Mahindra Asset Management (Singapore) Pte. Ltd. (KMAMS) to exclusively undertake asset management activities. KMAMS obtained Capital Market Services License for fund management under the Securities and Futures Act (Chapter 289) from the Monetary Authority of Singapore (the "MAS") in March 2016. KMAMS commenced its operations in April 2017.

Kotak Investment Advisors Limited (KIAL)

KIAL is in the business of managing and advising funds across various asset classes namely (a) Private Equity (b) Real Estate (c) Infrastructure and (d) Listed Strategies.

Financial Highlights

(₹ in crore)

Particulars	FY2017	FY2016
Total Income	98.2	88.1
PBT	6.1	7.5
PAT	5.9	4.7

The aggregate domestic alternate assets managed by KIAL as on 31st March, 2017 were ₹ 3,946 crore. It managed nine domestic funds during the year. It also advised seven offshore funds during the year.

Kotak Listed Strategies maiden fund called 'The India Whizdom Fund' (IWF) has drawn down 50% of the committed amount in FY2017. The fund adopts a long term approach and combines its private equity and public market experience to invest in Indian listed equities.

Kotak Mahindra Trusteeship Services Limited (KMTSL)

KMTSL acts as a trustee to domestic venture capital funds and private equity funds. It also acts as a trustee to estate planning trusts, in which it assists in setting up private trusts for high net worth individuals to achieve their succession and financial planning.

Financial Highlights

(₹ in crore)

Particulars	FY2017	FY2016
Total Income	6.1	4.2
PBT	2.8	1.4
PAT	1.9	1.0

Kotak Infrastructure Debt Fund Limited (KIDFL, formerly known as Kotak Forex Brokerage Limited)

KIDFL, formerly into forex broking business, was converted into the infrastructure debt financing business after approval from RBI. The regulatory approval for registration as a non-banking financial company from RBI has been received in April 2017.

Financial Highlights

(₹ in crore)

Particulars	FY2017	FY2016
Total Income	8.2	0.2
Profit/(Loss) Before Tax	5.1	(0.1)
Profit/(Loss) After Tax	3.4	(0.1)

KIDFL increased its equity share capital during the year by ₹ 305.9 crore to meet capital requirement stipulated by RBI to act as infrastructure debt financing company. The income for FY2017 increased mainly due to interest income on fixed deposits. This was offset, in part, by increase in expenses mainly due to the filing fees, share issue expenses and other miscellaneous expenses paid in relation to increase in share capital.

IVY Product Intermediaries Ltd (IVYPIL)

IVYPIL is engaged in marketing and distribution of various financial products/services of the Bank.

Financial Highlights

(₹ in crore)

Particulars	FY2017	FY2016
Total Income	0.5	6.7
PBT	0.4	0.7
PAT	0.3	0.5

Associates Highlights

Infina Finance Private Limited

Infina Finance Private Limited is a non-banking financial company engaged in the business of investments, trading in securities and providing finance mainly against securities.

kotak

Financial Highlights

(₹ in crore)

Particulars	FY2017	FY2016
Total Income	277.0	328.3
PBT	162.7	245.4
PAT	114.9	162.4
Share of Kotak Group	57.4	81.2

The profit for the current year is lower due to lower profit on trading in securities compared to previous year.

Phoenix ARC Private Limited

Phoenix ARC Private Limited is in the asset reconstruction business and provides stress asset recovery service to banks and NBFCs.

Financial Highlights

(₹ in crore)

Particulars	FY2017	FY2016
Total Income	85.4	71.7
PBT	34.9	31.9
PAT	22.6	21.2
Share of Kotak Group	11.3	10.5

PAT of the Company increased by 6.6%. The limited growth is due to higher borrowing costs and provision for diminution in value of investments.

During the year, CRISIL has maintained its 'AA/stable' rating to Phoenix ARC Private Limited which signifies high credit quality.

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	FY2017	FY2016
Total Income	56.0	50.1
PBT	9.4	7.2
PAT	6.4	5.1
Share of Kotak Group (post adjustments)	1.2	1.0

The income of the Company grew by 14.5% which was on account of new customers and increase in the volume from the existing customers. PAT has increased by 20.8% YoY.

ACE Derivatives and Commodity Exchange Limited

The Company is a demutualised national level multi commodity exchange. Due to regulatory constraints on raising fresh capital and continuing losses, the Company discontinued trading operations on 31st May, 2015. The Company is considering various options including surrendering the exchange license. The Company for the year ended 31st March, 2017 has made a marginal profit.

Financial Highlights

(₹ in crore)

Particulars	FY2017	FY2016
Total Income	0.9	1.4
Profit/(Loss) After Tax	0.4	(2.3)
Share of Kotak Group (post adjustments)	0.2	0.1

Risk Management

A. Risk Management

The Group manages Risk under an Enterprise wide Risk Management (ERM) framework that aligns risk and capital management to business strategy, protects its financial strength, reputation and ensures support to business activities for adding value to customers while creating sustainable shareholder value. The ERM framework lays down the following components for effective Risk Management across the Group:

- An Independent Risk organisation and governance structure with a clear common framework of risk ownership and accountability;
- Governance standards and controls to identify, measure, monitor and manage risks and
- Policies to support and guide risk taking activities across the Group.

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 provides an independent and integrated assessment of risks across various business lines.

The risk management process is the responsibility of the Board of Directors which approves risk policies and the delegation matrix. The Board is supported by the Risk Management committee which is chaired by an independent Director. It is also supported by various management committees as part of the Risk Governance framework. The Bank and every legal entity in the Group, operates within overall limits set by the Board and Committees to whom powers are delegated by the Board. Every quarter, the Group CRO reports to the Board, on the risk appetite levels and the risk profile. Besides this, formal updates on various portfolios are provided to the Board periodically.

The Bank and major entities of the Group continued to be rated "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 involves an on-going review of the level of capitalisation against key objectives and to maintain a strong capital base to support the planned business growth and risks inherent in various businesses. The strong Tier I capital position of the Group is part of the overall business strategy and a source of competitive advantage. It provides assurance to regulators and credit rating agencies, while protecting the interests of depositors, creditors and shareholders.

Capital utilisation is monitored every quarter and senior management considers the implications on capital, prior to making strategic decisions. The Bank and each legal entity in the Group were capitalised above internal and regulatory minimum requirements at all times during the year, including under stress conditions.

C. Risk Appetite

The risk appetite is set by the Board and is a top-down process consisting of specific quantitative and qualitative factors and provides an enforceable risk statement on the amount of risk the Group is willing to accept in support of its financial and strategic objectives. 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. Performance against defined risk appetite is measured every quarter and action is taken as needed, to maintain balance of risk and return. The framework is operational at the consolidated level as well as for key legal entities. The overall Bank risk appetite have been cascaded to key business segments thereby ensuring that the Bank's aggregate risk exposure is within its desired risk bearing capacity. The Risk appetite statements are reviewed annually and the financial plans are tested against the risk appetite to ensure alignment.

D. Credit Risk

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

The Bank has a comprehensive credit risk framework defined by Credit policies & Standards that sets out the principles and control requirements under which the Bank extends credit to customers in various business divisions. The policies and standards cover all stages of the credit cycle including Origination; client ratings, risk assessment; credit approval; risk mitigation; documentation, administration, monitoring and recovery. The 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 delegation of authority is reviewed atleast annually.

Wholesale and retail portfolios are managed separately owing to difference in the risk profile of the assets. Wholesale lending is managed on a name-by-name basis for each type of counterparty. Credit rating models provide a consistent and structured assessment, which, supplemented with expert judgement determines Credit Approval. Wholesale credit is monitored at an aggregate portfolio, industry and individual client level. All wholesale accounts are reviewed atleast once, annually with updated information on financial position, market position, industry and economic condition and account conduct. Besides client account reviews, sectoral exposures, outlook and performance of borrower within sectors are monitored and reported to senior management.

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. Business-specific credit risk policies and procedures including client acceptance criteria, approving authorities, frequency of reviews, as well as portfolio monitoring frameworks and robust collections and recovery processes are in place.

The Bank's credit process is divided into three stages - pre-sanction, sanction and post-sanction.

At the pre-sanction stage, the independent credit function conduct credit appraisal and assign a borrower credit rating based on internal rating model. The credit rating takes into consideration the borrowers current and anticipated financial position and other relevant risk factors like Business risk, Industry and Management quality. The Bank has operationalised various rating models depending upon the borrower size and segment. Each credit rating assigned maps into a borrower's probability of default. The borrower rating is supplemented by the facility rating system, which considers mitigants, such as collateral and guarantees. At a minimum, two independent credit officers are involved in the rating decisions and the ratings are finalised by a senior credit officer.

In the post sanction process, the Credit Administration team processes documentation, on the completion of which, credit is disbursed. There is regular reporting on portfolio distribution by risk grades, monitoring of covenants prescribed as part of sanction and pending documentation if any.

An independent loan review team conducts reviews of credit exposures covering compliance to internal policies, sanction terms, regulatory guidelines, account conduct and suggests remedial measures to address irregularities, if any. The Bank has implemented an enterprise wide Early Warning Signal (EWS) framework that considers various financial and non-financial parameters to identify signs of credit weakness at an early stage. In case of loans where there is significant deterioration, the Bank employs various recovery mechanisms, including transferring the account to an internal unit specialised in managing problem accounts, to maximise collection from these accounts.

E. Collateral and Credit Risk Mitigation

Credit Risk mitigation 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, and 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. While unsecured facilities may be provided, within the Board approved limits for unsecured lending, collateral is taken wherever needed, depending upon the level of borrower risk and the type of loan granted.

The Bank has an approved Collateral management policy that sets out the acceptable types of collateral, valuation framework and the hair cut applicable. The haircut applied depends on collateral type and reflects the risk due to price volatility, time taken to liquidate the asset and 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.

Legal enforceability of 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 recourse to any collateral, security or other credit enhancements.

F. Credit Risk Concentration

To avoid undue concentration in credit exposures and maintain diversification, the Bank operates within Board approved limits or operational controls in its loan portfolio that include:

- Single/Group borrower and Substantial exposure limits;
- Sector and Industry limits;
- Exposure limits on below investment grade accounts and
- 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.

Concentration is also monitored in geographic locations in the retail portfolio, types of credit facilities and collaterals. The risk appetite of the Bank mandates a diversified portfolio and has suitable metrics for avoiding excessive concentration of credit risk.

G. Market Risk in Trading Book

Market Risk is the risk that earnings or capital will be adversely affected by adverse changes in market factors such as interest rates, foreign exchange rates, volatilities, credit spreads, commodity and equity prices. The Board Approved Investment Policy sets out the Investment Philosophy of the Bank and approach to Market Risk Management. The Asset Liability Management Committee (ALCO) of the Bank oversees the Market Risks and 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.

The Bank has a comprehensive limit-framework including sensitivity measures like PV01, Duration, Delta, Gamma, Vega, etc. and other limits like loss-limits, value-limits, gap-limits, deal-size limits and holding-period limits.

Valuation of the portfolio is done on a conservative basis at the bid/offer rate, as appropriate. Market Liquidity of the trading portfolio is assessed and an appropriate deduction is made from Tier I capital towards illiquidity, if any.

The Bank uses a Value-at-Risk (VaR) based on historical simulation and a confidence level of 99% to quantify the potential price risk in the portfolio. Additionally, to assess the tail risk, the Bank computes Expected Shortfall. Value-at-Risk limits have been set on all trading portfolios. The VaR model is periodically validated through a process of back testing and has been independently validated by an external agency. 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.

H. Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before final settlement of the transaction's cash flows. An economic loss would occur if the transaction or portfolio of transactions with the counterparty has a positive economic value for the Bank at the time of default.

The CCR exposure is calculated on a daily basis, using Current Exposure Method. Limits for interbank counterparties are set on the basis of an internal model, approved by the ALCO. CCR limits for other counterparties are set on the basis of their internal ratings, Loan Equivalent Ratio, business requirements and are approved by the appropriate sanctioning authorities.

The Bank has an approved framework to evaluate the Suitability of the customer and Appropriateness of the derivative to the client's hedging requirements. The Group computes Credit Valuation Adjustment, which captures the risk of mark to market losses due to deterioration in the credit worthiness of the counterparty.

With a view to reduce counterparty and systemic risk, there are regulatory initiatives directing OTC trades to be cleared through Central Counterparties (CCPs). The Bank has a dedicated team that manages the interface with CCPs and understands the implications of the risk transfer from being distributed among individual bilateral counterparties to CCPs. The Bank operates within ALCO approved limits on individual CCP.

I. Interest Rate Risk in Banking Book (IRRBB)

IRRBB arises from mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL) and rate sensitive off-balance sheet items in the banking book. Bank assesses and manages interest rate risk in its banking book as well as including trading book.

ALCO is the guiding body for management of IRRBB in the Bank and sets the overall policy and risk limits. Balance Sheet Management Unit (BMU), which is part of the treasury, is entrusted with the responsibility of managing IRRBB and uses Funds Transfer Pricing (FTP) to transfer risk from business units to centralised treasury. No interest rate risk is retained within any business other than treasury.

As interest rate risk can impact both net interest income (NII) and value of capital, it is assessed and managed from both earning and economic perspective. Bank uses earnings at risk (EaR) as a short term risk indicator to assess the sensitivity of NII and NIM to change in interest rates. From an economic perspective, which is a long term risk indicator, it uses duration approach to determine the sensitivity of economic value of equity (EVE) to changes in interest rates.

J. Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due without adversely affecting its financial condition. Liquidity is managed through the Group Liquidity policy, which is designed to maintain high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations while maintaining a diversified funding profile.

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

Liquidity risk 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 it. 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 intra-day liquidity facilities, etc.

The Bank follows a scenario based approach for liquidity stress testing to evaluate the impact of stress on the liquidity position. The Liquidity Coverage Ratio (LCR) 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. The Group monitors and manages the composition of liquid assets to ensure diversification by asset class, counterparty and tenor. The Group is currently well above the minimum regulatory requirement for the LCR.

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.

K. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The objective of operational risk management at the Bank is to manage and control operational risk in a cost effective manner within targeted levels as defined in the risk appetite. The centralised and independent operational risk management function manages this risk as guided by the Board approved operational risk management policy.

The Board of Directors, Risk Management Committee and the Operational Risk Executive 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, are accountable for operational risks and controls in their respective areas which they manage under the policies, standards, processes, procedures; and operational risk management framework laid down by the independent ORM function.

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. The Bank has a Whistle blower policy and platform, which is open to employees and vendors for raising their concerns, with full confidentiality, on any fraud, malpractice or any other untoward activity or event.

Disaster recovery and Business Continuity Plans (BCP) have been established for significant businesses to ensure continuity of operations and minimal disruption to customer services. These plans are periodically tested and reviewed to ensure their effectiveness.

Risk transfer via insurance is a key strategy to mitigate operational risk exposure at the Bank. The Operational Risk team helps assess the quantum of insurance cover required and aligns it to the Bank's current and projected operational risk exposures.

L. Cyber-security Risk

The Bank has committed significant resources to protect the security of its systems, software, networks and other technology assets through security programs, with the goal of maintaining overall cyber resilience that prevents, detects and responds to threats such as data breaches, malware, unauthorised access and denial-of-service attacks. Cyber security attacks could be aimed at the Bank or at third parties with which Bank does business or that facilitate the Bank's business activities (e.g., outsourced parties, vendors). Rise in digitisation and increased use of mobile devices can also be sources of cyber security risk especially when client activities and systems are beyond the Bank's own security and control systems. The Bank constantly monitors the environment including cyber threats, emerging regulatory requirements around cyber risks and mitigation strategies. The Bank regularly conducts tests to assess the robustness of its cyber defences to minimise the impact of any incidents that may occur and provides regular updates to the Senior Management. New digital product offerings are thoroughly assessed for cyber risks prior to roll out.

M. Reputation Risk

Reputation risk is the risk of current or prospective loss arising from stakeholder's adverse experience while dealing with the institution or which resulted in an adverse perception of the institution. Reputation Risk can arise from a variety of sources including direct sources like poor financial performance and indirect sources like increased operational risk or control failures. Managing reputation is a priority area for the Group and there is Zero tolerance for knowingly engaging in any activity that has potential for unacceptable reputational risk. The Group ERM policy lays down the framework to ensure reputation is managed effectively and consistently across the group. The reputation risk management process is integrated with the Internal Capital Adequacy Assessment Process and a scorecard approach, based on expert judgement, is used to assess various reputation risk drivers and the overall level of reputation risk.

N. Conduct Risk

Conduct risk means any action that would cause harm to consumer protection, market integrity or competition. The Bank has identified conduct risk arising out of: Manipulation of financial benchmarks/markets, Mis-selling, Fair dealing with customers & Compliance with laws of the land. The Bank has established processes for managing conduct risk and has policies that guide staff in dealing with prevention of conflict of interest, employee conduct and dealing with proprietary and confidential information, so that they conduct themselves ethically and in compliance with the law. Conduct risk management is incorporated into HR practices, including recruiting, training, performance assessment, promotion and compensation processes. The Group places Zero tolerance on instances of professional or personal misconduct. Conduct risk is assessed in the ICAAP through a scorecard that considers the various drivers of conduct risk.

O. Internal Capital Adequacy Assessment Process ('ICAAP')

Every year, the Group undertakes the Internal Capital Adequacy Assessment Process ('ICAAP'), which provides management with a view of overall risks, assessment and capital allocated to cover the risks. The ICAAP is linked to overall business planning and establishes a strategy for maintaining appropriate capital levels. ICAAP is an assessment of all significant risks (Pillar II), other than Pillar I risks, to which the Bank is exposed. Once the risks are identified, the Group determines the method and extent of risk mitigation. Risk mitigation takes place through strengthening policies, procedures, improving risk controls and having suitable contingency plans. Finally, the Group determines the risks that will be covered by capital and the level of capital sufficient to cover those risks. The ICAAP outcomes are reviewed by senior management and formally approved by the Board. During the year, the Group was adequately capitalised to cover Pillar I and Pillar II risks.

P. Stress Testing

Stress testing is a key element of the ICAAP and an integral tool in the Risk Management framework as it provides management a better understanding of how portfolios perform under adverse economic conditions. Stress testing is integral to strengthening the predictive approach to risk management and is a key component in managing risks.

The Bank has a Board approved Stress testing policy which is aligned to regulatory guidelines and covers material risks. Indicative stress scenarios are defined in the policy as actual events can sometimes be more severe than anticipated, management considers additional stresses outside these scenarios, as necessary. The Bank carries out Reverse Stress testing across key risk areas to test the stress levels at which capital falls below the internal capital threshold.

The results of stress are interpreted in the context of our internal risk appetite for capital adequacy and reported to management and the Board. The stress testing exercise provides an opportunity to develop suitable mitigating response prior to onset of actual conditions exhibiting the stress scenarios. The ICAAP integrates stress testing with capital planning and during the year, the Bank was above regulatory and internal target capital ratios under all approved stress scenarios.

Compliance

An independent and comprehensive compliance structure addresses the Bank's compliance and reputation risks. In addition, all key subsidiaries of the Bank have an independent compliance function. The Compliance officials of the Bank and the Group interact on various issues including the best practices followed by the respective companies. The compliance function is responsible for all aspects of regulatory compliance across the Bank. There are dedicated resources deployed to focus on areas like KYC/AML, review and monitoring and provide guidance on regulatory issues to the line functions.

During the current year, the merger of erstwhile ING Vysya Bank's (eIVBL) Core Banking System (CBS) was completely integrated with the Kotak Mahindra Bank's CBS i.e., Finacle. Post this, the Anti-Money Laundering System of the Bank which is meant for the purpose of monitoring and reporting of transactions under PMLA, 2002 has been tracking the transactions of the unified customer base. The reports required to be filed under the PMLA are filed on a consolidated basis pertaining May 2016 and onwards.

The compliance framework, approved by the Board, broadly sets out the compliance risk management processes and tools to be used by businesses, management and compliance officers for managing its compliance risks. Apart from the Bank's compliance framework, the Bank and all the subsidiaries have their own compliance manuals. The Compliance team supports top management and manages and supervises the compliance framework along with providing compliance assistance to various businesses/support functions. The Bank has a 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 in compliant with the RBI regulations.

The Compliance Department continues to approve all the new processes and new products to ensure that the same are in line with the regulatory prescriptions. Compliance Department senior executives are members of various internal and external committees, which enables them to monitor the compliance risk of the institution effectively.

The Bank uses the knowledge management tools for monitoring the changes in existing regulations as well as new regulations. The Bank also looks at regulatory websites and participates in industry working groups that discuss evolving regulatory requirements. In-house compliance newsletter keeps the employees abreast of the key regulatory updates affecting the businesses of the Bank and its subsidiaries. Compliance also disseminates the changes in the regulations by way of compliance alerts to all the employees. Training on compliance matters is imparted to employees on an ongoing basis both online and classroom. The Compliance Department keeps the management/Board informed about important compliance related matters through monthly, quarterly and annual compliance reviews.

Internal Controls

The Bank's internal audit department assesses business and control risks of all branches and businesses to formulate a risk-based internal audit plan, as recommended by the RBI. The audit process followed is as below:

An annual risk-based internal audit plan is drawn up on the basis of risk profiling of 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 minimise 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 is reported to senior management as well as to audit committee of the board on a periodic 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 2017, the employee strength of the Bank along with its subsidiaries was around 44,000 as compared to around 42,000 employees a year ago. The Bank standalone had around 33,000 employees as on 31st March 2017. The average age of the employees is around 31 years. Average gender diversity is 21% women to 79% male employees.

With successful completion of culture integration, the Bank launched multiple employee initiatives. The primary focus was on delivering a premium employee experience and building organisational capabilities.

"Premium Employee experience", this aspiration was actualized by the launch of 'Redscape', HR Portal for all employees. This interactive platform has been designed to enable our employees to be: 1) more connected – to their leaders, colleagues and team members, 2) more engaged – through learning and interaction with like-minded professional across the bank and 3) more productive – through convenient access to several HR services. What is really exciting is that we are pioneers in the Banking Industry to create such a responsive and interactive portal of this scale. Self Service being the critical focus in phase one, we further plan to design more innovative and engaging solutions to digitally connect with employees.

With the same intent of Premium employee experience, we also focused on solidifying the on-boarding experience on our new joinees with the agenda of creating a seamless experience of settling in the new organisation and more importantly new role. The process is most appreciated by the new joinees, with 93% of respondent said they would readily recommend Kotak to family and friends.

With our ongoing quest of exploring opportunities to identify and develop Talent, the Bank further strengthened its existing Talent Management Framework, making it more robust and futuristic in perspective. 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 our next phase of growth.

To enhance the active engagement, the Bank launched a new employee engagement framework -"RED- Realize Every Dream". RED comprises of 4 D model- Dialogue, Demonstrate, Develop and Deliver. Multiple initiatives (Online as well as Off Line) were designed for employees to experience RED in its true sense.

The Bank continued it's focus development and productivity of front line sales force. Structured engagement interventions are done along with line managers in branch banking and acquisition. 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.

Focused leadership mindshare continues 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.

Outlook

Some of the key opportunities and threats in the economic and financial environment are as follows:

Opportunities

- Achieve a larger share in the growing digital economy;
- Capitalise on opportunities arising from the increase in NPAs and stressed assets in the Indian Financial Industry;
- Opportunities in the under penetrated Life and General Insurance space;
- 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" and
- Financial inclusion.

Threats

- Volatile external and global environment;
- Competition from the newer models of banks and
- Attracting and retaining talent and training them for the right culture.

Going forward, banks will need to move towards the mandated higher capital standards, stricter liquidity and leverage ratios and a more cautious approach to risk. This implies that Indian banks will need to improve efficiency even as their costs of doing business increase. They will need to refine their risk management skills for enterprise-wide risk management. In addition, banks need to have in place a fair and differentiated risk pricing of products and services, since capital comes at a cost. This involves costing, a quantitative assessment of revenue streams from each product and service and an efficient transfer-pricing mechanism that would determine capital allocation.

Due to the demonetisation and digitization push by the Government, banks will also need to develop their digital banking infrastructure to provide mobile and online services to their customers. These services would not only have to facilitate online payments and transactions, but also the creation of new accounts and the checking of existing accounts.

During FY2017, NPAs rose sharply across the industry. Banks need to effectively utilise the various measures put in place by the RBI and the Government for the resolution and recovery of bad loans in order to reduce the NPAs on their books. They also have to strengthen their due diligence, credit appraisal and post-sanction loan monitoring systems to minimise and mitigate the problem of increasing NPAs in FY2018 and beyond.

Outlook for Kotak Group

Kotak Mahindra Group's results for the financial year demonstrate the strong fundamental growth in India. However, concerns remain on the global economic scenario's impact on the Indian economy. The Group believes that with sound risk management and strong capital adequacy ratio, India of the future offers opportunities for growth.

The Bank will look forward to capitalise on inorganic opportunities, including acquisition and resolution of stressed assets through, amongst others, potentially participating in a "Bad Bank", and additional avenues of organic growth such as opportunities in digital expansion, domestic lending, international lending and investments, for growth of subsidiaries.

Safe Harbour

This document contains certain forward-looking statements based on current expectations of Kotak Mahindra management. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and government policies that may impact the businesses of Kotak Mahindra Group as well as its ability to implement the strategy. Kotak Mahindra does not undertake to update these statements.

This document does not constitute an offer or recommendation to buy or sell any securities of Kotak Mahindra Bank or any of its subsidiaries and associate companies. This document also does not constitute an offer or recommendation to buy or sell any financial products offered by Kotak Mahindra, including but not limited to units of its mutual fund, life insurance policies and general insurance policies.

All investments in mutual funds and securities are subject to market risks and the NAV of the schemes may go up or down depending upon the factors and forces affecting the securities market. The performance of the sponsor, Kotak Mahindra Bank Limited, has no bearing on the expected performance of Kotak Mahindra Mutual Fund or any schemes there under.

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

Report on Corporate Governance

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 2017, the Board of Directors, comprising a combination of executive and non-executive Directors, consisted of ten 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 2017, 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 71 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 is on the Board of Great Eastern Shipping Co. Ltd. and The South Asia Institute for Research & Policy (Private) Limited, Sri Lanka.

Mr. Uday Kotak, Executive Vice-Chairman and Managing Director

(DIN: 00007467)

Mr. Uday Kotak, aged 58 years, holds a Bachelor's degree in Commerce, and a MMS degree 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 31 years, Kotak Mahindra group established a prominent presence in major areas of financial services including Banking, Stock broking, Investment banking, Car finance, Insurance and Asset Management. He is a member of 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 has been awarded the 'EY World Entrepreneur of the Year Award' in 2014 by Ernst & Young, 'Economic Times Business Leader of the Year Award' in 2015 by the Economic Times, 'Best Transformational Leader Award 2015' by Asian Centre for Corporate Governance Sustainability in 2016, and 'Businessman of the Year 2016' by Business India amongst many others.

He is on the Board of the following companies:

Kotak Mahindra Asset Management Company Limited
Kotak Mahindra Capital Company Limited
Kotak Mahindra Old Mutual Life Insurance Limited
Kotak Mahindra Prime Limited
Kotak Mahindra Investments Limited
Kotak Securities Limited

Mr. Uday Kotak is also a member of the Stakeholders Relationship Committee of the Bank and Chairman of the Audit Committee of Kotak Mahindra Capital Company Limited.

Mr. Dipak Gupta, Joint Managing Director
(DIN: 00004771)

Mr. Dipak Gupta, B.E. (Electronics), PGDM-IIM, Ahmedabad, aged 56 years, is the Joint Managing Director of the Bank and has over 31 years of experience in the financial services sector, 25 years of which have been with the Kotak Group. 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. Mr. Dipak Gupta was responsible for leading the Kotak Group's initiatives into the banking arena. He was the Executive Director of Kotak Mahindra Prime Limited. Prior to joining the Kotak Group, he was with A. F. Ferguson & Company.

He is on the Board of the following companies:

Kotak Mahindra Investments Limited
Kotak Mahindra Capital Company Limited
Kotak Infrastructure Debt Fund Limited
Kotak Mahindra Inc.
Kotak Investment Advisors Limited
Kotak Mahindra Old Mutual Life Insurance Limited
Kotak Mahindra (UK) Limited

Mr. Dipak Gupta is also a member of the Stakeholders Relationship Committee of the Bank and Audit Committees of Kotak Mahindra Investments Limited; Kotak Mahindra Capital Company Limited and Kotak Investment Advisors Limited.

Mr. C. Jayaram
(DIN: 00012214)

Mr. C. Jayaram, B. A. (Economics), PGDM-IIM, Kolkata, aged 60 years, is the non-executive non-independent director of the Bank with effect from 1st May 2016. He has varied experience of over 38 years in many areas of finance and business. Mr. Jayaram headed the wealth management business and international operations for Kotak Group till 30th April 2016. He was with the Kotak Group for 26 years and was instrumental in building a number of new businesses at Kotak Group. Prior to joining the Kotak Group, he was with Overseas Sanmar Financial Ltd.

He is also on the Board of the following companies:

Kotak Mahindra Asset Management Company Limited
Multi Commodity Exchange of India Limited
Allsec Technologies Limited

Mr. Jayaram was appointed as a Director of Financial Planning Standards Board India with effect from 1st April 2017.

Mr. C. Jayaram is a member of the Audit Committees of Kotak Mahindra Asset Management Company Limited, Allsec Technologies Limited and Multi Commodity Exchange of India Limited.

Mr. Prakash Apte
(DIN: 00196106)

Mr. Prakash Apte, B.E. (Mechanical), aged 63 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, Kotak Mahindra Old Mutual Life Insurance Limited and Indo-Swiss Centre of Excellence.

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 58 years, is an eminent professional with 36 years of experience.He is also on the Board of Kotak Mahindra Trustee Company Limited.

Prof. S. Mahendra Dev
(DIN: 06519869)

Prof. S. Mahendra Dev, PhD from the Delhi School of Economics, aged 59 years is currently Director and Vice Chancellor, Indira Gandhi Institute of Development Research (IGIDR), Mumbai, India. He was Chairman of the Commission for Agricultural Costs and Prices (CACP), Govt. of India, Delhi. He was Director, Centre for Economic and Social Studies, Hyderabad for 9 years during 1999 to 2008. He has done his Post-doctoral research at Yale University and was faculty member at the Indira Gandhi Institute of Development Research, Mumbai for 11 years.

He has been a member of several government committees including the Prime Minister's Task Force on Employment and Rangarajan Commission on Financial Inclusion. He has received honors for eminence in public service. He is the Chairman of the Committee on Terms of Trade on agriculture constituted by the Ministry of Agriculture, Government of India. He was a member and Acting Chairman of the National Statistical Commission in the rank of Minister of State, Government of India. He received prestigious Malcolm Adiseshiah Award for outstanding research work on development studies. He is on the Board of Trustees of International Food Policy Research Institute (IFPRI), Washington D.C.

He is also on the Board of Kotak Mahindra Prime Limited. Prof. Dev is the Chairman of the Stakeholders Relationship Committee of the Bank and a member of the Audit Committees of the Bank and Kotak Mahindra Prime Limited.

Ms. Farida Khambata
(DIN: 06954123)

Ms. Farida Khambata, aged 67 years, is Master of Arts in Economics from the University of Cambridge, a Master of Science in Business Management from the London Business School and a Chartered Financial Analyst. She is currently Global Strategist of Cartica Management, LLC and a member of its Investment Committee. She was earlier with International Finance Corporation (IFC) and was a member of IFC's Management Group, the senior leadership team of IFC. In her last position at IFC she served as Regional Vice President in charge of all operations in East Asia and the Pacific, South Asia, Latin America and the Caribbean and the Global Manufacturing Cluster. Ms. Khambata joined IFC in 1986 from the World Bank where she managed pension fund assets.

She is a member on the Advisory Board of ADM CEECAT Fund and Bancroft II and III Funds. She is also on the Board of Dragon Capital Group Limited, Cargills Foods Company Private Limited and Tata Sons Limited.

Ms. Khambata is a member of the Audit Committee of Tata Sons Limited.

Mr. Mark Edwin Newman
(DIN : 03518417)

Mr. Mark Edwin Newman, aged 50 years is a Chartered Accountant and has obtained Mathematics (Honours) degree from King's College London. Mr. Mark Newman is Head of Retail Challengers and Growth Markets, 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 where he has held a number of roles including Head of Financial Markets, Asia and CEO Wholesale Banking, Asia.

He is a Director on the Board of ING Bank Australia Limited and a member of the Audit Committee of ING Bank Australia Limited.

Mr. Uday Khanna
(DIN : 00079129)

Mr. Uday Chander Khanna, aged 67 years, is a Chartered Accountant by qualification. Mr. Khanna is currently the Non-Executive Chairman of Bata India Ltd. Mr. Khanna was Managing Director & CEO of Lafarge India from July 2005 to July 2011 and the Non-Executive Chairman of Lafarge India from July 2011 to September 2014. He joined the Lafarge Group in Paris in June 2003 as Senior Vice President for Group Strategy, after an extensive experience of almost 30 years with Hindustan Lever/Unilever in a variety of financial, commercial and general management roles both nationally and internationally. His last position before joining Lafarge was Senior Vice President- Finance. Unilever - Asia, based in Singapore. He has earlier been on the Board of Hindustan Unilever as Director - Exports, after having served as Financial Controller and Treasurer of the company. He has also worked as Vice Chairman of Lever Brothers in Nigeria and General Auditor for Unilever - North America, based in the USA. He is a Member of the Board of Governors of The Anglo Scottish Education Society and Jt. Managing Trustee of the Indian Cancer Society.

He is also on the Board of the following companies:

Bata India Limited
Castrol India Limited
Pfizer Limited
Pidilite Industries Limited
DSP Blackrock Investment Managers Private Limited

Mr. Khanna is the Chairman of the Audit Committees of Castrol India Limited and DSP Blackrock Investment Managers Private Limited and Stakeholders Relationship Committees of Bata India Ltd. and Pfizer Limited. He is also a member of the Audit Committees of the Bank, Bata India Limited, Pfizer Limited and Pidilite Industries 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 2017:

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	2	1	1
Mr. C. Jayaram	Non-Executive Director	3	-	-	3
Mr. Dipak Gupta	Joint Managing Director	5	-	-	3
Mr. Prakash Apte	Independent Non-Executive Director	2	2	3	1
Mr. Amit Desai	Independent Non-Executive Director	1	-	-	-
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	-	-	-	-
Mr. Uday Khanna	Additional Director (Independent Non-Executive)	4	2	3	4

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. In compliance with Regulation 24(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr. Prakash Apte, an independent director on the Board of the Bank has been a director on the Board of Kotak Mahindra Old Mutual Life Insurance Limited, an unlisted material Indian subsidiary of the Bank.

Board Meetings

Scheduling and selection of agenda items for board meetings:

Dates of the board meetings are decided in advance. The board meetings are convened by giving appropriate notice after obtaining the approval of the Chairman and the 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. When necessary, additional meetings are held.

The agenda of the board meetings is drafted by the Company Secretary along with the explanatory notes and these are distributed in advance to the directors. Every Board member is free to suggest the inclusion of items on the agenda. All divisions/departments in the Bank are encouraged to plan their functions well in advance, particularly with regard to matters requiring discussion/ approval/ decision in the board/ committee meetings.

All such matters are communicated to the Company Secretary in advance so that the same could be included in the agenda for the board meetings.

The agenda papers are prepared by the concerned officials of the respective department and are approved by the Joint Managing Director and/or 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.

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, seven meetings of the Board of Directors were held on 11th May 2016, 21st July 2016, 16th September 2016, 25th October 2016, 25th January 2017, 17th March 2017 and 30th March 2017. The maximum time gap between any two meetings was not more than one hundred and twenty days. The average duration of the board meetings held is approximately five hours.

The details of directors' attendance at board meetings held during the year commencing 1st April 2016 and ending 31st March 2017 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 2016-17	Whether attended last AGM held on 22nd July 2016
1.	Dr. Shankar Acharya	7	7	YES
2.	Mr. Uday Kotak	7	7	YES
3.	Mr. C. Jayaram	7	7	YES
4.	Mr. Dipak Gupta	7	7	YES
5.	Mr. Asim Ghosh*	0	0	N.A.
6.	Mr. Prakash Apte	7	7	YES
7.	Mr. Amit Desai	7	4	NO
8.	Mr. N. P. Sarda**	2	2	YES
9.	Prof. S. Mahendra Dev	7	7	YES
10.	Ms. Farida Khambata	7	6	YES
11.	Mr. Mark Newman	7	6	NO
12.	Mr. Uday Khanna ***	4	4	N.A.

**Ceased to be a Director of the Bank with effect from 9th May 2016, pursuant to the provisions of Section 10(2A)(i) of the Banking Regulation Act, 1949, on his completing a tenure of eight years as a director of the Bank.*

*** Ceased to be a Director of the Bank with effect from 22nd July 2016, the date of the annual general meeting, where he was eligible to be reappointed as per Companies Act, but did not as he had crossed the age of 70 years.*

****Appointed as an Additional Director with effect from 16th September 2016.*

Subsequently, two meetings of the Board of Directors were held on 27th April 2017 and 15th May 2017 and the same were attended by 8 members & 5 members, respectively.

Separate Meeting of Independent Directors

A meeting of the Independent Directors of the Bank was held on 16th March 2017 and the same was attended by Mr. Amit Desai, Mr. Prakash Apte, Ms. Farida Khambata, Prof. S. Mahendra Dev and Mr. Uday Khanna.

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 2017 is as follows:

Particulars	Mr. Uday Kotak (₹ '000) *	Mr. C. Jayaram** (₹ '000) *	Mr. Dipak Gupta (₹ '000) *
Basic	17,616.00	1,350.00	17,160.00
Allowances	2,900.00	220.83	2,900.00
Provident Fund	2,113.92	162.00	2,059.20
Superannuation	-	-	100.00
Annual Incentive	6,000.00	6,000.00	6,000.00
Number of stock options granted during the year	-	-	71,430 (Series 4)

**The amount shown above excludes gratuity payable under the Payment of Gratuity Act and value of car perquisites under the Income Tax Act, 1961.*

***Post his retirement on 30th April 2016, on attaining the age of superannuation, Mr. C. Jayaram ceased to be the Joint Managing Director of the Bank but continues as a non-executive non-independent director of the Bank with effect from 1st May 2016. The remuneration details above include only those in his capacity as Executive Director.*

Annual Incentive is the incentive for the year ended 31st March 2016 paid out during the year.

The details of the options granted during the year under the Kotak Mahindra Equity Option Scheme 2015 to the Directors are as under:

Name of Director	Date of Grant	No. of Options granted	Exercise Price	Exercise Period	Options Vested	Vesting Date
Series 48 of Kotak Mahindra Equity Option Scheme 2015						
Mr. Dipak Gupta	19th May 2016	71,430	₹ 550/- per share	5th October 2017 to 31st March 2018	30%	5th October 2017
				31st July 2018 to 31st January 2019	30%	31st July 2018
				30th June 2019 to 31st December 2019	20%	30th June 2019
				30th November 2019 to 31st March 2020	20%	30th November 2019

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 ₹ 30,00,000/- 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 and Mr. Dipak Gupta, Joint Managing Director (ii) the annual incentive payable for the financial year ended 31st March 2016 (iii) the stock options granted (as indicated above) to Mr. Dipak Gupta and (iv) the revision in remuneration of Dr. Shankar Acharya, Non-Executive Chairman.

The details of sitting fees and commission paid to the Non-Executive Directors are as follows:

Sr. No.	Name of Director	Sitting fees (₹ '000) (Paid for the year ended 31st March 2017)	Commission (₹ '000) (Paid for the year ended 31st March 2016)
1.	Dr. Shankar Acharya	610.00	-
2.	Mr. Asim Ghosh	-	500.00
3.	Mr. Prakash Apte	1,390.00	600.00
4.	Mr. Amit Desai	610.00	500.00
5.	Mr. N.P. Sarda	330.00	600.00
6.	Prof. S. Mahendra Dev	1,150.00	600.00
7.	Ms. Farida Khambata	390.00	600.00
8.	Mr. Mark Newman*	-	-
9.	Mr. C. Jayaram**	490.00	-
10.	Mr. Uday Khanna***	560.00	-

** Mr. Mark Newman has waived off the amount of sitting fees and commission payable to him.*

*** Mr. C. Jayaram retired as a Joint Managing Director on 30th April 2016 but continues as a Non-Executive Director w.e.f. 1st May 2016.*

**** Mr. Uday Khanna was appointed w.e.f. 16th September 2016.*

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 Director 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.

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 thereof.

Risk Management

- Review the adequacy of Bank's financial and risk management policies and report the matter to the Board of Directors.
- Review the overall exposure to Capital Market.

Process Improvement

- Establish regular and separate systems of reporting to the Audit Committee by each of management, the independent statutory auditors and the internal auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
- Following completion of the annual audit and internal audit plan, review separately with each of management, the independent statutory auditors and the internal auditing department any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

- Review any significant disagreement among management and the independent statutory auditors in connection with the preparation of the financial statements.
- Review any significant disagreement among management and the internal audit department in connection with the observations made in the internal audit report.
- Review with the independent statutory auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)

Ethical and Legal Compliance

- Establish, review and update periodically a Code of Conduct and ensure that management has established a system to enforce this Code.
- Review management's monitoring of the Bank's compliance with the organization's Code of Conduct, and ensure that management has the proper review system in place to ensure that Bank's financial statements, reports and other financial information disseminated to regulators, and the public satisfy legal requirements.
- Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of dividend declared) and creditors.
- Review the functioning of the Whistle Blower mechanism.
- Review reports from the Bank's compliance officer.
- Approval of appointment of CFO after assessing the qualifications, experience and background, etc. of the candidate;
- Perform any other activities consistent with 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), Prof. S. Mahendra Dev and Mr. Uday Khanna.

All the members of the Committee are Independent Non-Executive Directors. All the members of the Committee are financially literate within the meaning of Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Mr. Uday Khanna possesses accounting and financial management expertise.

The Company Secretary acts as the Secretary to the Committee. 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, eight meetings of the Committee were held on 19th April 2016, 11th May 2016, 20th July 2016, 21st July 2016, 24th October 2016, 22nd November 2016, 24th January 2017 and 14th February 2017. 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 2016-17	Meetings Attended during the year 2016-17
Mr. Prakash Apte (Chairman)	8	8
Mr. N. P. Sarda	4	4
Prof. S. Mahendra Dev	8	8
Mr. Uday Khanna	4	4

Subsequently two meetings of the Committee were held on 27th April 2017 and 9th May 2017 and the same were attended by all the three members.

The Bank has constituted a First Tier Audit Committee as per the guidelines issued by the Reserve Bank of India. The Committee consisted 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.

The Board at its meeting held on 27th April 2017 has re-constituted the Committee and the same now comprises of Mr. Arvind Kathpalia – Group Head Risk (Chairman), Mr. Jaimin Bhatt – President & Group CFO, Mr. T.V. Sudhakar, Head – Compliance and Mr. Devang Gheewalla, Senior Executive Vice President.

Stakeholders Relationship Committee

The Stakeholders Relationship Committee of the Bank presently consists of three members, Prof. S. Mahendra Dev (Chairman), Mr. Uday Kotak 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 of the Committee.

During the year, two meetings of the Committee were held on 8th September 2016 and 14th March 2017. All the members attended both the meetings.

During the year under review, 14 investor complaints were received and no investor complaint was pending as on 31st March 2017. As on 31st March 2017, there were no instruments of transfer of shares, pending. No penalties or strictures were imposed on the Bank by any of the Stock Exchanges, SEBI or any other statutory authority on any matter related to capital markets, during the last three years.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee of the Bank 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, three meetings of the Committee were held on 19th May 2016, 25th June 2016 and 23rd February 2017. All the members attended all the three meetings. The Committee meets for approximately one hour.

Subsequently one meeting of the Committee was held on 15th May 2017 and the same was attended by all the three members.

The Bank has a Remuneration policy in place, the details of which have been mentioned in the Directors' Report.

Share Transfer and Other Matters (STOM) Committee

The STOM Committee of the Bank consists of Mr. Uday Kotak (Chairman), Mr. C. Jayaram and Mr. Dipak Gupta, with any two forming the quorum. The terms of reference of the STOM Committee 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, three meetings of the Committee were held. Mr. Uday Kotak and Mr. Dipak Gupta attended all the meetings. Mr. C. Jayaram attended one meeting. The Committee meets for approximately thirty minutes.

Committee on Frauds

Pursuant to the directives of the Reserve Bank of India, the Bank has constituted a Committee on Frauds for monitoring and reviewing all the frauds involving amounts of ₹ 1 crore and above. The Committee presently consists of four members, Mr. Uday Kotak, Mr. Dipak Gupta, Mr. Prakash Apte and Mr. Uday Khanna.

During the year, two meetings of the Committee were held on 20th July 2016 and 24th January 2017. The Committee meets for approximately one hour.

Name of Members of Committee	Meetings held during the tenure of the member in 2016-17	Meetings Attended during the year 2016-17
Mr. Uday Kotak	2	2
Mr. Dipak Gupta	2	2
Mr. Prakash Apte	2	2
Mr. N.P. Sarda	1	1
Mr. Uday Khanna	1	1

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, two meetings of the Committee were held on 8th September 2016 and 14th March 2017. All the members attended both 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; Mr. C. Jayaram, Prof. S. Mahendra Dev, and Mr. Dipak Gupta, with any two members forming the quorum. The Committee has been constituted to:

- Formulate and recommend to the Board, a Corporate Social Responsibility (CSR) Policy which shall indicate the activities to be undertaken by the Bank, as laid down in Schedule VII to the Act;
- Recommend the amount of expenditure to be incurred on the CSR activities;
- Monitor Bank's CSR Policy and implementation of CSR projects undertaken from time to time.

During the year, one meeting of the Committee was held on 22nd November 2016. All the members attended the meeting. The Committee meets for approximately one hour.

Subsequently one meeting of the Committee was held on 27th April 2017 and the same was attended by all members.

Committee on Promoter Dilution

The Bank has constituted a Committee on Promoter Dilution to study and advise the Bank on the future course of action to achieve dilution of promoter holding in the Bank as directed by the Reserve Bank of India. The Committee comprises of three members viz; Dr. Shankar Acharya, Mr. Prakash Apte and Mr. Amit Desai.

During the year, three meetings of the Committee were held on 13th September 2016, 29th November 2016 and 8th February 2017. All the members attended all the three meetings. The Committee meets for approximately two hours.

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 viz. URL: http:// ir.kotak.com/governance/policies.html.

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 held are detailed below:

General Meetings	Day, Date and Time	Special Resolutions / Resolutions with requisite majority passed thereat
Extraordinary General Meeting	Tuesday, 9th May 2017 at 10.30 a.m. at Walchand Hirachand Hall, Indian Merchants Chamber, 4th Floor, Churchgate, Mumbai-400020	1. Special Resolution for increasing the ceiling limit on total holdings of FIIs and FPIs through primary or secondary route to such percentage as the Board may decide from time to time not exceeding 49% of the paid-up equity capital of the Bank. 2. Special Resolution for issuing equity shares, GDRs, ADRs, and/or other permissible securities convertible into equity shares or any combination thereof, in one or more tranches, up to 6,20,00,000 equity shares of ₹5/- each, by way of a public issue or a private placement or a rights issue, including a qualified institutions placement.
Thirty First Annual General Meeting	Friday, 22nd July 2016 at 10.30 a.m. at Walchand Hirachand Hall, Indian Merchants Chamber, 4th Floor, Churchgate, Mumbai-400020	Special Resolution for payment to the Non-Executive Directors of the Bank, a sum not exceeding ₹ 10 lakh each by way of annual commission.
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, consequent to the proposed issue of bonus shares by the Bank. 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 to incorporate the provisions of the Companies Act, 2013. 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. 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.

General Meetings	Day, Date and Time	Special Resolutions / Resolutions with requisite majority passed thereat
		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 for increasing the ceiling limit on total holdings of FIIs/SEBI approved sub-acount of FIIs, FPIs, QFIs, NRIs, PIOs 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.
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	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 ₹ 40,000 crore (Rupees Forty Thousand Crore Only). 2. Special resolution for increasing the ceiling limit on total holdings of FIIs/SEBI approved sub-acount of FIIs, FPIs, QFI through primary or secondary route to 40% of the paid-up equity capital of the Bank.

Pursuant to provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time and the provisions of Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank has been providing remote e-voting facility to its members to enable them to cast their votes by electronic means on all resolutions.

Postal Ballot

The Board of Directors of the Bank, at its meeting held on 21st July 2016, had provided its approval to the proposal for conducting Postal Ballot pursuant to Section 110 of the Companies Act, 2013, for seeking approval of the Members for Special Resolution under Section 42 of the Companies Act, 2013 for issuance of securities in the nature of unsecured, redeemable non-convertible debentures/bonds on private placement basis in one or more tranches and series, upto ₹5000 crore, for its general corporate purposes within the overall borrowing limits of the Bank.

The Board had appointed Ms. Rupal D. Jhaveri (Membership No.5441 and Certificate of Practice No. 4225), Practicing Company Secretary as the Scrutinizer and Mr. H.R. Bhagat, Practicing Chartered Accountant as an alternate Scrutinizer to Ms. Rupal D. Jhaveri for conducting the postal ballot and electronic voting process in a fair and transparent manner. The Notice of Postal Ballot dated 21st July 2016 along with the Postal Ballot Forms and postage pre-paid self-addressed business reply envelope were sent to all the Members (with dispatch having been completed on 2nd August 2016), for recording their assent or dissent in writing therein or through electronic means. The voting period commenced from Wednesday, 3rd August 2016 (9:00 a.m. onwards) till Wednesday, 31st August 2016 (5:00 p.m.). Voting rights of Members were reckoned in proportion to their shares of the paid-up equity share capital of the Bank as on Friday, 22nd July 2016. Pursuant to Section 12(2) of the Banking Regulation Act, 1949, voting rights of the members exceeding 15% of the total voting rights of the shareholders of the Bank were not considered.

Ms. Rupal D. Jhaveri had submitted her report dated 31st August 2016 on postal ballot & electronic voting process. The details of the voting pattern are given below:

Category	Mode of Voting	No. of shares held (1)	No. of votes polled (2)	% of Votes Polled on outstanding shares (3)=[(2)/(1)]*100	No. of Votes – in favour (4)	No. of Votes – against (5)	% of Votes in favour on votes polled (6)=[(4)/(2)]*100	% of Votes against on votes polled (7)=[(5)/(2)]*100
Promoter and Promoter Group	E-Voting	618,192,684	616,955,956					
	LESS: Votes not considered pursuant to Section 12(2) of Banking Regulation Act, 1949	337,162,573	337,162,573					
	Votes considered	281,030,111	279,793,383	99.56	279,793,383	0	100.00	0.00
	Poll		0	0.00	0	0	0.00	0.00
	Postal Ballot		0	0.00	0	0	0.00	0.00
Public- Institutions	E-Voting	748,927,184	661,601,131	88.34	661,601,131	0	100.00	0.00
	Poll		0	0.00	0	0	0.00	0.00
	Postal Ballot		180,000	0.02	180,000	0	100.00	0.00
Public- Non Institutions	E-Voting	468,643,645	81,627,344	17.42	81,619,361	7,983	99.99	0.01
	Poll		0	0.00	0	0	0.00	0.00
	Postal Ballot		627,859	0.13	591,585	36,274	94.22	5.78
	Total	**1,498,600,940**	**1,023,829,717**	**68.32**	**1,023,785,460**	**44,257**	**100.00**	**0.00**

** Pursuant to Section 12(2) of the Banking Regulation Act, 1949, voting rights of the members exceeding 15% of the total voting rights of the shareholders of the Company have not been considered.*

Accordingly, the Special Resolution, as set out in the Postal Ballot Notice dated 21st July 2016, was passed with Requisite Majority.

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 & Sr. Executive Vice President
Registrar & Share Transfer Agent	:	Karvy Computershare Private Limited (i) Karvy Selenium Tower B, Plot 31-32 Gachibowli, Financial District, Nanakramguda Hyderabad- 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) 26367226 /26369044 Fax No. : (022) 26310882 Website : www.karvy.com
Debenture Trustees	:	IDBI Trusteeship Services Limited (Contact Person: Mr. Ajit Guruji, Vice President) Asian Building, Ground Floor, 17, R Kamani Marg, Ballard Estate, Mumbai – 400 001 Tel No.: (022) 40807001 Fax No.: (022) 66311776

Annual General Meeting:

Date and Time	:	Thursday, 20th July 2017 at 10:30 a.m.
Venue	:	Walchand Hirachand Hall of the Indian Merchants Chamber, 4th Floor Churchgate, Mumbai - 400020.
Financial Year	:	1st April to 31st March
Date of Book Closure	:	Friday, 14th July 2017 to Thursday, 20th July 2017 both days include
Dividend Payment Date	:	On or before Monday, 31st July 2017

INVESTOR RELATIONS

The Bank publishes consolidated and standalone results on a quarterly basis. The same are also reviewed by the Audit Committee before submission to the Board. The consolidated and standalone financial results of the Bank and its subsidiaries are prepared and posted on the Website of the Bank for the current as well as last five financial years. Also, the quarterly results and earnings update are posted on the website of the Bank. Every quarter, the Executive Vice-Chairman and Managing Director and the Joint Managing Director 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 2017-18 have been paid to the BSE Limited and the National Stock Exchange of India Limited, where the shares of the Bank are listed.

Trading of shares to be in compulsorily dematerialized form: The 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) 61660001
Fax : (022) 67132403
E-mail : investor.grievances@kotak.com
Website : www.kotak.com

Transfer to Investor Education and Protection Fund:

Pursuant to Section 124 of the Companies Act, 2013, any dividend which remains unpaid or unclaimed for a period of seven years shall be transferred by the Bank to the Investor Education and Protection Fund ('Fund') established by the Central Government. Further, all shares in respect of which the dividend has not been paid or claimed for seven consecutive years or more shall be transferred to the Fund.

The table given below gives the dates of dividend declaration and the corresponding dates when unclaimed dividends are due to be transferred to the Fund:

Kotak Mahindra Bank Limited:

Year	Dividend-Type	Date of Declaration	Due Date of Transfer
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
2015-16	Final	22nd July 2016	21st August 2023

Erstwhile ING Vysya Bank Limited (eIVBL):

Year	Dividend-Type	Date of Declaration	Due Date of Transfer
2009-10	Final	1st July 2010	31st July 2017
2010-11	Final	7th September 2011	7th October 2018
2011-12	Final	29th June 2012	29th July 2019
2012-13	Final	25th June 2013	25th July 2020
2013-14	Final	24th June 2014	24th July 2021

The Bank has already communicated individually to the concerned shareholders whose shares are liable to be transferred to Investor Education and Protection Fund (IEPF) Suspense Account under the said Rules for taking appropriate action(s). The complete details of such shareholders and shares due for transfer to IEPF Suspense Account on its website at www.kotak.com. Shareholders are requested to refer to the web-link http://ir.kotak.com/faq/transfer-to-investor-protection-fund to verify the details of unencashed dividends and the shares liable to be transferred to IEPF Suspense Account and claim such dividend(s) by 31st May 2017.

SHARE PRICE DETAILS

The Monthly high and low quotation of shares traded on BSE:

Month	High (₹)	Low (₹)	Close (₹)	S&P BSE 100	Bankex
April 2016	719.05	656.35	715.60	7,973.88	19,114.83
May 2016	754.90	692.40	746.70	8,276.73	20,111.74
Jun 2016	778.00	710.75	763.10	8,429.96	20,531.20
July 2016	790.00	738.15	761.85	8,856.01	21,678.51
August 2016	815.00	748.45	806.70	9,021.45	22,656.58
September 2016	825.60	765.00	778.75	8,863.71	22,045.62
October 2016	830.00	750.00	820.45	8,928.20	22,368.28
November 2016	836.00	737.45	756.20	8,479.68	21,316.01
December 2016	758.00	702.00	719.05	8,386.69	20,748.74
January 2017	802.50	692.40	772.55	8,831.71	22,311.97
February 2017	812.70	739.15	801.00	9,190.73	23,482.44
March 2017	885.00	802.80	872.10	9,494.36	24,420.77

The Monthly high and low quotation of shares traded on NSE:

Month	High (₹)	Low (₹)	Close (₹)	NIFTY 50	Nifty Bank
April 2016	719.80	655.50	717.15	7,849.80	16,795.00
May 2016	754.50	692.50	746.55	8,160.10	17,620.90
June 2016	778.85	710.75	763.35	8,287.75	17,935.40
July 2016	787.50	737.60	763.50	8,638.50	18,953.15
August 2016	814.95	748.00	806.90	8,786.20	19,787.60
September 2016	782.30	766.10	777.00	8,611.15	19,285.70
October 2016	826.00	764.00	819.65	8,625.70	19,523.55
November 2016	833.45	736.20	755.45	8,224.50	18,627.80
December 2016	756.45	704.10	719.70	8,185.80	18,177.20
January 2017	802.10	692.50	774.15	8,561.30	19,515.15
February 2017	814.40	739.15	802.10	8,879.60	20,607.25
March 2017	886.40	802.05	872.20	9,173.75	21,444.15

SHARE HOLDING:

Category		As on 31st March 2017		As on 31st March 2016	
		No. of Shares Held	Percentage of Shares	No. of Shares Held	Percentage of Shares
A.	**Promoters Holding**				
	Promoters	590,592,684	32.08	618,192,835	33.70
	Sub-Total	**590,592,684**	**32.08**	**618,192,835**	**33.70**
B	**Non-Promoters Holding**				
	Institutional Investors				
a	Mutual Funds & UTI	99,559,809	5.41	71,982,493	3.92
b	Banks, Financial Institutions, Insurance Companies (State / Central Govt. Institutions)	44,788,616	2.43	14,875,972	0.81
c.	Foreign Institutional Investors	709,851,172	38.56	658,585,455	35.90
	Sub-Total	**854,199,597**	**46.40**	**745,443,920**	**40.64**
C.	**Others**				
a	Private Corporate Bodies	44,347,210	2.41	73,284,543	4.00
b	Indian Public including Directors & Relatives	201,965,769	10.97	202,466,613	11.04
c	NRIs/ OCBs/Foreign Bodies DR	16,315,526	0.89	15,356,104	0.84
e	Foreign Bank	32,800,000	1.78	32,800,000	1.79
f	Foreign Bodies	97,166,170	5.28	143,866,170	7.84
g	Foreign Nationals	1,650	0.00	1,450	0.00
h	NBFCs	387,794	0.02	28,571	0.84
i	Alternative Investment Fund	155,020	0.01	-	-
j	Clearing Members	2,966,457	0.16	2,941,952	0.16
	Sub-Total	**396,105,596**	**21.52**	**470,745,403**	**25.66**
	Grand Total	**1,840,897,877**	**100.00**	**1,834,382,158**	**100.00**

Note: The increase in capital during the financial year 2016-17 is due to allotment of 6515059 equity shares of ₹ 5/- under various ESOP Schemes of the Bank and 660 shares allotted on account of rights shares held in abeyance and bonus entitlement thereon.

SHAREHOLDING OF DIRECTORS OF THE BANK:

Name of the Director	As on 31st March 2017	
	No. of Shares Held	Percentage of Shares
Dr. Shankar Acharya	-	-
*Mr. Uday Kotak	584,927,100	31.77
Mr. Asim Ghosh	-	-
Mr. Amit K. Desai	1,554,750	0.08
Mr. Prakash Apte	-	-
Prof. S. Mahendra Dev	-	-
Mrs Farida Khambata	36,000	0.00
Mr. C. Jayaram	1,158,040	0.06
Mr. Dipak Gupta	1,343,592	0.07
Mr. Mark Newman	-	-
Mr. Uday Khanna	-	-

Note : * In addition, as on 31st March 2017, 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 2017.

Sr. no.	Name of the investor	Total shares held	%
1	Uday Suresh Kotak	584,927,100	31.77
2	Canada Pension Plan Investment Board - Managed by IM2	115,163,850	6.26
3	Europacific Growth Fund	91,595,214	4.98
4	ING Mauritius Investments I	71,199,178	3.87
5	First State Investments ICVC- Stewart Investors Asia Pacific Leaders Fund	37,673,139	2.05
6	Sumitomo Mitsui Banking Corporation	32,800,000	1.78
7	Oppenheimer Developing Markets Fund	27,179,627	1.48
8	Caladium Investment Pte Ltd	25,966,992	1.41
9	Capital World Growth and Income Fund	21,998,776	1.20
10	Caisse de depot et placement du Quebec	20,491,354	1.11

Distribution Schedule as on 31st March 2017

Sr. no.	Category (Shares)	No. of Holders	% To Holders	No. of Shares	% To Equity
1	1 - 100	83,387	52.01	2,933,667	0.16
2	101 - 200	21,068	13.14	3,359,064	0.18
3	201 - 300	14,781	9.22	3,749,055	0.20
4	301 - 400	6,964	4.34	2,546,113	0.14
5	401 - 500	4,396	2.74	2,040,171	0.11
6	501 - 1,000	9,978	6.22	7,514,644	0.41
7	1,001 - 2,000	7,623	4.75	12,023,147	0.65
8	2,001 - 3,000	2,667	1.66	6,789,589	0.37
9	3,001 - 4,000	3,526	2.20	13,400,383	0.73
10	4,001 - 5,000	1,260	0.79	5,934,303	0.32
11	5,001 - 10,000	2,417	1.51	17,288,357	0.94
12	10,001 & Above	2,261	1.41	1,763,319,384	95.79
	TOTAL:	**160,328**	**100.00**	**1,840,897,877**	**100.00**

The break-up of the shares held in physical and electronic mode as on 31st March, 2017 is given in the below mentioned table:

Physical mode		**Electronic mode**	
Total Shares	% to Equity	Total Shares	% to Equity
12,249,920*	0.67	1,828,647,957	99.33

** Includes 2,04,277 equity shares allotted on exercise of options by employees, on 31st March 2017 for which the credit was pending as on 31st March 2017.*

Outstanding GDS:

The Bank has Nil GDS outstanding as at 31st March 2017.

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, normally Business Standard and Sakal. Further, the quarterly results are also posted on the website of the Bank viz URL: http://ir.kotak.com/financials/results 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 Co Heads - Internal Audit report to the Audit Committee of the Board.

Other Disclosures

(A) The Management Discussion & Analysis Report

The Management Discussion & Analysis Report, giving an overview of the industry, the Bank's business and its financials is provided separately as a part of this Annual Report.

(B) Means of Communication

The Board of Directors of the Bank approves the unaudited financial results on a quarterly basis within the prescribed time period of 45 days from the end of the quarter and the audited annual financial results within 60 days from the end of the financial year. The results are promptly forwarded to the stock exchanges and are published in one English and one Marathi (Regional Language) newspaper, within 48 hours of the conclusion of the Board Meeting. The results as well as other press releases are simultaneously displayed on the Bank's website viz URL: http://ir.kotak.com/financials/results. 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 2017, 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
Chairman

Place : New Delhi
Date : 16th May 2017

Uday Kotak
Executive Vice Chairman and Managing Director

Place : Mumbai
Date : 16th May 2017

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 2017.

For **Kotak Mahindra Bank Limited**

Uday Kotak
Executive Vice Chairman and Managing Director

Place : Mumbai
Date : 16th May 2017

Independent Auditor's Report on compliance with the conditions of Corporate Governance as per provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Members of Kotak Mahindra Bank Limited
Kotak Mahindra Bank Limited
27 BKC, 6th Floor, C27, G Block
Bandra Kurla Complex
Bandra (East)
Mumbai- 400 051

1. The accompanying Corporate Governance Report prepared by Kotak Mahindra Bank Limited (hereinafter "the Bank"), contains details as required by the provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") ('Applicable criteria') with respect to Corporate Governance for the year ended March 31, 2017. This report is required by the Bank for annual submission to the Stock exchange and to be sent to the Shareholders of the Bank.

Management's Responsibility

2. The preparation of the Corporate Governance Report is the responsibility of the Management of the Bank including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.

3. The Management along with the Board of Directors are also responsible for ensuring that the Bank complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to express a reasonable assurance in the form of an opinion whether the Bank has complied with the specific requirements of the Listing Regulations referred to in paragraph 1 above.

5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by ICAI.

6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

7. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. Summary of key procedures performed include:

   i. Read the information prepared by the Bank and included in its Corporate Governance Report;

   ii. Obtained and verified the composition of the Board of Directors;

iii. Obtained and read the minutes of the meetings of the relevant committees consisting of directors of the Bank held between April 1, 2016 to March 31, 2017:

iv. Obtained necessary representations and declarations from directors of the Bank including the independent directors;

v. Verified documents necessary to ascertain relevant facts mentioned in the Corporate Governance Report and

vi. Performed necessary inquiries with the management and also obtained necessary specific representations from management.

The above-mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Bank taken as a whole.

Opinion

8. Based on the procedures performed by us as referred in paragraph 7 above, and according to the information, explanations, and representations given to us, we are of the opinion that the Bank has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations, as applicable as at March 31, 2017, referred to in paragraph 1 above.

Other matters and Restriction on Use

9. This report is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

10. This report is addressed to and provided to the members of the Bank solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to Corporate Governance Report accompanied with by a report thereon from the statutory auditors and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

per Viren H. Mehta
Partner
Membership No.:048749
Place: Mumbai
Date: 16 May 2017

Independent Auditor's Report

To the Members of Kotak Mahindra Bank Limited

REPORT ON THE 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, 2017, 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 and the Companies (Accounting Standards) Amendment Rules, 2016 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 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, 2017, 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 and the Companies (Accounting Standards) Amendment Rules, 2016.

7. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated May 31, 2016, 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 115 branches for the purpose of our audit.

8. Further, as required by Section 143(3) of the Act, 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 and the Companies (Accounting Standards) Amendment Rules, 2016.

(e) On the basis of written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;

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

i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 12.I, Schedule 17 – Note 13, and Schedule 18 B – 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 18 B – Note 15 to the financial statements.

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

iv. The disclosure requirement as envisaged in Notification G.S.R 308(E) dated 30th March 2017 is not applicable to the Bank - Refer Schedule 18 A – Note 42.

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

per Viren H. Mehta
Partner
Membership Number: 048749
Place of Signature: Mumbai
Date: 27 April 2017

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

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

To the Members of Kotak Mahindra Bank Limited

We have audited the internal financial controls over financial reporting of Kotak Mahindra Bank Limited ("the Bank") as of March 31, 2017 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, 2017, 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.

Explanatory paragraph

We also have audited, 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, the standalone financial statements of the Bank, which comprise the Balance Sheet as at March 31, 2017, and the related Profit and Loss Account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements, and our report dated 27 April 2017 expressed an unqualified opinion thereon.

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

per Viren H. Mehta
Partner
Membership Number: 048749
Place of Signature: Mumbai
Date: 27 April 2017

Balance Sheet
AS AT 31st MARCH, 2017

(₹ in thousands)

	Schedule	As at 31st March, 2017	As at 31st March, 2016
CAPITAL AND LIABILITIES			
Capital	1	9,204,489	9,171,911
Employee's Stock Options (Grants) Outstanding		18,676	34,136
Reserves and Surplus	2	266,956,201	230,418,691
Deposits	3	1,574,258,599	1,386,430,224
Borrowings	4	210,954,809	209,753,382
Other Liabilities and Provisions	5	84,506,802	86,789,561
Total		**2,145,899,576**	**1,922,597,905**
ASSETS			
Cash and Balances with Reserve Bank of India	6	74,924,258	69,034,348
Balances with Banks and Money at Call and Short Notice	7	150,795,841	39,762,806
Investments	8	450,741,873	512,602,202
Advances	9	1,360,821,288	1,186,652,952
Fixed Assets	10	15,376,279	15,515,922
Other Assets	11	93,240,037	99,029,675
Total		**2,145,899,576**	**1,922,597,905**
Contingent Liabilities	12	1,930,675,359	2,426,102,845
Bills for Collection		203,182,634	149,640,490
Significant accounting policies and notes to accounts forming part of financial statements	17 & 18		

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

The Balance Sheet has been prepared in conformity with Form 'A' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date attached.

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

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai
27th April, 2017

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, 2017

(₹ in thousands)

		Schedule	Year ended 31st March, 2017	Year ended 31st March, 2016
I.	**INCOME**			
	Interest Earned	13	176,989,329	163,841,838
	Other Income	14	34,771,584	26,122,341
	Total		**211,760,913**	**189,964,179**
II.	**EXPENDITURE**			
	Interest Expended	15	95,727,841	94,838,100
	Operating Expenses	16	56,184,953	54,715,197
	Provisions and Contingencies (Refer Note 11 -schedule 18 B)		25,733,141	19,513,092
	Total		**177,645,935**	**169,066,389**
III.	**PROFIT**			
	Net Profit for the year (I - II)		34,114,978	20,897,790
	Add: Balance in Profit and Loss Account brought forward from previous year		82,141,193	50,952,636
	Add: Additions on Amalgamation		-	18,000,896
	Less: Adjustments on Amalgamation		-	1,253,799
	Total		**116,256,171**	**88,597,523**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		8,528,800	5,224,500
	Transfer to Capital Reserve		105,500	91,700
	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		550,000	450,000
	Transfer from Investment Reserve Account (Refer Note 33 - Schedule 18 A)		(484,902)	(415,180)
	Dividend / Proposed Dividend (Refer Note C.1 - Schedule 17)		702	918,355
	Corporate Dividend Tax		(6,831)	186,955
	Balance carried over to Balance Sheet		107,562,902	82,141,193
	Total		**116,256,171**	**88,597,523**
V.	**EARNINGS PER SHARE (Face value of Rs. 5/-)**			
	Basic		18.57	11.42
	Diluted		18.55	11.40
	(Refer Note 1 - Schedule 18 B)			
Significant accounting policies and notes to accounts forming part of financial statements		17 & 18		

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

The Profit and Loss Account has been prepared in conformity with Form 'B' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date attached.

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

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai
27th April, 2017

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 2017

(₹ in thousands)

	Year Ended 31st March 2017	Year Ended 31st March 2016
CASH FLOW FROM OPERATING ACTIVITIES		
Profit after tax	34,114,978	20,897,790
Add: Provision for tax	17,365,692	10,339,364
Net Profit Before Taxes	**51,480,670**	**31,237,154**
Adjustments for :-		
Employee Stock Options Expense	15,027	29,450
Depreciation on Bank's Property	2,906,622	2,873,758
Diminution in the value of Investments written off/(back)	1,392,407	1,363,187
Dividend from Subsidiaries/ Joint Ventures	(34,239)	(38,622)
Amortization of Premium on HTM Investments	2,267,493	1,419,994
Foreign Currency Translation Reserve	(43,039)	-
Provision for Non Performing Assets, Standard Assets and Other Provisions	6,975,042	7,810,541
Profit on sale of Fixed Assets	(122,582)	(30,112)
	64,837,401	**44,665,350**
Adjustments for :-		
Decrease/ (Increase) in Investments (other than Subsidiaries, Joint Ventures and Other HTM Investments)	84,947,350	(36,527,896)
Increase in Advances	(180,312,456)	(128,892,835)
Decrease/ (Increase) in Other Assets	3,315,829	(3,043,940)
Increase in Deposits	187,828,375	180,981,291
Increase/ (Decrease) in Other Liabilities and Provisions	(2,223,810)	16,723,038
	93,555,288	**29,239,658**
Direct Taxes Paid	(14,316,516)	(12,567,792)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**144,076,173**	**61,337,216**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of Fixed Assets	(3,200,324)	(2,490,475)
Sale of Fixed Assets	194,604	113,441
Investments in Subsidiaries/ Joint Ventures	(889,000)	(2,183,469)
Investments in HTM securities	(25,857,921)	(59,108,169)
Dividend from Subsidiaries/ Joint Ventures	34,239	38,622
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	**(29,718,402)**	**(63,630,050)**

Cash Flow Statement

FOR THE YEAR ENDED 31st MARCH 2017

(₹ in thousands)

	Year Ended 31st March 2017	Year Ended 31st March 2016
CASH FLOW FROM/ (USED IN) FINANCING ACTIVITIES		
Decrease in Subordinated Debt	(5,709,856)	(1,437,663)
Increase/ (Decrease) in Refinance	9,425,463	(10,715,154)
Decrease in Borrowings [other than Refinance and Subordinated debt]	(2,514,180)	(5,138,793)
Money received on exercise of Stock Options/Issue of Shares	2,463,731	3,639,074
Share Issue Expenses	(2,200)	(5,578)
Dividend paid including Corporate Dividend Tax	(1,097,784)	(980,955)
NET CASH FLOW FROM/ (USED IN) FINANCING ACTIVITIES (C)	**2,565,174**	**(14,639,069)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	**116,922,945**	**(16,931,903)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Refer Note below)	**108,797,154**	**62,623,577**
ADDITIONS ON AMALGAMATION	**-**	**63,105,480**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Refer Note below)	**225,720,099**	**108,797,154**
Note:		
Balance with Banks in India in Fixed Deposit (As per Sch 7 I (i) (b))	5,073,425	410,425
Balance with Banks in India in Current Account (As per Sch 7 I (i) (a))	1,629,708	2,632,342
Money at Call and Short Notice in India (as per Sch 7 I (ii))	134,799,693	20,108,900
Cash in hand (including foreign currency notes) (As per Sch 6 I.)	9,969,738	9,471,930
Balance with RBI in Current Accounts (As per Sch 6 II.)	64,954,520	59,562,418
Balance with Banks Outside India:		
(i) In Current Account (As per Sch 7 II (i))	8,644,515	7,004,164
(ii) In other Deposit Accounts (As per Sch 7 II (ii))	648,500	9,606,975
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**225,720,099**	**108,797,154**

As per our report of even date attached.

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

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai
27th April, 2017

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, 2017

SCHEDULE 1 - CAPITAL

(₹ in thousands)

	As at 31st March, 2017	As at 31st March, 2016
Authorised Capital		
300,00,00,000 Equity Shares of Rs. 5/- each		
(31st March, 2016: 300,00,00,000 Equity Shares of Rs. 5/- each)	**15,000,000**	**15,000,000**
Issued, Subscribed and Paid-up Capital		
184,08,97,877 (31st March, 2016: 183,43,82,158) Equity		
Shares of Rs. 5/- each fully paid-up	9,204,489	9,171,911
(During the last year, 91,28,41,920 Equity Shares have been issued as bonus shares by capitalisation of Reserves)		
Total	**9,204,489**	**9,171,911**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
I.	**Statutory Reserve**		
	Opening Balance	36,354,783	21,052,000
	Add: Additions on Amalgamation	-	10,078,283
	Add: Transfer from Profit and Loss Account	8,528,800	5,224,500
	Total	**44,883,583**	**36,354,783**
II.	**Capital Reserve**		
	Opening balance	1,718,486	352,403
	Add: Additions on Amalgamation	-	1,274,383
	Add: Transfer from Profit and Loss Account	105,500	91,700
	Total	**1,823,986**	**1,718,486**
III.	**General Reserve**		
	Opening Balance	6,404,249	6,103,303
	Add: Additions on Amalgamation	-	300,946
	Total	**6,404,249**	**6,404,249**
IV.	**Investment Reserve Account**		
	Opening Balance	484,902	866,500
	Add: Additions on Amalgamation	-	33,582
	Add: Transfer from/(to) Profit and Loss Account (Refer Note 33 - Schedule 18 A)	(484,902)	(415,180)
	Total	**-**	**484,902**
V.	**Special Reserve Account u/s 36(1)(viii) of Income Tax Act, 1961**		
	Opening Balance	3,442,000	1,825,000
	Add: Additions on Amalgamation	-	1,167,000
	Add: Transfer from Profit and Loss Account	550,000	450,000
	Total	**3,992,000**	**3,442,000**

Schedules

FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2017

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
VI.	**Securities Premium Account**		
	Opening Balance	98,648,532	56,397,257
	Add: Additions on Amalgamation	-	43,206,510
	Add: Received during the year	2,461,642	3,614,553
	Less: Utilised for Bonus Shares	-	4,564,210
	Less: Share Issue Expenses	2,200	5,578
	Total	**101,107,974**	**98,648,532**
VII.	**Amalgamation Reserve**		
	Opening Balance	1,224,046	-
	Add: Additions on Amalgamation	-	1,224,046
	Total	**1,224,046**	**1,224,046**
VIII.	**Investment Allowance (Utilised) Reserve**		
	Opening Balance	500	-
	Add: Additions on Amalgamation	-	500
	Total	**500**	**500**
IX.	**Foreign Currency Translation Reserve**		
	Opening Balance	-	-
	Add: Current Year	(43,039)	-
	Total	**(43,039)**	**-**
X.	**Balance in the Profit and Loss Account**		
	Balance in the Profit and Loss Account	107,562,902	82,141,193
	Total	**107,562,902**	**82,141,193**
	Total (I to X)	**266,956,201**	**230,418,691**

SCHEDULE 3 - DEPOSITS

(₹ in thousands)

			As at 31st March, 2017	As at 31st March, 2016
A I.	**Demand Deposits**			
	i.	From Banks	3,839,881	3,951,425
	ii.	From Others	273,767,950	228,865,346
	Total		**277,607,831**	**232,816,771**
II.	**Savings Bank Deposits**		**415,039,313**	**294,947,214**
III.	**Term Deposits**			
	i.	From Banks	5,776,790	7,476,262
	ii.	From Others	875,834,665	851,189,977
	Total		**881,611,455**	**858,666,239**
Total Deposits (I to III)			**1,574,258,599**	**1,386,430,224**
B.	(i)	Deposits of branches in India	1,572,729,858	1,386,430,224
	(ii)	Deposits of branches outside India	1,528,741	-
	Total		**1,574,258,599**	**1,386,430,224**

Schedules

FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2017

SCHEDULE 4 - BORROWINGS

(₹ in thousands)

	As at 31st March, 2017	As at 31st March, 2016
I. Borrowings in India		
(i) Reserve Bank of India	5,000,000	15,670,000
(ii) Other Banks	51,000,202	22,448,948
(iii) Other Institutions and Agencies (Refer Note 13 - Schedule 18 B)	98,336,152	92,018,430
Total	**154,336,354**	**130,137,378**
II. Borrowings outside India		
Banks & Other Institutions (Refer Note 13 - Schedule 18 B)	56,618,455	79,616,004
Total	**56,618,455**	**79,616,004**
Total Borrowings (I and II)	**210,954,809**	**209,753,382**
Secured Borrowings other than CBLO and Repo Borrowings included in I above	-	-
Tier II Bonds included in I (iii) above	9,948,000	11,057,000
Tier II Bonds included in II above	2,122,821	6,703,120

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in thousands)

	As at 31st March, 2017	As at 31st March, 2016
I. Bills Payable	13,147,598	10,475,636
II. Interest Accrued	9,129,362	8,168,143
III. Provision for tax (net of advance tax and tax deducted at source)	214,044	-
IV. Standard Asset provision (Refer Note 20 - Schedule 18 A)	6,485,603	5,720,717
V. Others (including provisions)	55,530,195	61,321,152
VI. Proposed Dividend (includes tax on dividend) (Refer Note C.1 - Schedule 17)	-	1,103,913
Total	**84,506,802**	**86,789,561**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in thousands)

	As at 31st March, 2017	As at 31st March, 2016
I. Cash in hand (including foreign currency notes)	9,969,738	9,471,930
II. Balances with RBI in Current Account	64,954,520	59,562,418
Total	**74,924,258**	**69,034,348**

Schedules

FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2017

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

(₹ in thousands)

	As at 31st March, 2017	As at 31st March, 2016
I. In India		
(i) Balances with Banks		
(a) In Current Accounts	1,629,708	2,632,342
(b) In Other Deposit Accounts	5,073,425	410,425
Total	**6,703,133**	**3,042,767**
(ii) Money at Call and Short Notice		
(a) With Banks	19,299,693	17,108,900
(b) With Other Agencies	115,500,000	3,000,000
Total	**134,799,693**	**20,108,900**
Total (i and ii)	**141,502,826**	**23,151,667**
II. Outside India		
(i) In Current Accounts	8,644,515	7,004,164
(ii) In other Deposit Accounts	648,500	9,606,975
Total	**9,293,015**	**16,611,139**
Total (I and II)	**150,795,841**	**39,762,806**

SCHEDULE 8 - INVESTMENTS

(₹ in thousands)

	As at 31st March, 2017	As at 31st March, 2016
I. Investments in India in		
i. Government Securities	361,575,389	407,609,720
ii. Other Approved Securities	-	-
iii. Shares	7,027,118	6,713,066
iv. Debentures and Bonds	48,462,884	51,863,054
v. Subsidiaries and Joint Ventures	8,359,096	7,470,096
vi. Others [Units, Certificate of Deposits (CD), Commercial Paper (CP), Security Receipts, Pass Through Certificates (PTC)]	24,753,520	38,705,913
Total	**450,178,007**	**512,361,849**
II. Investments outside India in		
i. Government Securities	323,513	-
ii. Shares	8,744	8,744
iii. Subsidiaries and Joint Ventures	231,609	231,609
Total	**563,866**	**240,353**
Total Investments (I and II)	**450,741,873**	**512,602,202**

Schedules

FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2017

SCHEDULE 9 - ADVANCES

(₹ in thousands)

			As at 31st March, 2017	As at 31st March, 2016
A.	(i)	Bills purchased and discounted#	57,835,681	38,324,103
	(ii)	Cash Credits, Overdrafts and loans repayable on demand	419,795,477	404,120,100
	(iii)	Term Loans	883,190,130	744,208,749
	Total		**1,360,821,288**	**1,186,652,952**
	# Bills purchased and discounted is net of Bills Rediscounted Rs. 1,428.12 crore (Previous Year Rs. 835.58 crore)			
B.	(i)	Secured by tangible assets *	1,052,619,846	911,757,916
	(ii)	Covered by Bank/Government guarantees	-	342,386
	(iii)	Unsecured	308,201,442	274,552,650
	Total		**1,360,821,288**	**1,186,652,952**
	* including advances against book debts			
Ci.	Advances in India			
	(i)	Priority Sector	487,109,122	413,449,029
	(ii)	Public Sector	2,796,032	1,747,083
	(iii)	Banks	-	-
	(iv)	Others	858,288,295	771,456,840
Cii.	Advances outside India			
	(i)	Due from banks	-	-
	(ii)	Due from others		
		a) Bills purchased and discounted	-	-
		b) Syndicated and term loans	12,627,839	-
		c) Others	-	-
	Total		**1,360,821,288**	**1,186,652,952**

SCHEDULE 10 - FIXED ASSETS

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
A.	**Premises (Including Land)**		
	Gross Block		
	At cost on 31st March of the preceding year	10,740,010	7,836,195
	Additions during the year (including on amalgamation)	3,588	4,098,678
	Less: Deductions during the year (including on amalgamation)	10,347	1,194,863
	Total	**10,733,251**	**10,740,010**
	Depreciation		
	As at 31st March of the preceding year	1,247,974	662,324
	Add: Charge for the year (including on amalgamation)	177,066	703,883
	Less: Deductions during the year (including on amalgamation)	3,960	118,233
	Depreciation to date	**1,421,080**	**1,247,974**
	Net Block	**9,312,171**	**9,492,036**
B.	**Other Fixed Assets (including furniture and fixtures)**		
	Gross Block		
	At cost on 31st March of the preceding year	22,277,899	13,621,940
	Additions during the year (including on amalgamation)	2,835,413	9,135,428
	Less: Deductions during the year	459,757	479,469
	Total	**24,653,555**	**22,277,899**

Schedules

FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2017

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
	Depreciation		
	As at 31st March of the preceding year	16,410,997	8,728,760
	Add: Charge for the year (including on amalgamation)	2,729,556	8,078,504
	Less: Deductions during the year	394,122	396,267
	Depreciation to date	**18,746,431**	**16,410,997**
	Net Block (Refer Note 6 - Schedule 18 B)	**5,907,124**	**5,866,902**
C.	**Leased Fixed Assets**		
	Gross Block		
	At cost on 31st March of the preceding year	1,540,585	-
	Additions during the year (including on amalgamation)	-	1,540,585
	Less: Deductions during the year	-	-
	Total	**1,540,585**	**1,540,585**
	Depreciation		
	As at 31st March of the preceding year	1,383,601	-
	Add: Charge for the year (including on amalgamation)	-	1,383,601
	Less: Deductions during the year	-	-
	Depreciation to date	**1,383,601**	**1,383,601**
	Net Block	**156,984**	**156,984**
Total (A) +(B)+(C)		**15,376,279**	**15,515,922**

SCHEDULE 11 - OTHER ASSETS

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
I.	Interest accrued	18,901,374	17,801,175
II.	Advance tax (net of provision for tax)	-	3,472,550
III.	Stationery and Stamps	13,802	19,177
IV.	Cheques in course of collection	461,132	86,667
V.	Non banking assets acquired in satisfaction of claims	67,824	67,824
VI.	Others (Refer Note 4 - Schedule 18 B)*	73,795,905	77,582,282
	Total	**93,240,037**	**99,029,675**

* Includes Deferred Tax Asset Rs.247.60 crore (Previous year Rs.183.85 crore)

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in thousands)

		As at 31st March, 2017	As at 31st March, 2016
I.	Claims not acknowledged as debts	12,382,279	13,040,884
II.	Liability on account of Outstanding Forward Exchange Contracts	1,164,196,265	1,657,248,872
III.	Guarantees on behalf of Constituents	248,803,125	240,135,682
IV.	Acceptances, Endorsements and other obligations	115,154,901	106,140,681
V.	Other Items for which the Bank is contingently liable :		
	a. Liability in respect of interest rate and currency swaps and forward rate agreements	335,850,914	378,440,694
	b. Liability in respect of Options Contracts	51,839,782	29,075,596
	c. Capital commitments not provided	1,089,000	880,000
	d. Unclaimed Customer balances transferred to RBI DEAF Scheme	1,359,093	1,140,436
	Total	**1,930,675,359**	**2,426,102,845**

Schedules

FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2017

SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)

		Year ended 31st March, 2017	Year ended 31st March, 2016
I.	Interest / discount on Advances/Bills	134,021,048	124,703,723
II.	Income on Investments	36,810,378	34,560,091
III.	Interest on balances with RBI and other inter-bank funds	2,183,220	929,061
IV.	Others	3,974,683	3,648,963
	Total	**176,989,329**	**163,841,838**

SCHEDULE 14 - OTHER INCOME

(₹ in thousands)

		Year ended 31st March, 2017	Year ended 31st March, 2016
I.	Commission, exchange and brokerage	21,206,677	17,643,647
II.	Profit/(Loss) on sale of Investments (net)	4,415,866	2,131,974
III.	Profit/(Loss) on sale of building and other assets (net)	122,582	30,112
IV.	Profit on exchange transactions (net) (including derivatives)	5,283,692	4,219,121
V.	Income earned from Subsidiaries/ Joint Ventures	837,819	807,946
VI.	Profit on recoveries of non-performing assets acquired	2,295,560	1,130,265
VII.	Miscellaneous Income	609,388	159,276
	Total	**34,771,584**	**26,122,341**

SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)

		Year ended 31st March, 2017	Year ended 31st March, 2016
I.	Interest on Deposits	82,360,074	78,637,579
II.	Interest on RBI / Inter-Bank Borrowings	5,583,625	8,082,491
III.	Others (Refer Note 13(c) - Schedule 18 B)	7,784,142	8,118,030
	Total	**95,727,841**	**94,838,100**

Schedules

FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2017

SCHEDULE 16 - OPERATING EXPENSES

(₹ in thousands)

		Year ended 31st March, 2017	Year ended 31st March, 2016
I.	Payments to and provision for employees (Refer Note 10 - Schedule 18 B)	27,685,293	28,169,697
II.	Rent, taxes and lighting (Refer Note 3 - Schedule 18 B)	5,504,222	5,220,139
III.	Printing and Stationery	761,547	707,614
IV.	Advertisement, Publicity and Promotion	978,769	996,258
V.	Depreciation on Bank's property	2,906,622	2,873,758
VI.	Directors' fees, allowances and expenses	15,100	11,207
VII.	Auditors' fees and expenses (Refer Note 14 - Schedule 18 B)	19,471	21,117
VIII.	Law Charges	239,125	246,355
IX.	Postage, telephone etc.	1,228,270	1,111,288
X.	Repairs and maintenance	3,396,766	2,874,977
XI.	Insurance	1,415,299	1,218,721
XII.	Travel and Conveyance	960,180	1,030,718
XIII.	Professional Charges	4,201,433	4,155,886
XIV.	Brokerage	1,682,928	1,548,241
XV.	Stamping Expenses	138,109	137,771
XVI.	Other Expenditure (Refer Note 12 - Schedule 18 B)	5,958,130	5,012,144
		57,091,264	**55,335,891**
Less: Reimbursement of Costs from Group Companies		906,311	620,694
Total		**56,184,953**	**54,715,197**

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 Non Banking Finance Company (NBFC) in India to be converted into a Bank. Kotak Mahindra Bank Limited ("Kotak Mahindra Bank", "Kotak" or "the Bank") provides a full suite of banking services to its customers encompassing Retail Banking, Treasury and Corporate Banking in India and also has a representative office in Dubai. The Bank set up and commenced operations in May 2016, at its International Financial Services Center Banking Unit (IBU) in Gujarat International Finance Tec (GIFT) City, Gujarat which is India's first global financial and IT services hub designed on the lines of global financial centres.

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 Paragraph 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act, 2013 ("the 2013 act") and the Companies (Accounting Standards) Amendment Rules 2016 in so far as they apply to banks and the guidelines issued by RBI.

Use of estimates

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

C.1 CHANGE IN ACCOUNTING POLICY

Accounting for Proposed Dividend

As per the requirements of pre-revised AS 4 – 'Contingencies and Events Occurring after the balance sheet date', the Bank used to create a liability for dividend proposed/ declared after the balance sheet date if dividend related to periods covered by the financial statements. As per AS 4 (Revised), with effect from April 2016, the Bank is not required to provide for dividend proposed/ declared after the balance sheet date.

Had the Bank continued with creation of provision for proposed dividend, its surplus in the Profit and Loss Account would have been lower by ₹ 132.94 crore and other liabilities would have been higher by ₹ 132.94 crore (including dividend distribution tax of ₹ 22.94 crore).

C.2 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.

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Acquisition Cost:

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

Disposal of investments:

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

Valuation:

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

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

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

c) The market or fair value of quoted investments included in the 'AFS' and 'HFT' categories is measured with respect to the market price of the scrip as available from the trades or quotes on the stock exchanges, SGL account transactions, price list of RBI or prices declared 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 RBI) are categorised as HTM and assessed for impairment to determine other than temporary diminution, if any, in accordance with RBI guidelines.

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

- In case of unquoted bonds, debentures and preference shares where interest / dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity for Government Securities as published by FIMMDA / 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;
- Security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Asset Reconstruction Company or Securitisation Company or estimated recovery whichever is lower.

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

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

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

Provisioning:

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

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

In accordance with RBI guidelines the Bank has provided general provision on standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, and gold at levels stipulated by RBI from time to time - farm credit to agricultural activities and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances at 5%, teaser rate housing loans at 2.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%. Additional 2% standard asset provision is done for overseas stepdown subsidiaries of Indian corporates.

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

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines.

3 Loss on Sale of Advances to Asset Reconstruction Company

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

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

4 Securitisation

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

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

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

5 Fixed assets (Property, Plant & Equipment and Intangible) and depreciation / amortisation

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

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

Asset Type	Estimated Useful life in years
Premises	58
Improvement to leasehold premises	Over the period of lease subject to a maximum of 6 years.
Office equipments (High capacity chillers, Transformers, UPS, DG set, Fire Suppression, HVAC, PAC & Elevators)	10
Office equipments (other than above)	5
Computers	3
Furniture and Fixtures	6
Motor Vehicles	4
ATMs	5
Software (including development) expenditure	3

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

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

6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks / institutions and money at Call and short Notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

7 Bullion

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

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

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

8 Revenue recognition

Interest income is recognised on accrual basis.

Interest income in respect of retail advances is accounted for by using the internal rate of return method to provide a constant periodic rate of return on the outstanding on the contract.

Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.

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

Service charges, fees and commission income are recognised when due except for guarantee commission and letter of credit which is recognised over the period of the guarantee / letter of credit. Syndication / arranger fee is recognised as income as per the terms of engagement.

Upon an asset becoming NPA the income accrued gets reversed, and is recognised only on realisation, as per RBI guidelines. Penal interest is recognised as income on realization other than on running accounts where it is recognised when due.

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

Gain on account of securitisation of assets is amortised over the life of the securities issued in accordance with the guidelines issued by the RBI.

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

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

9 Employee benefits

Defined Contribution Plan

Provident Fund

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

Superannuation Fund

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

New Pension Scheme

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

Defined Benefit Plan

Gratuity

The Bank provides for Gratuity, covering employees in accordance with the Payment of Gratuity Act, 1972, service regulations and service awards as the case may be. The Bank's liability is actuarially determined (using Projected Unit Credit Method) at the Balance Sheet date. The Bank makes contribution to Gratuity Funds administered by trustees and managed by life insurance companies.

Pension Scheme

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

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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 Employee's Stock Option (Grant) Outstanding accounts is transferred to General Reserve. The fair market price is the latest available closing price, preceding the date of grant of the option, on the stock exchange on which the shares of the Bank are listed.

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

In respect of options granted to employees of subsidiaries, the Bank recovers the related compensation cost from the respective subsidiaries.

Cash-settled scheme:

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

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

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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.

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

11 Derivative transactions

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

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

12 Lease accounting

Leases where 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

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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.

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.

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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. DISCLOSURES AS LAID DOWN BY RBI CIRCULARS:

1. Capital Adequacy Ratio:

The Bank's Capital Adequacy Ratios as per Basel III guidelines are as follows:

(₹ in crore)

	31st March, 2017	31st March, 2016
Capital Ratios:		
(i) Common Equity Tier I Capital (%)	15.86%	15.23%
(ii) Tier I Capital (%)	15.90%	15.28%
(iii) Tier II Capital (%)	0.87%	1.06%
(iv) Total CRAR %	16.77%	16.34%
(v) Percentage of the shareholding of the Government of India	-	-
(vi) Amount raised by issue of Equity Shares	249.20	365.89
(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	-	-

2. Investments held under the 3 categories viz. "Held for Trading (HFT)","Available for Sale (AFS)" and "Held to Maturity (HTM)" are as under:

In India

(₹ in crore)

	31st March, 2017				31st March, 2016			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government Securities *	207.71	9,020.02	26,929.81	36,157.54	2,119.72	14,070.48	24,570.77	40,760.97
Other Approved Securities	-	-	-	-	-	-	-	-
Shares	1.95	700.76	-	702.71	-	671.30	-	671.30
Debentures and Bonds	1,167.20	3,679.09	-	4,846.29	726.43	4,459.88	-	5,186.31
Subsidiaries, Associates and Joint Ventures	-	-	835.91	835.91	-	-	747.01	747.01
Units, Certificate of Deposits, CP, SRs, PTCs etc.	549.93	1,925.42	-	2,475.35	-	3,870.59	-	3,870.59
Total	**1,926.79**	**15,325.29**	**27,765.72**	**45,017.80**	**2,846.15**	**23,072.25**	**25,317.78**	**51,236.18**

** Includes securities with face Value of ₹ 1,231.53 crore (previous year ₹ 2,288.05 crore) pledged and encumbered for availment of fund transfer facility, clearing facility, margin requirements and with RBI for LAF.*

Outside India

	31st March, 2017				31st March, 2016			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government Securities	-	32.35	-	32.35	-	-	-	-
Other Approved Securities	-	-	-	-	-	-	-	-
Shares	-	0.88	-	0.88	-	0.88	-	0.88
Debentures and Bonds	-	-	-	-	-	-	-	-
Subsidiaries, Associates and Joint Ventures	-	-	23.16	23.16	-	-	23.16	23.16
Units, Certificate of Deposits, CP, SRs, PTCs etc.	-	-	-	-	-	-	-	-
Total	**-**	**33.23**	**23.16**	**56.39**	**-**	**0.88**	**23.16**	**24.04**

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

3. The details of investments and the movement of provisions held towards depreciation of investments of the Bank as on 31st March, 2017 and 31st March, 2016 are given below:

(₹ in crore)

	31st March, 2017	31st March, 2016
1. Value of Investments		
i. Gross value of Investments		
a. In India	45,346.76	51,438.79
b. Outside India	56.41	24.04
ii. Provision for Depreciation		
a. In India	(328.96)	(202.61)
b. Outside India	(0.02)	-
iii. Net value of Investments		
a. In India	45,017.80	51,236.18
b. Outside India	56.39	24.04
2. Movement of provisions held towards depreciation on investments		
i. Opening balance	202.61	30.05
ii. Add: Provisions made during the year / on amalgamation	140.31	198.02
iii. Less: Write-back of provisions during the year	13.94	25.46
iv. Closing balance	328.98	202.61

4. Details of Repo / Reverse Repo (excluding LAF and MSF transactions for the year) deals (in face value terms):

Year ended 31st March, 2017:

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	31st March, 2017
Securities sold under repos				
i. Government securities	-	7,182.03	1,856.57	2,536.99
ii. Corporate debt securities	-	100.00	0.27	-
Securities purchased under reverse repos				
i. Government securities	-	6,051.97	624.07	1,941.96
ii. Corporate debt securities	-	-	-	-

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	-	-	-	-

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

5. Disclosure in respect of Non-SLR investments:

(i) Issuer composition of Non-SLR investments as at 31st March, 2017:

(₹ 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	153.81	143.47	-	-	8.00
2	FIs	-	-	-	-	-
3	Banks	407.87	358.00	-	-	-
4	Private Corporates	5,977.42	3,825.76	232.84	818.19	1,316.10
5	Subsidiaries, Associates and Joint Ventures	891.17	834.00	-	891.17	891.17
6	Others	1,782.07	1,770.81	756.83	41.69	1,782.07
7	Provision held towards depreciation	(328.04)				
	Total	**8,884.30**	**6,932.04**	**989.67**	**1,751.05**	**3,997.34**

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive.

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.

(ii) Non-performing Non-SLR investments:

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
Opening balance	152.21	0.04
Additions during the year since 1st April / on amalgamation	6.52	152.17
Reductions during the year	(17.85)	-
Closing balance	140.88	152.21
Total provisions held	**109.32**	**85.76**

6. During the year ended 31st March, 2017 and year ended 31st March, 2016, 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.

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

7. **Derivatives:**

A. Forward Rate Agreements/ Interest Rate Swaps:

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
The notional principal of swap agreements	27,864.71	29,960.70
Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	134.68	118.90
Collateral required by the Bank upon entering into swaps	NA	NA
Concentration of credit risk arising from the swaps	95.93% (Banks)	92.78% (Banks)
The fair value of the swap book	11.98	(77.17)

B. Exchange Traded Interest Rate Derivatives:

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
Notional principal amount of exchange traded interest rate derivatives undertaken during the year	301.57	2,247.58
6.97CG 06/09/2026	103.54	-
7.59CG 11/01/2026	66.80	16.13
7.72CG 25/05/2025	-	688.52
7.88CG 19/03/2030	131.23	19.81
8.40CG 28/07/2024	-	1,523.12
Notional principal amount of exchange traded interest rate derivatives outstanding	-	16.13
7.59CG 11/01/2026	-	16.13
Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" *	NA	NA
Mark to market value of exchange traded interest rate derivatives outstanding and not "highly effective" *	NA	NA

** Being trading positions*

Disclosures on risk exposures in derivatives:

Qualitative disclosures:

a) Structure and organization for management of risk in derivatives trading:

The Board of Directors, the Asset Liability Management Committee (ALCO), the Risk Management Committee (RMC), the Senior Management Committee for Derivatives 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.

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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.

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 2017:

(₹ in crore)

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**		
	a) For hedging	1,714.84	0.00
	b) For trading	125,609.15	27,864.71
2	**Marked to Market Positions ****		
	a) Asset (+)	4,503.61	127.76
	b) Liability (-)	4,451.12	115.78
3	**Credit Exposure**	5,674.56	403.97
4	**Likely impact of one percentage change in interest rate (100*PV01) #**		
	a) On hedging derivatives	4.88	0.00
	b) On trading derivatives	9.28	80.66
5	**Maximum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	11.59	0.00
	b) On trading derivatives	16.95	130.27
6	**Minimum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	0.14	0.00
	b) On trading derivatives	0.77	77.62

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, 2017 are set out below:

(₹ in crore)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	81	3,572.06	LIBOR	Receive Fixed Vs. Pay Floating
Trading	109	6,725.28	LIBOR	Receive Floating Vs. Pay Fixed
Trading	1	32.43	LIBOR	Receive Floating Vs. Pay Floating
Trading	1	20.00	INBMK	Receive Floating Vs. Pay Fixed
Trading	132	6,020.00	MIFOR	Receive Fixed Vs. Pay Floating
Trading	75	3,586.00	MIFOR	Receive Floating Vs. Pay Fixed
Trading	60	2,631.06	MIBOR	Receive Fixed Vs. Pay Floating
Trading	136	5,277.88	MIBOR	Receive Floating Vs. Pay Fixed
Total	**595**	**27,864.71**		

The nature and terms of the Cross Currency Swaps (CCS) as on 31st March, 2017 are set out below:

(₹ in crore)

Nature	No.	Notional Principal	Benchmark	Terms
Hedging	3	386.55	LIBOR	Receive Floating Vs. Pay Fixed
Hedging	1	265.19	LIBOR	Receive Floating Vs. Pay Floating
Trading	1	4.04	EURIBOR	Receive Fixed Vs. Pay Floating
Trading	1	150.00	EURIBOR	Receive Floating Vs. Pay Fixed
Trading	1	160.00	EURIBOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Trading	2	129.70	FIXED	Pay Fixed
Trading	24	843.46	FIXED	Receive Fixed
Trading	67	1,717.50	FIXED	Receive Fixed Vs. Pay Fixed
Trading	54	1,353.65	LIBOR	Receive Fixed Vs. Pay Floating
Trading	7	647.32	LIBOR	Receive Floating Vs. Pay Fixed
Trading	1	4.06	LIBOR Vs. EURIBOR	Receive Floating Vs. Pay Floating
Trading	1	58.91	MIFOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Total	**163**	**5,720.38**		

The overnight Net open position as at 31st March, 2017 is ₹ 258.16 crore (previous year ₹ 109.52 crore).

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

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	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.*

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**		

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

8. Credit default swaps:

The Bank has not entered into any Credit Default Swap transactions.

9. Movements in Non Performing Advances (Funded):

(₹ in crore)

Particulars			31st March, 2017	31st March, 2016
i.	Net NPAs to Net Advances %		1.26%	1.06%
ii.	Movement of Gross NPAs			
	Gross NPAs as on 1st April (opening balance)		2,838.11	1,237.23
	Additions (Fresh NPAs) during the year/on amalgamation		1,797.13	2,866.06
	Sub-total (A)		4,635.24	4,103.29
	Less:			
	(i)	Upgradations	347.87	512.92
	(ii)	Recoveries (excluding recoveries made from upgraded accounts)	286.50	463.14
	(iii)	Technical / Prudential Write-offs	328.12	189.41
	(iv)	Write-offs other than those under (iii) above	94.14	99.71
	Sub-total (B)		1,056.63	1,265.18
	Gross NPAs as on 31st March (closing balance) (A-B)		3,578.61	2,838.11
iii.	Movement of Net NPAs			
	a.	Opening balance	1,261.96	609.08
	b.	Additions during the year/on amalgamation	904.30	1,348.56
	c.	Reductions during the year	(448.19)	(695.68)
	d.	Closing balance	1,718.07	1,261.96
iv.	Movement of provisions for NPAs (excluding provisions on standard assets)			
	a.	Opening balance	1,576.15	628.15
	b.	Provisions made during the year/on amalgamation	892.83	1,517.50
	c.	Write-off / write-back of excess provisions	(608.44)	(569.50)
	d.	Closing balance	1,860.54	1,576.15

10. Movement of Technical Write-offs and Recoveries:

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
Opening balance of Technical / Prudential written-off accounts as at 1st April	636.50	172.81
Add: Technical / Prudential write-offs during the year / on amalgamation	328.12	592.03
Sub-Total (A)	964.62	764.84
Less: Recoveries / Reductions made from previously Technical / Prudential written-off accounts during the year (B)	94.23	128.34
Closing Balance as at 31st March (A-B)	**870.39**	**636.50**

11. The Provision Coverage Ratio (PCR) of the Bank after considering technical write-off is 61.38% as at 31st March, 2017 (previous year: 63.68%).

12. Concentration of NPAs:

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
Total Exposure to top four NPA accounts	737.73	573.30

Above represents Gross NPA and NPI

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

13. RBI vide its circular dated 18th April 2017, has directed banks shall make suitable disclosures, wherever either (a) the additional provisioning requirements assessed by RBI exceed 15 percent of the published net profits after tax for the reference period or (b) the additional Gross NPAs identified by RBI exceed 15 percent of the published incremental Gross NPAs for the reference period, or both. There has been no divergence observed by RBI for the financial year 15-16 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition asset classification and provisioning (IRACP) which require such disclosures.

14. Sector-wise Advances

(₹ in crore)

Sl. No.	Sector	31st March, 2017			31st March, 2016		
		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	16,923.83	438.59	2.59%	15,693.14	284.01	1.81%
2	Advances to Industries Sector eligible as Priority sector lending	13,785.12	299.31	2.16%	11,242.34	178.24	1.59%
3	Services	16,938.82	205.72	1.21%	13,070.26	128.30	0.98%
4	Personal Loans and others	1,547.89	20.15	1.29%	1,645.70	13.39	0.81%
	Sub-Total (A)	**49,195.66**	**963.77**	**1.96%**	**41,651.44**	**603.94**	**1.45%**
B	**Non Priority Sector**						
1	Agricultural and Allied Activities	1,335.54	16.15	1.21%	1,395.53	11.76	0.84%
2	Industry	40,690.15	1,930.08	4.74%	33,269.02	1,651.96	4.97%
3	Services	26,095.57	376.57	1.44%	28,218.51	426.53	1.51%
4	Personal loans and others	20,663.84	292.04	1.41%	15,746.69	143.92	0.91%
	Sub-Total (B)	**88,785.10**	**2,614.84**	**2.95%**	**78,629.75**	**2,234.17**	**2.84%**
	Total (A+B)	**137,980.76**	**3,578.61**	**2.59%**	**120,281.19**	**2,838.11**	**2.36%**

** 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.

15. Priority sector lending certificates

The amount of PSLCs (categorywise) sold and purchase during the year:

(₹ in crore)

Sl. No.	Type of PSLCs	Purchase	Sale
1	PSLC – Agriculture	40.00	2,261.00
2	PSLC - SF / MF	3,651.50	-
3	PSLC - Micro Enterprises	-	-
4	PSLC – General	-	1,550.00
	TOTAL	**3,691.50**	**3,811.00**

16. **Details of Loan Assets subjected to Restructuring:**

As at 31st March, 2017

(₹ in crore)

Sl. No.	Type of Restructuring		Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
	Asset Classification / Details		Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	4	5	9	18	-	-	-	-	45	2,808	772	3,625	49	2,813	781	3,643
		Amt. Outstanding	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
	Movement in the Accounts	No. of borrowers	-	(1)	-	(1)	-	-	-	-	(27)	(708)	(156)	(891)	(27)	(709)	(156)	(892)
		Amt. Outstanding	1.10	(19.33)	(5.02)	(23.25)	-	-	-	-	(142.67)	(8.04)	(7.08)	(157.79)	(141.57)	(27.37)	(12.10)	(181.04)
		Provision thereon	(0.12)	9.57	76.94	86.39	-	-	-	-	(0.14)	2.93	8.81	11.60	(0.26)	12.50	85.75	97.99
2	Fresh restructuring during the year/ on amalgamation	No. of borrowers	-	-	-	-	-	-	-	-	-	4,179	108	4,287	-	4,179	108	4,287
		Amt. Outstanding	-	-	-	-	-	-	-	-	-	29.59	145.55	175.14	-	29.59	145.55	175.14
		Provision thereon	-	-	-	-	-	-	-	-	-	9.55	74.11	83.66	-	9.55	74.11	83.66
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	6	(4)	(2)	-	6	(4)	(2)	-
		Amt. Outstanding	-	-	-	-	-	-	-	-	7.30	(5.44)	(1.86)	-	7.30	(5.44)	(1.86)	-
		Provision thereon	-	-	-	-	-	-	-	-	1.06	(1.38)	(1.22)	(1.54)	1.06	(1.38)	(1.22)	(1.54)
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	-	-	-	-	-	-	-	-	(1)	-	-	(1)	(1)	-	-	(1)
		Amt. Outstanding	-	-	-	-	-	-	-	-	(3.25)	-	-	(3.25)	(3.25)	-	-	(3.25)
		Provision thereon	-	-	-	-	-	-	-	-	(0.17)	-	-	(0.17)	(0.17)	-	-	(0.17)
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	(2)	2	-	-	-	-	-	(2)	(1,097)	1,099	-	(2)	(1,099)	1,101	-
		Amt. Outstanding	-	(84.59)	84.59	-	-	-	-	-	(0.34)	(23.09)	23.43	-	(0.34)	(107.68)	108.02	-
		Provision thereon	-	(60.41)	60.41	-	-	-	-	-	(0.13)	(13.25)	13.38	-	(0.13)	(73.66)	73.79	-
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	(1)	(6)	(7)	-	-	-	-	-	(955)	(366)	(1,321)	-	(956)	(372)	(1,328)
		Amt. Outstanding	-	(95.47)	(145.35)	(240.82)	-	-	-	-	-	(1.35)	(4.95)	(6.30)	-	(96.82)	(150.30)	(247.12)
		Provision thereon	-	(95.47)	(145.35)	(240.82)	-	-	-	-	-	(1.35)	(4.95)	(6.30)	-	(96.82)	(150.30)	(247.12)
7	Restructured Accounts as on March 31 of the FY (closing figures*)	No. of borrowers	4	1	5	10	-	-	-	-	21	4,223	1,455	5,699	25	4,224	1,460	5,709
		Amt. Outstanding	123.19	39.29	400.19	562.67	-	-	-	-	9.02	30.06	251.68	290.76	132.21	69.35	651.87	853.43
		Provision thereon	25.79	31.08	320.23	377.10	-	-	-	-	4.69	9.75	152.81	167.25	30.48	40.83	473.04	544.35

** 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, 2016

(₹ in crore)

Sl. No	Type of Restructuring		Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
	Asset Classification		Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total
	Details																	
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	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	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	(4)	(585)	589	-	(4)	(585)	589	-
		Amt. Outstanding	-	-	-	-	-	-	-	-	(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. Outstanding	-	-	-	-	-	-	-	-	-	(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. Outstanding	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)*

Disclosure on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period):

(₹ in crore)

No. of accounts where SDR has been invoked	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
2	NIL	71.70	NA	NA	NIL	71.70

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

17. Overseas Assets, NPAs and Revenue:

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
Total Assets*	1,409.16	Nil
Total NPAs	Nil	Nil
Total Revenue*	45.40	Nil

** pertains to IBU*

18. A. Details of non-performing financial assets purchased:

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
(a) Number of accounts purchased during the year*	14	9
(b) Aggregate outstanding in the Banks books**	175.46	216.36

* *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:

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
(i) Backed by NPAs sold by the bank as underlying	132.18	198.27
(ii) Backed by NPAs sold by other banks / financial institutions / nonbanking financial companies as underlying	167.05	202.52
Total	**299.23**	**400.79**

19. There are no unsecured advances for which intangible security such as charge over the rights, licenses, authority, etc. are accepted as collateral by the Bank.

20. Provisions on Standard Assets (including unhedged foreign currency exposure)

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
Provisions towards Standard Assets	648.56	572.07

21. Business ratios / information:

Particulars	31st March, 2017	31st March, 2016
Interest income as a percentage of working funds	8.97%	9.36%
Non interest income as a percentage of working funds	1.76%	1.49%
Operating profit as a percentage of working funds	3.03%	2.31%
Return on assets (average)	1.73%	1.19%
Business (deposit plus advance) per employee (₹ in crore)	8.35	7.51
Profit per employee (₹ in crore)	0.11	0.07

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).

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(C) Business is monthly average of net advances and deposits as reported to the RBI under section 27 of the Banking Regulation Act, 1949. Interbank deposits are excluded for the purposes of computation of this ratio.

(D) Productivity ratios are based on average number of employees.

22. Maturity pattern of certain items of assets and liabilities:

31st March, 2017:

(₹ 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	344.28	1,942.42	2,469.49	3,819.64	13,498.55	10,069.06	9,323.19	62,534.00	14,212.87	17,868.63	136,082.13
Investments*	16,160.77	4,001.13	1,434.93	1,004.92	4,249.03	2,744.34	2,379.08	10,456.17	371.93	2,028.09	44,830.39
Deposits	3,685.29	6,514.99	2,590.65	5,102.47	22,355.37	25,417.34	20,671.34	69,273.84	1,300.94	513.63	157,425.86
Borrowings	580.83	5,079.27	245.68	582.46	2,372.31	3,314.20	1,191.77	6,174.94	1,112.00	442.02	21,095.48
Foreign Currency Assets	1,030.27	109.09	224.44	485.49	2,770.96	2,644.10	770.15	898.42	151.63	24.42	9,108.97
Foreign Currency Liabilities	727.27	1,623.76	460.22	332.71	1,675.96	2,206.22	755.55	2,322.98	164.18	16.12	10,284.97

** Listed equity investments in AFS have been considered at 50% (₹ 243.79 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, 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	118,665.30
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	138,643.02
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.

23. Exposures:

(a) Exposure to Real Estate Sector*:

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
a) Direct exposure	20,702.93	19,115.72
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, 2017 ₹ 362.28 crore and as at 31st March, 2016 ₹ 469.31 crore)	8,458.65	7,966.94
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	12,244.28	11,148.78
iii Investments in Mortgage Backed Securities (MBS) and other securitised exposures-	-	-
- Residential,	-	-
- Commercial Real Estate	-	-
b) Indirect Exposure	3,171.86	2,563.44
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	3,171.86	2,563.44
Total Exposure to Real Estate Sector	**23,874.79**	**21,679.16**

* *On limit basis or outstanding basis whichever is higher*

(b) Exposure to Capital Market*:

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
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;	769.69	722.86
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;	267.37	269.48
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;	678.41	353.58
v. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	2,715.85	1,762.45
vi. Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii. Bridge loans to companies against expected equity flows / issues;	-	-

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
viii. Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix. Financing to stockbrokers for margin trading;	-	-
x. All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	0.03	0.03
xi. Others (Financial Guarantees)	0.24	225.85
Total Exposure to Capital Market*	**4,431.59**	**3,334.25**

* *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, 2017 (Nil provision for the year ended 31st March, 2016).

(₹ in crore)

Risk Category	Exposure (net) as at 31st March, 2017	Provision held as at 31st March, 2017	Exposure (net) as at 31st March, 2016	Provision held as at 31st March, 2016
Insignificant	3,249.69	-	2,261.03	-
Low	280.21	-	61.72	-
Moderate	-	-	0.02	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	**3,529.90**	**-**	**2,322.77**	**-**

24. Concentration of deposits:

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
Total deposits of twenty largest depositors	15,237.74	16,447.81
Percentage of deposits of twenty largest depositors to total deposits of the Bank	9.68%	11.86%

25. Concentration of advances*:

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
Total advances to twenty largest borrowers	23,288.20	21,013.54
Percentage of advances to twenty largest borrowers to total advances of the bank	9.40%	10.56%

* *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

26. Concentration of exposures:**

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
Total exposure to twenty largest borrowers/customers	24,180.58	23,609.29
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	9.41%	11.26%

** *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.

27. During the year ended 31st March, 2017 and year ended 31st March, 2016 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).

28. Provision made for taxes during the year:

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
Current tax	1,800.31	1,036.12
Deferred tax	(63.74)	(2.32)
Wealth Tax	0.00	0.14
Total	**1,736.57**	**1,033.94**

29. During the year penalty of ₹ 0.05 Crore (previous year ₹ Nil) had been imposed by the Reserve Bank of India in terms of the Section 47 A (1) read with Section 46(4)(i) of the Banking Regulation Act, 1949 for non-compliance of certain RBI instructions.

30. There are no Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms) (previous year ₹ Nil).

31. Bancassurance Business:

(₹ in crore)

Sr. No.	Nature of Income	31st March, 2017	31st March, 2016
1.	For selling life insurance policies	158.42	132.77
2.	For selling non life insurance policies	3.10	1.71
3.	For selling mutual fund products	176.54	159.29
4.	Others	-	-

This Income has been reflected under Commission, exchange and brokerage under Other Income

32. Floating Provisions:

(₹ in crore)

	Particulars	31st March, 2017	31st March, 2016
(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

33. 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 ₹ 48.49 crore (previous year ₹ 41.52 crore) has been utilised during the year.

34. a) Status of Shareholder Complaints:

		31st March, 2017	31st March, 2016
(a)	No. of complaints pending at the beginning of the year	0	0
(b)	No. of complaints received during the year	14	35
(c)	No. of complaints redressed during the year	14	35
(d)	No. of complaints pending at the end of the year	0	0

b) Status of Customer Complaints:

		31st March, 2017	31st March, 2016
(a)	No. of complaints pending at the beginning of the year	293	53
(b)	No. of complaints received during the year/on amalgamation	36,273	6,678
(c)	No. of complaints redressed during the year	35,417	6,438
(d)	No. of complaints pending at the end of the year	1,149	293

c) Status of Awards passed by the Banking Ombudsman:

		31st March, 2017	31st March, 2016
(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.

35. There are no outstanding letter of awareness / letter of comfort (previous year Nil).

36. DISCLOSURES ON REMUNERATION

A. Qualitative Disclosures:

a) Information relating to the composition and mandate of the Remuneration Committee:

The Nomination & Remuneration committee comprises of independent directors of the Bank. Key mandate of the Nomination & Remuneration committee is to oversee the overall design and operation of the compensation policy of the Bank and work in coordination with the Risk Management Committee to achieve alignment between risks and remuneration.

b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:

Objective of Banks' Compensation Policy is:

- To maintain fair, consistent and equitable compensation practices in alignment with Bank's core values and strategic business goals;
- To ensure effective governance of compensation and alignment of compensation practices with prudent risk taking;
- To have mechanisms in place for effective supervisory oversight and Board engagement in compensation

The remuneration process is aligned to the Bank's Compensation Policy objectives.

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 banks' policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:**

A discussion on Policy on Deferral of Remuneration

Employees are classified into following three categories for the purpose of remuneration:

Category I: Whole Time Directors (WTD)/Chief Executive Officer (CEO)

Category II: Risk Control and Compliance Staff

Category III: Other Categories of Staff

Following principles are applied for deferral / vesting of variable remuneration in accordance with RBI guidelines and Bank's compensation policy:

Category I

a. Variable Pay will not exceed 70% of Fixed Pay.

b. The Cash component of the Variable Pay will not exceed 50% of the Fixed Pay.

c. If Variable Pay is higher than 50% of Fixed Pay, at least 40% of Variable Pay will be deferred over a period of 3 years, or longer, 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.

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.

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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.

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, 2017 3 meetings of Nomination and Remuneration committee was held. Each Member of the Nomination and Remuneration committee is paid a sitting fee of ₹ 40,000 per meeting.

b) Number of employees having received a variable remuneration award during the financial year.

Quantitative disclosure restricted to CEO, 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.

Not Applicable

d) Details of guaranteed bonus, if any, paid as joining / sign on bonus.

Not Applicable

e) Details of severance pay, in addition to accrued benefits, if any.

Nil (previous year Nil)

f) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms

Cash – Nil (previous year Nil)

Outstanding SARs as at 31st March, 2017 – 96,004 rights (previous year 128,696 rights)

Outstanding ESOPs as at 31st March, 2017 – 878,448 equity shares (previous year 891,694 equity shares)

Schedules

g) **Total amount of deferred remuneration paid out in the financial year.**

Payment towards SARs during year ended 31st March, 2017 ₹ 5.29 crore (previous year ₹ 6.29 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, 2017 - ₹ 16.28 crore (previous year ₹ 18.75 crore)

Deferred Variable Pay*

SARs – 54,220 rights (previous year 35,370 rights)

ESOPs – 494,060 equity shares (previous year 145,660 equity shares)

Non Deferred variable pay* ₹ 3.99 crore (previous year ₹ 4.02 crore)

** Details relating to variable pay pertains to remuneration awards for the financial year 2015-16 awarded during current financial year. Remuneration award for the year ended 31st March, 2017 are yet to be reviewed and approved by the remuneration committee*

i) **Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments**. – Nil (Previous year Nil)

j) **Total amount of reductions during the financial year due to ex- post explicit adjustments.** – Nil (Previous year Nil)

k) **Total amount of reductions during the financial year due to ex- post implicit adjustments.** – Nil (Previous year Nil)

37. Intra – Group Exposures

(₹ in crore)

Particulars		**31st March, 2017**	**31st March, 2016**
(a)	Total amount of intra-group exposures	3,814.88	3,490.25
(b)	Total amount of top-20 intra-group exposures	3,814.88	3,490.25
(c)	Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	1.48%	1.47%
(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 of previous year includes equity exposure towards insurance entity.

38. Transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in crore)

Particulars	**31st March, 2017**	**31st March, 2016**
Opening balance of amounts transferred to DEAF	114.04	2.42
Add: Amounts transferred to DEAF during the year/on Amalgamation	24.28	111.62
Less: Amounts reimbursed by DEAF towards claim	2.41	-
Closing balance of amounts transferred to DEAF	135.91	114.04

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

39. Unhedged Foreign Currency Exposure of borrowers:

The bank recognises the importance of the risk of adverse fluctuation of foreign exchange rates on the profitability and financial position of borrowers who are exposed to currency risk. Currency induced credit risk refers to the risk of inability of borrowers to service their debt obligations due to adverse movement in the exchange rates and corresponding increase/decrease in their book values of trade payables, loan payables, trade receivables, etc. thereby exposing the Bank to risk of default by the borrower. In this regard, the Bank had put in place requisite policies & processes for monitoring and mitigation of currency induced credit risk of borrowers. These include the following:

(a) Currency risk of borrowers on account of un-hedged foreign currency exposures ("UFCE") is duly considered and analysed in credit appraisal notes.

(b) Periodic monitoring of un-hedged foreign currency exposures of borrowers.

(c) Risk classification of borrowers having un-hedged foreign currency exposures, into Low / Medium / High, as per internal norms, based on likely loss / EBID ratio. Likely loss means the potential loss which can be caused over a one year horizon by adverse movement of exchange rates.

(d) Incremental provisioning (over and above provision applicable for standard assets) is made in Bank's Profit and Loss Account, on borrower 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, 2017 is ₹ 50.54 crore. (Previous year ₹ 60.00 crore). Incremental Risk weighted Assets value considered for the purpose of CRAR calculation in respect of currency induced credit risk as at 31st March, 2017 is ₹ 2,156.04 crore (Previous year ₹ 1,863.65 crore).

40. a) Liquidity Coverage Ratio

(₹ in crore)

			Average Q4 2016-2017		Average Q3 2016-2017		Average Q2 2016-2017		Average Q1 2016-2017	
			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)		-	29,641	-	29,364	-	26,434	-	27,108
Cash Outflows										
2	Retail deposits and deposits from small business customers, of which:									
	(i)	Stable deposits	13,353	668	12,750	637	10,588	529	10,183	509
	(ii)	Less stable deposits	73,432	7,343	71,614	7,161	64,216	6,422	60,221	6,022
3	Unsecured wholesale funding, of which									
	(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	(ii)	Non-operational deposits (all counterparties)	45,085	27,833	44,129	27,427	44,578	27,097	46,813	27,215
	(iii)	Unsecured debt	1,948	1,948	2,117	2,117	2,248	2,248	3,544	3,544
4	Secured wholesale funding		-	-	-	-	-	-	-	-
5	Additional requirements, of which									
	(i)	Outflows related to derivative exposures and other collateral requirements	11,512	11,512	7,752	7,752	5,852	5,852	5,856	5,856
	(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
	(iii)	Credit and liquidity facilities	4,495	694	3,859	611	4,149	647	3,159	475
6	Other contractual funding obligations		2,764	2,764	2,768	2,768	2,591	2,591	2,206	2,206
7	Other contingent funding obligations		56,532	2,189	55,341	2,098	54,561	2,057	54,892	2,093
8	Total Cash Outflows		-	54,951	-	50,571	-	47,443	-	47,920
Cash Inflows										
9	Secured lending (e.g. reverse repos)		8,240	18	3,029	-	679	-	2,165	-
10	Inflows from fully performing exposures		26,364	21,178	19,701	15,254	16,964	12,796	16,685	12,300
11	Other cash inflows		643	321	1,303	651	1,002	502	1,151	576
12	Total Cash Inflows		35,247	21,517	24,033	15,905	18,645	13,298	20,001	12,876
				Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
21	TOTAL HQLA			29,641		29,364		26,434		27,108
22	Total Net Cash Outflows			33,434		34,666		34,145		35,044
23	Liquidity Coverage Ratio (%)			88.66%		84.71%		77.42%		77.35%

Note: Average LCR for Q4 2016-17 is computed using daily LCR numbers during the quarter but the average LCR for Q1, Q2 and Q3 2016-17 are monthly averages.

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

			Average Q4 2015-2016		Average Q3 2015-2016		Average Q2 2015-2016		Average Q1 2015-2016	
			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
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
	(ii)	Less stable deposits	57,828	5,783	55,020	5,502	52,304	5,230	48,317	4,832
3	Unsecured wholesale funding, of which									
	(i)	Operational deposits (all counterparties)	-	-	-	-	4,059	1,008	2,603	646
	(ii)	Non-operational deposits (all counterparties)	48,883	28,301	42,004	24,036	37,244	22,739	37,240	21,654
	(iii)	Unsecured debt	2,838	2,838	5,364	5,364	4,576	4,576	5,544	5,544
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
	(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
6	Other contractual funding obligations		2,612	2,612	2,328	2,328	2,269	2,269	1,641	1,641
7	Other contingent funding obligations		54,938	2,300	51,691	2,585	50,085	2,504	48,047	2,402
8	Total Cash Outflows			51,044		48,592		47,086		49,327
Cash Inflows										
9	Secured lending (e.g. reverse repos)		3,431		2,985	-	2,236	-	3,444	-
10	Inflows from fully performing exposures		18,613	14,727	16,964	13,414	17,033	13,344	20,920	17,021
11	Other cash inflows		964	482	1,196	598	697	348	1,019	509
12	Total Cash Inflows		23,008	15,209	21,145	14,012	19,966	13,692	25,383	17,530
				Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
21	TOTAL HQLA			27,862		23,357		21,476		21,350
22	Total Net Cash Outflows			35,835		34,580		33,394		31,797
23	Liquidity Coverage Ratio (%)			77.75%		67.54%		64.31%		67.15%

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

40. 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 the 70% from Jan 2016 onwards. The requirement will be increasing by 10% annually to 100% by Jan 2019. LCR requirement is currently at 80% effective Jan 2017.

The ratio comprises of high quality liquid assets (HQLAs) as numerator and net cash outflows in 30 days as denominator. HQLA has been divided into two parts i.e. Level 1 HQLA which comprises of primarily cash, excess CRR, SLR securities in excess of minimum SLR requirement and a portion of mandatory SLR as permitted by RBI (under MSF and FALLCR) and Level 2 HQLA which comprises of investments in highly rated non-financial corporate bonds and listed equity investments considered at prescribed haircuts. Cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in.

The Bank has implemented the LCR framework and has consistently maintained LCR well above the regulatory threshold. The average LCR for the quarter ended 31st March, 2017 was 88.66% which is above the regulatory limit of 80%. For the quarter ended 31st March, 2017 Level 1 HQLA stood at 97.23% (₹28,819 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 9.6% of Bank's total deposits and top 10 lenders contributing 6.8% 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.

41. Frauds

The Bank has reported 126 cases (Previous year 114 cases) of fraud during the financial year ended 31st March 2017 amounting to ₹ 111.54 crore (Previous year ₹ 44.94 crore). The Bank has recovered / expensed off / provided the entire amount where necessary.

42. Disclosure of Specified Bank Notes (SBNs)

As per the clarification from RBI, the provisions of the MCA Notification dated 30th March 2017 requiring companies to disclose details of the SBNs held and transacted during the notified period is not applicable to banks.

B. OTHER DISCLOSURES:

1. Earnings per Equity Share:

Particulars	31st March, 2017	31st March, 2016
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	1,837,185,095	1,829,184,376
Effect of potential equity shares for stock options outstanding	2,013,926	4,134,235
Weighted average number of equity shares used in computation of diluted earnings per share	1,839,199,021	1,833,318,611
Following is the reconciliation between basic and diluted earnings per share		
Nominal value per share	5.00	5.00
Basic earnings per share	18.57	11.42
Effect of potential equity shares for stock options	0.02	0.02
Diluted earnings per share	18.55	11.40
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	3,411.50	2,089.78

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, 2017 are as given below:

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
1. Segment Revenue		
a. Treasury, BMU and Corporate Centre	5,108.61	4,424.45
b. Corporate / Wholesale Banking	8,285.12	6,825.36
c. Retail Banking	10,274.57	9,345.42
d. Other Banking business	-	-
Sub-total	**23,668.30**	**20,595.23**
Less : Inter-segmental revenue	2,492.21	1,598.81
Add : Unallocated Income	-	-
Total	**21,176.09**	**18,996.42**
2. Segment Results		
a. Treasury, BMU and Corporate Centre	1,282.98	176.75
b. Corporate / Wholesale Banking	2,670.37	2,030.39
c. Retail Banking	1,194.72	916.60
d. Other Banking business	-	-
Sub-total	**5,148.07**	**3,123.74**
Add : Unallocated Income	0.00	(0.02)
Total Profit Before Tax	**5,148.07**	**3,123.72**
Provision for Tax	1,736.57	1,033.94
Total Profit After Tax	**3,411.50**	**2,089.78**
3. Segment Assets		
a. Treasury, BMU and Corporate Centre	77,136.64	71,791.18
b. Corporate / Wholesale Banking	80,202.99	66,331.50
c. Retail Banking	122,665.94	119,417.46
d. Other Banking business	-	-
Sub-total	**280,005.57**	**257,540.14**
Less : Inter-segmental Assets	65,663.21	65,811.46
Total	**214,342.36**	**191,728.68**
Add : Unallocated Assets	247.60	531.11
Total Assets as per Balance Sheet	**214,589.96**	**192,259.79**
4. Segment Liabilities		
a. Treasury, BMU and Corporate Centre	68,741.82	68,635.96
b. Corporate / Wholesale Banking	69,800.85	56,139.58
c. Retail Banking	114,071.16	109,222.85
d. Other Banking business	-	-
Sub-total	**252,613.83**	**233,998.39**
Less : Inter-segmental Liabilities	65,663.21	65,811.46
Total	**186,950.62**	**168,186.93**
Add : Unallocated liabilities	23.27	113.80
Add : Share Capital & Reserves & surplus	27,616.07	23,959.06
Total Liabilities as per Balance Sheet	**214,589.96**	**192,259.79**

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
5. Capital Expenditure		
a. Treasury, BMU and Corporate Centre	57.62	52.48
b. Corporate / Wholesale Banking	23.01	12.53
c. Retail Banking	203.27	169.88
d. Other Banking business	-	-
Total	**283.90**	**234.89**
6. Depreciation / Amortisation		
a. Treasury, BMU and Corporate Centre	90.97	129.69
b. Corporate / Wholesale Banking	17.29	13.18
c. Retail Banking	182.40	144.51
d. Other Banking business	-	-
Total	**290.66**	**287.38**

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 ₹ 430.81 crore (previous year ₹ 403.26 crore). The sub-lease income recognised in the Profit and Loss Account is ₹ 5.95 crore (previous year ₹ 7.13 crore).

b. The future minimum lease payments under non-cancellable operating lease – not later than one year is ₹ 366.42 crore (previous year ₹ 360.14 crore), later than one year but not later than five years is ₹ 1,160.15 crore (previous year ₹ 1,056.90 crore) and later than five years ₹ 1,003.01 crore (previous year ₹ 899.84 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 ₹ 247.60 crore (previous year ₹ 183.85 crore). The components of the same are as follows:

(₹ in crore)

Particulars of Asset/ (Liability)	31st March, 2017	31st March, 2016
Provision for NPA and general provision on standard assets	252.50	277.79
Expenditure allowed on payment basis	141.04	32.03
Depreciation	(21.13)	(13.74)
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	(124.81)	(112.23)
Net Deferred Tax Asset	**247.60**	**183.85**

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, 2017	31st March, 2016
Opening provision for reward points	4.98	2.64
Provision for reward points made during the year	10.62	9.25
Utilisation/write-back of provision for reward points	(7.65)	(6.91)
Closing provision for reward points*	7.95	4.98

** This amount will be utilised towards redemption of the credit card accounts reward points.*

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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, 2017	31st March, 2016
Gross Block		
At cost on 31st March of the preceding year	430.03	192.95
Additions during the year/on amalgamation	75.98	239.65
Deductions during the year	-	2.57
Total	**506.01**	**430.03**
Depreciation / Amortisation		
As at 31st March of the preceding year	363.66	162.31
Charge for the year/on amalgamation	60.79	202.24
Deductions during the year	-	0.89
Depreciation to date	**424.45**	**363.66**
Net Block	**81.56**	**66.37**

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 Infrastructure Debt Fund Limited (formerly known as 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
	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 32.02% of the equity share capital of Kotak Mahindra Bank Limited as on 31st March, 2017
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 (upto 30 April 2016) Mr. Dipak Gupta, Joint Managing Director
Enterprises over which KMP / relatives of KMP have control / significant influence	Aero Agencies Limited Kotak and Company Private Limited Komaf Financial Services Private Limited Asian Machinery & Equipment Private Limited. Insurekot Sports Private Limited Kotak Trustee Company Private Limited Cumulus Trading Company Private Limited Palko Properties Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Private Limited Kotak Commodities Services Private Limited Harisiddha Trading and Finance Private Limited Puma Properties Private Limited Business Standard Private Limited Business Standard Online Private Limited Allied Auto Accessories Private Limited Uday S Kotak HUF Suresh A Kotak HUF USK Benefit Trust II
Relatives of KMP	Ms. Pallavi Kotak Mr. Suresh Kotak Ms. Indira Kotak Mr. Jay Kotak Mr. Dhawal Kotak Ms. Aarti Chandaria Ms. Anita Gupta Ms. Urmila Gupta Mr. Arnav Gupta Mr. Parthav Gupta Mr. Prabhat Gupta Ms. Jyoti Banga Ms. Usha Jayaram (upto 30 April 2016) Mr. K. Madhavan Kutty (upto 30 April 2016) Mr. Vivek Menon (upto 30 April 2016) Ms. Nayantara Menon Mehta (upto 30 April 2016)

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

₹ in crore

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of KMP	Total
Liabilities						
Deposits	**1,885.86**	**201.86**	**127.80**	**249.13**	**11.58**	**2,476.23**
	(2,694.26)	(303.17)	(55.82)	(436.05)	(11.43)	(3,500.73)
Borrowings	**10.00**	**-**	**-**	**-**	**-**	**10.00**
	(-)	(-)	(-)	(-)	(-)	(-)
Interest Payable	**11.96**	**1.34**	**0.90**	**1.73**	**0.07**	**16.00**
	(22.14)	(2.45)	(0.41)	(2.52)	(0.10)	(27.62)
Other Liabilities	**1.15**	**0.12**	**-**	**-**	**-**	**1.27**
	(3.57)	(#)	(-)	(0.01)	(-)	(3.58)
Assets						
Advances	**60.43**	**-**	**-**	**-**	**-**	**60.43**
	(60.00)	(-)	(-)	(-)	(-)	(60.00)
Investments-Gross	**1,267.31**	**33.88**	**-**	**#**	**-**	**1,301.19**
	(1,412.61)	(33.88)	(-)	(#)	(-)	(1,446.49)
Diminution on Investments	**2.28**	**29.82**	**-**	**#**	**-**	**32.10**
	(2.28)	(29.82)	(-)	(#)	(-)	(32.10)
Commission Receivable	**34.43**	**-**	**-**	**-**	**-**	**34.43**
	(24.14)	-	(-)	(-)	(-)	(24.14)
Others	**71.34**	**0.03**	**-**	**-**	**-**	**71.37**
	(49.86)	(0.12)	(-)	(0.19)	(-)	(50.17)
Expenses						
Salaries/fees (Include ESOP)	**-**	**-**	**7.83**	**-**	**-**	**7.83**
	(-)	(-)	(10.98)	(-)	(-)	(10.98)
Interest Paid	**174.14**	**61.93**	**6.10**	**26.21**	**0.93**	**269.31**
	(214.69)	(28.68)	(4.93)	(28.10)	(0.90)	(277.30)
Others	**11.70**	**13.33**	**-**	**4.50**	**-**	**29.53**
	(15.07)	(10.03)	-	(4.27)	(-)	(29.37)
Income						
Dividend	**3.42**	**-**	**-**	**-**	**-**	**3.42**
	(3.86)	(-)	(-)	(-)	(-)	(3.86)
Interest Received	**41.06**	**-**	**-**	**-**	**-**	**41.06**
	(52.24)	(-)	(-)	(-)	(-)	(52.24)
Others	**286.11**	**0.10**	**-**	**0.89**	**-**	**287.10**
	(241.16)	(0.76)	(-)	(0.89)	(-)	(242.81)
Other Transactions						
Sale of investment	**435.59**	**-**	**-**	**-**	**-**	**435.59**
	(1,431.17)	(-)	(-)	(-)	(-)	(1,431.17)
Purchase of Investment	**563.07**	**-**	**-**	**-**	**-**	**563.07**
	(1,394.80)	(-)	(-)	(-)	(-)	(1,394.80)
Loan disbursed during the year	**1194.78**	**-**	**-**	**-**	**-**	**1194.78**
	(60.00)	(-)	(-)	(-)	(-)	(60.00)
Loan repaid during the year	**1194.78**	**-**	**-**	**-**	**-**	**1194.78**
	(-)	(-)	(-)	(-)	(-)	(-)

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

₹ in crore

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of KMP	Total
Loan portfolio acquired under Assignment	**247.35**	**-**	**-**	**-**	**-**	**247.35**
	(-)	(-)	(-)	(-)	(-)	(-)
Dividend paid	**-**	**-**	**30.69**	**0.04**	**0.19**	**30.92**
	(-)	(-)	(27.69)	(#)	(0.17)	(27.86)
Reimbursement to companies	**20.59**	**0.09**	**-**	**0.15**	**-**	**20.83**
	(16.50)	(0.19)	(-)	(0.44)	(-)	(17.13)
Reimbursement from companies	**134.81**	**0.16**	**-**	**-**	**-**	**134.97**
	(100.02)	(0.33)	(-)	(-)	(-)	(100.35)
Purchase of Fixed assets	**0.43**	**-**	**-**	**-**	**-**	**0.43**
	(0.02)	(-)	(-)	(-)	(-)	(0.02)
Sale of Fixed assets	**0.29**	**-**	**-**	**-**	**-**	**0.29**
	(0.68)	(-)	(-)	(-)	(-)	(0.68)
Swaps/Forward/ Options contracts	**3787.74**	**-**	**-**	**-**	**-**	**3787.74**
	(0.05)	(-)	(-)	(-)	(-)	(0.05)
Guarantees/Lines of credit	**100.00**	**-**	**-**	**-**	**-**	**100.00**
	(100.10)	(-)	(-)	(1.00)	(-)	(101.10)
I. Liabilities:						
Other liabilities						
Other Payable						
Kotak Mahindra Prime Limited	**0.54**	**-**	**-**	**-**	**-**	**0.54**
	(1.02)	(-)	(-)	(-)	(-)	(1.02)
Kotak Mahindra Investments Limited	**0.04**	**-**	**-**	**-**	**-**	**0.04**
	(0.04)	(-)	(-)	(-)	(-)	(0.04)
Kotak Securities Ltd	**#**	**-**	**-**	**-**	**-**	**#**
	(0.78)	(-)	(-)	(-)	(-)	(0.78)
Others	**0.56**	**0.12**	**-**	**#**	**-**	**0.68**
	(1.74)	#	(-)	(0.01)	(-)	(1.75)
II. Assets:						
Investments						
Kotak Mahindra Old Mutual Life Insurance Limited	**260.25**	**-**	**-**	**-**	**-**	**260.25**
	(260.25)	(-)	(-)	(-)	(-)	(260.25)
Kotak Mahindra Prime Limited	**411.80**	**-**	**-**	**-**	**-**	**411.80**
	(646.00)	(-)	(-)	(-)	(-)	(646.00)
Kotak Mahindra Capital Company Limited	**65.14**	**-**	**-**	**-**	**-**	**65.14**
	(65.14)	(-)	(-)	(-)	(-)	(65.14)
Kotak Mahindra Investments Limited	**238.03**	**-**	**-**	**-**	**-**	**238.03**
	(238.03)	(-)	(-)	(-)	(-)	(238.03)
Kotak Mahindra General Insurance Limited	**135.00**	**-**	**-**	**-**	**-**	**135.00**
	(135.00)	(-)	(-)	(-)	(-)	(135.00)
Others	**157.10**	**-**	**-**	**#**	**-**	**157.10**
	(68.19)	(-)	(-)	(#)	(-)	(68.19)
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 (KMP)	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of KMP	Total
Diminution on Investments						
Kotak Infrastructure Debt Fund Limited	**2.28**	**-**	**-**	**-**	**-**	**2.28**
	(2.28)	(-)	(-)	(-)	(-)	(2.28)
ACE Derivatives and Commodity Exchange Limited	**-**	**29.82**	**-**	**-**	**-**	**29.82**
	(-)	(29.82)	(-)	(-)	(-)	(29.82)
Business Standard Private Ltd	**-**	**-**	**-**	**#**	**-**	**#**
	(-)	(-)	(-)	(#)	(-)	(#)
Commission Receivable						
Kotak Mahindra Old Mutual Life Insurance Limited	**34.10**	**-**	**-**	**-**	**-**	**34.10**
	(24.05)	(-)	(-)	(-)	(-)	(24.05)
Kotak Mahindra General Insurance Limited	**0.33**	**-**	**-**	**-**	**-**	**0.33**
	(0.09)	(-)	(-)	(-)	(-)	(0.09)
Others Receivable						
Kotak Mahindra Prime Limited	**29.64**	**-**	**-**	**-**	**-**	**29.64**
	(21.28)	(-)	(-)	(-)	(-)	(21.28)
Kotak Securities Limited	**9.09**	**-**	**-**	**-**	**-**	**9.09**
	(6.37)	(-)	(-)	(-)	(-)	(6.37)
Kotak Investment Advisors Ltd	**16.89**	**-**	**-**	**-**	**-**	**16.89**
	(14.04)	(-)	(-)	(-)	(-)	(14.04)
Kotak Mahindra Old Mutual Life Insurance Limited	**8.35**	**-**	**-**	**-**	**-**	**8.35**
	(5.46)	(-)	(-)	(-)	(-)	(5.46)
Others	**7.37**	**0.03**	**-**	**#**	**-**	**7.40**
	(2.70)	(0.12)	(-)	(0.19)	(-)	(3.01)
III. Expenses:						
Salaries / fees (Include ESOPs)						
Mr. Uday Kotak	**-**	**-**	**2.85**	**-**	**-**	**2.85**
	(-)	(-)	(2.70)	(-)	(-)	(2.70)
Mr. C Jayaram	**-**	**-**	**0.78**	**-**	**-**	**0.78**
	(-)	(-)	(4.14)	(-)	(-)	(4.14)
Mr. Dipak Gupta	**-**	**-**	**4.20**	**-**	**-**	**4.20**
	(-)	(-)	(4.14)	(-)	(-)	(4.14)
Other Expenses						
Brokerage						
Kotak Securities Limited	**0.08**	**-**	**-**	**-**	**-**	**0.08**
	(0.25)	(-)	(-)	(-)	(-)	(0.25)
Kotak Infrastructure Debt Fund Limited	**-**	**-**	**-**	**-**	**-**	**-**
	(0.08)	(-)	(-)	(-)	(-)	(0.08)
Premium						
Kotak Mahindra Old Mutual Life Insurance Limited	**3.03**	**-**	**-**	**-**	**-**	**3.03**
	(2.58)	(-)	(-)	(-)	(-)	(2.58)
Kotak Mahindra General Insurance Limited	**1.67**	**-**	**-**	**-**	**-**	**1.67**
	(0.07)	(-)	(-)	(-)	(-)	(0.07)

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

₹ in crore

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of KMP	Total
Donations						
Kotak Education Foundation	**-**	**13.03**	**-**	**-**	**-**	**13.03**
	(-)	(9.64)	(-)	(-)	(-)	(9.64)
Others						
Kotak Mahindra Prime Limited	**2.82**	**-**	**-**	**-**	**-**	**2.82**
	(1.25)	(-)	(-)	(-)	(-)	(1.25)
Kotak Infrastructure Debt Fund	**0.03**	**-**	**-**	**-**	**-**	**0.03**
Limited	(-)	(-)	(-)	(-)	(-)	(-)
Aero Agencies Limited	**-**	**-**	**-**	**4.48**	**-**	**4.48**
	(-)	(-)	(-)	(4.27)	(-)	(4.27)
Kotak & Company Limited	**-**	**-**	**-**	**0.03**	**-**	**0.03**
	(-)	(-)	(-)	(#)	(-)	(#)
Kotak Mahindra Trusteeship Services	**-**	**-**	**-**	**-**	**-**	**-**
Limited	(0.02)	(-)	(-)	(-)	(-)	(0.02)
Kotak Mahindra Financial Services	**4.39**	**-**	**-**	**-**	**-**	**4.39**
Limited	(4.63)	(-)	(-)	(-)	(-)	(4.63)
IVY Product Intermediaries Limited	**(0.32)**	**-**	**-**	**-**	**-**	**(0.32)**
	(6.19)	(-)	(-)	(-)	(-)	(6.19)
Others	**-**	**0.30**	**-**	**-**	**-**	**0.30**
	(#)	(0.39)	(-)	(-)	(-)	(0.39)
IV. Income:						
Dividend						
IVY Product Intermediaries Limited	**3.32**	**-**	**-**	**-**	**-**	**3.32**
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Trustee Co Ltd	**-**	**-**	**-**	**-**	**-**	**-**
	(3.75)	(-)	(-)	(-)	(-)	(3.75)
Kotak Mahindra Prime Limited	**0.11**	**-**	**-**	**-**	**-**	**0.11**
	(0.11)	(-)	(-)	(-)	(-)	(0.11)
Other Income						
Kotak Mahindra Old Mutual Life	**165.10**	**-**	**-**	**-**	**-**	**165.10**
Insurance Limited	(140.98)	(-)	(-)	(-)	(-)	(140.98)
Kotak Mahindra General Insurance	**5.52**	**-**	**-**	**-**	**-**	**5.52**
Limited	(1.11)	(-)	(-)	(-)	(-)	(1.11)
Kotak Securities Limited	**22.72**	**-**	**-**	**-**	**-**	**22.72**
	(18.96)	(-)	(-)	(-)	(-)	(18.96)
Kotak Mahindra Capital Company	**9.96**	**-**	**-**	**-**	**-**	**9.96**
Limited	(12.33)	(-)	(-)	(-)	(-)	(12.33)
Kotak Mahindra Asset Management	**38.70**	**-**	**-**	**-**	**-**	**38.70**
Company Limited	(20.08)	(-)	(-)	(-)	(-)	(20.08)
Kotak Mahindra Prime Limited	**13.07**	**-**	**-**	**-**	**-**	**13.07**
	(14.74)	(-)	(-)	(-)	(-)	(14.74)
Kotak Investment Advisors Ltd	**22.60**	**-**	**-**	**-**	**-**	**22.60**
	(22.13)	(-)	(-)	(-)	(-)	(22.13)
Others	**8.42**	**0.10**	**#**	**0.89**	**-**	**9.41**
	(10.83)	(0.76)	(#)	(0.89)	(-)	(12.48)

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

₹ in crore

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of KMP	Total
V. Other Transactions:						
Sale of Investment						
Kotak Mahindra Old Mutual Life	**117.90**	-	-	-	-	**117.90**
Insurance Ltd.	(283.00)	(-)	(-)	(-)	(-)	(283.00)
Kotak Mahindra Prime Limited	**225.00**	-	-	-	-	**225.00**
	(150.11)	(-)	(-)	(-)	(-)	(150.11)
Kotak Mahindra Investments Limited	**92.69**	-	-	-	-	**92.69**
	(906.78)	(-)	(-)	(-)	(-)	(906.78)
Kotak Securities Limited	-	-	-	-	-	-
	(91.28)	(-)	(-)	(-)	(-)	(91.28)
Purchase of Investments						
Kotak Mahindra Old Mutual Life	**21.15**	-	-	-	-	**21.15**
Insurance Ltd.	(135.19)	(-)	(-)	(-)	(-)	(135.19)
Kotak Mahindra Prime Limited	**350.00**	-	-	-	-	**350.00**
	(313.95)	(-)	(-)	(-)	(-)	(313.95)
Kotak Infrastructure Debt Fund	**88.90**	-	-	-	-	**88.90**
Limited	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Investments Limited	**92.69**	-	-	-	-	**92.69**
	(806.71)	(-)	(-)	(-)	(-)	(806.71)
Kotak Mahindra Trusteeship Services	-	-	-	-	-	-
Limited	(5.00)	(-)	(-)	(-)	(-)	(5.00)
Kotak Mahindra General Insurance	**10.33**	-	-	-	-	**10.33**
Limited	(133.95)	(-)	(-)	(-)	(-)	(133.95)
Loan Disbursed during the year						
Kotak Mahindra Prime Limited	**60.00**	-	-	-	-	**60.00**
	(60.00)	(-)	(-)	(-)	(-)	(60.00)
Kotak Mahindra (International)	**1,134.78**	-	-	-	-	**1,134.78**
Limited	(-)	(-)	(-)	(-)	(-)	(-)
Loan Repaid during the year						
Kotak Mahindra (International)	**1,134.78**	-	-	-	-	**1,134.78**
Limited	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Prime Limited	**60.00**	-	-	-	-	**60.00**
	(-)	(-)	(-)	(-)	(-)	(-)
Loan portfolio acquired under Assignment						
Kotak Mahindra Prime Limited	**247.35**	-	-	-	-	**247.35**
	(-)	(-)	(-)	(-)	(-)	(-)
Dividend paid						
Mr. Uday Kotak	-	-	**30.63**	-	-	**30.63**
	(-)	(-)	(27.56)	(-)	(-)	(27.56)
Mr. C.Jayaram	-	-	-	-	-	-
	(-)	(-)	(0.06)	(-)	(-)	(0.06)
Mr. Dipak Gupta	-	-	**0.07**	-	-	**0.07**
	(-)	(-)	(0.07)	(-)	(-)	(0.07)
Ms. Pallavi Kotak	-	-	-	-	**0.06**	**0.06**
	(-)	(-)	(-)	(-)	(0.05)	(0.05)

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

₹ in crore

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of KMP	Total
Ms. Indira Kotak	-	-	-	-	**0.12**	**0.12**
	(-)	(-)	(-)	(-)	(0.11)	(0.11)
Others	-	-	-	**0.04**	**0.01**	**0.05**
	(-)	(-)	(-)	(#)	(0.01)	(0.01)
Reimbursements to companies						
Kotak Mahindra Capital Company	**2.53**	-	-	-	-	**2.53**
Limited	(2.13)	(-)	(-)	(-)	(-)	(2.13)
Kotak Mahindra Prime Limited	**5.92**	-	-	-	-	**5.92**
	(6.47)	(-)	(-)	(-)	(-)	(6.47)
Kotak Securities Ltd.	**10.22**	-	-	-	-	**10.22**
	(7.20)	(-)	(-)	(-)	(-)	(7.20)
Kotak Mahindra Old Mutual Life	**0.43**	-	-	-	-	**0.43**
Insurance Limited	(0.27)	(-)	(-)	(-)	(-)	(0.27)
Others	**1.49**	**0.09**	-	**0.15**	-	**1.73**
	(0.43)	(0.19)	(-)	(0.44)	(-)	(1.06)
Reimbursements from companies						
Kotak Mahindra Capital Company	**6.84**	-	-	-	-	**6.84**
Limited	(3.84)	(-)	(-)	(-)	(-)	(3.84)
Kotak Mahindra Prime Limited	**18.16**	-	-	-	-	**18.16**
	(15.57)	(-)	(-)	(-)	(-)	(15.57)
Kotak Mahindra Old Mutual Life	**18.92**	-	-	-	-	**18.92**
Insurance Limited	(14.91)	(-)	(-)	(-)	(-)	(14.91)
Kotak Securities Limited	**62.12**	-	-	-	-	**62.12**
	(50.66)	(-)	(-)	(-)	(-)	(50.66)
Kotak Mahindra Investments Limited	**8.22**	-	-	-	-	**8.22**
	(5.28)	(-)	(-)	(-)	(-)	(5.28)
Others	**20.55**	**0.16**	-	-	-	**20.71**
	(9.76)	(0.33)	(-)	(-)	(-)	(10.09)
Purchase of Fixed assets						
Kotak Mahindra Prime Limited	**0.02**	-	-	-	-	**0.02**
	(0.01)	(-)	(-)	(-)	(-)	(0.01)
Kotak Securities Limited	**0.11**	-	-	-	-	**0.11**
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Infrastructure Debt Fund	**#**	-	-	-	-	**#**
Limited	(0.01)	(-)	(-)	(-)	(-)	(0.01)
Kotak Mahindra Old Mutual Life	**0.14**	-	-	-	-	**0.14**
Insurance Limited	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Asset Management	**0.14**	-	-	-	-	**0.14**
Company Limited	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Capital Company	**#**	-	-	-	-	**#**
Limited	(-)	(-)	(-)	(-)	(-)	(-)
Sale of Fixed assets						
Kotak Mahindra General Insurance	-	-	-	-	-	-
Limited	(0.47)	(-)	(-)	(-)	(-)	(0.47)
Kotak Investment Advisors Limited	**0.23**	-	-	-	-	**0.23**
	(-)	(-)	(-)	(-)	(-)	(-)

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

₹ in crore

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of KMP	Total
Kotak Mahindra Asset Management	**0.06**	-	-	-	-	**0.06**
Company Limited	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra, Inc	-	-	-	-	-	-
	(#)	(-)	(-)	(-)	(-)	(#)
Kotak Mahindra Investments Limited	-	-	-	-	-	-
	(0.21)	(-)	(-)	(-)	(-)	(0.21)
Kotak Mahindra Old Mutual Life	**#**	-	-	-	-	**#**
Insurance Limited	(-)	(-)	(-)	(-)	(-)	(-)
Swaps/Forward /Options contract						
Kotak Mahindra						
(International) Limited	**3,787.74**	-	-	-	-	**3,787.74**
	(0.05)	(-)	(-)	(-)	(-)	(0.05)
Guarantees/Lines of credit						
Kotak Securities Limited	**100.00**	-	-	-	-	**100.00**
	(100.00)	(-)	(-)	(-)	(-)	(100.00)
Kotak Mahindra Pension Fund	-	-	-	-	-	-
Limited	(0.10)	(-)	(-)	(-)	(-)	(0.10)
Aero Agencies Limited	-	-	-	-	-	-
	(-)	(-)	(-)	(1.00)	(-)	(1.00)

Note:

1. *Figures in brackets represent previous year's figures.*
2. *The above does not include any transactions in relation to listed securities done on recognised stock exchange during the year. However above includes transactions done on NDS with known related parties.*
3. *# in the above table denotes amounts less than ₹ 50,000*

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	**8,714.93**	**5,902.00**	**149.22**	**522.73**	**55.70**
	(6,238.54)	(2,809.78)	(87.66)	(713.15)	(14.61)
Borrowings	**10.00**	-	-	-	-
	(-)	(-)	(-)	(-)	(-)
Other Liabilities	**44.40**	**2.84**	**1.03**	**10.94**	**0.38**
	(28.36)	(2.47)	(0.41)	(2.53)	(0.10)
Assets					
Advances	**302.77**	-	-	**0.04**	-
	(320.55)	(-)	(-)	(-)	(-)
Investments-Gross	**1267.31**	**33.88**	-	-	-
	(1,412.61)	(33.88)	(-)	(-)	(-)
Commission Receivable	**34.43**	-	-	-	-
	(24.14)	(-)	(-)	(-)	(-)
Others	**100.80**	**0.14**	-	**0.19**	-
	(96.05)	(0.20)	-	(0.19)	-

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 144,210,124 options (including options issued in exchange on amalgamation) as on 31st March, 2017 (Previous year 140,327,654).

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:

(a) Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2005;

(b) Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2007;

(c) Kotak Mahindra Bank Ltd. (IVBL) Employee Stock Option Scheme 2010; and

(d) Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2013

In aggregate 8,663,925 options are outstanding as on 31st March, 2017 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, 2017, 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	3,896,470
Method of Settlement (Cash / Equity)	Equity	Equity
Vesting Period	1.00 – 4.14 years	1.00 – 4.02 years
Exercise Period	0.30 – 1.08 years	0.25 – 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.

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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

	Year ended 31st March, 2017		Year ended 31st March, 2016	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	8,743,098	467.54	8,301,918	332.35
Granted during the year	-	-	3,801,400	661.73
Forfeited during the year	417,350	587.02	651,752	552.38
Exercised during the year	5,086,246	391.04	2,708,204	305.30
Expired during the year	11,266	632.12	264	371.00
Outstanding at the end of the year	3,228,236	572.03	8,743,098	467.54
Out of the above exercisable at the end of the year	330,038	397.83	1,501,046	310.96
Weighted average remaining contractual life (in years)		1.25		1.33
Weighted average fair value of options granted		-		184.86

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

	Year ended 31st March, 2017		Year ended 31st March, 2016	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	14,000	690.00	-	-
Granted during the year	3,882,470	720.94	14,000	690.00
Forfeited during the year	114,740	712.88	-	-
Exercised during the year	3,500	690.00	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	3,778,230	721.10	14,000	690.00
Out of the above exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)		2.40		2.28
Weighted average fair value of options granted		201.36		189.63

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

	Year ended 31st March, 2017	
	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	407,684	395.25
Addition on amalgamation	-	-
Forfeited during the year	-	-
Exercised during the year	251,662	386.84
Expired during the year	-	-
Outstanding at the end of the year	156,022	408.82
Out of the above exercisable at the end of the year	156,022	408.82
Weighted average remaining contractual life (in years)		2.63

	Year ended 31st March, 2016	
	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	-	-
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 BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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

	Year ended 31st March, 2017	
	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	1,392,986	275.34
Addition on amalgamation	-	-
Forfeited during the year	6	416.00
Exercised during the year	676,002	269.82
Expired during the year	-	-
Outstanding at the end of the year	716,978	280.53
Out of the above exercisable at the end of the year	716,978	280.53
Weighted average remaining contractual life (in years)		2.19

	Year ended 31st March, 2016	
	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	-	-
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, 2017	
	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	1,282,136	387.44
Addition on amalgamation	-	-
Forfeited during the year	28	379.50
Exercised during the year	497,649	387.01
Expired during the year	-	-
Outstanding at the end of the year	784,459	387.72
Out of the above exercisable at the end of the year	784,459	387.72
Weighted average remaining contractual life (in years)		3.02

	Year ended 31st March, 2016	
	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	-	-
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

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 772.59 (Previous year ₹ 665.07).

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

31st March, 2017

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
201-300	649,724	1.89	250.50
301-400	883,365	2.26	375.32
401-500	1,226,430	1.66	413.82
501-600	71,430	2.00	550.00
601-700	2,136,676	1.47	665.12
701-800	3,696,300	2.41	724.50

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

Stock appreciation rights

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 subsidiaries and associate companies. Pursuant to this resolution, Kotak Mahindra Stock Appreciation Rights Scheme 2015 has been formulated and adopted. Subsequently, the SARs have been granted under this scheme and the existing SARs will continue.

The SARs are settled in cash and vest on the respective due dates in a graded manner as per the terms and conditions of grant. The contractual life of the SARs outstanding range from 1.12 to 4.24 years.

Detail of activity under SARs is summarised below:

	Year Ended 31st March, 2017	Year Ended 31st March, 2016
Outstanding at the beginning of the year	1,391,816	1,306,020
Granted during the year	693,108	1,152,360
Additions / (Reduction) due to transfer of employees	(7,572)	614
Settled during the year	610,270	943,268
Lapsed during the year	111,440	123,910
Outstanding at the end of the year	1,355,642	1,391,816

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:

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Year ended 31st March,	2017		2016	
	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Exercise Price ₹	550-795	0-406	400-690	5
Weighted Average Share Price ₹	724.39	711.94	664.59	665.29
Expected Volatility	23.63%-28.05%	14.68%-24.24%	26.55%-29.55%	21.42%-28.58%
Historical Volatility	23.63%-28.05%	14.68%-24.24%	26.55%-29.55%	21.42%-28.58%
Life of the options granted (Vesting and exercise period)				
- At the grant date	1.24-4.21		1.18-3.90	
- As at 31st March		0.08-2.71		0.08-3.59
Risk-free interest rate	6.64%-7.46%	5.89%-6.64%	7.64%-8.07%	7.08%-7.52%
Expected dividend rate	0.06%-0.07%	0.06%	0.07%	0.07%

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,	2017	2016
Total Employee compensation cost pertaining to share-based payment plans	61.74	69.22
Compensation cost pertaining to equity-settled employee share-based payment plan included above	1.50	2.94
Liability for employee stock options outstanding as at year end	3.45	4.82
Deferred Compensation Cost	1.59	1.41
Closing balance of liability for cash-settled options	67.05	52.78
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	42.44	25.04

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 ₹ 33.21 crore (Previous year ₹ 93.52 crore) and the profit after tax would have been lower by ₹ 21.72 crore (Previous year ₹ 61.16 crore). Consequently the basic and diluted EPS would have been ₹ 18.45 (Previous year ₹ 11.09) and ₹ 18.43 (Previous year ₹ 11.07) 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, 2017	31st March, 2016
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	-	-

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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, 2017	31st March, 2016
Provident Fund	88.63	83.60
Superannuation Fund	2.38	2.76
New Pension Fund	2.72	2.45

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, 2017	As at 31st March, 2016
Change in benefit obligations		
Liability at the beginning of the year	278.33	86.23
Current Service cost	28.49	28.24
Interest cost	20.89	18.24
Actuarial Losses / (Gain)	6.32	42.57
Addition due to amalgamation	-	145.48
Past Service Cost	-	-
Liability assumed on acquisition / (Settled on divestiture)	0.18	0.06
Benefits paid	(53.55)	(42.49)
Liability at the end of the year	280.66	278.33
Change in plan assets		
Fair value of plan assets at the beginning of the year	256.35	84.68
Expected return on plan assets	19.75	20.15
Actuarial Gain / (Losses)	12.66	(6.26)
Addition due to amalgamation	-	146.88
Benefits paid	(53.55)	(42.49)
Employer contributions	61.02	53.39
Fair value of plan assets at the end of the year	296.23	256.35

(₹ in crore)

Reconciliation of present value of the obligation and the fair value of the plan assets	31st March, 2017	31st March, 2016
Fair value of plan assets at the end of the year	296.23	256.35
Liability at the end of the year	280.66	278.33
Net Asset (included under Schedule 11.VI) / (Liability) (included under Schedule 5.IV)	15.57	(21.98)
Expense recognised for the year		
Current Service cost	28.49	28.24
Interest cost	20.89	18.24
Expected return on plan assets	(19.75)	(20.15)
Actuarial (Gain) / Loss	(6.34)	48.83
Past Service Cost	-	-
Net gratuity expense recognised in Schedule 16.I	23.29	75.16
Actual return on plan assets	32.41	13.89

(₹ in crore)

Reconciliation of the Liability recognised in the Balance Sheet	**31st March, 2017**	**31st March, 2016**
Net Liability / (Asset) at the beginning of the year	21.98	1.55
Addition due to amalgamation	-	(1.40)
Expense recognised	23.29	75.16
Liability assumed on acquisition / (Settled on divestiture)	0.18	0.06
Employer contributions	(61.02)	(53.39)
Net Liability / (asset)	(15.57)	21.98

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, 2017 %	**31st March, 2016 %**
LIC managed funds #	32.15%	46.06%
Government securities	12.33%	19.03%
Bonds, debentures and other fixed income instruments	13.19%	10.05%
Money market instruments	6.66%	7.13%
Equity shares	35.67%	17.73%
Total	**100.00%**	**100.00%**

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

Actuarial assumptions used

Discount rate	7.18% - 7.22% p.a. (Previous Year 7.85% - 7.95% p.a.)
Salary escalation rate	5.5% (IBA) and 7.00% (others) p.a. (Previous Year 5.5% (IBA) and 8.50% (others) p.a.)
Expected return on plan assets	7.50% - 8.00% p.a. (Previous Year 7.50% - 8.75% p.a)

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

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Experience adjustments

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

(₹ in crore)

	Gratuity				
	Year ended 31st March				
	2017	**2016**	**2015**	**2014**	**2013**
Defined benefit obligation	280.66	278.33	86.23	67.29	62.65
Plan assets	296.23	256.35	84.68	71.07	60.67
Surplus / (Deficit)	15.57	(21.98)	(1.55)	3.78	(1.98)
Experience adjustments on plan liabilities	3.15	43.40	1.30	1.54	(1.41)
Experience adjustments on plan assets	11.38	(6.66)	15.59	3.76	1.32

The Bank expects to contribute ₹ 25.67 crore to gratuity fund in financial year 2017-18.

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

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

iii. Pension

Pension liability relates to employees of eIVBL.

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

(₹ in crore)

	As at 31st March, 2017 Funded	As at 31st March, 2016 Funded
Change in benefit obligations		
Liability at the beginning of the year	782.02	-
Addition due to amalgamation	-	503.60
Transfer of liabilities funded during the year	-	-
Current Service cost	29.52	29.69
Interest cost	52.01	34.31
Actuarial (gain) / loss on obligations	210.06	347.58
Past Service cost	-	-
Benefits paid	(123.47)	(133.16)
Liability at the end of the year	**950.14**	**782.02**
Change in plan assets		
Fair value of plan assets at the beginning of the year	747.24	-
Addition due to amalgamation	-	504.17
Expected return on plan assets	66.89	54.75
Actuarial Gain / (loss)	(0.75)	(13.79)
Benefits paid	(123.47)	(133.16)
Employer contributions	235.00	335.27
Fair value of plan assets as at the end of the year	**924.91**	**747.24**

(₹ in crore)

Reconciliation of present value of the obligation and the fair value of the plan Assets	As at 31st March, 2017 Funded	As at 31st March, 2016 Funded
Fair value of plan assets as at the end of the year	924.91	747.24
Liability at the end of the year	950.14	782.02
Net Asset / (Liabilities) included in "Others" under "Other Assets" / "Other Liabilities"	**(25.23)**	**(34.78)**
Expenses recognised for the year		
Current service cost	29.52	29.69
Interest cost	52.01	34.31
Expected return on plan assets	(66.89)	(54.75)
Actuarial (gain) / loss	210.81	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]	**225.45**	**370.62**
Actual return on plan assets	**66.14**	**40.96**

(₹ in crore)

	As at 31st March, 2017	As at 31st March, 2016
Reconciliation of the Liability recognised in the Balance Sheet	Funded	Funded
Net (Asset) / Liability at the beginning of the year	34.78	-
Addition due to amalgamation	-	(0.57)
Expense recognised	225.45	370.62
Employer contributions	(235.00)	(335.27)
Effect of the limit in Para 59(b)	-	-
Net (Asset) / Liability is included in "Others" under "Other Assets" / "Other Liabilities"	**25.23**	**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 at 31st March, 2017	As at 31st March, 2016
Discount rate	7.22% p.a.	7.85% p.a.
Salary escalation rate	5.50% p.a.	5.50% p.a.
Expected rate of return on plan assets	8.00% p.a.	8.75% p.a.
Inflation	6.00% p.a.	6.00% p.a.

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

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Experience adjustments

Amounts for the current year are as follows:

(₹ in crore)

Pension	Year ended 31st March, 2017	Year ended 31st March, 2016
Defined benefit obligation	950.14	782.02
Plan assets	924.91	747.24
Surplus / (deficit)	(25.23)	(34.78)
Experience adjustments on plan liabilities	178.79	344.62
Experience adjustments on plan assets	(7.02)	(15.35)

The Bank expects to contribute ₹ 56.42 crore to pension fund in financial year 2017-2018

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, 2017	31st March, 2016
Total actuarial liability	188.17	175.37
Assumptions:		
Discount rate	7.18% - 7.22%	7.85% - 7.95%
Salary escalation rate	5.5% (IBA) and 7.00% (others)	5.5% (IBA) and 8.50% (others)

Schedules

FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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, 2017	31st March, 2016
Total actuarial liability	8.42	7.42
Assumptions:		
Discount rate	7.18%	7.95%

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, 2017	31st March, 2016
Provisions for Depreciation on Investments	139.24	136.32
Loss on valuation of securities on transfer between categories	-	-
Provision towards NPA	614.41	706.45
Provision towards Unhedged Foreign Currency Exposure	(9.46)	20.88
Provision towards Standard Assets	85.95	41.36
Provision for Taxes	1,736.57	1,033.94
Other Provision and Contingencies	6.60	12.35
Total Provisions and Contingencies	**2,573.31**	**1,951.30**

12. Corporate Social Responsibility (CSR)

As per the provisions of the Section 135 of the Companies Act, 2013 the Bank is required to contribute ₹ 54.92 crore. The Bank has contributed ₹ 13.03 crore to the Kotak Education Foundation and ₹ 4.30 crore to other CSR initiatives in the current financial year. The Bank has also adopted a strong CSR policy, charting out its plan to invest in society and its own future. The Bank is building its CSR capabilities on a sustainable basis and is committed to gradually increase its CSR spend in the coming years.

(₹ in crore)

Details of CSR expenditure			
(a) Gross amount required to be spent during the year ₹ 54.92 (Previous year ₹ 47.33)			
(b) Amount spent during the year ending on 31st March, 2017:	**Paid**	**Yet to be paid**	**Total**
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	17.33	-	17.33
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

13. Tier II Bonds

a) Lower Tier II Bonds outstanding as at 31st March, 2017 ₹ 858.80 crore (previous year ₹ 969.70 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 ₹ 383.64 crore (previous year ₹ 524.71 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, 2017 are ₹ 348.28 crore (previous year ₹ 806.31 crore) of which bonds issued outside India are ₹ 212.28 crore (previous year ₹ 670.31 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) ₹ 116.19 crore (previous year ₹ 125.97 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, 2017	31st March, 2016
Statutory Audit fees	1.87	1.98
Other Matters	0.08	0.13
Total	**1.95**	**2.11**

15. Description of Contingent Liabilities:

Sr. No.	Contingent Liability*	Brief Description
1.	Claims not acknowledged as debts	This includes liability on account of income tax, sales tax, lease tax demands, property tax demands and legal cases filed against the Bank. The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, result of operations or cash flows. In respect of appeals filed by the Income Tax department with higher authorities, where the matter was settled in favour of the Bank at the first appellate stage, and where in view of the Management, it gives rise to an item of timing difference, no contingent liability is envisaged by the Bank.
2.	Liability on account of outstanding forward exchange contracts	The Bank enters into foreign exchange contracts with inter Bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.
3.	Guarantees on behalf of constituents	As a part of its Banking activities, the Bank issues guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of customer failing to fulfill its financial or performance obligations.
4.	Acceptances, endorsements and other obligations	These includes: • Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Bank. • Bills re-discounted by the Bank and cash collateral provided by the Bank on assets which have been securitised. • Underwriting commitments in respect of Debt Syndication.
5.	Other items for which the Bank is contingently liable	These include: • Liabilities in respect of interest rate swaps, currency swaps, forward rate agreements, futures and options contracts. The Bank enters into these transactions with inter Bank participants on its own account and for customers. Currency Swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are amounts used as a benchmark for the calculation of interest component of the contracts. • Liability in respect of Capital commitments relating to fixed assets and undrawn commitments in respect of investments.

** 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, 2017, 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.

As per our report of even date attached.

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

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai
27th April, 2017

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

Notes

Kotak launches 811

811 | kotak
Kotak Mahindra Bank

Shop. Pay. Bank. Live.

Kotak Mahindra Bank Limited, 27BKC, C 27,
G Block, Bandra Kurla Complex, Bandra (E),
Mumbai - 400 051

BSE: 500247 | NSE: KOTAKBANK | Bloomberg: KMB:IN

CIN: L65110MH1985PLC038137

concept and design at WyattPrism Communications

kotak

Kotak Mahindra Bank

24th July 2017

The Manager Corporate Relationship, BSE Limited, 1st Floor, New Trading Ring, Rotunda Building, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.	The Manager National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Plot No.C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051.

Dear Sir,

Pursuant to Regulation 34 (2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the Business Responsibility Report of the Bank for the year 2016-17.

Kindly acknowledge receipt.

Yours faithfully,
Kotak Mahindra Bank Limited

B.R. Chandarana
Bina Chandarana
Company Secretary &
Sr. Executive Vice President

Business Responsibility Report

At Kotak Mahindra Bank Limited ('Kotak'), environment, social and governance (ESG) practices are integral components of its business functions and are embedded in its systems and processes. Through disclosure of these practices in the public domain, Kotak not only ensures compliance with statutory requirements but also showcases its efforts to go beyond the requirements. While doing so, the Bank has identified the means by which it can improve internal management systems, products and services to make a more positive impact on society and the environment.

Business operations and activities at Kotak are conducted in a transparent and accountable manner, supported by a policy framework and Code of Conduct. Suitable monitoring mechanisms and controls have been delineated to ensure adherence to ethical business practices.

Kotak initiated the process of disclosing information on its triple bottom line performance in FY 2012-13 when it published its first Business Responsibility Report (BRR). The disclosures offered in the present report cover the Bank's own operations and are directly aligned to the nine principles of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs in 2011. Additionally, the report has been prepared in accordance with clause (f) of sub regulation (2) of regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. It is also compliant with Section 135, Schedule VII of the Companies Act, 2013, and the subsequent relevant notifications issued by the Ministry of Corporate Affairs, Government of India.

Bank's approach to Business Responsibility

Principle 1: Ethics, Transparency and Accountability

The Bank relies on its Code of Conduct, ethical conduct and fair practice code as a central guide for ensuring transparency and accountability within the organisation.

The Bank's Corporate Social Responsibility (CSR) committee is responsible for the execution of Bank's Business Responsibility agenda.

Principle 2: Responsible Products and Services

Kotak's products and services are developed to meet the requirements of its customers. New age digital initiatives have been implemented to maximise value for all customers.

The Bank has steadily increased its lending portfolio for the marginalised sections of society.

Principle 3: Employee Well-being

The Bank has developed a one-stop HR portal to enhance its connect with employees.

The portal also helps to address the requests and queries raised by employees more efficiently, thereby contributing to employee satisfaction.

Principle 4: Stakeholder Engagement

Through value-creating dialogues and discussions, Kotak engages with its key internal and external stakeholders identifying areas of improvement and ways to manage aspects that are critical for long term success of the Bank.

Principle 5: Human Rights

The Bank's policy on Human Rights prescribes that there is no discrimination made amongst employees or customers to whom its products and services are offered. All aspects of human rights are considered before undertaking any management decisions.

Principle 6: Environment

The Bank has implemented environmental management systems at all its key offices across the country to manage environmental impacts of its operations.

Principle 7: Public Policy Advocacy

Kotak's collaborations with various industry bodies facilitates the Bank to propagate relevant industry-wide issues and implement responsible decisions within the organisation.

Principle 8: Inclusive Growth

The Bank's CSR Policy prescribes the approach taken towards implementing its CSR agenda.

Its community outreach projects are designed around focus areas such as Education, Vocational Skills and Livelihood, Healthcare and Sanitation, Reducing inequalities faced by socially and economically backward groups, Sustainable Development, Relief and Rehabilitation, Clean India and Sports.

Principle 9: Customer Value

Kotak has taken an active approach towards modifying its business' processes and systems to make them more customer friendly.

At Kotak, every endeavour is directed towards enhancing customer experience by providing an array of products and services to bring more value to the customer through its products and services.

kotak

PRINCIPLE WISE PERFORMANCE

Principle 1: Ethics, Transparency and Accountability

Business at Kotak operates on two principles: strong governance practices and ethical conduct as a result of which, it has built a foundation of long lasting relationships with all of its relevant stakeholders. The Board of Directors and its committees are at the helm of Kotak's governance practices and are involved in ensuring that the expectations set out by the Bank's key stakeholder are met.

A robust governance framework ensures that transparent and accountable business practices remain uncompromised during daily operations. The Bank expects all its employees to behave in a professional manner and act with integrity. The employees have been provided with a platform through the whistleblower policy to voice their opinion freely against any unethical practice observed within the work environment. The whistle-blower platform is also available to Bank's customers.

A detailed description of Kotak's corporate governance standards can be found in the 'Report on Corporate Governance' section of the annual report.

CSR Committee

Aligned to the CSR requirements mandated by Section 135 of The Companies Act, 2013, Kotak has developed a CSR policy that was approved by the Board. The approach undertaken by the bank towards implementing its CSR activities can be found on its website http://www.kotak.com/corporate-responsibility.html#product_tab2.

The Bank also established a separate CSR committee in FY 2014-15 that would be responsible for monitoring the effective execution of the organisation's CSR activities and that the activities are aligned to the Bank's CSR agenda and policy. The committee constitutes of one independent director and two other directors. The head of BR and CSR - a senior executive - reports directly to this committee.

The CSR Committee also oversees the implementation of the BR principles in addition to its already existing responsibility of carrying forward the Bank's CSR agenda.

The Bank's CSR Committee held one meeting on 22nd November 2016, and all the directors were present for the meeting.:

Sl. No.	Name of Committee Member	Designation
1	Mr. C Jayaram and	Non-Executive Non-Independent Director and Chairman of CSR Committee
2	Mr. Dipak Gupta	Joint Managing Director
3	Prof S. Mahendra Dev	Independent Non-Executive Director

Kotak's Policy Framework:

- **Code of conduct:** The Code of Conduct is a central guide for the Bank's employees and communicates its position on safeguarding certain principles such as honesty, integrity, and transparency in the workplace. It also ensures compliance and promotes good banking practices.
- **Ethical conduct:** Kotak's policy on ethical conduct supports the upholding of the highest moral and ethical standards when conducting business. Internal stakeholders are also encouraged to act professionally, exhibiting utmost care, skill and due diligence in their work environment.
- **Fair practice code:** Kotak's policy on fair practice makes it imperative to provide its services and products without any discrimination on the basis of caste, creed, colour, religion, sex etc.

It is mandatory for all new employees joining Kotak to undergo a comprehensive induction training programme that clearly outlines the Bank's affinity for transparency, integrity and ethical standards. The induction training programme has an entire module dedicated to 'Being a Compliant Employee.'

Sr. No	Business Responsibility Principles	Relevant Policies
1	Ethics, Transparency and Accountability	Code of Conduct (Directors, Senior Management, Employees, Direct Selling Agents, Suppliers And Business Associates); Ethical Conduct Policy; Vigilance Policy; Whistle Blower Policy; Code for Banking Practice; Compliance Policy; Internal Audit Policy, Fraud Risk Management Policy, Operational Risk Management Policy, Policy on Stress Testing Framework, Group Enterprise Risk Management Policy; Disclosures Policy, Protected Disclosures Policy.
2	Products Life Cycle Sustainability	Fair Practice for Credit Card Operations, Fair Practices for Lenders, Home Finance Policy, Educational Loan Policy, Financial Education Policy, Financial Inclusion Policy, Intellectual Property Rights Policy
3	Employees' Well-Being	Recruitment Policy, Benefits Policy, Leave Policy, Training Policy, Sexual Harassment Policy, Anti-Discrimination/Equal Opportunities Policy, Employee Communication and Participation Policy, Human Rights Policy, Rewards and Recognition Policy, Health, Safety And Environment Policy, Code Of Conduct (Suppliers And Business Associates)
4	Stakeholder Engagement	Group Corporate Responsibility Policy, Stakeholder Engagement Policy
5	Human Rights	Human Rights Policy, Code of Conduct (Suppliers And Business Associates)
6	Environment	HSE Policy, Green Procurement Policy, Environment, Health, Safety And Social Due Diligence Policy
7	Policy advocacy	Advocacy Policy
8	Inclusive growth	Group Corporate Responsibility Policy, Financial Education Policy, Financial Inclusion Policy
9	Customer value	Policy on Collection Of Dues And Repossession of Securities; Fair Practice for Credit Card Operations; Fair Practices for Lenders; Apex Information Security Policy, Fair Practice Code Policy; Corporate Communications Policy; Third Party Distribution Policy; Protected Disclosures Policy; Disclosures Policy; Grievance Redressal Policy; Compensation Policy; Waiver Policy; Financial Education Policy; Responsible Marketing Policy

Principle 2: Products and Services designed with environmental and social opportunities

Kotak constantly strives to develop products and services that cater to its customers' expectations and requirements. While doing so, efforts are made to develop products and services that contribute positively to socio-economic development. Kotak's agri-business division is on the forefront of creating value for customers belonging to rural India.

Kotak's agri-business growth in India

The Bank's agri-business division has grown significantly during FY 2016-17 and has spread its wings in developing a strong and stable lending structure across India. The sector has been segmented into three primary verticals for lending:

a. Small scale loans available for crop cultivation and the purchase of tractors

b. Medium scale loans available for SMEs which focus on advanced agricultural activities such as large scale cultivation, horticulture, floriculture and animal husbandry related activities

c. Large scale loans available for organisations that focus on activities such as primary and secondary agro processing.

Enhancing Women Empowerment

The agri-business division has started the business correspondent model with three microfinance institutions wherein borrowers, especially women are identified at the bottom of the economic pyramid in states such as UP and Bihar for lending up to ₹ 30,000 by way of micro loans. The Bank has a portfolio for women borrowers, which has crossed ₹ 100 crore. The number of women borrowers has crossed over 50,000.

Case Study of Agribusiness branches in Banaskantha (Gujarat)

Gujarat is one of the highest potato producing states in India. The farmers of the state require assistance on storage facilities for potatoes to avoid distress sales at the time of harvesting as well as access to liquidity to manage crops for the following season.

Kotak has facilitated the required funding to offer these farmers with marketing loans against the pledge/hypothecation of potatoes stored in cold storage units.

Having met their working capital requirement the farmers are better equipped to sell their produce with positive price parity, preventing distress sell.

Agri loans offered to farmers against their produce to meet working capital requirement helped to improve income levels

Case Study: Empowering women to become financially independent

The Bank has succeeded in offering formal credit services to the unbanked sections of the rural India through the "Business Correspondent" model. A dedicated loan origination system has been developed for this initiative which allows real time processing of loan applications of customers.

Under this initiative collateral free loans are provided for various income generation activities such as agriculture and allied activities, poultry farming, animal husbandry, tailoring, making of handicrafts etc. This arrangement has improved the livelihood of the women availing such credit facilities. Providing credit to women increases opportunities for them to contribute to the household income leading to more empowered women customers.

Collateral free micro loans offered to women helped to improve overall household income

Case Study of Kripalshinh Rana, Surendranagar District:

Kripalshinh Rana is the owner of 8.95 acres of canal-fed agricultural land in his village Vana, in Gujarat's Surendranagar district. His farm lacked electricity and was unable to lift water during lean period

Kotak's team visited Kripalshinh on his farm before disbursing a loan of ₹ 5 lakh. With the funding, he built a go-down for the storage of the produce, an open well for more water and an electric connection for the farm. Due to these facilities, he was able to grow three additional crops during the new season. The ability to grow the additional crops has enabled him to earn an additional 3-4 lakh on an annual basis.

Before funding:

After funding:

Extending financial support to farmers for construction of open well in Gujarat

Case Study of Yogeshwar Sahu: Improving livelihoods

Yogeshwar Sahu is a traditional farmer who owns 56 acres of land and cultivates two major crops: paddy and wheat where all family members are involved in farming. Kotak team offered Yogeshwar funding to improve 23 acres of the crop land that he used for fencing, land labeling and purchasing two 5 HP bore pumps for the plot. The plot produced record harvest of 24 quintals of paddy per acre.

Having improved income levels, the family has now purchased additional land, started new business which involves purchase of paddy and wheat from small farmers, and supply of these crops in bulk to buyers. His family now enjoys an elevated social status within the community.

Improving livelihood of traditional farmer through crop loans

FINANCIAL INCLUSION:

Supporting government schemes

Government of India has launched various schemes to bring banking services to the unbanked sections of society. Aligning with this vision of the government, the Bank conducted several activities towards Financial Inclusion. These include the Pradhan Mantri Jan Dhan Yojana (PMJDY), Insurance schemes (i.e. Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Suraksha Bandhan), Atal pension Yojana and several others. The Bank has engaged with various segments of beneficiaries to promote these government schemes.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

The Bank has popularised the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme and opened 1,80,975 accounts, worth ₹ 20.12 crore as on 31st Mar 2017. Under the PMJDY, the RuPay card activation has increased to 58,308 (44%) from 35,431 in the last financial year. The number of zero balance PMJDY accounts have reduced from 99,822(54%) in FY 2015-16 to 87,297(48%) in FY 2016-17.

BSBDA / Small Saving Account

With the help of its branches and Business Correspondents (BC), Kotak has opened 7,91,547 new basic and small savings bank deposit accounts worth ₹ 118 crore during the reporting period.

Currently Kotak has a tie-up with two Business Correspondent firms and has a presence in 745 rural locations-all serviced by 380 Customer Service Points (CSP). These Business Correspondents service approximately 3,38,884 accounts with an overall balance of INR 4 crore.

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

Under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), the Bank opened approximately 1,57,152 accounts with an overall net worth of ₹ 1.43 crore as on 31st Mar 2017 and has disbursed more than ₹ 27 crore to customers during the reporting period. This scheme is operational in four districts (Baloda Bazar, Mungeli, Bilaspur, and Gariabandh) of Chhattisgarh.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY)

Kotak has participated in the two Jan Suraksha schemes launched by the Ministry of Finance to promote social security in the country. These schemes aim at providing financial support to the family members of a deceased customer. Kotak has tied up with the Life Insurance Corporation of India and ICICI Lombard General Insurance Co Ltd to launch the PMJJBY andand PMSBY respectively for its customers.

The Bank has used various customer touchpoints like SMS, Contact Centre, Net Banking, Branches and and various camps to enrol customers under this scheme. More than 3.8 lakh savings account holders have been enrolled under these two schemes, out of which 45,296 customers are from rural locations. As of 31st Mar 2017 approximately 113 claims have been settled.

Kotak has also rolled out the Suraksha Deposit Scheme, Jeevan Suraksha Deposit Scheme and Jeevan Suraksha Gift Cheque scheme as part of the Pradhan Mantri Jan Suraksha initiative.

SANMAN Savings Account

In order to enhance its outreach, the Bank launched the "SANMAN Savings account" at the end of FY 2015-16. Initially this account was introduced primarily for the rural and unbanked branches only, however effective Dec 2016, it has now been extended to all Commercial Bank Retail Liabilities (CBRL) branches. To keep the SANMAN account active, the customer needs to maintain a minimum balance of only ₹ 2,000 serving the requirement of farmers and small traders whose income levels are prone to be impacted by seasonal changes.

ATAL PENSION YOJANA (APY)

The Bank has introduced APY, a Government of India (GoI) initiated pension scheme. This scheme was disseminated across all savings account customers particularly under the financial inclusion segment and has been using channels such as branch, net-banking supported by customer specific campaigns. In a short span of 3 months, the subscription count has quadrupled to 1,461 subscriptions as on 31st Mar 2017 as against a total of 280 subscriptions up until 28th Dec 2016.

Demonetisation led Account Opening Camps

Supporting the Government's "Demonetisation" initiative and account opening for unbanked customers, Kotak conducted special camps to open bank accounts for customers from the organised and unorganised sectors. A total of 467 camps were conducted and 6,670 accounts were opened from 21st Nov 2016 to 31st Mar 2017.

The Department of Financial Services, Ministry of Finance, Govt. of India is constantly encouraging all banks to enable Aadhaar Enabled Payment Systems (AEPS), Aadhaar Pay (along with Mobile Seeding) and RUPAY card activation. Kotak is actively trying to fulfil all these requirements. Kotak has initiated Aadhaar seeding process across all its customers and the customer can complete the process by visiting any of the Bank's branches and contact centres or by using other alternative channels such as net-banking and SMS facilities. The total number of Aadhaar seeded accounts was 15,07,624 at the end Mar'2017 as against 5,46,725 in Mar '2016.

Financial Literacy

The Bank conducted financial literacy camps in 15 rural and unbanked locations in Maharashtra, Uttar Pradesh and Goa that benefitted over 750 villagers.

Financial literacy camps at various rural and unbanked locations

BVV Sangha Kotak Mahindra Bank Rural Self Employment Training Institute (RSETI)

Rural Self Employment Training Institute is Ministry of Rural Development (MoRD), Government of India's initiative that provides dedicated infrastructure in each district of the country to impart training and skill upgradation of rural youth. The programmes are especially geared and designed towards entrepreneurship development and thereby aim at addressing the larger issue of unemployment in rural India.

Creating entrepreneurs at BVV Sangha Kotak Mahindra Bank RSETI, Bangalkot, Karnataka.

BVV Sangha Kotak Mahindra Bank Rural Self Employment Training Institute (RSETI) is located at Bagalkot district of Karnataka. Following the merger of erstwhile ING Vysya Bank with Kotak Mahindra Bank Ltd, the Bank replaced erstwhile ING Vysya Bank as the co-sponsor of this RSETI. The institute conducts four entrepreneurial development programmes (EDPs) viz. Agricultural, Product, Process and General EDP.

The institute has been rated consistently as "AA" by National Centre of Excellence for RSETIs (NACER), a nodal agency under Ministry of Rural Development, Govt. of India.

RSETI Training Performance for FY 2016-17

No of Days Training Conducted	No of Training Programmes arranged during FY 2016-17	No of Youths Trained during FY 2016-17	No of Trainees Settled during FY 2016-17	Female Trainees settled FY 2016-17	No of Training Programmes arranged since inception (cumulative)	No of Youths Trained since inception (cumulative)	No of Trainees Settled since inception (cumulative)
6 days and above	45	1,335	699	288	782	28,076	21,012
3 days	25	1,177	550	550	160	4,112	3,084
Total	**70**	**2,512**	**1,249**	**838**	**942**	**32,188**	**24,096**

PRINCIPLE 3: EMPLOYEE WELL-BEING

Kotak has always been an employee - centric bank and employees are an integral part of its growth and success strategy. The human resource (HR) practices have been improvised to suit changing times and employee needs.

Employee Engagement

During FY 2015-16, the Bank started on a new journey with a heartfelt oath – 'One Team One Dream' after its merger with ING Vysya Bank. The aim was to enhance employee motivation and promote a common culture.

RED – 'Realise Every Dream' is Kotak's overarching philosophy to drive employee engagement across the organisation. To Realise Every Dream the Bank needed to take the 4D approach - Dialogue, Demonstrate, Develop and Deliver. Specific initiatives were driven under the RED framework during the reporting period.

- A webcast with Uday Kotak launching RED was shared with the employees regarding dreams of the organisation and how they can be achieved. This was followed by webcasts / town halls by the respective Presidents and Business Heads with their teams.
- The Bank organised approximately 167 'Meet 5' sessions until December for over 1,300 employees. Meet 5 sessions are skip level meetings where business heads connect with 5-10 employees to share perspectives and understand ground level feedback.
- Branch visits by HR Relationship Managers provided an opportunity for HR to connect with employees on a one-on-one basis in a structured manner. The discussions were captured in a branch portal where leaders were able to get a sense of the branch's well-being and address issues, if any.
- Individual development plan discussions were held with performers at the junior and mid-level, providing them an opportunity to discuss their career aspirations with their manager and HR. They also provided managers an opportunity to guide employees on what they should do to grow.
- During the demonetisation phase, the Bank received a lot of positive feedback on how its employees were reaching out to fulfil customers' needs. These appreciations were showcased where employees voted for the best appreciation video and winners were duly rewarded.
- Kotak organised a series of engagement initiatives including sports to drive higher employee participation and engagement.
- The International Women's Day was celebrated with an online Kotak Radio channel to celebrate the Bank's women employees. This initiative was appreciated by the employees.

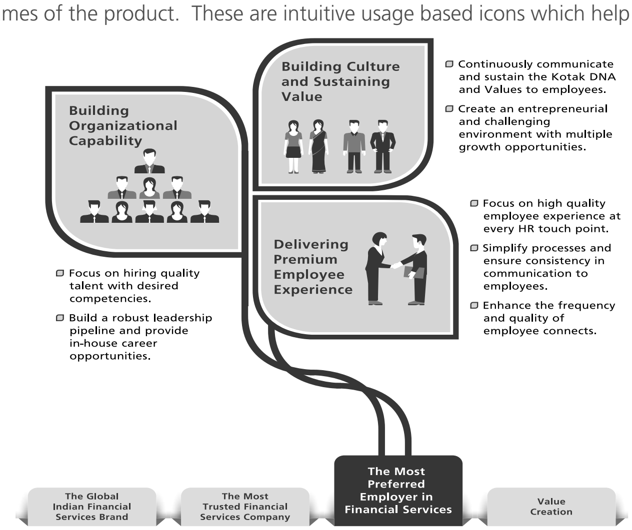
Redscape

Kotak's newly designed employee portal 'Redscape' offers a canvas of opportunities for connecting employees within the Bank.

Key Functionalities of Redscape include:

- Announcements: All internal communication can be published through the announcement section-aiming to reduce the load of communication via emails. This section allows the Bank to personalise the communication for a particular target audience.
- App Ribbon: All HR's touchpoints for employees can be found under one single umbrella, the 'App Ribbon' section. Employees can connect to various systems without worrying about URL access or remembering the names of the product. These are intuitive usage based icons which help employees to navigate with ease. The integration of these systems has helped Kotak connect with employees in a seamless manner.
- Wellness portal: With the increased focus on well-being, Kotak has launched a wellness portal for employees. This portal allows employees to track their health parameters, keep the records of past and current vitals reports to digitise health records for themselves and their family. The portal offers unique features like reminders for vaccination, health risk assessment basis the input, health tips and a facility to chat with the doctor during working hours.

Additional features include real time HR communication provided through platforms such as video, voice bites, short messages or images, a 'Fun zone' that offers employees updates on any new products launched and also provides navigation tools for quick access to products, animated communication on HR policies and a new query management tool through which all the queries uploaded on the system are directly sent to the concerned department without having to be routed through the HR Department first. This has ensured effective response management and also reduced the response turn-around time.



Human Resources Operating Vision

Creating a Safe Environment for Women

The Bank believes in providing a safe working environment for its women employees. The Bank ensures that its women employees are treated with dignity and respect and are able to uphold their fundamental rights with a sense of pride, freedom and confidence at workplace.

Kotak organised Women Safety Workshops at all its office locations that have a large employee base to train women in the fundamentals of self-defence. The feedback collected at the end of these sessions was positive. The workshop covered topics such as threat detection and prevention, diffusing situation and negotiation, physical defence. These were demonstrated with practical examples, mock-demonstrations and case studies.

General Safety Practices

For the safety of all its employees, the Bank has implemented several practices including training of employees as well as of the security staff on how to respond to an emergency. Training programs include modules on fire safety and emergency evacuation. Live demonstrations, mock drills and field training are also provided.

The Bank celebrates the national safety week on an annual basis during which safety awareness sessions are held for all employees. Further, a half yearly communication is sent out to the employees on appropriate safety practices. Periodic feedback surveys on employee safety and the work environment are conducted by the Health, Safety and Environment (HSE) team.

PRINCIPLE 4: STAKEHOLDER ENGAGEMENT

Engaging with key stakeholders is imperative for Kotak to conduct its business and operations successfully. As a bank that has an extensive, yet growing, network across India, it recognises the importance of interacting with both, its internal and external stakeholders, on a regular basis to discuss topics of mutual interest. Constant feedback received from Kotak's stakeholder groups helps the Bank in making informed decisions towards driving its business strategy, integrating external perspective into developing innovative and sustainable products and services offered and mitigating potential risks.

The stakeholder engagement process at Kotak has been designed to efficiently identify issues that are perceived as 'critical' for the business as well as for its key stakeholders. Seven key stakeholder groups have been identified by Kotak. The details of the engagement process and frequency for each of the groups have been outlined in the table below:

Key Stakeholders	Method of Engagement	Frequency of Engagement	Topic of discussion	Relationship manager
Investors and Shareholders	Emails, Letters, Investor Grievance Cell, Media, Bank's Website	Annually, Quarterly and on a need basis i.e. During events that take place concerning shareholders e.g. Extraordinary General Meeting (EGM) etc.	Financial results, shareholder returns and dividends, issues related to shares' issue, transfer and dividend pay-outs. Post the quarterly results, a conference call is held wherein the senior leadership team participates and the call is open to all investors and analysts. The transcript of the call is also made available on the Bank's website.	Investor Relations team, Secretarial team
Customers and Clients	One-On-One interactions, Customer Satisfaction surveys, Customer Grievance Cell, Customer Meets, Customer Helplines/ Toll-Free Numbers, Media, Bank's Website	On-going and need-based	Customer service quality, investment returns, product features and benefits, technology interface for banking experience	Relationship Managers, Branch Staff, Customer Service Quality team
Employees	Induction Programme, E-Mails, Town Halls, Skip-Level Meetings, Leadership Meetings, Employee Engagement Initiatives, Rewards And Recognition Programmes, Employee Grievance Cell, Intranet, Employee Satisfaction Surveys, Employee Volunteering Initiatives	On-going and need-based	Bank's policies and procedures, employee welfare issues, performance appraisal and rewards, training and career development, workplace health, safety and security, community development and employee volunteering	Human Resources team, Corporate Social Responsibility team

Key Stakeholders	Method of Engagement	Frequency of Engagement	Topic of discussion	Relationship manager
Government and Regulatory Bodies	Bank's Regulatory Filings, Compliance Statements, Meetings, Letters, Emails	As per regulatory requirements and need-based	License request and renewal, compliance to regulatory requirements, participation in Government financial sector plans and programmes	Cross Functional team
Suppliers and Business Associates	Meetings, Emails, Letters, Supplier and Business Associates Performance Reviews	On-going and need-based	Product/Service/Technology quality and support, contract commercial and technical terms and conditions, minimum wage payments, supplier and business associates' statutory compliances	Respective Departments Dealing with Suppliers and Business Associates, Commercial and Procurements team
Communities and NGOs	Community Development Initiatives, Proposals and Requests For New Initiatives / Funding	Need-based	Community needs, financial/ infrastructural/ human/ organisational support	Corporate Social Responsibility team
Media	Advertising, Media Interactions / Interviews / Responses, Meetings, Emails	On-going and need-based	Marketing and advertising agenda, information disclosure through media, viewpoints on industry, and Bank-related opportunities and issues	Marketing team, Corporate Communication team

PRINCIPLE 5: HUMAN RIGHTS

Kotak respects the rights of all its employees, customers, and business partners etc., upholding the dignity of every individual. Due to the nature of the Bank's business and operations, Kotak does not face any significant risk of non-compliance with respect to Human Rights principles. As mandated by the Fair Practice code, the Bank offers its products and services without any discrimination. The Bank does not employ child labour and the security personnel are trained and instructed specifically to prevent the entry of under-aged or child workers into any of its premises. As per the Bank's policy, all employees have the freedom to choose whether they wish to be associated with Kotak or not. Further, compliance of all contractors to statutory requirements is reviewed and monitored on a periodic basis.

PRINCIPLE 6: ENVIRONMENT

Kotak is aware of its responsibility towards the environment and undertakes several initiatives to reduce the impact of its operations. The Bank focuses on reducing its carbon footprint and material consumption (especially paper), waste minimisation and water conservation.

The Bank's environmental initiatives include:

Energy efficiency and carbon footprint reduction initiatives:

1. Installation of LED lights and ensuring that the occupancy sensors are always in a working condition. Kotak's offices that don't have LED lighting are currently going through the installation process. This will be done in phases
2. Installation of capacitors at the chiller end of the HVAC systems within the office premises
3. Use of Video Conferencing (VC) on cloud to maximise interactions across the premises without having to travel between locations
4. Installation of rain water harvesting structures at specific office premises

Other Initiatives:

1. Water saving: Installation of APGC urinal flushing sensors in specific offices, thereby reducing the volume of water used
2. Paper saving: Implementation of 'Follow-my print' to view and print on as-needed basis and duplex printing as a default option for printing across locations/offices
3. Avoiding food wastage: Displaying the quantity of food wasted by employees on daily basis to raise awareness and sensitise the employees to reduce food wastage. This has been started at Kotak's large office premises

Green Data Centre

The increasing need for storing information, computing and analysis has led to expanding the capacities of existing data centres. Data centres are one of largest energy consumers across Kotak's operations as a result of which the Bank took the initiative of consolidating three data centre facilities into a single one in 2009 to leverage system efficiencies and exercise better control on energy performance.

A similar integration of data centres post the merger with ING VYSYA Bank was carried out in FY2016-17 towards reducing the amount of power consumption. The Bank had four data centres across India and have now successfully consolidated the four data centres in to just two. As part of this consolidation exercise the following advantages were observed:

- Consolidation of application servers and storage by migrating various applications into one, thereby reducing the server and storage footprint
- Reducing power consumption, GHG emissions and the volume of water required for cooling purposes by shutting down various facilities such as chillers, UPS, PAC etc. which were no longer required

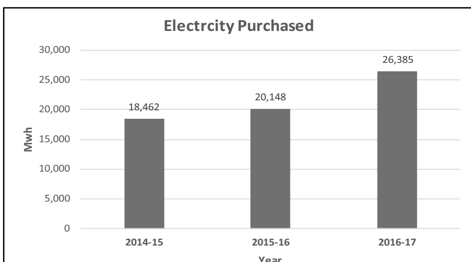
Several enhancement initiatives have been undertaken to improve the energy performance of the Bank's data centres. Initiatives such as high and medium density server rooms, server virtualisation, server consolidation, cold aisle containment, managing optimal levels of inlet temperature, etc. have resulted in the reduction of the data centre's energy intensity.

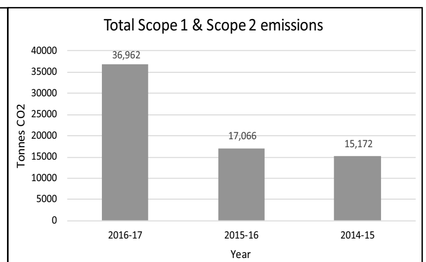
The 'Cold Aisle' containment facility that was implemented for the Bank's high density server rooms was also extended for its low density server rooms in FY2014-15. Additionally, the Bank introduced this facility for the server room within the BKC office, Mumbai in FY2015-16. Improving the cooling efficiency within the Cold Aisle area has resulted in direct savings of power units consumed.

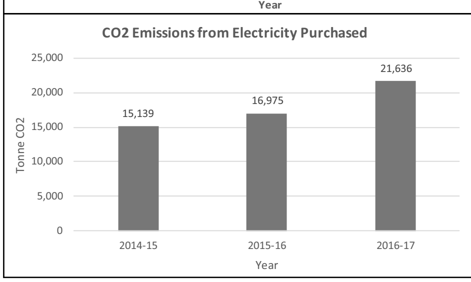
Virtualisation

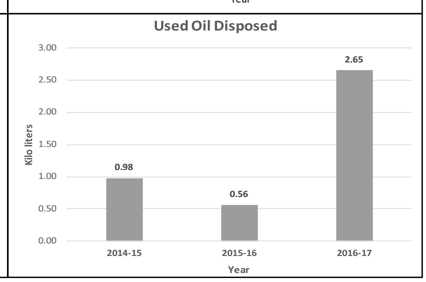
The Bank continues to virtualise its servers and storage infrastructure as an additional measure to reduce energy consumption. Desktop virtualisation at Kotak's larger offices has contributed towards energy reduction as well.

The Bank's Environmental Performance for FY 2016-17[1]









Paper Savings

Saving approximately 25.5 million A4 size papers has resulted in the following:

- 121.68 Tonnes of Paper saved
- 340.34 Tonnes of Greenhouse Gas (GHG) emissions avoided
- 500.83 Tonnes of wood saved*
- 117 lac Litres of water saved
- 117.65 Tonnes of solid waste avoided
- 1281 megawatt hours (MWh) of energy saved

* equivalent to saving 3,218 trees from being cut for paper

Source: www.papercalculator.org

[1]The Environmental performance of the Bank is reported for its corporate offices in Goregaon and Bandra Kurla Complex (BKC) in Mumbai, Noida, Delhi and Bangalore. These corporate offices also house other Kotak Mahindra Group Entities.

During the reporting period, Kotak initiated the process of quantifying the total volume of waste paper generated at its larger office premises. The initiative will be implemented gradually across all its office premises in phases

PRINCIPLE 7: PUBLIC POLICY ADVOCACY:

Kotak's partnership with various associations and organisations helps the Bank to understand industry-wide issues, and thus develop policies that are beneficial to the Bank as well as its stakeholders. Kotak is currently a part of the following associations:

- Association of Mutual Funds in India
- Bombay Chamber of Commerce and Industry
- Confederation of Indian Industry
- Data Security Council of India
- Fixed Income Money Market and Derivatives Association of India
- Foreign Exchange Dealers Association of India
- ICC India

- Indian Institute of Banking and Finance
- International Fiscal Association Indian Branch W R C
- Mobile Payment Forum of India
- Primary Dealers Association of India
- The Employers Federation of India
- The Madras Chamber of Commerce and Industry
- Indian Banks Association
- Council for Fair Business Practices

PRINCIPLE 8: INCLUSIVE GROWTH

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

Kotak's CSR Committee drives the CSR programme of the Bank. The 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 Company'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 for the last three financial years preceding 31st March, 2017 is ₹ 2,746.24 crore.

The prescribed CSR expenditure required U/S 135, of the Act for FY 2016-17 is ₹ 5,492 lac.

The CSR expenditure incurred for the period 1st April 2016 to 31st March 2017 under Section 135 of Companies Act, 2013 amounts to ₹ 1,733 lac as against ₹1,641 lac CSR spend in the financial year 2015-16. The unspent amount for FY2016-17 is ₹ 3,759 lac.

CSR expenditure of ₹ 1,733 lac in FY 2016-17 as a percentage of average net profit U/S 198 of the Company at ₹ 2,746.24 crore is 0.63%.

The Company has been spending on CSR focused themes and programmes, which have been approved by the Board CSR Committee and the Board. The CSR spending is guided by the vision of creating long-term benefit to the society. The Company is building its CSR capabilities on a sustainable basis and is committed to gradually increase its CSR spend in the coming years. The Company's commitment to achieve the mandated spend can be seen from the increasing CSR spends over the years. In FY 2014-15, Company's CSR spend was ₹ 1,197 lac , in FY 2015-16 it was ₹1,641 lac . In the reporting period, FY 2016-17, the CSR expenditure has been further increased to ₹ 1,733 lac.

Though the Bank is eligible to consider upto 5% of total CSR spend as administrative expenditure towards building its CSR capacities, etc., the Bank has taken a call not to consider it as a part of CSR spend for the year FY 2016-17.

The details of CSR activities and spends under Section 135 of the Companies Act, 2013 for FY 2016-17, are available in the Director's Report section.

Inclusive growth

Education is the primary CSR focus area for the Bank. The education initiatives are primarily implemented through Kotak Education Foundation (KEF). It was set up in FY2006-07 with a purpose to support children and youth from underprivileged families through different education based interventions on a sustainable basis. The interventions are designed to empower recipients and provide employable skills which will enable them to lead a dignified life. Further, KEF provides livelihood support to children and youth from Below the Poverty Line (BPL) families in Mumbai.

In FY2016-17, KEF partnered with 37 schools, majority of which are located in the poorest wards of Mumbai. In FY2016-17, KEF has reached out to nearly 40,000 children and young adults through its nine interventions. Programmes towards improving access to quality education include:

School Leadership Development Intervention (SLDI)

This programme aims to strengthen managerial and leadership skills of school leaders and principals of KEF's partner schools. 73 school leaders from 19 schools have been empowered through mentoring sessions, workshops and exposure visits.

Mentoring (ICDI) Sessions

School leaders have been sensitised through 931 mentoring sessions on individual leadership, team leadership, instructional leadership and leading a culture of change in the context of multi-dimensional effect of poverty. They are confident and have been instrumental in initiating several firsts in their own schools, such as:

- Literacy and numeracy test for students. (This has been implemented across 19 schools)
- Identifying students below grade level and extending specific remedial measures for them
- Convincing their teachers to impart relevant livelihood skills and starting the process
- Organising special remedial classes for students of class X with an objective to increase the number of students who successfully complete class X
- Initiating functional and effective professional learning communities of school leaders and teachers in 15 schools

Participation in Workshops

In FY2016-17, 115 Headmasters and school leaders were trained through seven workshops on various methods and ways to develop their knowledge and skills. Nine headmasters (HMs) of ICDI mentored schools won innovation in education awards at the International Education Leadership Roundtable conference at Lucknow.

Case Study: Setting up a Teacher's Professional Learning Community (PLCs)

The administrative problems and the financial crisis in Subhash Chandra Bose School had always kept out student learning outcomes from the school's attention. KEF helped the school to focus on learning outcomes through PLCs. School headmaster also attended the Teacher Professions Learning (TPL) workshop conducted at Tata Institute of Social Sciences (TISS). This resulted in five new TLCs being held in the last two months and making immediate lesson plans as an output of the TLC.

Improving the quality of education by setting-up Teacher's professional learning community

School Teacher's Enrichment Programme (STEP)

KEF's School Teacher's Enrichment Programme (STEP) aims at enhancing teacher's teaching skills and thus, indirectly improving the learning outcome of the students. STEP works with both primary and secondary school teachers.

During the FY2016-17, 207 teachers from 10 schools have benefitted through academic workshops, mentoring sessions and spoken English sessions. To sensitise the teachers on certain behavioural areas, special workshops were additionally conducted.

Case Study: Improving the quality of education provided by school Teachers

Dyansampada, one of the KEF partner schools, is located in Govandi, where STEP runs its Primary Year Programme (PYP). The school teachers taught in vernacular language and were reluctant to follow PYP.

Sunil Pawar, a primary teacher, participated in the programme. Over the period of the intervention, he started following Teaching and Learning Materials (TLM). He soon started conducting lessons in English for the entire duration of 50 minutes, covering the activities given in the TLM. Besides that, after continuous follow-up and motivation meetings with the facilitator, he also started attending Spoken English sessions.

Parent Intervention Programme (PIP)

This programme is aimed at creating awareness among parents on the importance of education in children's lives. The program strengthens the role of parents as an effective support pillar by boosting core parenting skills.

During the year 2,141 parents from 13 schools were empowered through meetings. Additionally 1,874 home visits were conducted with 590 parents. 27 teachers from 6 schools were also trained and mentored to impart core parenting skills through the Teacher Parent Partnership activity.

Parent Intervention Programme at KEF's partner schools

Kotak Umang

KEF's programme on spoken English - 'Kotak Umang' is offered to students from vernacular medium partner schools. In addition to the spoken English skills, the programme also helps students to develop comprehension abilities to boost their confidence. In FY2016-17, the programme taught 4,624 students from 14 schools.

Healthcare Interventions

Prevailing health issues and lack of nutrition is one of the important reasons for children dropping out of school. KEF's health interventions enable underprivileged children to take better care of their health and ensure continuation of their education. Various health interventions were undertaken to create awareness on the preventive and curative measures for children studying in its partner schools on a regular basis.

Eye Care: Eye check-up was conducted in seven schools, and remedial action was provided to 8,960 children. Additionally, 12 corrective surgeries were performed and 1,225 spectacles were distributed.

Kishori Sehat Abhiyan: This initiative deals with measures to curb anaemia among adolescent girls by providing iron tablets and clinical help in 11 schools benefitting 875 girls, of which 42% showed improvement.

Parvarish: Through this project, KEF attempted to address the problem of malnutrition among students from junior KG to Standard 4. By creating awareness, conducting clinical sessions and home visits in three schools, KEF reached out to 99 children, of which 17% showed improvement.

Majhi Swachh Shaala: The project helped in inculcating habits for personal health and hygiene through awareness sessions in 6 schools.

Dhwani: The project deals with ear check-ups in five partner schools. 64 students with hearing impairment benefitted in FY2016-17.

Mid-Day Meal Programme

Kotak's Mid-Day Meal programme is a unique model. While the government's Mid-Day Meal programme covers students from Standard 1 to 8 in all government-aided schools, students in junior and senior kindergarten and Standards 9 and 10 are not covered. It also does not include schools which are not aided by the government. Kotak's Mid-Day Meal plugs these critical gaps to ensure that students who do not get benefits from the government's Mid-Day Meal programme get fresh, hot and nutritious food.

During the reporting period, KEF provided Mid-Day Meals to 4,841 students in 14 partner schools. Since the start of the programme, more than 3 lakh meals have been served.

With several structural changes implemented with the programme, KEF was able to ensure more students had access to meals as well as the students were eating the meals provided.

Generating income through skill-building

Kotak Unnati

Kotak Unnati is a 'Vocational Training' programme for school and college dropouts between the age group of 18-25 years across five centres. After completing three months of training, the youth are placed in leading organisations from the retail and hospitality industries. KEF's placement record for aspirants who successfully complete the training is 97%.

Case Study: Educating young mothers to become independent and successful

A young girl Sheetal, separated from her husband, landed in Mumbai city with an infant in arms. In order to sustain and take care of her infant, she was in need of financial support. She was trained as part of the Unnati Programme. The programme led to an improvement in her behaviour, speech, confidence and grooming. She even anchored the parents meeting event with ease. Today, she has a job at a leading retail store as Customer Sales Assistant. She is happier, more confident and looks to build a brighter tomorrow.

A new initiative of offering part-time "Earn and Learn" course for the underprivileged in colleges to support earning for mainstream education was implemented. New avenues in placement sourcing included industries such as finance, hospital, logistics and e-commerce, and functions like operations, sales, marketing, HR, and customer service.

During FY2016-17, KEF witnessed 1,108 aspirants being trained out of which 69.58% belong to the below the poverty line (BPL) category. A key highlight during the year was the employment of 26 aspirants across the Kotak Group.

Kotak in Search of Excellence (KISE)

KISE is a scholarship program that recognises and honours the achievements of students of KEF partner schools. These students, despite challenging circumstances, have managed to excel in academics and score brilliantly in their Standard 10 board exams. Every year, KISE rewards such students with a scholarship to cover their basic educational needs. In FY2016-17, 133 students were selected for the KISE scholarship.

In FY2016-17, over 75% of the KISE scholars have secured admissions in professional courses like medical, engineering, optometry, nursing, interior design, hospitality, hotel management etc. KEF has also entered into an agreement with ITM Group of Institutions for providing freeship to meritorious students to pursue higher education in health science, hospitality, engineering and fashion design. For the academic year 2016-17, ITM extended freeship to 13 students across their campuses in Mumbai and Vadodara.

Case Study: Using the KISE scholarship to access higher levels of education

Shreedhar Dhopat, who belonged to a humble farmer family from Ratnagiri nursed the dream of curing and saving people, and had to leave his native to live with his married sister in Mumbai right from Standard 5. Shreedhar showed his academic potential by, scoring 94% in his class 10 board exams.

He was awarded with the KISE Scholarship in 2013. He continued his academic pursuits in the field of Science and scored 82.31% in his Standard 12 and also did well in the State Medical Entrance Exam. Through rigorous studies, he scored a phenomenal 185/200 in MH-CET (Medical Entrance) to secure a seat in Seth G. S. Medical College (KEM), one of India's best Medical Colleges.

Kotak Udaan

Kotak Udaan is a scholarship program focusing on economically backward students of KEF partner schools. These students are selected in Standard 8 on the basis of their hardships. These include orphans, children from single parent families, first generation learners, etc. All of them make efforts to overcome generational disadvantages endured due to their socio-economic hardships. They are at a high risk of dropping out before completing their schooling. During FY2016-17, Udaan efforts have managed to keep 98.5% of these students in school.

Empowering marginalised students through Kotak Udaan

Recently, Udaan extended its support to Standards 9 to 12 as well. During FY2016-17, a total of 811 students from these grades have benefitted from the Udaan initiatives.

The lives of 331 students have been touched through a combination of coaching classes, support with college fees, online college admission, home visits, monthly 'Safalta' events and need-based textbooks, interview practice and clothes, documentation for college and jobs etc. 97% of the students scored over 69%, of which 29% scored over 75%. A lasting effect of its efforts was visible in the number of students continuing their education beyond SSC.

Infrastructure Support

Through KEF, Kotak extended major infrastructure support to two schools (Noor-ul-Islam High School and Shivam High School) in Mumbai. The support was provided for construction of toilets, refurbishment and repair work for windows, doors, roofs, electrical and plumbing, drainage systems, structural strengthening of building, etc. in FY2016-17.

School infrastructure support project

In addition to these schools, Kotak's infrastructure support (through KEF) has benefitted several other schools, and impacted the lives of more than 6,000 students and 167 teachers positively in FY2016-17.

In its endeavour to offer an environment which is safe, healthy and functional, the Bank has provided 119 chalkboards to 12 partner schools, 402 fans to 16 partner schools, 270 LED tube lights to 10 partner schools and 1,016 sitting benches to 14 partner schools in FY2016-17.

Kona Kona Charity

Kotak rolled out the Kona Kona Cashfree contest in early December 2016 where the Bank promised to give ₹ 10/- to charitable causes for every digital transaction that customers made. Fulfilling the promise, Kotak rolled out CSR projects of over ₹ 1 crore through seven NGOs – IIMPACT[1], Teach to Lead[2], Purkal Youth Development Society[3], IT For Change[4], Oscar Foundation[5], Samvedna Trust[6] and The Gujarat Cancer & Research[7]. Each NGO is championing a worthy cause in Kona Kona of India.


Creating social impact while going cashfree

Kotak Bats for the Blind


Supporting the cause of visually challenged

Kotak supported the cause of visually challenged in association with the Blind Welfare Organisation for the seventh edition of the National Blind Cricket Tournament in January 2017. Players from eight state teams across India's Kona Kona – Gujarat, Haryana, Jammu and Kashmir, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and West Bengal – participated in the tournament.

Kotak Mahindra Group CSR Activities

The Group supports several projects of its partner NGOs through employee engagement and volunteering initiatives.

Blood Donation

The Bank organised a Blood Donation camp from November 11-29, 2016 to celebrate Kotak Group Day which is celebrated annually on November 21. The camp was organised at 22 locations across 11 cities – Pune, New Delhi, Coimbatore, Kochi, Chennai, Bengaluru, Ahmedabad, Surat, Vadodara, Hyderabad and Mumbai. A total of 1,451 bottles of blood was collected during the blood donation week.


Blood donation drive organised across 11 cities

Building Homes for the Homeless


Employees volunteer in Habitat for Humanity's Build programme in a village near Karjat

The Bank sponsored 60 employees (batch of 30 each from Mumbai and Bangalore) for Habitat for Humanity's 'Volunteer Build' at a village near Karjat (Mumbai) and at a village near Nagenahalli (Bengaluru). Employees assisted the villagers with brick-laying and painting work.

Swachh Bharat Abhiyaan Initiative

The Bank sponsored 100 employees to run the Powai Run 2017, Mumbai. Post the marathon, a Swachh Bharat Abhiyaan drive was conducted wherein employees of the group cleaned up the venue.

Mumbai Marathon 2017

The Bank sponsored 90 employees to run the Standard Chartered Mumbai Marathon 2016. Employees ran to support Cancer Patients Aid Association (CPAA), Indian Council for Mental Health, SOPAN and Kotak Education Foundation.

Employees participated in Mumbai Marathon 2017 and raised pledges in support of 4 NGOs

Kotak runners raised pledges amounting to ₹ 1.14 crore and collectively with the Bank's contribution, the total funds raised amounts to ₹ 1.30 crore. Kotak has been acknowledged as the 2nd highest fundraising corporate in the corporate challenge category.

KVS Manian, President, Corporate Banking raised ₹ 45.3 lakh and was acknowledged as 'Highest Fundraising Change Champion for CPAA'. Shanti Ekambaram, President – Consumer Banking raised ₹ 34.5 lakh and was acknowledged as 'Change Champion for SOPAN'.

Delhi Half Marathon 2016

The Bank sponsored 40 employees to run the Airtel Delhi Half Marathon. Employees ran for the NGO – Action for Ability Development and Inclusion which works for rehabilitation and management of persons with cerebral palsy and other disabling neurological conditions in rural areas and small towns.

Employees participated in Delhi Half Marathon 2016 and raised pledges for the NGO - Aadi

Women employees participated in Pinkathon for breast cancer awarness

Pinkathon

The Bank sponsored 50 women employees to participate in Pinkathon New Delhi and 145 women in Pinkathon Mumbai - a run for women to spread awareness on breast cancer. The Bank was awarded with 'Highest Employee Participation' in Pinkathon Mumbai.

Employee driven CSR programmes

'You CAN SERVE' is the Bank's newspaper collection drive

Conducted in association with the NGO - Dhanwantari Medical Trust (DMT), this CSR programme helps and supports cancer affected children and their families. Under this initiative old newspapers, magazines and cartons are collected from Kotak offices in Mumbai and handed over to DMT. The funds generated from sale of the collected items are utilised by DMT to support child cancer patients in the form of 'Monthly Grains Support' (MGS).

In FY2016-17 a total of 12,578 kg of newspaper and 9,592 kg cartons were collected that generated ₹ 1,74,308 for cancer affected children and their families.

Kotak Mahindra Group Payroll Giving Programme

Kotak Mahindra Group Payroll Giving Programme supported The Akanksha Foundation, Cancer Patients Aid Association (CPAA), National Association for the Blind (NAB), Dignity Foundation, Make-A-Wish Foundation of India, SOPAN (Society of Parents of Children with Autistic Disorders) and Humane Touch Trust.

As on March 31, 2017, 4,204 employees were part of the Kotak Payroll Giving Programme and did their bit by contributing ₹ 75,66,184.20 to these NGOs from their salaries.

Other Initiatives

The Bank celebrated Daan Utsav (earlier known as 'Joy of Giving Week') with five NGOs – CC Shroff Self Help Centre, Phuspanjali Bachatgat, After Taste, SUADHA and Dr. M L Dhawale Memorial Trust. The sale proceeds amounting to ₹ 1,58,120 were contributed to these NGOs that work in the field of women empowerment, creating livelihood opportunities for migrants and lower socio-economic groups.

International Women's day was celebrated with an NGO exhibition with SNEHA (Society for Nutrition, Education and Health Action). SNEHA works with underprivileged women from slum areas, and trains them to make bags, pouches, table runners, pillow covers, show bags, etc. Sale proceeds for the exhibition, amounting to ₹ 28,550, were contributed to the empowerment of women through vocation skills training.

PRINCIPLE 9: CUSTOMER VALUE

Kotak understands the necessity of enhancing customer value and has taken various steps to improve its relationship with its customers. Further, Kotak aims to improve the customer management system and create a positive experience in the customer service journey, by implementing a constant feedback mechanism.

Developing Customer Loyalty and Enhancing Customer Satisfaction

As one of the leading private banks in the country today, Kotak featured in several customer satisfaction surveys conducted by external agencies. One such survey was the Forrester India CX Index conducted in 2016.

Kotak Mahindra Bank leads the Forrester India CX Index 2016 as well as The India Customer Experience Index, 2016 in the banking sector.

Industry	CX Index™ leader brand(s)
Auto and home insurance providers	Tata AIG, Bharti AXA
Banks	**Kotak Mahindra Bank**
Credit card providers	American Express
Digital-only retailers	Big Basket, Amazon
Mobile manufacturers	Apple
PC manufacturers	Apple
Traditional retailers	Best Price
Wireless service providers	Idea Cellular
Auto and home insurance providers	Tata AIG, Bharti AXA

Initiatives Implemented to Enhance Customer Value

India has changed gears in its journey to become a digitally connected and savvy country. As a measure towards this goal, Kotak has implemented several digital initiatives during FY2016-17, which is also contributing for an enhanced customer experience. Some of these initiatives include:

- Aligning with the Government's vision of 'Digital India', Kotak 811 has been designed around the idea of simplicity and ease of use. 811 offers a zero balance savings account with zero charges for all digital transactions, where customers can earn up to 6% p.a. on their savings account balances. With 811, Kotak Mahindra Bank plans to double its customer base in the next 18 months.

  811 offers a completely digital and paperless account opening experience across nearly 700 locations in India. It can be opened anywhere, anytime, within a few minutes, using Kotak's mobile banking application. Kotak is the first bank in India to integrate the newly-introduced Aadhaar-based OTP authentication process for account opening on mobile phones.

- A new image-based processing service has been initiated on a pilot basis to reduce the turn-around time for account opening to approximately four hours instead of the initial 2-3 days. Currently, the process has been implemented across seven branches.

- The Bank's sales teams have transitioned to an Aadhaar-based digital and paperless biometric account opening process. It was launched in February 2017 and approximately 1,400 accounts have been opened using this digital platform since then.

  As a part of Kotak's net-banking services, the Bank has implemented the process of online updation of customer demographics such as mobile number, email ID, address for correspondence, mother's maiden name, PAN and Aadhaar number.

- A 'Query Resolution Unit' (QRU) in association with the Customer Contact Centre (CCC) went live in November2016. The implementation of this unit resulted in customer queries being resolved within 24 hours and an increased customer satisfaction index. Further, the unit was able to address 19% additional customer service requests and queries that were otherwise assigned to other teams by the CCC.

- A business process re-engineering project was implemented, tested and incubated throughout FY2016-17 to do away with obsolete management systems and modify systems and processes in accordance with the current requirements and expectations of the Bank's customers.

- In a move to support the Government of India's Digital India and cashless initiative, Kotak has become India's first bank to launch access to DigiLocker Service on the Bank's net banking platform. Through this platform, customers can eliminate the submission of physical documents as their Aadhaar-linked documents can be automatically fetched from the Digilocker partner institutions. Customers can also download pre-verified documents themselves by providing key details.

- The Kotak Mobile application was fortified with availability of leading e-commerce merchants. The application provides the customer with a secure in-app shopping environment and allows them to book air tickets, hotels and bus tickets, as well.

- The Bank offers wide range of online channels that includes net banking, mobile banking, ATM, phone banking and kiosk banking. In its endeavour to enhance customer experience, the Bank launched the 'Tablet Banking' application. This Tablet Application is capable of carrying out transactions and requests such as funds transfer, billpay, recharge, cheque book, stop payment, view rates, other products, offers, etc.

- KayPay is Kotak's first UPI based, bank agnostic payment application. UPI is a platform that provides customers of any participating bank to send or receive money using any UPI enabled mobile application. The app can also be used to send 'collect money' requests and pay merchants using 'collect money' requests received.

Ensuring Customer Privacy

Personal information and financial transactions are entirely confidential and Kotak takes the issue of customer confidentiality breaches very seriously. The Bank is constantly making its employees aware of 'Information Security' which includes protecting information and information systems from unauthorised access, use, disclosure in addition to developing new technological innovations to ensure the absolute protection of all customers' data.

Data Leakage Prevention (DLP)

Kotak has deployed a Data leakage Prevention (DLP) solution to protect customer information from un-authorised disclosure. The solution is implemented for monitoring data on Internet, e-mail and endpoints (Laptops and select desktops). All the critical backups sent to offsite locations are in an encrypted format.

An independent monitoring team monitors the alerts and sends it to the SPOC within the business unit for further action. In addition to DLP, a lot of critical functions that have access to customer demographics have been moved to a virtual desktop. All the data is stored centrally and this has minimised the risk of loss of data.

Fraud and Risk Management (FRM)

Kotak has deployed an enterprise-wide FRM system which adopts a holistic approach. It analyses the risk involved in a transaction, by gathering and using information available from client transaction and behaviour. Through behaviour profiling, enterprise-wide systems can identify and discover behaviour that appears suspicious and unusual based on the rules defined. All these functionalities have been built into the "Clari5" FRM solution.

With the implementation of Clari5, the Bank has also created a separate "Transaction Monitoring Team" which monitors customer transactions.

Grievance Redressal Mechanisms

Kotak has a number of mechanisms for gathering feedback and grievances from its myriad stakeholders and resolving them to their satisfaction. For the Bank's customers, the grievance redressal mechanism is well publicised across its branches, websites, etc. A customer can formally lodge a grievance through various modes like email, letter, fax, phone and branch visits. The complaints are recorded and monitored by way of a service request number. There are well defined timelines for different types of customer issues and the Bank ensures that a resolution is provided within the said time frame.

The resolution of complaints is communicated back to respective customers, post which the service request is closed. If the request is not satisfactorily addressed, then the customer has the option of escalating it to senior management.

The Bank has a 24*7 customer service support for customers raising their grievances through social media. Grievances received through various social media platforms are prioritised for resolution. Uday Kotak, Executive Vice Chairman & Managing Driector, Kotak Mahindra Bank has a personal Twitter handle, and it is continuously monitored and reviewed for customer issues if any.

Leading Ladies' Initiative of Wealth Management vertical

'Leading Ladies' is an exclusive knowledge programme crafted for the wives of existing wealth management clients to offer a knowhow on the basics of capital markets, asset classes and investments. This is a four week long programme, spread over eight sessions, that covers basic concepts of economics and banking services.

This year, the Bank organised four training programs across three metro cities. The training sessions covered topics such as basics of investment, macro economy, debt, equity, fundamental analysis and technical analysis, various products, industry interactions, Liberalised Remittance Scheme (LRS), private equity, real estate, philanthropy and estate planning.

SECTION A – GENERAL INFORMATION ABOUT THE COMPANY

1	Corporate Identity Number (CIN) of the Company	L65110MH1985PLC038137
2	Name of the Company	Kotak Mahindra Bank Limited
3	Registered address	27BKC, C-27, G-Block, Bandra Kurla Complex, Bandra East, Mumbai 400051
4	Website	www.Kotak.com
5	Email id	csr@Kotak.com
6	Financial year reported	2016-17
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	Code: 64191 – Kotak Mahindra Bank is a banking company governed by the Banking Regulation Act, 1949
8	Three key products/services of the Company (as in balance sheet)	Deposits, Advances and Investment Advisory.
9 (i)	Number of international locations	None
9 (ii)	Number of National locations	As on March 31, 2017, the Bank has a network of 1,369 full-fledged branches spread across 689 locations and 2,163 ATMs.
10	Markets served by the Company – Local/State/National/International/	India

SECTION B – FINANCIAL DETAIL ABOUT THE COMPANY

1	Paid up capital (INR)	₹ 920.45 Crore as on 31st March, 2017
2	Total turnover (INR)	₹ 21,176.09 Crore (Bank standalone)
3	Total profit after taxes (INR)	₹ 3,411.50 Crore (Bank standalone)
4	CSR spend as percentage of profit after tax (%)	0.51%
5	List of CSR activities	Refer 'Inclusive growth' section of 'Business Responsibility Report'
6	Financial year reported	2016-17

SECTION C – OTHER DETAILS

1	Company subsidiaries / joint-ventures	Refer Related Party Disclosures of the Annual Report
2	Subsidiaries participating in Company's BR initiatives	Nil
3	Other entities ((e.g. suppliers, distributors etc.) participating in Company's BR initiatives	Nil

SECTION D – BUSINESS RESPONSIBILITY INFORMATION (BR)

1.a	Director responsible for implementation of BR policies (DIN)	00012214
	Director responsible for implementation of BR policies (Name)	Mr. C. Jayaram
	Director responsible for implementation of BR policies (Designation)	Non-Executive Non-Independent Director and Chairman of CSR Committee
1.b	BR Head (DIN, if applicable)	N.A.
	BR Head (Name)	Mr. Rohit Rao
	BR Head (Designation)	Head, Executive Vice President– Corporate Communication, Business Responsibility and CSR
	BR Head (Telephone number)	+91-22-6166 6001
	BR Head (email id)	rohit.rao@Kotak.com

Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

		P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1.	Policy/policies for....	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Policy being formulated in consultation with the relevant stakeholders . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Policy conforming to national /international standards . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
4.	Policy approved by the	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Board and signed by MD/CEO/appropriate Director . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Committee of the Board/ Director/Official to oversee the implementation of the policy . . .	All policies are available on the Bank's intranet.								
7.	Link for the policy to be viewed online . . .	Yes. Policies have been communicated to all key internal stakeholders of the Bank. The communication on policies covering all internal and external stakeholders is an on-going process.								
8.	Policy formally communicated to all relevant internal and external stakeholders . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	In-house structure to implement the policy/policies . . .	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/policies . . .	Evaluation done through internal audit mechanism.								
	Independent audit/evaluation of the working of this policy by an internal or external agency									

2a. If the answer to S. No. 1 against any principle is 'No', please explain why – Not Applicable

SECTION D: BR GOVERNANCE

1.a	Frequency of Board of Directors, Committee of the Board or CEO review of BR performance	Board CSR Committee held one meeting on 22nd November 2016, and all Directors were present for the meeting.
1.b	BR report or sustainability (frequency and hyperlink)	BR Report Frequency: Annual Hyperlink: www.Kotak.com

SECTION E: PRINCIPLE WISE PERFORMANCE

Principle 1		
1	Policy relating to ethics, bribery and corruption covering the Company and Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others	Refer 'Policy framework' section of 'Business Responsibility Report'
2	Stakeholder complaints received in FY 2016-17	14
3	Percentage of stakeholder complaints resolved	100%
Principle 2		
1	Products and services designed with social or environmental concerns, risks and/ or opportunities incorporate	1. Basic Savings Bank, Deposits Accounts 2. Agri business banking products 3. Tractor financing Additionally refer 'Financial Inclusion' section of the 'Business Responsibility Report'
2	i. Reduction with respect to resource use (energy, water, raw material etc.) per unit of product during sourcing/production/ distribution achieved since the previous year throughout the value chain (optional) ii. Reduction during usage by customers (energy, water) has been achieved since the previous year (optional)	N.A.
3	Procedures for sustainable sourcing (including transportation)	N.A.
4	Procurement of goods and services from local and small producers, including local communities	The Bank does not procure any goods for processing. The manpower services for offices and branches are generally hired from local agencies, Bank website, job-portals, internal movements, walk-ins, or through references.
5	Mechanism to recycle products and waste	Refer 'Environment section of the 'Business Responsibility Report'
Principle 3		
1	Total number of employees (as at 31.03.2016)	33,013
2	Total number of employees hired on temporary/contractual/casual basis (as at 31.03.2013)	1,239
3	Total number of permanent women employees (as at 31.03.2013)	6,791
4	Total number of permanent employees with disabilities (as at 31.03.2016)	N.A.
5	Employee association recognised by management	2,787 (Unionised)
A section of officers comprising about 842 on IBA cadre are members of Bank Officers' Association and they are recognised Association. In the case of non-officers category about 1,945 employees are members of All India Kotak Mahindra Bank Employees' Union which is recognised by the management. Apart from this through employee engagement mechanism the Bank directly engages with all employee on various expects of employee well-being. For more details please refer to employee well-being section of the 'Business Responsibility Report.'		
6	Percentage of permanent employees part of employee association	8.44%
7.1	Child labour/forced labour/involuntary labour complaints filed (pending)	Nil
7.2	Sexual harassments complaints filed	7
7.3	Discriminatory employment complaints filed	Nil
8.1	Percentage of employees covered with safety and skill upgradation training (permanent employees)	82%
8.2	Percentage of employees covered with safety and skill upgradation training (permanent women employees)	84%
8.3	Percentage of employees covered with safety and skill upgradation training (Casual/Temporary/Contractual)	62%
8.4	Percentage of employees covered with safety and skill upgradation training (Employees with disabilities)	Included in total number of employees

Principle 4		
1	Mapping of internal and external stakeholders	Refer 'Stakeholder Engagement' section of 'Business Responsibility Report'
2	Identification of the disadvantaged, vulnerable and marginalised stakeholders.	Refer 'Stakeholder Engagement' section of 'Business Responsibility Report'
3	Special initiatives to engage disadvantaged, vulnerable and marginalised stakeholders	Refer 'Financial inclusion' section of 'Business Responsibility Report'
Principle 5		
1	Policy relating to Human Rights covering the Company and Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others	Refer 'Policy framework' section of 'Business Responsibility Report'
2	Stakeholder complaints on human rights received (percentage resolved)	Nil
Principle 6		
1	Policy relating to Environment covering the Company and Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others	Refer 'Policy framework' section of 'Business Responsibility Report'
2	Strategies/ initiatives to address global environmental issues such as climate change, global warming, etc	Refer 'Environment' section of 'Business Responsibility Report'
3	Identification and assessment of potential environmental risks	Refer 'Environment' section of 'Business Responsibility Report'
4	Projects related to Clean Development Mechanism	None
5	Initiatives on clean technology, energy efficiency, renewable energy, etc.	Refer 'Environment' section of 'Business Responsibility Report'
6	Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB	Yes
7	Number of show cause/ legal notices received from CPCB/SPCB which are pending	Nil
Principle 7		
1	Trade or chamber association memberships	Refer 'Policy advocacy' section of 'Business Responsibility Report'
2	Advocacy through above associations for the advancement or improvement of public good	Refer 'Policy advocacy' section of 'Business Responsibility Report'
Principle 8		
1	Programmes / initiatives / projects related to inclusive growth	Refer 'Inclusive growth' section of 'Business Responsibility Report'
2	Programmes/projects undertaken through in-house team/own foundation/ external NGO/government structures/any other organisation	Refer 'Inclusive growth' section of 'Business Responsibility Report'
3	Impact assessment of initiatives	Refer 'Inclusive growth' section of 'Business Responsibility Report'
4	Direct contribution to community development projects- Amount in INR and the details of the projects undertaken	INR 17,33,14,520. Refer 'Inclusive growth' section of 'Business Responsibility Report'
5	Successful adoption of community initiatives by communities	Refer 'Inclusive growth' section of 'Business Responsibility Report'
Principle 9		
1	Percentage of customer complaints/consumer cases are pending	3.17%
2	Product information display on the product label, over and above what is mandated as per local laws	Refer 'Customer value' section of 'Business Responsibility Report'
3	Cases filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years	Nil
4	Consumer survey/ consumer satisfaction trends	Refer 'Customer value' section of 'Business Responsibility Report'