Preliminary Placement Document
Subject to Completion
Not for Circulation and Strictly Confidential
Serial Number: ________

The information in this Preliminary Placement Document is not complete and may be changed. The Issue is meant only for QIBs on a private placement basis and is not an offer to the public or to any other class of investors to purchase the Equity Shares. This Preliminary Placement Document is not an offer to sell any Equity Shares and is not soliciting an offer to subscribe or buy the Equity Shares in any jurisdiction where such offer or sale is not permitted. It is being issued for the sole purpose of information or discussion relating to the Equity Shares that may be allotted through the Placement Document.

KOTAK MAHINDRA BANK LIMITED

Registered Office: 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051

Tel: +91 22 6166 0001 | **Fax:** +91 22 6713 2403
E-mail: investor.grievances@kotak.com | **Website**: www.kotak.com | CIN: L65110MH1985PLC038137
(Incorporated in the Republic of India as a company with limited liability under the Companies Act, 1956 and licensed under the Banking Regulation Act, 1949)

Our Bank was incorporated as Kotak Capital Management Finance Limited on November 21, 1985 under the Companies Act, 1956, as a public limited company. A certificate of commencement of business was issued on February 11, 1986. The name of our Bank was changed to Kotak Mahindra Finance Limited on April 8, 1986 and a fresh certificate of incorporation was issued. Subsequently, the name of our Bank was changed to Kotak Mahindra Bank Limited with effect from March 21, 2003 and a fresh certificate of incorporation was issued. For details, please see the section entitled "*General Information*" on page 241.

Kotak Mahindra Bank Limited (our "**Bank**" or the "**Issuer**") is issuing up to [●] equity shares of a face value of ₹ 5 each (the "**Equity Shares**") at a price of ₹ [●] per Equity Share (the "**Issue Price**"), including a premium of ₹ [●] per Equity Share, aggregating to ₹ [●] million (the "**Issue**"). For further details, please see the section entitled "*Summary of the Issue*" on page 32.

ISSUE IN ACCORDANCE WITH CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE "SEBI ICDR REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED, AND THE RULES MADE THEREUNDER

THE ISSUE, AND THE DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING MADE TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED UNDER THE SEBI ICDR REGULATIONS ("QIBs") IN RELIANCE UPON CHAPTER VIII OF THE SEBI ICDR REGULATIONS AND SECTION 42 OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER. THIS PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH BIDDER AND DOES NOT CONSTITUTE AN OFFER OR INVITATION TO OFFER OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN TO QIBs.

YOU ARE NOT AUTHORISED TO, AND MAY NOT, (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION, OR REPRODUCTION OF, THIS PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

INVESTMENTS IN EQUITY SHARES INVOLVE A DEGREE OF RISK AND BIDDERS SHOULD NOT INVEST IN THIS ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL, OR PART, OF THEIR INVESTMENT. BIDDERS ARE ADVISED TO CAREFULLY READ "*RISK FACTORS*" ON PAGE 41 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THIS ISSUE. EACH BIDDER IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS ISSUE. BIDDERS OF THE EQUITY SHARES OFFERED SHOULD CONDUCT THEIR OWN DUE DILIGENCE ON THE EQUITY SHARES. IF YOU DO NOT UNDERSTAND THE CONTENTS OF THIS PRELIMINARY PLACEMENT DOCUMENT, YOU SHOULD CONSULT AN AUTHORISED FINANCIAL ADVISER.

The Equity Shares are listed on National Stock Exchange of India Limited ("**NSE**") and BSE Limited ("**BSE**", together with NSE, the "**Stock Exchanges**"). The closing price of the outstanding Equity Shares on BSE and NSE on May 10, 2017 was ₹ 926.45 and ₹ 927.65 per Equity Share, respectively. In-principle approvals under Regulation 28(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "**SEBI Listing Regulations**") for listing of the Equity Shares have been received from each of BSE and NSE on May 10, 2017 and May 10, 2017, respectively. Applications shall be made for obtaining the final listing and trading approvals for Equity Shares to be issued pursuant to the Issue on the Stock Exchanges. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued pursuant to the Issue for trading on the Stock Exchanges should not be taken as an indication of the merits of the business of our Bank or the Equity Shares.

A copy of this Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4 (as defined hereinafter)) has been delivered to the Stock Exchanges. A copy of the Placement Document (which will include disclosures prescribed under Form PAS-4) will also be delivered to the Stock Exchanges and the Registrar of Companies, Maharashtra at Mumbai (the "**RoC**"). Our Bank shall also make the requisite filings with the RoC and the Securities and Exchange Board of India ("**SEBI**") within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended. This Preliminary Placement Document has not been reviewed by SEBI, the Reserve Bank of India ("**RBI**"), the Stock Exchanges, the RoC or any other regulatory or listing authority and is intended only for use by QIBs. This Preliminary Placement Document has not been and will not be registered as a prospectus with the RoC, will not be circulated or distributed to the public in India or any other jurisdiction, and will not constitute a public offer in India or any other jurisdiction.

Invitations for subscription of Equity Shares to be issued pursuant to this Issue shall only be made pursuant to this Preliminary Placement Document together with the Application Form (as defined hereinafter). For further details, please see the section entitled "*Issue Procedure*" on page 197. The distribution of this Preliminary Placement Document or the disclosure of its contents without our Bank's prior consent to any person, other than QIBs and persons retained by QIBs to advise them with respect to their subscription to Equity Shares, is unauthorised and prohibited. Each Bidder, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

The information on our Bank's website or any website directly or indirectly linked to our Bank's website does not constitute nor should form part of this Preliminary Placement Document and Bidders should not rely on such information contained in, or available through, any such websites.

The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S ("**Regulation S**") under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons who are qualified institutional buyers (as defined in Rule 144A under the Securities Act ("**Rule 144A**") and referred to in this Preliminary Placement Document as "**U.S. QIBs**") pursuant to applicable exemptions under the Securities Act, and (b) outside the United States in an "offshore transaction" (as defined in Regulation S) in reliance on Regulation S. Prospective purchasers in the United States are hereby notified that our Bank is relying on the exemption under Section 4(a)(2) of the Securities Act. The Equity Shares are transferable only in accordance with the restrictions described under "*Transfer Restrictions and Purchaser Representations*" on page 214. For the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Preliminary Placement Document as "**QIBs**".

GLOBAL CO-ORDINATORS AND BOOK RUNNING LEAD MANAGERS (Names listed in alphabetical order)

DSP Merrill Lynch Limited	**Kotak Mahindra Capital Company Limited***	**Morgan Stanley India Company Private Limited**

**Kotak Mahindra Capital Company Limited is a Subsidiary of our Bank. In compliance with Regulation 21A of the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, Kotak Mahindra Capital Company Limited would be involved only in the marketing of the Issue.*

This Preliminary Placement Document is dated May 11, 2017.

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NOTICE TO INVESTORS

Our Bank has furnished, and accepts full responsibility for all of the information contained in this Preliminary Placement Document and confirms that to the best of its knowledge and belief, having made all reasonable enquiries, this Preliminary Placement Document contains all information with respect to our Bank and the Equity Shares which the Bank considers material in the context of the Issue. The statements contained in this Preliminary Placement Document relating to our Group and the Equity Shares are, in all material respects, true and accurate and are not misleading, and the opinions and intentions expressed in this Preliminary Placement Document with regard to our Bank and the Equity Shares are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and information presently available to us. There are no other facts in relation to our Bank and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, our Bank has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements.

DSP Merrill Lynch Limited, Kotak Mahindra Capital Company Limited and Morgan Stanley India Company Private Limited (collectively, the "**Global Co-ordinators and Book Running Lead Managers**" or the "**GCBRLMs**"), have not separately verified all of the information contained in this Preliminary Placement Document (financial, legal or otherwise). Accordingly, none of the GCBRLMs or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the GCBRLMs or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with the issue or the distribution of the Equity Shares. Each person receiving this Preliminary Placement Document acknowledges that such person has neither relied on the GCBRLMs nor any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates other than the Bank in connection with such person's investigation of the accuracy of such information or such person's investment decision, and each such person must rely on its own examination of our Bank and the merits and risks involved in investing in the Equity Shares.

No person is authorised to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the GCBRLMs. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The Equity Shares to be issued pursuant to the Issue have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any other federal or state authorities in the United States or the securities authorities of any non-U.S. jurisdiction or any other U.S. or non-U.S. regulatory authority. No authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Preliminary Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

The distribution of this Preliminary Placement Document and the issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Preliminary Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Bank or the GCBRLMs which would permit an offering of the Equity Shares or distribution of this Preliminary Placement Document in any jurisdiction other than India where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any Issue materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction that would require registration of the Equity Shares in such country or jurisdiction.

The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Within the United States, this Preliminary Placement Document is being provided only to persons who are U.S. QIBs. Distribution of this Preliminary Placement Document to any person other than the offeree specified by the GCBRLMs or their respective representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised, and any disclosure of its contents, without prior written consent of our Bank, is prohibited. Any reproduction or distribution of this Preliminary Placement Document in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited.

Notice to Investors in Canada

Prospective Canadian investors are advised that the information contained within this Preliminary Placement Document has not been prepared with regard to matters that may be of particular concern to Canadian investors. Accordingly, prospective Canadian investors should consult with their own legal, financial and tax advisers concerning the information contained within the Preliminary Placement Document and as to the suitability of an investment in the Equity Shares in their particular circumstances.

The offer and sale of the Equity Shares in Canada will only be made in the provinces of Alberta, British Columbia, Ontario and Québec or to residents thereof and not in, or to the residents of, any other province or territory of Canada. Such offers and sales will be made only under exemptions from the requirement to file a prospectus in the above mentioned provinces.

The Equity Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions ("**NI-45-106**") or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Equity Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Preliminary Placement Document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the BRLMs are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Issue.

We hereby notify prospective Canadian purchasers that: (a) we may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any Equity Shares purchased) ("personal information"), which Form 45-106F1 may be required to be filed by us under NI 45-106, (b) such personal information may be delivered to the Ontario Securities Commission (the "**OSC**") in accordance with NI 45-106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684. Prospective Canadian purchasers that purchase Equity Shares in the Issue will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Upon receipt of this offering circular, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

In making an investment decision, investors must rely on their own examination of our Bank and the terms of the Issue, including the merits and risks involved. Investors should not construe the contents of this Preliminary Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning the Issue. In addition, neither our Bank nor the GCBRLMs are making any representation to any offeree or subscriber of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or subscriber under applicable laws or regulations.

Each subscriber of the Equity Shares in the Issue is deemed to have acknowledged, represented and agreed that it is a QIB and is eligible to invest in India and in our Bank under Indian laws, including Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 and the rules and regulations made thereunder and is not prohibited by SEBI or any other regulatory authority from buying, selling or dealing in securities. Each subscriber of the Equity Shares also acknowledges that it has been afforded an opportunity to request from our Bank and review information pertaining to our Bank and the Equity Shares. This Preliminary Placement Document contains summaries of certain terms of certain documents, which are qualified in their entirety by the terms and conditions of such documents and disclosures included in the section entitled "Risk Factors" on page 41.

The information on our Bank's website at www.kotak.com or any website directly or indirectly linked to our Bank's website or the website of each of the GCBRLMs, their associates or their affiliates, does not constitute or form part of this Preliminary Placement Document. This Preliminary Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

REPRESENTATIONS BY INVESTORS

References herein to "you" or "your" is to Bidders in the Issue.

By bidding for, or subscribing to, any Equity Share under the Issue, you are deemed to have represented, warranted, acknowledged and agreed with our Bank and the GCBRLMs, as follows:

1. You are a QIB as defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 86(1)(b) of the SEBI ICDR Regulations, having a valid and existing registration under the applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allotted to you in accordance with Chapter VIII of the SEBI ICDR Regulations, the Companies Act and undertake to comply with the SEBI ICDR Regulations and all other applicable laws including any reporting obligations;

2. If you are not a resident of India, but a QIB, you are an Eligible FPI or an FII (including a sub-account other than a sub-account which is a foreign corporate or a foreign individual) having a valid and existing registration with SEBI under the applicable laws in India or a multilateral or bilateral development financial institution, and are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, from buying, selling or dealing in securities. You confirm that you are not an FVCI;

3. You will make all necessary filings with appropriate regulatory authorities, including the RBI, as required pursuant to applicable laws;

4. If you are Allotted the Equity Shares pursuant to the Issue, you shall not, for a period of one year from the date of Allotment, sell the Equity Shares so acquired except on the floor of the Stock Exchanges (additional restrictions apply if you are within the United States), please see the section entitled "*Transfer Restrictions and Purchaser Representations*" on page 214;

5. You are aware that the Equity Shares have not been and will not be registered through a prospectus under the Companies Act, SEBI ICDR Regulations or under any other law in force in India. This Preliminary Placement Document has not been verified or affirmed by RBI, SEBI, the Stock Exchanges or any other regulatory or listing authority and will not be registered with the Registrar of Companies as a prospectus, and is intended only for use by QIBs;

6. You are entitled to subscribe for and acquire the Equity Shares under the laws of all relevant jurisdictions which apply to you, you have the necessary capacity and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities, to enable you to commit to participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in this Preliminary Placement Document), and will honour such obligations;

7. You confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Bank or its agents ("**Bank's Presentations**") with regard to our Bank, the Equity Shares or the Issue; or (ii) if you have participated in or attended any Bank's Presentations: (a) you understand and acknowledge that the GCBRLMs may not have knowledge of the statements that our Bank or its agents may have made at such Bank's Presentations and are therefore unable to determine whether the information provided to you at such Bank's Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the GCBRLMs have advised you not to rely in any way on any information that was provided to you at such Bank's Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

8. None of our Bank, the GCBRLMs or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents, associates or affiliates is making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with the Issue and that participation in the Issue is on the basis that you are not and will not, up to the Allotment, be a client of any of the GCBRLMs. Neither the GCBRLMs nor any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates have any duties or responsibilities to you for providing the protection afforded to their clients or for providing advice in relation to the Issue and are in no way acting in a fiduciary capacity to you;

9. You are aware that if you are Allotted more than 5% of the Equity Shares in the Issue, our Bank shall be required to disclose your name and the number of Equity Shares Allotted to you to the Stock Exchanges, and the Stock Exchanges will make the same available on their website and you consent to such disclosures;

10. You are aware that in accordance with Section 12B of the Banking Regulation Act, 1949 read with the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, dated November 19, 2015, no person (along with his relatives, associate enterprises or persons acting in concert with) can acquire or hold

5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, you hereby represent that your (direct or indirect) aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise:

(i). after subscription to the Equity Shares in the Issue by you, your relatives, your associate enterprises or persons acting in concert with you, aggregated with any pre-Issue shareholding in the Bank of you, your relatives, your associates or persons acting in concert; or

(ii). after subscription to the Equity Shares in the Issue by you aggregated with any pre-Issue shareholding in our Bank of you, your relatives, your associate enterprises or persons acting in concert with you;

shall not amount to 5% or more of the total paid-up share capital of our Bank or would not entitle you to exercise 5% or more of the total voting rights of our Bank, except with the prior approval of the RBI.

11. All statements other than statements of historical fact included in this Preliminary Placement Document, including, without limitation, those regarding our financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and environment in which our Bank will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Preliminary Placement Document. Our Bank assumes no responsibility to update any of the forward-looking statements contained in this Preliminary Placement Document;

12. You have been provided a serially numbered copy of this Preliminary Placement Document and have read this Preliminary Placement Document in its entirety, including, in particular, the section entitled "*Risk Factors*" on page 41;

13. You are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and that the Allotment shall be on a discretionary basis;

14. You have made, or are deemed to have made, as applicable, the representations set forth under the sections entitled "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on pages 208 and 214, respectively;

15. You understand that the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and accordingly, may not be offered or sold within the United States, except in reliance on an exemption from the registration requirements of the Securities Act.;

16. If you are within the United States, you are a U.S. QIB, and are acquiring the Equity Shares for your own account or for the account of an institutional investor who also meets the definition of a U.S. QIB, for investment purposes only, and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part and are not an affiliate of our Bank or a person acting on behalf of such an affiliate;

17. If you are outside the United States, you are subscribing for the Equity Shares in an offshore transaction within the meaning of Regulation S, and are not our Bank's or the GCBRLMs' affiliate or a person acting on behalf of such an affiliate;

18. You are not acquiring or subscribing for the Equity Shares as a result of any general solicitation or general advertising (as those terms are defined in Regulation D) or directed selling efforts (as defined in Regulation S) and you understand and agree that offers and sales are being made in reliance on an exemption to the registration requirements of the Securities Act provided by Section 4(a)(2) of the Securities Act or Regulation S or another available exemption from registration under the Securities Act and the Equity Shares may not be eligible for resale under Rule 144A thereunder. You understand and agree that the Equity Shares are transferable only in accordance with the restrictions described under "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on page 208 and 214, respectively;

19. In making your investment decision, you have (i) relied on your own examination of our Bank and the terms of the Issue, including the merits and risks involved, (ii) made and will continue to make your own assessment of our Bank, the Equity Shares and the terms of the Issue based solely on the information contained in this Preliminary Placement Document, (iii) consulted your own independent advisors or otherwise have satisfied yourself concerning without limitation, the effects of local laws, (iv) relied solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by our Bank, its Directors, Promoter and affiliates, or any other party, (v) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Bank and the Equity Shares and (vi) relied upon your own investigation and resources in deciding to invest in the Issue;

20. You are a sophisticated investor and have such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of an investment in the Equity Shares. You and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares; (ii) will not look to our Bank or any of the GCBRLMs or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates for all or part of any such loss or losses that may be suffered; (iii) are able to sustain a complete loss on the investment in the Equity Shares; (iv) have no need for liquidity with respect to the investment in the Equity Shares; and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You acknowledge that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. You are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to resale or distribute;

21. You agree that in terms of Section 42(7) of the Companies Act, 2013, we shall file the list of QIBs (to whom this Preliminary Placement Document has been circulated) along with other particulars with the RoC and SEBI within 30 days of circulation of this Preliminary Placement Document and other filings required under the Companies Act, 2013;

22. The GCBRLMs or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates have not provided you with any tax advice or otherwise made any representations regarding the tax consequences of the purchase, ownership and disposal of the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice and will not rely on the GCBRLMs or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates or our Bank when evaluating the tax consequences in relation to the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You waive and agree not to assert any claim against the GCBRLMs or our Bank with respect to the tax aspects of the Equity Shares or the Issue or as a result of any tax audits by tax authorities, wherever situated;

23. That where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire the Equity Shares for each managed account; and to make the acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "you" to include such accounts;

24. You are not a Promoter (as defined under the SEBI ICDR Regulations) and are not a person related to the Promoter, either directly or indirectly and your Application does not directly or indirectly represent the Promoter or Promoter Group (as defined under the SEBI ICDR Regulations) of our Bank;

25. You have no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to the Promoter, no veto rights or right to appoint any nominee director on our Board of Directors other than the rights acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoter;

26. The Bid made by you would not result in triggering a tender offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**Takeover Regulations**");

27. You have no right to withdraw your Application after the Bid/Issue Closing Date (as defined hereinafter);

28. You are eligible to apply for and hold Equity Shares so Allotted and together with any securities of our Bank held by you prior to the Issue. You further confirm that your holding upon the issue and allotment of the Equity Shares shall not exceed the level permissible as per any applicable law;

29. To the best of your knowledge and belief, your aggregate holding together with other Bidders in the Issue that belong to the same group or are under common control as you, pursuant to the Allotment under the Issue shall not exceed 50% of the Issue Size. For the purposes of this representation:

    - the expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided under Section 372(11) of the Companies Act, 1956; and

    - 'control' shall have the same meaning as is assigned to it under Regulation 2(1)(e) of the Takeover Regulations.

30. You shall not undertake any trade in the Equity Shares credited to your beneficiary account until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges;

31. You are aware and understand that the GCBRLMs have entered into a placement agreement with our Bank, whereby the GCBRLMs have, subject to the satisfaction of certain conditions set out therein, severally and not jointly, agreed to manage the Issue and use reasonable efforts to procure subscriptions for the Equity Shares on the terms and conditions set forth therein;

32. The contents of this Preliminary Placement Document are exclusively the responsibility of our Bank and that neither the GCBRLMs nor any person acting on their behalf has or shall have any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of our Bank and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By participating in the Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the GCBRLMs or our Bank or any other person and none of the GCBRLMs, our Bank or any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

33. The only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by the GCBRLMs or our Bank and neither the GCBRLMs nor our Bank will be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement that you have obtained or received;

34. You understand that the Equity Shares will, when issued, be credited as fully paid and will rank pari-passu in all respects with the Equity Shares including the right to receive all dividend and other distributions declared, made or paid in respect of the Equity Shares after the date of issue of the Equity Shares;

35. You agree to indemnify and hold our Bank and the GCBRLMs harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of your representations, warranties, acknowledgements and undertakings in this Preliminary Placement Document including this section. You agree that the indemnity set forth in this section shall survive the resale of the Equity Shares by or on behalf of the managed accounts;

36. You are eligible to invest in India and in the Equity Shares under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000, as amended and have not been prohibited by SEBI or any other regulatory authority from buying, selling or dealing in securities;

37. You understand that none of the GCBRLMs has any obligation to purchase or acquire all or any part of the Equity Shares which are subscribed by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by us of any of our respective obligations or any breach of any representations or warranties by us, whether to you or otherwise;

38. You are aware that (i) applications for in-principle approval, in terms of Regulation 28(1) of the SEBI Listing Regulations for listing and admission of the Equity Shares and for trading on BSE and NSE, were made and such approvals have been received from BSE and NSE, and (ii) the application for the final listing and trading approval will be made only after Allotment. There can be no assurance that the final approvals for listing of the Equity Shares will be obtained in time or at all. Our Bank shall not be responsible for any delay or non-receipt of such final approvals or any loss arising from such delay or non-receipt;

39. You are an investor who is seeking to purchase the Equity Shares for your own investment and not with a view to distribution. In particular, you acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares;

40. You agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of India, and the courts in Mumbai, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Preliminary Placement Document and the Placement Document;

41. Each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times, up to and including the Allotment, listing and trading of the Equity Shares in the Issue;

42. You have made, or are deemed to have made, as applicable, the representations set forth in this section entitled "*Representations by Investors*"; and

43. Our Bank, the GCBRLMs, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings which are given to the GCBRLMs on their own behalf and on behalf of our Bank and are irrevocable.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines, and approvals in terms of Regulation 22 of the SEBI FPI Regulations, FPIs (other than a Category III Foreign Portfolio Investor and unregulated broad based funds which are classified as Category II FPIs by virtue of their investment manager being appropriately regulated), may issue, subscribe, or otherwise deal in offshore derivative instruments (referred to herein as "**P-Notes**"), for which they may receive compensation from the purchasers of such instruments. You should ensure that any P-Notes issued by you have been issued in compliance with all applicable laws (including Regulation 22 of the SEBI FPI Regulations and relevant circulars issued by SEBI). P-Notes have not been and are not being offered or sold pursuant to this Preliminary Placement Document. This Preliminary Placement Document does not contain any information concerning P-Notes or the issuer(s) of any P-notes, including any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Bank and do not constitute any obligation of, claims on, or interests in, our Bank. Our Bank has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to our Bank. Our Bank and the GCBRLMs do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the GCBRLMs and do not constitute any obligations of, or claims on, the GCBRLMs. Affiliates of the GCBRLMs which are FPIs may purchase, to the extent permissible under law, the Equity Shares in the Issue, and may issue P-Notes in respect thereof.

Bidders interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuers of such P-Notes and the terms and conditions of any such P-Notes from the issuers of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Bidders are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE

Disclaimer Clause of the Stock Exchanges

As required, a copy of this Preliminary Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Preliminary Placement Document;

2. warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for the financial or other soundness of our Bank, its Promoter, its management or any scheme or project of our Bank;

and it should not for any reason be deemed or construed to mean that this Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription or acquisition, whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Certain Conventions

In this Preliminary Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to "you", "your", "offeree", "purchaser", "subscriber", "recipient", "investors", "prospective investors" and "potential investor" are to the Bidders of Equity Shares in the Issue and references to the "Issuer", "Kotak Bank", "Bank", "our Bank" refers to Kotak Mahindra Bank Limited and references to "we", "us", or "our" are to our Group.

References in this Preliminary Placement Document to "India" are to the Republic of India and its territories and possessions and the "Government" or the "Central Government" or the "state government" are to the Government of India ("**GoI**"), or the governments of any state in India, as applicable and as the case may be. All references herein to the "U.S." or the "United States" are to the United States of America and its territories and possessions. References to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable.

Financial and Other Information

In this Preliminary Placement Document, references to "USD", "$", "U.S.$" and "U.S. dollars" are to the legal currency of the United States and references to, "₹", "Rs.", "INR" and "Rupees" are to the legal currency of India.

Our Bank publishes its Financial Statements in Indian Rupees. The standalone financial statements as at and for the years ended March 31, 2017, March 31, 2016 and March 31, 2015 have been prepared in accordance with the provisions of Banking Regulation Act, 1949 and the Companies Act, 2013 read along with rules thereunder (the "**Standalone Financial Statements**"). The audited consolidated financial statements as at and for the years ended March 31, 2017, March 31, 2016 and March 31, 2015 have been prepared in accordance with Indian GAAP (the "**Consolidated Financial Statements**"). The underlying financial statements of the Subsidiaries and Associates of our Bank are prepared in accordance with Indian GAAP as applicable to those subsidiaries and associates under their regulatory framework. The audited standalone and consolidated financial statements at of and for the years ended March 31, 2017 and March 31, 2016 have been audited by S. R. Batliboi & Co. LLP, Chartered Accountants, while the audited standalone and consolidated financial statements as at and for the year ended March 31, 2015 have been audited by our previous auditors, M/s. S.B. Billimoria & Co., Chartered Accountants, in accordance with the applicable standards on auditing in India prescribed by the ICAI. The eIVBL Scheme was effective from April 1, 2015, accordingly, the financial statements for the Fiscal Year 2015 may not be strictly comparable to Fiscal Year 2016 due to impact of the eIVBL Scheme.

Our audited financial statements as of and for the year ended March 31, 2017 included in this Preliminary Placement Document are to be placed before the shareholders at the next AGM. Our Bank does not quantify the impact of U.S. GAAP or International Financial Reporting Standards ("**IFRS**") on the financial data included in this Preliminary Placement Document, nor does our Bank provide a reconciliation of its financial statements to U.S. GAAP or IFRS. Each of U.S. GAAP and IFRS differ in certain significant respects from Indian GAAP. Accordingly, the degree to which the standalone and consolidated financial statements prepared in accordance with Indian GAAP included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's familiarity with the respective accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited. Please see the section entitled "*Risk Factors*" on page 41 for risks involving differences between Indian GAAP and other accounting principles and auditing standards and risks in relation to Ind AS.

The Financial Year of our Bank commences on April 1 of each calendar year and ends on March 31 of the succeeding calendar year. Unless otherwise stated, references in this Preliminary Placement Document to a particular year are to the calendar year ended on December 31, and to a particular "Financial" or "Financial Year" or "FY" are to the financial year ended on March 31.

All figures appearing in this Preliminary Placement Document have been rounded off to two decimal places. Accordingly, the figure shown as totals herein may be not be an arithmetic aggregation of the figures which precede them.

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates, other industry data and certain industry forecasts pertaining to the business of our Bank contained in this Preliminary Placement Document consists of estimates based on data reports compiled by government bodies, data from other external sources and knowledge of the markets in which our Bank and our Subsidiaries compete. Unless stated otherwise, the statistical information included in this Preliminary Placement Document relating to the industry in which we operate has been reproduced from various trade, industry and government publications and websites.

This data is subject to change and cannot be verified with certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. Neither our Bank nor any of the GCBRLMs have independently verified the industry and market data and do not make any representation regarding accuracy or completeness of such data. Our Bank takes responsibility for accurately reproducing such information but accepts no further responsibility in respect of such information and data. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analysis and estimates, so our Bank has relied on internally developed estimates. Similarly, while our Bank believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither our Bank nor any of the GCBRLMs can assure Bidders as to their accuracy.

The extent to which the market and industry data used in this Preliminary Placement Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

AVAILABLE INFORMATION

Our Bank has agreed that, for so long as any Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, our Bank will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act, subject to compliance with applicable provisions of Indian law.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Preliminary Placement Document that are not statements of historical fact constitute "forward-looking statements". Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "can", "could", "estimate", "expect", "intend", "may", "objective", "plan", "potential", "project", "pursue", "shall", "should", "will", "would", or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of our Bank are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

All statements regarding our expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Preliminary Placement Document that are not historical facts. These forward-looking statements contained in this Preliminary Placement Document (whether made by us or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of our Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about our Group that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause the actual results, performances and achievements of our Group to be materially different from any of the forward-looking statements include, among others:

- our future growth will continue at a similar rate as in the past or that we will be able to manage our rapid growth. Strategic investments, acquisitions and joint ventures, which may not perform in line with our expectations;
- failure to maintain and enhance awareness of our brand would adversely affect our ability to retain and expand our base of customers;
- new businesses in which we may engage that may not be successful and may not meet our expectations;
- expanding into new overseas jurisdictions which would involve a number of unknown factors that could materially and adversely affect our business, financial condition and results of operations; and
- operating in highly regulated and competitive environment.

Additional factors that could cause actual results, performance or achievements of our Group to differ materially include, but are not limited to, those discussed under the sections entitled "*Risk Factors*", "*Industry Overview*", "*Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 41, 136, 147 and 85, respectively.

The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of the management, as well as the assumptions made by, and information currently available to, the management of our Bank. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Preliminary Placement Document or the respective dates indicated in this Preliminary Placement Document, and we undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialize, or if any of our Bank's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Group could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Bank is a public limited liability company incorporated under the laws of India. Certain of our Directors, the Senior Management Personnel named herein are residents of India and all or a substantial portion of the assets of our Bank and such persons are located in India. As a result, it may be difficult or may not be possible for investors outside India to effect service of process upon our Bank or such persons in India, or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, as amended (the "**Civil Procedure Code**"), on a statutory basis. Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon between the same parties or parties litigating under the same title, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; or (vi) where the judgment sustains a claim founded on a breach of any law then in force in India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Procedure Code provides that a foreign judgment rendered by a superior court (within the meaning of that section) in any jurisdiction outside India which the Government has by notification declared to be a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by a competent court in India. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards.

Among other jurisdictions, the United Kingdom of Great Britain and Northern Ireland, Republic of Singapore and Hong Kong have been declared by the Government to be reciprocating territories for the purposes of Section 44A of the Civil Procedure Code, but the United States of America has not been so declared. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy of India. Further, any judgment or award in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax in accordance with applicable laws.

EXCHANGE RATE INFORMATION

Fluctuations in the exchange rate between the Rupees and the U.S. dollar will affect the U.S. dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. dollar of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the U.S. dollar (in Rupees per U.S. dollar) based on the reference rates released by the RBI. No representation is made that the Rupees amounts actually represent such amounts in U.S. dollar or could have been or could be converted into USD at the rates indicated, any other rates, or at all.

As of March 31, 2017, the exchange rate (RBI reference rate) was ₹ 64.84 to US$ 1.00.

	(₹ Per US$)			
	Period end	**Average***	**High**	**Low**
Financial Year:				
2017	64.84	67.09	68.72	64.84
2016	66.33	65.46	68.78	62.16
2015	62.59	61.15	63.75	58.43
Quarter ended:				
March 31, 2017	64.84	67.01	68.23	64.84
December 31, 2016	67.95	67.46	68.72	66.43
September 30, 2016	66.66	66.96	67.50	66.36
Month ended:				
April 30, 2017	64.22	64.51	65.04	64.00
March 31, 2017	64.84	65.88	66.85	64.84
February 28, 2017	66.74	67.08	67.65	66.72
January 31, 2017	67.81	68.08	68.23	67.79
December 31, 2016	67.95	67.9	68.37	67.43
November 30, 2016	68.53	67.63	68.72	66.43

**Average of the official rate for each working day of the relevant period.*

(Source: www.rbi.org.in)

Note: If the RBI reference rate is not available on a particular date due to a public holiday, exchange rates of the previous working day has been disclosed.

DEFINITIONS AND ABBREVIATIONS

This Preliminary Placement Document uses the definitions and abbreviations set forth below, which you should consider when reading the information contained herein. References to any legislation, act or regulation shall be to such term as amended from time to time.

Bank related terms

Term	Description
Our "Bank" or the "Bank" or the "Issuer" or "KMBL"	Kotak Mahindra Bank Limited, a public limited company incorporated under the Companies Act, 1956 and having its registered office at 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051
Articles or Articles of Association	The Articles of Association of our Bank, as amended from time to time
Associates	Infina Finance Private Limited, Phoenix ARC Private Limited, ACE Derivatives and Commodity Exchange Limited and Matrix Business Services India Private Limited
Audit Committee	The Audit Committee constituted by the Board of our Bank
Auditors	S.R. Batliboi & Co. LLP, Chartered Accountants, being the statutory auditors of our Bank
Average Yearly Balance	Average of daily end of day balances during the relevant year
Board of Directors / Board	The board of directors of our Bank, including any duly constituted committee thereof
Committee on Frauds	The Committee on Frauds constituted by the Board of our Bank
Committee on Promoter Dilution	The Committee on Promoter Dilution constituted by the Board of our Bank
Consolidated Financial Statements	The audited consolidated financial statements as at and for the years ended March 31, 2017, March 31, 2016 and March 31, 2015 prepared in accordance with Indian GAAP
CSR Committee	The Corporate Social Responsibility Committee constituted by the Board of our Bank
Customer Service Committee	The Customer Service Committee constituted by the Board of our Bank
Directors	The directors of our Bank
eIVBL	ING Vysya Bank Limited
eIVBL Scheme	The scheme of amalgamation between our Bank and eIVBL, effective from April 1, 2015
Equity Shares	The equity shares of our Bank of a face value of ₹ 5 each
ESOP Allotment Committee	The ESOP Allotment Committee constituted by the Board of our Bank
ESOP 2001-02	Kotak Mahindra Equity Option Scheme 2001-02
ESOP 2002-03	Kotak Mahindra Equity Option Plan 2002-03
ESOP 2005	Kotak Mahindra Equity Option Scheme 2005
ESOP 2007	Kotak Mahindra Equity Option Scheme 2007
ESOP 2015	Kotak Mahindra Share Based Employee Benefit Scheme 2015
ESOP Schemes	Employee Stock Options Schemes of our Bank, including, ESOP 2001-02, ESOP 2002-03, ESOP 2005, ESOP 2007, ESOP 2015, KMBL (eIVBL) Schemes
Executive Board	The executive board of our Bank. For details, please see the section entitled "*Board of Directors and Senior Management*" on page 184
Financial Statements	Collectively, the Consolidated Financial Statements and the Standalone Financial Statements
Group	Our Bank, its Subsidiaries, Joint Ventures and Associates
Joint Ventures	KLI, a joint venture between our Bank and Old Mutual Plc.
Key Management Personnel	The key management personnel of our Bank in accordance with the provisions of the Companies Act, 2013. For details, please see the section entitled "*Board of Directors and Senior Management*" on page 184
KGI or Kotak General Insurance	Kotak Mahindra General Insurance Company Limited

Term	Description
KMBL (eIVBL) 2005	Kotak Mahindra Bank Limited (IVBL) Employees Stock Option Scheme 2005
KMBL (eIVBL) 2007	Kotak Mahindra Bank Limited (IVBL) Employees Stock Option Scheme 2007
KMBL (eIVBL) 2010	Kotak Mahindra Bank Limited (IVBL) Employees Stock Option Scheme 2010
KMBL (eIVBL) 2013	Kotak Mahindra Bank Limited (IVBL) Employees Stock Option Scheme 2013
KMBL (eIVBL) Schemes	KMBL (eIVBL) 2005, KMBL (eIVBL) 2007, KMBL (eIVBL) 2010, KMBL (eIVBL) 2013
KMPL or Kotak Prime	Kotak Mahindra Prime Limited
KLI or Kotak Life	Kotak Mahindra Old Mutual Life Insurance Limited
KSL or Kotak Securities	Kotak Securities Limited
KMIL or Kotak Investments	Kotak Mahindra Investments Limited
Memorandum or Memorandum of Association	The Memorandum of Association of our Bank, as amended from time to time
Nomination and Remuneration Committee	The Nomination and Remuneration Committee constituted by the Board of our Bank
Promoter	The Promoter of our Bank, being, Uday Kotak
Promoter Group	Promoter Group of our Bank, comprising, Suresh A. Kotak (HUF), Aarti Suresh Kotak, Janak Dinkarrai Desai, Kusum Dinkarrai Desai, Dinkarrai Kalidas Desai, Indira Suresh Kotak, Suresh Amritlal Kotak, Pallavi Kotak, Kotak Trustee Company Private Limited (having Uday Kotak as the beneficial owner)
Registered Office	The registered office of our Bank, being, 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051
Review Committee	The Review Committee constituted by the Board of our Bank for classification and declaration of borrowers as willful defaulters
Risk Management Committee	The Risk Management Committee constituted by the Board of our Bank
Senior Management Personnel	The Executive Board and Key Management Personnel of our Bank
Shareholders	Shareholders of our Bank
Stakeholders' Relationship Committee	The Stakeholders' Relationship Committee constituted by the Board of our Bank
Standalone Financial Statements	The audited standalone financial statements as at and for the years ended March 31, 2017, March 31, 2016 and March 31, 2015 prepared in accordance with the provisions of Banking Regulation Act, 1949, the Companies Act, 2013 read along with rules thereunder and Indian GAAP
STOM Committee	The Share Transfer and Others Matters Committee constituted by the Board of our Bank
Subsidiaries	Kotak Mahindra Prime Limited, Kotak Securities Limited, Kotak Mahindra Capital Company Limited, Kotak Mahindra Old Mutual Life Insurance Limited, Kotak Mahindra Investments Limited, Kotak Mahindra Asset Management Company Limited, Kotak Mahindra Trustee Company Limited, Kotak 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 , Kotak Forex Brokerage Limited), Kotak Mahindra Pension Fund Limited, Kotak Mahindra Financial Services Limited, Kotak Mahindra Asset Management (Singapore) Pte. Limited, Kotak Mahindra General Insurance Company Limited and IVY Product Intermediaries Limited (formerly, ING Vysya Financial Services Limited)

Issue related terms

Term	Description
Allocated/ Allocation	The allocation of Equity Shares, by our Bank in consultation with the GCBRLMs, following the determination of the Issue Price to QIBs on the basis of the Application Form submitted by them, and in compliance with Chapter VIII of the SEBI ICDR Regulations

Term	Description
Allot/ Allotment/ Allotted	Unless the context otherwise requires, the issue and allotment of Equity Shares to be issued pursuant to the Issue
Allottees	QIBs to whom Equity Shares are issued and Allotted pursuant to the Issue
Application Form	The form (including any revisions thereof) pursuant to which a QIB shall submit a Bid for the Equity Shares in the Issue
Bid(s)	An indication of interest of a Bidder, including all revisions and modifications thereto, as provided in the Application Form, to subscribe for Equity Shares in the Issue
Bid/Issue Closing Date	[●], which is the last date up to which Application Forms shall be accepted
Bid/Issue Opening Date	May 11, 2017,which is the first date from which Application Forms shall be accepted
Bid/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date, inclusive of both days, during which Bidders can submit their Bids
Bidder	Any prospective investor, being a QIB, who makes a Bid pursuant to the terms of this Preliminary Placement Document and the Application Form
CAN or Confirmation of Allocation Note	Note or advice or intimation to the QIBs confirming Allocation of Equity Shares to such QIBs after determination of the Issue Price and requesting payment for the entire applicable Issue Price for all Equity Shares Allocated to such QIBs
Closing Date	The date on which Allotment of Equity Shares pursuant to the Issue shall be made, i.e. on or about [●], 2017
Cut-off Price	The Issue Price of the Equity Shares to be issued pursuant to the Issue which shall be finalised by our Bank in consultation with the GCBRLMs
Designated Date	The date of credit of Equity Shares to the demat accounts of the Bidders, as applicable, to the respective QIBs
Escrow Account	The bank account opened by our Bank with the Escrow Agent, where any money received towards the subscription of the Equity Shares is to be deposited, subject to the terms of the Escrow Agreement
Escrow Agent	Kotak Mahindra Bank Limited
Escrow Agreement	Agreement dated May 11, 2017, entered into amongst our Bank, the Escrow Agent and the GCBRLMs for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders
Floor Price	The floor price of ₹913.24 which has been calculated in accordance with Chapter VIII of the SEBI ICDR Regulations, subject to a discount of not more than five per cent on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations and in accordance with our Shareholders' approval pursuant to the resolution dated May 9, 2017
GCBRLMs	DSP Merrill Lynch Limited, Kotak Mahindra Capital Company Limited and Morgan Stanley India Company Private Limited
Issue	The offer, issue and Allotment of up to [●] Equity Shares to QIBs pursuant to Chapter VIII of the SEBI ICDR Regulations and the provisions of the Companies Act, 2013
Issue Price	₹ [●] per Equity Share
Issue Size	The issue of up to [●] Equity Shares aggregating up to ₹ [●] million
Mutual Fund	A mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
Mutual Fund Portion	The Equity Shares proposed to be Allotted in the Issue, being at least 10% of the Issue, which is available for Allocation to Mutual Funds
Pay-in Date	The last date specified in the CAN for payment of application monies by the successful Bidders
Placement Agreement	Placement agreement dated May 11, 2017 , entered into by our Bank and the GCBRLMs
Placement Document	Placement document to be issued by our Bank in accordance with Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013

Term	Description
Preliminary Placement Document	This preliminary placement document dated May 11, 2017 issued in accordance with Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013
QIBs or Qualified Institutional Buyers	Qualified institutional buyers, as defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations
QIP	Qualified institutions placement under Chapter VIII of the SEBI ICDR Regulations
Regulation D	Regulation D under the Securities Act
Regulation S	Regulation S under the Securities Act
Relevant Date	May 11, 2017, the date on which our Board of Directors or any authorised committee of our Board of Directors decides to open the Issue
Rule 144A	Rule 144A under the Securities Act
Securities Act	The U.S. Securities Act of 1933, as amended
Stock Exchanges	NSE and BSE
U.S. QIB	A qualified institutional buyer, as defined under Rule 144A

Industry Related Terms

Term	Description
Advance to deposit ratio	Advances to deposits
AFS	Available for sale
ALM	Asset and liability management
AML	Anti-money laundering
ANBC	Adjusted net bank credit
ATMs	Automated teller machines
Basel Committee	Basel Committee on Banking Supervision
Basel II	Revised framework on "International Convergence of Capital Measurement and Capital Standards" by RBI for International Settlements
Basel III	A global regulatory framework for more resilient banks and banking systems (December 2010 (rev. June 2011)) published by the Bank for International Settlements. RBI issued guidelines on the implementation of Basel III capital regulations in India on May 2, 2012 and revised as per notification issued by the RBI on March 27, 2014
BCBS	Basel Committee on Banking Supervision
BHC	Bank Holding Company
BPLR	The benchmark prime lending rate, based on cost of funds, cost of business operations, provisions and yield curve expectations
CAR	Capital adequacy ratio
CASA	Current account (demand deposit) saving account
CB	Mid-corporate advances such as commercial banking clients
CBS	Core Banking Solution
CCB	Capital conservation buffer
Cost to income ratio	The ratio of total operating expenses to the sum total of Net Interest Income and other income
Customer Deposit	Deposits and time deposits other than Banks
CRAR	Capital to risk-weighted asset ratio
CRR	Cash reserve ratio

Term	Description
General provision	Contingent provisions against standard assets
HFT	"Held for Trading"; the category of securities that are held principally for resale within a short period
HTM	"Held to Maturity"; the category of investments not exceeding a prescribed percentage of a bank's total investments which it intends to hold until maturity
ICAAP	Internal Capital Adequacy Assessment Process
Interbank Liabilities	Deposits from banks
IMPS	Interbank mobile payment service
Interest expense	Interest expended
Interest coverage ratio	Interest coverage ratio means net profit before interest and depreciation divided by the interest expenses for the same period
Interest income	Interest earned
IT	Information technology
ITEs	Intra-Group Transactions and Exposures
JLF	Joint Lenders' Forum
KYC	Know your customer
LC	Letter of credit
LCR	Liquidity coverage ratio as provided under the Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and LCR Disclosure Standards bearing number RBI/2013-14/635 DBOD.BP.BC.No.120/21.04.098/2013-14 dated June 9, 2014
MSF	Marginal standing facility
MSMEs	Micro, small and medium-sized enterprises
NABARD	National Bank for Agricultural and Rural Development
NBFC	Non-banking financial company registered with the RBI
NBFC – MFI	Non-Banking Financial Company – Micro Finance Institution
NDTL	Net demand and time liabilities
Net interest income	Interest income/earned less interest expense/expended
Net interest margin	Net interest margin is the difference between interest earned and interest expended divided by average interest-earning assets
Net NPA	Net non-performing assets
NPA	Non-performing asset
NRE	Non-Resident (External)
NRO	Non-Resident Ordinary
NSFR	Net stable funding ratio
Other debt securities	Other debt securities comprises investments in bonds, commercial papers and pass-through-certificates
PCR	Provision coverage ratio i.e. specific provision for NPA divided by gross NPA (as per RBI Circular bearing number RBI/2010-11/485 DBOD.No.BP.BC. 87/21.04.048/2010-11 dated April 21, 2011)
RIDF	Rural Infrastructure Development Fund
ROA	Return on assets
SARFAESI Act	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security

Term	Description
	Interest Act, 2002, as amended
Savings accounts	Savings bank deposits
SMA	Special Mentioned Accounts
SMA2	All borrowers classified as standard and having exposure of ₹ 50 million or more, wherein the principal sum or the interest due is overdue between 61 and 90 days
SLR	Statutory liquidity ratio (as per requirements of the RBI)
SME	Small and medium enterprises
TD sweep	TD sweep is a facility which interlinks savings bank account with fixed deposit account, whereby the amount in the savings bank account above a limit is automatically transferred to the fixed deposit account. In a TD sweep account, the funds are automatically managed between the primary cash account and the secondary investment account
Tier I capital	Tier I capital is the going-concern capital. From regulatory capital perspective, going-concern capital is the capital which can absorb loses without triggering bankruptcy of a bank. Tier I capital is comprised of the CET I capital and the Additional Tier I capital. Tier I capital comprises of Equity Share Capital, Reserves and Surplus excluding Investment Revaluation Reserve, 75% of foreign currency translation reserve and innovative perpetual debt instruments.
Tier II capital	Tier II capital is the gone-concern capital. From regulatory capital perspective, gone-concern capital is the capital which will absorb losses only in a situation of liquidation of a bank. Tier II capital is comprised of eligible debt capital instruments as specified under regulatory requirements, general provisions and loss reserves as prescribed by the RBI (up to a maximum of 1.25% of total credit risk-weighted assets), revaluation reserves at a discount of 55.00%, as reduced by regulatory adjustments/ deductions applied in the calculation of the Tier II capital as prescribed in extant RBI guidelines. Tier II capital comprises of upper tier II capital, lower tier II capital, investment revaluation reserve and eligible standard asset provision.
VaR	Value-at-risk
Yield on investments	Yield to investments is the ratio between interest income on investments to average interest-earning investments

Conventional and general terms

Term	Description
AGM	Annual General Meeting
Banking Regulation Act	The Banking Regulation Act, 1949
BSE	BSE Limited
CAGR	Compound annual growth rate
Calendar Year	Year ending on December 31
Category III Foreign Portfolio Investor	An FPI registered as a category III foreign portfolio investor under the SEBI FPI Regulations
CCI	Competition Commission of India
CDR	Corporate Debt Restructuring
CDSL	Central Depository Services (India) Limited
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
CIN	Corporate Identity Number
Civil Procedure Code	The Code of Civil Procedure, 1908
Companies Act	The Companies Act, 1956 or the Companies Act, 2013, as applicable

Term	Description
Companies Act, 1956	The Companies Act, 1956 (without reference to the provisions thereof that have ceased to have effect upon notification of the sections of the Companies Act, 2013) along with the relevant rules made thereunder
Companies Act, 2013	The Companies Act, 2013, to the extent in force pursuant to the notification of sections of the Companies Act, 2013, along with the relevant rules made thereunder
Competition Act	The Competition Act, 2002
Consolidated FDI Policy	The Consolidated FDI Policy (effective from June 7, 2016), issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India
Cr.P.C	The Code of Criminal Procedure, 1973
Debt to Equity Ratio	Debt to equity ratio, calculated as total borrowings/networth
Depositories	CDSL and NSDL
Depositories Act	The Depositories Act, 1996
Depository Participant or DP	A depository participant as defined under the Depositories Act
DP ID Number	Depository participant identification number
DTA	Deferred Tax Asset
ECB	External Commercial Borrowing
ECS	Electronic clearing service
EGM	Extraordinary general meeting
Eligible FPIs	FPIs that are eligible to participate in this Issue, excluding Category III Foreign Portfolio Investors who are not allowed to participate in the Issue
EPS	Earnings per share
EU	European Union
FDI	Foreign Direct Investment
FEMA	The Foreign Exchange Management Act, 1999, together with rules and regulations issued thereunder
FEMA 20	The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
FIIs	Foreign Institutional Investors as defined under the SEBI FPI Regulations
Financial Year or Fiscal Year or Fiscal	The period of 12 months ended March 31 of that particular year, unless otherwise stated
Form PAS-4	Form PAS-4 as prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014
FPIs	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes a person who has been registered under the SEBI FPI Regulations. Any foreign institutional investor or qualified foreign investor who held a valid certificate of registration was deemed to be a foreign portfolio investor till the expiry of the block of three years for which fees had been paid as per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995
FVCI	Foreign Venture Capital Investors ,as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, registered with SEBI
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
General Meeting	AGM or EGM
GoI or Government	Government of India
GST	Goods and Services Tax

Term	Description
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
Indian GAAP	Indian Generally Accepted Accounting Principles (GAAP) as applicable to the respective entities in accordance with the regulations under which they operate and in relation to our Bank, as applicable to banking companies in India.
Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
IPC	The Indian Penal Code, 1860
IPO	Initial Public Offering
IRDAI	Insurance Regulatory and Development Authority of India
I.T. Act	The Income-tax Act, 1961
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs, GoI
MoF	Ministry of Finance, GoI
MoU	Memorandum of Understanding
NEFT	National Electronic Fund Transfer
Net Worth	Net worth shall mean the aggregate of the paid-up share capital, share premium account, and reserves and surplus (excluding revaluation reserve) as reduced by the aggregate of miscellaneous expenditure (to the extent not adjusted or written off) and the debit balance of the profit and loss account
Non-Resident Indian or NRI	An individual resident outside India who is citizen of India or is an 'Overseas Citizen of India' cardholder within the meaning of section 7 (A) of the Citizenship Act, 1955
Non-Resident or NR	A person resident outside India, as defined under the FEMA
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB or Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not allowed to invest in the Issue
Official Gazette	The official gazette issued by the Government of India, including any state
P.A. or p.a.	Per annum
PAN	Permanent Account Number allotted under the I.T. Act
PMLA	Prevention of Money Laundering Act, 2002
RBI	Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
RoC or Registrar	Registrar of Companies, Maharashtra at Mumbai
RoE	Return on Equity
₹, Rs., INR, Rupees	Indian Rupees
RTGS	Real Time Gross Settlement
SCRA	The Securities Contracts (Regulation) Act, 1956

Term	Description
SCRR	The Securities Contracts (Regulation) Rules, 1957
SCR (SECC) Regulations	The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations), Regulations, 2012
SEBI	The Securities and Exchange Board of India established under the SEBI Act
SEBI Act	The Securities and Exchange Board of India Act, 1992
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
Stock Brokers Regulations	Securities and Exchange Board of India (Stock-Brokers and Sub-Brokers) Regulations, 1992
Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
U.S.	United States of America
U.S. GAAP	Generally accepted accounting principles in the United States of America
VCF	A venture capital fund as defined under the erstwhile Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996

Notwithstanding the foregoing, defined terms in the sections entitled "*Certain Tax Considerations*" and "*Financial Statements*" on pages 222 and 242, respectively, shall have the meaning given to such terms in such sections.

DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 UNDER THE COMPANIES ACT, 2013

The table below sets out the disclosure requirements as provided in Form PAS-4 and the relevant pages in this Preliminary Placement Document where these disclosures, to the extent applicable, have been provided.

Sr. No.	Disclosure Requirements	Relevant Page of this Preliminary Placement Document
1.	**GENERAL INFORMATION**	
a.	Name, address, website and other contact details of the company indicating both registered office and corporate office;	Cover page
b.	Date of incorporation of the company;	Cover page and 241
c.	Business carried on by the company and its subsidiaries with the details of branches or units, if any;	27 and 147
d.	Brief particulars of the management of the company;	184
e.	Names, addresses, DIN and occupations of the directors;	184
f.	Management's perception of risk factors;	85
g.	Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of –	236
(i)	statutory dues;	
(ii)	debentures and interest thereon;	
(iii)	deposits and interest thereon;	
(iv)	loan from any bank or financial institution and interest thereon.	
h.	Names, designation, address and phone number, email ID of the nodal/ compliance officer of the company, if any, for the private placement offer process;	Cover page
2.	**PARTICULARS OF THE OFFER**	
a.	Date of passing of board resolution;	32, 76 and 241
b.	Date of passing of resolution in the general meeting, authorizing the offer of securities;	32, 76 and 241
c.	Kinds of securities offered (i.e. whether share or debenture) and class of security;	Cover page, 32
d.	price at which the security is being offered including the premium, if any, along with justification of the price;	Cover page, 32
e.	name and address of the valuer who performed valuation of the security offered;	Not applicable
f.	Amount which the company intends to raise by way of securities;	Cover page, 32
g.	Terms of raising of securities:	Not applicable
(i)	Duration, if applicable;	
(ii)	Rate of dividend;	
(iii)	Rate of interest;	
(iv)	Mode of payment; and	
(v)	Repayment.	
h.	Proposed time schedule for which the offer letter is valid;	Not applicable
i.	Purposes and objects of the offer;	73
j.	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects;	73
k.	Principle terms of assets charged as security, if applicable;	Not applicable
3.	**DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC.**	

Sr. No.	Disclosure Requirements	Relevant Page of this Preliminary Placement Document
a.	Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons.	193
b.	details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed	238
c.	remuneration of directors (during the current year and last three financial years);	188
d.	Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided	194
e.	Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark	105
f.	Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries	237
g.	Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company.	235
4.	**FINANCIAL POSITION OF THE COMPANY**	
a.	the capital structure of the company in the following manner in a tabular form-	76
(i)(a)	the authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value);	
(b)	size of the present offer;	
(c)	paid up capital	
(A)	after the offer;	
(B)	after conversion of convertible instruments (if applicable)	
(d)	share premium account (before and after the offer)	
(ii)	the details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration	
	Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case;	
b.	Profits of the company, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of offer letter;	34 and 242
c.	Dividends declared by the company in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid)	84
d.	A summary of the financial position of the company as in the three audited balance sheets immediately preceding the date of circulation of offer letter;	34 and 242
e.	Audited Cash Flow Statement for the three years immediately preceding the date of	34 and 242

Sr. No.	Disclosure Requirements	Relevant Page of this Preliminary Placement Document
	circulation of offer letter;	
f.	Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company.	242
5.	**A DECLARATION BY THE DIRECTORS THAT -**	
a.	the company has complied with the provisions of the Act and the rules made thereunder;	679
b.	the compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government;	
c.	the monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter;	

SUMMARY OF BUSINESS

Overview

We are a diversified and integrated financial services conglomerate led by the commercial bank and holding company in our Group structure, Kotak Mahindra Bank Limited ("**Kotak Bank**"), which is among the largest private sector banks in India by total assets as of March 31, 2017. Our products and services cover banking, financing through non-banking financial companies ("**NBFCs**"), asset management, life and general insurance, stock broking, investment banking, wealth management and asset reconstruction, encompassing all customer and geographic segments within India. As a group, we also operate in overseas markets through international Subsidiaries or branches in the United States, United Kingdom, Mauritius, UAE and Singapore.

We organize our banking activities into consumer banking, commercial banking, corporate banking and treasury. Our consumer banking operations include deposit taking, disbursing loans such as home loans, loans against property, personal loans and working capital loans and offer various products such as debit cards and credit cards. Under corporate banking, we offer products and services such as corporate loans, trade finance, foreign exchange and derivatives, and cash management activities. Under commercial banking, we provide commercial loans to small and medium sized enterprises ("**SME**", which we also call "**Business Banking**"), tractor loans, commercial vehicles and construction equipment financing and agricultural finance. Treasury provides standardised and structured client solutions including loan syndication, bond placement, mezzanine financing, securitisation through the Debt Capital Markets ("**DCM**") division. In addition, Treasury also provide foreign exchange services and interest rate risk management solutions to our consumer banking, commercial banking and corporate banking customer segments. Our strength in our businesses is demonstrated by awards such as Company of the Year 2016 at the Economic Times Awards for Corporate Excellence, Best Local Cash Management Bank India (Medium) by Asiamoney Cash Management Poll 2016, BFSI Digital Innovators Award in the Digital Pioneer category for Kotak Bharat app by the Indian Express Group in 2016, Securities Advisory Firm of the Year in India at the Corporate INTL Global Awards 2017, Best Group over 3 years (Equity) at the 2017 Thomson Reuters Lipper Fund Award for India, Best Private Bank India at the Global Private Banking 2016 for Financial Times Group, Best Equity House India at The Asset Triple A Country Awards 2016, #1 in All-India Research Team and #1 in All-India Sales Team by the Institutional Investor 2016 and Best Corporate & Investment Bank at the Asiamoney Best Bank Awards 2017 for India.

Our Group structure comprises of Kotak Bank (the commercial bank and holding company), 17 wholly-owned Subsidiaries and a life insurance Subsidiary, Kotak Mahindra Old Mutual Life Insurance Limited ("**Kotak Life**"), in which Kotak Bank holds 74%. The remaining 26% is held by our JV partner Old Mutual Plc. On April 27, 2017, Kotak Bank has executed a share purchase agreement with Old Mutual Plc. to acquire its 26% stake in Kotak Life, subject to regulatory approvals.

The largest companies in our Group by profit after tax in fiscal year ("**FY**") 2017 were Kotak Bank, Kotak Mahindra Prime Limited ("**Kotak Prime**"), Kotak Securities Limited ("**Kotak Securities**"), Kotak Life and Kotak Mahindra Investments Limited ("**Kotak Investments**") which accounted for 69.1%, 10.4%, 7.3%, 6.1%, and 4.0% of our consolidated profit after tax, respectively. Kotak Prime and Kotak Investments are NBFCs.

As of March 31, 2017, Kotak Bank had 1,369 branches and 2,163 ATMs, and our group companies Kotak Prime, Kotak Life, Kotak Securities and Kotak Mahindra Asset Management Company Limited ("**KMAMC**") had an additional 1,674 distribution outlets across India (including branches, franchises and referral co-ordinators). The Group has an international presence in New York, London, Mauritius, Dubai, Singapore and Abu Dhabi. We have an international banking unit in Gujarat International Finance Tec-City ("**GIFT City**"), India's first international financial services centre and have also received the RBI approval to set up a bank branch in Dubai International Financial Centre ("**DIFC**"). In addition, we also have correspondent banking arrangements and other arrangements to provide international remittance services.

For the years ended March 31, 2015, 2016 and 2017, we generated total consolidated income of ₹ 214.71 billion, ₹ 280.32 billion and ₹ 339.84 billion, respectively, and our net profit for the year was ₹ 30.45 billion, ₹ 34.59 billion and ₹ 49.40 billion, respectively, in each case on a consolidated basis. Our total consolidated assets have increased from ₹ 1,485.76 billion as of March 31, 2015, to ₹ 2,408.04 billion as of March 31, 2016, to ₹ 2,761.88 billion as of March 31, 2017. Our standalone total deposits have also increased from ₹ 748.60 billion as of March 31, 2015, to ₹ 1,386.43 billion as of March 31, 2016 and to ₹ 1,574.26 billion as of March 31, 2017.

Our Competitive Strengths

We believe that the following strengths give us a competitive advantage in the Indian financial services space:

An integrated and diversified business model

We have an integrated and diversified business model offering banking, financing, asset management, insurance, stock broking, investment banking, wealth management and asset reconstruction encompassing all customer and geographic segments within India. Such a model gives us the ability to take advantage of shifting economic environments. We have balance-sheet driven businesses, such as lending and investing, to capitalise on favourable interest rate movements, market-driven businesses such as mutual funds to capitalise on favourable capital markets conditions and knowledge-driven businesses such as investment banking to maximize fee-based income, deepen relationships and increase customer penetration.

We also benefit from diverse revenue streams in many of our business segments. For example, in the mutual fund segment, we not only manage our own mutual fund products but also act as distributors for third-party products, allowing us to capture the margins that arise from offering our own products while also earning distribution revenue from others' products. The wide spectrum of financial products and services that we offer provides us with complementary revenue streams that help to balance against market cycles and hedge against downturns in any particular business segment or asset class, as well as access multiple growth avenues.

Our broad product spectrum also helps us to meet our customers' diverse financial and investment requirements, enhancing the overall experience of our customers. Our diversified business leads to significant cross-selling opportunities, subject to any regulatory restrictions, enabling us to garner a larger proportion of potential revenue from our customers to meet their diverse financial requirements. For example, we are able to realise advisory fees by providing investment banking services, underwriting fees by arranging bond financing for a transaction and service income by acting as the escrow bank for a transaction, all while deepening our customer interactions and relationships, which we can then leverage into corporate banking services.

We are diversified not only across products and service segments and revenue streams, but also customer segments and geographies within India. Our corporate and institutional customers range from small and medium enterprises to emerging, large and very large corporates. Our retail customers range from mass market to affluent to high net worth individuals. Geographically, our retail customers are spread across metro, urban, semi-urban and rural geographies in India, and our bank branch network covers 1,369 branches as of March 31, 2017 across India.

Our integrated business model is strengthened by our senior management, many of whom have expertise across the spectrum of financial services, as opposed to expertise only within the banking industry or isolated business segments. This cross-group expertise allows our senior management team to understand the interactions and relationships between various aspects of our businesses in order to flexibly respond to changing economic conditions and to enhance our product and service offerings.

We are able to identify and capitalise on opportunities

One of our key strengths is our ability to identify and capitalise on opportunities, both through offering innovative new products and services as well as by entering into established segments and effectively compete. To this end, we are continually looking for opportunities to innovate and expand our offerings.

We were the first non-bank financial company to convert into a bank in India, having converted in 2003. Subsequent to our conversion, we have grown to become among the largest private sector banks in India by total assets as of March 31, 2017. We believe that a key element of our growth has been our ability to create niche and differentiated business segments across many aspects of the financial services industry.

Since our founding in 1985, we have led many "firsts" in India's financial services industry. For example, our Subsidiary, Kotak Mahindra Capital Company Limited managed one of the first book-built initial public offering in India, and we were among the first banks to raise interest rates over the prevalent 4% on domestic savings deposits after the RBI deregulated interest rates on savings deposits in 2011, which helped to drive a rise in our savings deposit base.

More recently, we have developed a comprehensive digital offering across internet and mobile platforms to increase our new customer acquisition and better engage with our existing customers**.** Our digital strategy has been designed to complement our physical infrastructure to drive efficiency and enhance customer experience.

We routinely review and monitor a number of internal and external factors across all our various businesses to identify opportunities as well as weaknesses in order to take early decisions to either capitalise on an opportunity or take corrective action to limit our exposure. We believe that our culture of innovation has allowed us to build profitable business models across our various businesses and has enabled us to enter into and maintain partnerships across our various businesses from time to time and also attract quality long term investors as shareholders.

Prudent Risk Management Capabilities

One of our key strengths is our ability to assess opportunities in order to make clear decisions with a focus on rewards that are commensurate with risk. While our policy is one of prudent risk management, we are not averse to taking risk so long as the risk is priced to provide attractive risk-based returns.

Our prudent risk management and credit evaluation processes, coupled with our ability to evaluate and appropriately price risk, have helped us maintain low NPAs, Restructured Standard Assets and Special Mention Accounts Category 2 ("**SMA2**"), despite rapid growth in recent years. Our Net NPA, Net Restructured Standard Assets, and SMA2 were 1.26%, 0.07% and 0.10% of net advances respectively on a standalone basis as of March 31, 2017. Our outstanding Net NPA, Net Restructured Standard Assets and SMA2 were ₹ 17.18 billion, ₹ 1.02 billion and ₹ 1.31 billion respectively as on March 31, 2017. See section entitled "*Selected*

Statistical Information" on page 117 for a description of RBI guidelines for classifying NPAs and restructured assets. We also have an asset reconstruction division to buy stressed portfolios from other financial institutions.

We are a well-capitalised Bank with a standalone capital adequacy ratio of 16.77% as per Basel III as on March 31, 2017. Our strong financial position is also reaffirmed by the AAA rating accorded by CRISIL and ICRA to our Bank, Kotak Prime, Kotak Investments and Kotak Securities. We have also been able to maintain high NIMs in spite of the fact that we offer higher interest rates on domestic savings deposit than many of our peers. Though we offer a rate of 6% on domestic savings deposits between ₹ 0.1 million and ₹ 50 million, as against 4% provided by many of our peers, our standalone NIMs were 4.49% for FY2017.

Our strong brand and leadership in various businesses

We believe that the "Kotak" and "Kotak Mahindra" brands are among the most reputed and widely recognised brands in Indian financial services. The 'Kotak Mahindra Bank' brand was recognised as the ninth and the seventh most valuable Indian brand across industry categories in 2015 and 2016 respectively, in the BrandZ Top 50 Most Valuable Indian Brand study by WPP Group and Kantar Millward Brown. We have been recognized with numerous industry awards and accolades for various aspects of our business, which we believe reflect the governance culture and talent of our senior management and employees as well as trust in the quality of our products and services. Examples of the awards and recognitions that we have received include being named "Company of the Year" in 2016 at the Economic Times Awards for Corporate Excellence, 'Best Private Bank' in India Global Private Banking Awards 2016 by Financial Times Group as well as Best Corporate & Investment Bank in India at the Asiamoney Best Bank Awards 2017.

Our brand strength is supported by strong positions that we hold across various segments of our business. In addition to being among the largest private sector banks in India by total assets as of March 31, 2017, we also are the fifth largest private sector life insurer in terms of individual first year premiums for FY2017 on the basis of data for all life insurers released by the Life Insurance Council of India and the seventh largest mutual fund in terms of quarterly average assets under management for the quarter January – March 2017 as per data available from Association of Mutual Funds in India ("**AMFI**"). Moreover, Kotak Mahindra Capital Company Limited, our 100% Subsidiary, has the highest ranking among the investment banks in India based on the amount raised through domestic issuances (equity and convertibles) for the period April 1, 2014 to March 31, 2017 *(Source: Prime Database)*.

We have a strong governance culture and an experienced management team

Eight of the ten members of our Executive Board are professional entrepreneurs that have spent more than 20 years with our Group and helped us to create various businesses since inception. This continuity in leadership has carried our Group successfully through periods of global financial crisis and economic downturn, as well as through periods of volatility in markets and interest rates. We also derive our strength from our Promoter, Uday Kotak, an entrepreneur whose leadership achievements have been recognised and rewarded through numerous awards throughout his career, including being named 'EY World Entrepreneur of The Year 2014' by Ernst & Young, 'Entrepreneur of the Year' at the Forbes India Leadership Awards 2015 and 'Businessman of the Year 2016' by Business India.

In addition, we have a significant pool of managerial talent in our mid-to-senior ranks so that we are not dependent on the continuing services of any one person. As on March 31, 2017, we had 57 members in our "Kotak Leadership Team" (including our Executive Vice Chairman and Managing Director, and Joint Managing Director) of which 33 have served with our Group for more than 15 years as on March 31, 2017 and an additional 17 members have served for more than 10 years.

Having a management team with such length, breadth and depth of experience enables us to have a strong succession pipeline for senior leadership positions and also helps us to carefully nurture our culture of growth, innovation and high quality governance. See also the section entitled "*Board of Directors and Senior Management*" on page 184.

Our Business Strategy

Expanding market share in Indian financial services with our established offerings

We aim to expand our market share in Indian financial services by increasing our customer base across the Group. The Bank will continue to be our main customer acquisition engine and we aim to leverage customer growth achieved at the Bank by offering our banking customers products and services offered by our other businesses. To drive growth at the Bank, we are focusing particularly on our digital platform, such as our recently introduced "811" mobile application, to target the mass markets across India. We believe that digital offerings will position us well to capitalise on growth in India's banking and financial services sector arising from India's emerging middle class and growing number of bankable households. For a description of our digital offerings, see "—Distribution Channels—Digital Banking" on page 160.

With 1,369 branches across India as of March 31, 2017, we believe that we have a widespread distribution network, through which we can offer our products and services to a broad range of customers, while maintaining profitability. We plan to have a measured growth of our branch network. We are also in the midst of executing a branch rationalisation and relocation strategy to address the overlap in close proximity branches of eIVBL and KMBL. This branch rationalisation and relocation plan will help to further expand our geographical reach in an optimal manner.

Our diversification across financial products and services, coupled with our organizational structure and culture, provides us with an ability to offer various products and services from across our businesses to our expanding base of banking customers. We believe that this will position us well to increase the proportion of our customers' total spending that we capture.

Our life insurance business has been growing through a multi-pronged strategy of entering new geographical markets, cross-selling to our Group's customer base, introducing new products to cater to underpenetrated customer segments, increase the number of life insurance advisers licensed by us and tying up with new distributors.

In our asset management business, the focus has been to deepen penetration through increased distribution tie-ups across channels, increasing accounts under the regular saving systematic investment plans ("**SIPs**") and further improving performance of existing funds. As a result, our assets under management ("**AUM**") have grown from ₹ 1,022.49 billion as on March 31, 2016 to ₹ 1,413.36 billion as on March 31, 2017. These initiatives are expected to help us increase our customer base further and also aid in increasing our AUM**.**

Kotak Securities, our stock broking Subsidiary, has worked with the Bank to leverage on the banks client base to extend broking services. Kotak Securities has also tied up with some other banks to offer broking services to their clients. It uses digital marketing to generate customer leads and has also introduced a number of initiatives to simplify customer on boarding. This is in addition to new products that it launches regularly in line with customer needs.

Focus on Additional Avenues of Organic Growth

In addition to benefiting from the overall growth in India's economy and financial services industry, we aim to increase our market share by continuing to focus on our competitive strengths, including our strong brand and our extensive network, to increase our market penetration. We also aim to deepen our market penetration by pursuing new opportunities in our commercial, corporate and retail lending businesses, as well as by growing our various non-banking businesses.

Within our banking business, we aim to continue harnessing synergies provided by the eIVBL merger to increase our strength in Business Banking and to grow our corporate loan book. In addition, we have set up an infrastructure debt financing company to increase our corporate loan book through avenues such as infrastructure lending, for which we have recently received the certificate of registration as a NBFC from RBI. We are also making an entry into the area of consumer durable finance, which we believe holds significant growth potential given increasing household disposable incomes and increased awareness. Moreover, we aim to expand our international presence through an increased focus on our international lending portfolio, through our international banking unit in GIFT City and through the opening of an overseas bank branch in Dubai, for which we have received RBI approval recently and we are awaiting the approval from the DIFC.

We inherited a strong portfolio of SMEs under our merger with eIVBL. These self-employed customers, in addition to being a strong base for our cross-sell proposition for other Group products and services, especially on the consumer finance side, also serve as a customer segment for our priority and wealth management offerings.

We are not just focused on increasing market penetration in our banking business. We also aim to increase the share of contribution from our complementary non-banking businesses, such as insurance and securities broking.

We see an immense opportunity in the under-penetrated life insurance space. Our life insurance business is well poised to capitalise on the same. We are targeting higher growth through a planned foray into new geographies and customer segments, introducing new tools to improving front-line productivity and retention, increased numbers of life insurance advisors licensed by us and new distribution tie-ups.

Leverage our strong standing to pursue inorganic opportunities

We will actively seek inorganic growth opportunities in the Indian financial services space. These opportunities can take various forms, including acquisitions, mergers, joint ventures, strategic investments and asset purchases. To this end, we will seek inorganic growth opportunities in businesses or assets that are aligned to our business across our product and service lines. We will pursue these inorganic growth opportunities where we see the ability to add value for our stakeholders and customers and also grow our footprint across the Indian banking and financial services chain. For example, subject to RBI approval, we are in the process of completing the acquisition of BSS Microfinance Private Limited, a micro-finance company, and from time-to-time in the past we have acquired portfolios from others banks, such as international banks exiting their India businesses, to expand our deposit and loan portfolios. We will also seek out partners and investors for particular businesses and asset classes to diversify the risk of launching new businesses and also benefit from the expertise or track record of such partners and investors in these businesses.

We believe that our successful integration of eIVBL demonstrates our strong ability to execute complex and large transactions.

Capitalize on opportunities arising from the increase in NPAs and stressed assets in the Indian banking industry

In recent years, the level of NPAs and stressed assets across the Indian banking sector has risen substantially. RBI has, post its asset quality review in 2015, introduced various guidelines to banks on ways to handle stressed assets and methods to improve the financial condition of banks. These guidelines cover different aspects such as revisions in rules pertaining to the sale of NPAs, restructuring of stressed assets and availability of data on industry level position of stressed assets. Our Bank, is among the few banks in India to buy NPAs from other banks and financial institutions and considers opportunities in the stressed assets space to be of interest. We believe that there could be strategic investment opportunities in the form of setting up and operating an entity focused on purchasing and restructuring of these portfolios. We will actively seek out and look to participate in this opportunity either on our own or with a consortium of banks and investors.

Continue our investments in technology

We believe the increased availability of internet access and broadband connectivity across India requires a comprehensive digital strategy to proactively develop new methods of reaching our customers and running our businesses. We have therefore adopted a four-pronged digital strategy, focusing on (i) acquiring customers, (ii) enhancing our customer experience, (iii) making our internal business operations more efficient, and (iv) enhancing our cyber security and data protection framework.

We are continuously investing in technology as a means of improving our customers' experience, offering them a range of products tailored to their financial needs and making it easier for them to interact with us. We have launched internet and mobile based applications across most of our product and service portfolios, and we will continue to invest in creating a superior technology infrastructure to support our digital strategy. We believe additional investments in our technology infrastructure to further develop our digital strategy will allow us to cross-sell a wider range of products on our digital platform in response to our customers' needs and thereby expand our relationship with our customers across a range of customer segments. We believe a comprehensive digital strategy will provide benefits in developing long-term customer relationships by allowing customers to interact with us and access their accounts wherever and whenever they desire.

On the operational side, we believe that investments in internal systems and security technology lead to enhanced customer satisfaction, and therefore enhance our competitiveness. Accordingly, we are continuing to invest in technology in order to improve our banking operations and efficiency, to reduce errors arising out of manual intervention and to carry out regular IT audits which are reviewed by committees of our Board. We are also continuing to invest in our cyber security network and privacy protection systems, in order to supplement our growth and increase the robustness of our data security framework.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Preliminary Placement Document, including the sections entitled "*Risk Factors*", "*Use of Proceeds*", "*Placement*", "*Issue Procedure*" and "*Description of the Equity Shares*" on pages 41, 73, 206, 197 and 220, respectively.

Issuer	Kotak Mahindra Bank Limited
Face Value	₹ 5 per Equity Share
Issue Size	Issue of up to [●] Equity Shares, aggregating up to ₹ [●] million. A minimum of 10% of the Issue Size i.e. up to [●] Equity Shares shall be available for Allocation to Mutual Funds only, and up to [●] Equity Shares shall be available for Allocation to all QIBs, including Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion mentioned above, such minimum portion or part thereof may be Allotted to other eligible QIBs.
Date of Board Resolution	March 30, 2017
Date of Shareholders' Resolution	May 9, 2017
Floor Price	₹ 913.24 per Equity Share which has been calculated in accordance with Chapter VIII of the SEBI ICDR Regulations, subject to a discount of not more than five per cent on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations and in accordance with our Shareholders' approval pursuant to the resolution dated May 9, 2017
Issue Price	₹ [●] per Equity Share
Eligible Investors	QIBs as defined in regulation 2(1)(zd) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 86 of the SEBI ICDR Regulations. For further details, please see the section entitled "*Issue Procedure – Qualified Institutional Buyers*" and "*Transfer Restrictions and Purchaser Representations*" on pages 200 and 214
Equity Shares issued and outstanding immediately prior to the Issue	1,841,028, 253 Equity Shares
Equity Shares issued and outstanding immediately after the Issue	Immediately after the Issue, up to [•] Equity Shares will be issued and outstanding
Listing	Our Bank has received in-principle approvals, dated May 10, 2017 from BSE and NSE, respectively, in terms of Regulation 28(1) of the SEBI Listing Regulations. Our Bank shall apply to the Stock Exchanges for the listing approvals and the final listing and trading approvals, after the Allotment and after the credit of Equity Shares to the beneficiary account with the Depository Participant, respectively
Lock-up	For details in relation to lock-up, please see the section entitled "*Placement – Lock-up*" on page 206 for a description of restrictions on our Bank in relation to Equity Shares
Transferability Restrictions	The Equity Shares being Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. For further details, please see the section entitled "*Transfer Restrictions and Purchaser Representations*" on page 214
Use of Proceeds	The gross proceeds from the Issue will be approximately ₹ [●] million. The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue, will be approximately ₹ [●] million. For details, please see the section entitled "*Use of Proceeds*" on page 73.
Risk Factors	For details, please see the section entitled "*Risk Factors*" on page 41 for a discussion of risks you should consider before deciding whether to subscribe for the Equity Shares.

Pay-In Date	The last date specified in the CAN sent to the QIBs for payment of application money.
Closing Date	The Allotment is expected to be made on or about [●].
Ranking	The Equity Shares being issued pursuant to the Issue shall be subject to the provisions of the Memorandum of Association and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares, including rights in respect of dividends. Our Shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by our Bank after the Closing Date, in compliance with the Companies Act, 2013, the SEBI Listing Regulations and other applicable laws and regulations. Our Shareholders may attend and vote in shareholders' meetings on the basis of one vote for every Equity Share held. For details, please see the section entitled "*Description of the Equity Shares*" on page 220.
Security Codes for the Equity Shares	ISIN: INE237A01028
	BSE Code: 500247
	NSE Code: KOTAKBANK

SELECTED FINANCIAL INFORMATION

The following selected financial data as of and for the years ended March 31, 2017, March 31, 2016 and March 31, 2015 have been derived from our Standalone Financial Statements and Consolidated Financial Statements included elsewhere in this Preliminary Placement Document. The financial data set forth below should be read in conjunction with the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 85 and "*Financial Statements*" on page 242, including the schedules and notes thereto, included elsewhere in this Preliminary Placement Document. Our Standalone Financial Statements and Consolidated Financial Statements were prepared in accordance with Indian GAAP. The historical results do not necessarily indicate results expected for any future period. For the purposes of comparative analysis below, previous years' figures have been reclassified and regrouped wherever necessary.

Indian GAAP differs in certain material respects from US GAAP and IFRS. Neither the information set forth below nor the format in which it is presented should be viewed as comparable to information prepared in accordance with IFRS or other accounting principles.

SUMMARY STANDALONE FINANCIAL STATEMENTS

Summary Income Statement Information

(in ₹ million, except per share data)

	Fiscal Year		
	2017	**2016**	**2015**
INCOME			
Interest Earned	176,989.33	163,841.84	97,198.67
Other Income	34,771.58	26,122.34	20,284.54
Total	**211,760.91**	**189,964.18**	**117,483.21**
EXPENDITURE			
Interest Expended	95,727.84	94,838.10	54,961.35
Operating Expenses	56,184.95	54,715.20	32,547.31
Provisions and Contingencies	25,733.14	19,513.09	11,314.76
Total	**177,645.93**	**169,066.39**	**98,823.42**
PROFIT			
Net Profit for the year	**34,114.98**	**20,897.79**	**18,659.79**
Add: Balance in Profit and Loss Account brought			
forward from previous year	82,141.19	50,952.64	40,052.91
Add: Additions on Amalgamation	-	18,000.89	-
Less: Adjustments on Amalgamation	-	1,253.80	-
Total	**116,256.17**	**88,597.52**	**58,712.70**
APPROPRIATIONS			
Transfer to Statutory Reserve	8,528.80	5,224.50	4,665.00
Transfer to General Reserve	-	-	933.00
Transfer to Capital Reserve	105.50	91.70	59.10
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961	550.00	450.00	280.00
Transfer from Investment Reserve Account	(484.90)	(415.18)	866.50
Dividend / Proposed Dividend	0.70	918.36	820.65
Corporate Dividend Tax	(6.83)	186.95	135.81
Balance carried over to Balance Sheet	107,562.90	82,141.19	50,952.64
Total	**116,256.17**	**88,597.52**	**58,712.70**
EARNINGS PER SHARE (Face value of ₹ 5/-) (Rupees)			
Basic	18.57	11.42	12.10
Diluted	18.55	11.40	12.07

In July 2015, the Bank has allotted 912,841,920 fully paid up equity shares of face value ₹ 5/- each, in ratio of one equity share for every equity share held, by capitalisation of securities premium. Consequently, the earnings per share have been adjusted for Fiscal Year 2015 in accordance with Accounting Standard 20, Earnings per share.

Summary of Statement of Assets and Liabilities

(in ₹ million)

	As of 31 March		
	2017	**2016**	**2015**
CAPITAL AND LIABILITIES			
Capital	9,204.49	9,171.91	3,861.76
Employee's Stock Options (Grants) Outstanding	18.68	34.14	29.97
Reserves and Surplus	266,956.20	230,418.69	137,549.10
Deposits	1,574,258.60	1,386,430.22	748,603.09
Borrowings	210,954.81	209,753.38	121,497.13
Other Liabilities and Provisions	84,506.80	86,789.57	48,579.70
Total	**2,145,899.58**	**1,922,597.91**	**1,060,120.75**
ASSETS			
Cash and Balances with Reserve Bank of India	74,924.26	69,034.35	39,282.97
Balances with Banks and Money at Call and Short Notice	150,795.84	39,762.81	23,340.61
Investments	450,741.87	512,602.20	286,591.05
Advances	1,360,821.29	1,186,652.95	661,607.13
Fixed Assets	15,376.28	15,515.92	12,067.05
Other Assets	93,240.04	99,029.68	37,231.94
Total	**2,145,899.58**	**1,922,597.91**	**1,060,120.75**
Contingent Liabilities	1,930,675.36	2,426,102.85	636,721.60
Bills for Collection	203,182.63	149,640.49	44,199.92

In the standalone financial statements for fiscal year 2015, we have classified “Investments in RIDF” as a part of “Investments” based on the RBI Guidelines existing then. In fiscal year 2016, we classified “Investment in RIDF” as a part of “Other Assets” based on the RBI Circular DBR.BP.BC.No.31/21.04.018/2015- 16 dated July 16, 2015. In order to present the standalone financial statements for fiscal years 2015, 2016 and 2017 in a comparable format, we have reclassified the “Investment” and “Other Assets” for fiscal years 2015 in the same manner as the adjustment undertaken in the audited standalone financial statements for fiscal year 2016. The net impact of this reclassification is that, in the table above, the “Investments” for fiscal year 2015 have reduced by ₹ 17,619.82 million, with a corresponding increase in “Other Assets”.

Summary cash flow information

(in ₹ million)

	Fiscal Year		
	2017	**2016**	**2015**
Net cash flow generated from / (used in) operating activities	144,076.17	61,337.22	44,631.93
Net cash flow generated from / (used in) investing activities	(29,718.40)	(63,630.05)	(34,537.94)
Net cash flow from financing activities	2,565.17	(14,639.07)	(7,269.31)
Cash and cash equivalents at the beginning of the year	108,797.16	62,623.58	59,798.90
Net cash and cash equivalents taken over from erstwhile ING Vysya Bank Limited on amalgamation	-	63,105.48	-
Cash and cash equivalents at the end of the year	225,720.10	108,797.16	62,623.58

In accordance with RBI circular DBR.BP.BC.No.31/21.04.018/2015-16 dated July 16, 2015, we have classified deposits placed with NABARD/SIDBI/NHB for meeting any shortfall in Priority Sector Lending under “Other Assets”, which were earlier included under “Investments”. Accordingly, cash flow figures of such deposits for the previous period has been reclassified as Operating Activity from Investment Activity.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Summary Income Statement Information

(in ₹ million, except per share data)

	Fiscal Year		
	2017	**2016**	**2015**
INCOME			
Interest Earned	223,242.07	204,016.36	133,188.89
Other Income	116,595.59	76,307.28	81,521.95
Total	339,837.66	280,323.64	214,710.84
EXPENDITURE			
Interest Expended	114,575.10	111,229.73	69,661.02
Operating Expenses	142,454.07	108,940.85	97,492.64
Provisions and Contingencies	33,317.66	25,841.85	16,906.39
Total	290,346.83	246,012.43	184,060.05
PROFIT			
Net Profit for the year	49,490.83	34,311.21	30,650.79
Less: Share of Minority Interest	788.27	651.94	595.12
Add: Share in profit/ loss of Associates	701.78	929.22	398.83
Consolidated Profit for the year attributable to the Group	49,404.34	34,588.49	30,454.50
Add: Balance in Profit and Loss Account brought forward from previous year	162,238.80	118,641.31	97,191.92
Add: Additions on Amalgamation	-	18,041.08	-
Less: Adjustments on Amalgamation	-	1,253.80	-
Add: MTM Gain on Derivatives (net of tax)	8.94	-	-
Total	211,652.08	170,017.08	127,646.42
APPROPRIATIONS			
Transfer to Statutory Reserve	8,528.80	5,224.50	4,665.00
Transfer to Special Reserve u/s 45 IC of RBI Act, 1934	1,422.60	1,312.70	1,227.80
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961	550.00	450.00	280.00
Transfer to Capital Redemption Reserve	10.00	-	940.50
Transfer to Capital Reserve	105.50	91.70	59.10
Transfer (from)/ to Investment Reserve account	(484.90)	(415.18)	866.50
Dividend/ Proposed Dividend	0.70	918.35	820.65
Corporate Dividend tax	(6.23)	196.21	145.56
Balance carried over to Balance Sheet	201,525.61	162,238.80	118,641.31
Total	211,652.08	170,017.08	127,646.42
EARNINGS PER SHARE (Face value of ₹. 5/-)			
Basic	26.89	18.91	19.75
Diluted	26.86	18.87	19.70

In July 2015 the Bank has allotted 912,841,920 fully paid up equity shares of face value ₹ 5/- each, in ratio of one equity share for every equity share held by capitalisation of securities premium. Consequently the earnings per share have been adjusted for Fiscal Year 2015 in accordance with Accounting Standard 20, Earnings per share.

Summary of Statement of Assets and Liabilities

(in ₹ million)

	As of 31 March		
	2017	**2016**	**2015**
CAPITAL AND LIABILITIES			
Capital	9,204.49	9,171.91	3,861.76
Reserves and Surplus	375,703.94	324,434.50	217,671.39
Minority interest	4,744.26	3,955.99	3,356.91
Employee's Stock Options (Grants) Outstanding	18.68	34.14	29.97
Deposits	1,555,399.98	1,359,487.60	728,434.59
Borrowings	496,899.09	437,297.93	314,148.79
Policyholders' Funds	187,928.76	151,482.78	137,926.10
Other Liabilities and Provisions	131,976.37	122,170.91	80,328.11
Total	2,761,875.59	2,408,035.76	1,485,757.62
ASSETS			
Cash and Balances with Reserve Bank of India	75,122.26	69,249.00	39,451.16
Balances with Banks and Money at Call and Short Notice	180,763.24	46,745.08	29,583.25
Investments	684,615.38	702,738.99	455,888.86
Advances	1,671,249.11	1,447,928.15	886,322.15
Fixed Assets	17,552.02	17,575.97	13,815.53
Other Assets	132,539.39	123,764.37	60,662.48
Goodwill on consolidation	34.19	34.19	34.19
Total	2,761,875.59	2,408,035.76	1,485,757.62
Contingent Liabilities	1,961,720.65	2,447,118.64	664,470.94
Bills for Collection	203,182.63	149,640.49	44,199.92

In the consolidated financial statements for fiscal year 2015, we have classified “Investments in RIDF” as a part of “Investments” based on the RBI Guidelines existing then. In fiscal year 2016, we classified “Investment in RIDF” as a part of “Other Assets” based on the RBI Circular DBR.BP.BC.No.31/21.04.018/2015- 16 dated July 16, 2015. In order to present the consolidated financial statements for fiscal years 2015, 2016 and 2017 in a comparable format, we have reclassified the “Investment” and “Other Assets” for fiscal years 2015 in the same manner as the adjustment undertaken in the audited consolidated financial statements for fiscal year 2016. The net impact of this reclassification is that, in the table above, the “Investments” for fiscal year 2015 have reduced by ₹ 17,619.82 million, with a corresponding increase in “Other Assets”.

Summary cash flow information

(in ₹ million)

	Fiscal Year		
	2017	**2016**	**2015**
Net cash flow generated from / (used in) operating activities	132,019.69	50,245.84	23,017.21
Net cash flow generated from / (used in) investing activities	(52,680.88)	(86,623.94)	(44,670.79)
Net cash flow from financing activities	60,552.60	20,244.08	24,256.93
Cash and cash equivalents at the beginning of the year	115,994.08	69,034.42	66,431.06
Net cash and cash equivalents taken over from erstwhile ING Vysya Bank Limited on amalgamation	-	63,093.68	-
Cash and cash equivalents at the end of the year	255,885.49	115,994.08	69,034.42

In accordance with RBI circular DBR.BP.BC.No.31/21.04.018/2015-16 dated July 16, 2015, we have classified deposits placed with NABARD/SIDBI/NHB for meeting any shortfall in Priority Sector Lending under “Other Assets”, which were earlier included under “Investments”. Accordingly, cash flow figures of such deposits for the previous period has been reclassified as Operating Activity from Investment Activity.

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider each of the following risk factors and all other information set forth in this Preliminary Placement Document, including the risks and uncertainties described below, before making an investment in the equity shares. You should read this section together with "Industry Overview", "Business", "Selected Financial Information", "Selected Statistical Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as the Financial Statements, including the notes thereto, and other financial information included elsewhere in this Preliminary Placement Document. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in the equity shares.

The risks and uncertainties described below are not the only risks that we currently face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially adversely affect our business, prospects, financial condition and results of operations and cashflows. If any or some combination of the following risks, or other risks that we do not currently know about or believe to be material, actually occur, our business, financial condition and results of operations and cashflows could suffer, the trading price of, and the value of your investment in, our equity shares could decline, and you may lose all or part of your investment. In making an investment decision, you must rely on your own examination of the Bank and the terms of this Issue, including the merits and risks involved.

This Preliminary Placement Document also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from such forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Preliminary Placement Document.

Risks Relating to our Business

We have grown rapidly in the past, and there is no assurance that our growth will continue at a similar rate or that we will be able to manage our rapid growth.

We have grown rapidly in the past. As of March 31, 2017, we had a branch network comprised of 1,369 domestic branches and 2,163 ATMs. Our consolidated net advances as of March 31, 2017, 2016 and 2015 were ₹1,671.25 billion, ₹1,447.93 billion and ₹886.32 billion respectively. The growth in our business is attributable to our organic growth which includes the expansion of our branch network, and the eIVBL Scheme. For details on the eIVBL Scheme, see "Business—eIVBL Scheme".

As part of our growth plan, the eIVBL Scheme has increased the size and geographical reach of our branch network. Some of our newly added eIVBL branches are operating at a lower efficiency level compared with our established branches. While we believe that there are growth opportunities for these newly added branches and these branches will improve their operating efficiency levels over time, the success will depend on various internal and external factors, some of which are not under our control. The sub-optimal performance of the newly added branches, if continued over an extended period of time, would have a material adverse effect on our profitability. We are undertaking a branch rationalisation and relocation strategy and there can be no assurance that we will be successful in these efforts.

Our rapid growth has placed and will continue to place significant demands on our operational, credit, financial and other internal risk controls including:

- preserving our asset quality as our geographical presence increases and our customer profile changes;
- developing and improving our products and delivery channels;
- recruiting, training and retaining sufficient skilled personnel;
- upgrading, expanding and securing our technology platform;
- integrating newly-acquired businesses;
- complying with regulatory requirements including Know Your Customer ("**KYC**") norms, FEMA and FATCA ; and
- maintaining high levels of customer satisfaction.

If we are not successful in implementing or executing these operational measures and risk controls, we may not be able to expand our business as we have in the past, and our growth rate may decline. We may not be able to manage our new operations effectively or efficiently, which would mean that our operations would suffer and our performance and financial results as a whole would be materially adversely affected.

Our business is highly competitive, which creates significant pricing pressures for us to retain existing customers and solicit new business, and our strategy depends on our ability to compete effectively.

The Indian banking industry is highly competitive. We face strong competition in all our lines of business from much larger Indian and foreign commercial banks, non-banking financial companies, insurance companies, mutual funds, financial service firms and other entities operating in the Indian banking and financial sector. We compete directly with large Government-controlled public sector banks, major private sector banks and foreign banks with branches in India. As of March 31, 2017, there were 93 scheduled commercial banks in India, including 27 public sector banks, 23 private sector banks (including us) and 43 foreign banks with branches in India. Public sector banks, which generally have a much larger customer and deposit base, larger branch networks and Government support for capital augmentation, pose strong competition to us. Mergers among public sector banks, including because of Government efforts to encourage and facilitate such mergers, may result in enhanced competitive strengths in pricing and delivery channels for the merged entities. For example, the State Bank of India, India's largest public sector bank, has merged its five associate banks and Bharatiya Mahila Bank with itself, effective from April 1, 2017. Further, a number of the private sector banks in India have a larger customer base and greater financial resources than us, giving them a substantial advantage by enabling economies of scale and improving organisational efficiencies.

The RBI has liberalised the licensing regime for banks in India and intends to issue licences on an ongoing basis, subject to meeting the criteria laid down by RBI. The RBI is supportive of creating more specialised banks and granting differentiated banking licenses such as for payment banks and small finance banks. The RBI also has plans to create wholesale and long-term finance banks in the near future. In April 2014, the RBI issued in-principle banking licences to two non-banking finance companies, Infrastructure Development and Finance Company ("**IDFC**") Limited and Bandhan Financial Services Private Limited. Both of these non-banking finance companies began operations as a bank during fiscal year 2016. In November 2014, the RBI released guidelines for licensing of payment banks and for licensing of small finance banks in the private sector. On August 19, 2015 the RBI granted in-principle approval to 11 applicants to set up payment banks. In September 2015, the RBI granted in-principle licences to ten applicants for small finance banks, most of which are microfinance non-banking finance companies. The RBI has also released guidelines with respect to a continuous licensing policy for universal banks in August 2016. The RBI has also put in the public domain, on April 7, 2017, a discussion paper on Wholesale and Long-Term Finance banks. These banks will focus primarily on lending to infrastructure sector and core sectors. These banks can provide refinancing to lending institutions and may operate in the capital markets in the form of aggregators. The banks can also act like market makers in corporate bonds, credit derivatives and take out financing amongst others. We believe that this will further intensify the competition in the banking sector.

We also compete with foreign banks with operations in India. The RBI, on February 28, 2005, released a "Roadmap for Presence of Foreign Banks in India and Guidelines on Ownership and Governance in Private Sector Banks". In November 2013, the RBI released a framework for the setting up of wholly owned subsidiaries in India by foreign banks. The framework encourages foreign banks to establish a presence in India by granting rights similar to those received by Indian banks, subject to certain restrictions and safeguards. Under the current framework, wholly owned subsidiaries of foreign banks are allowed to raise Rupee resources through issue of non-equity capital instruments. Further, wholly owned subsidiaries of foreign banks may be allowed to open branches in Tier 1 to Tier 6 centres (except at a few locations considered sensitive on security considerations) without having the need for prior permission from the RBI in each case, subject to certain reporting requirements. Any growth in the presence of foreign banks or in foreign investments in Indian banks may increase the competition that we face and as a result may have a material adverse effect on our business.

If the number of scheduled commercial banks, public sector banks, private sector banks and foreign banks with branches in the country increases, we will face increased competition in the businesses, which could have a material adverse effect on our financial condition and results of operations.

Some of the public sector, private and foreign banks have subsidiaries and affiliates operating as non-banking financial companies in asset management, insurance, stock broking, investment banking and other financial services with significant market share, distribution reach and product portfolio, and our Subsidiaries compete with them for business.

In addition, we may face attrition and difficulties in hiring at senior management and other levels due to competition from existing banking and financial services entities, as well as new banks and financial services entities entering the market. Due to such intense competition, we may be unable to execute our growth strategy successfully and offer competitive products and services, which would have a material adverse effect on our business, financial condition and results of operations.

If the level of non-performing assets in our portfolio increases, we will be required to increase our provisions, which would negatively impact our profits.

Our management of credit risk involves having appropriate credit policies, underwriting standards, approval processes, loan portfolio monitoring, remedial management and overall architecture for managing credit risk. Our risk mitigation and risk monitoring techniques may not be accurate or appropriately implemented and we may not be able to anticipate future economic and financial events, leading to an increase in our NPAs.

Due to the Government of India's demonetization policy, the RBI has allowed a 60 or 90-day dispensation for the recognition of NPAs. Banks were permitted to defer the downgrading of an account (across certain loans) that was standard on November 1, 2016 and would have become NPA for dues payable during the period from November 1, 2016 to December 31, 2016 by 60 or 90 days. The Bank was able to defer the downgrade of certain accounts as a result of this dispensation beyond March 31, 2017. The downgrade of such accounts based on their overdue position would happen for the first time in our financial statements as of June 30, 2017. Such an increase in NPAs due to this or other reasons might require us to increase our provisions, which could materially adversely affect our net profits and financial position.

Provisions for NPAs are created by a charge to Profit and Loss account, and are currently subject to minimum provision requirements, linked to ageing of NPAs. Besides the regulatory minimum, we also consider our internal estimate for loan losses and risks inherent in the credit portfolio while deciding on the level of provisions. The determination of an appropriate level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may undergo material changes. Any incorrect estimation of risks may result in our provisions not being adequate to cover any further increase in the amount of NPAs or any further deterioration in our NPA portfolio.

In fiscal year 2016 we saw a significant increase in our NPA provisions by 234.2%, from ₹ 2.25 billion in fiscal year 2015 to ₹ 7.52 billion in fiscal year 2016. This was primarily driven by the eIVBL Scheme, due to the lower credit quality of eIVBL's portfolio of advances.

The following table sets forth the classification of gross advances of the Bank at the dates indicated.

(₹ in millions except percentages)

	As of March 31,		
	2015	**2016**	**2017**
Standard Advances	655,576.46	1,174,430.76	1,344,021.43
Restructured advances	1,640.82	2,700.70	1,322.15
Non-performing assets	12,372.32	28,381.12	35,786.13
Sub-standard advances	5,520.91	14,357.96	14,682.47
Doubtful advances	6,733.73	13,883.67	20,974.74
Loss advances	117.68	139.49	128.92

The Indian banking industry currently faces asset quality and capitalisation problems. The strategic debt restructuring (SDR) initiative, allowed creditors to convert debt into equity and take over the management of defaulting companies. There was a standstill period of 18 months imposed upon the asset classification on SDR cases. As the 18-month window for the resolution of certain strategic debt restructuring cases will be closing soon, the asset quality of the banking system may further deteriorate. Unless these cases are resolved within the time frame, Banks may have to reclassify certain assets from standard to NPA. In this context, the reported Gross NPAs of the banking system, could increase quite sharply in the future.

A number of factors outside of our control affect our ability to control and reduce NPAs. These factors include developments in the Indian and global economy, domestic or global turmoil, competition, changes in interest rates and exchange rates and changes in regulations, including with respect to regulations requiring us to lend to certain sectors identified by the RBI. These factors coupled with other factors such as volatility in commodity markets and declining business and consumer confidence and decreases in business and consumer spending could impact the operations of our customers and in turn impact their ability to fulfil their obligations under the loans granted to them by us. In addition, the expansion of our business may cause our NPAs to increase and the overall quality of our loan portfolio to deteriorate. If our NPAs increase, we will be required to increase our provisions, which would result in our net profit being less than it otherwise would be and could materially adversely affect our financial condition.

We may be unable to foreclose on collateral in a timely fashion or at all when borrowers default on their obligations to us, or the value of collateral may decrease, any of which may result in failure to recover the expected value of collateral security, increased losses and a decline in net profits.

Among other factors, we consider a mix of cash flow and availability of collateral while taking lending decisions. Many of our loans are secured by collateral, which consists of liens on inventory, receivables and other current assets, and charges on fixed assets, such as property, movable assets (such as vehicles) and financial assets (such as marketable securities). As per the RBI's Master Circular on Income Recognition and Asset Classification, an exposure is considered as secured if the realisable value of the security is more than 10% of the outstanding exposure. As of March 31, 2017, 77.35% of our Bank advances were secured as per the RBI guidelines. We may not be able to realise the full value of the collateral, due to, among other things, stock market volatility, changes in economic policies of the Indian government, obstacles and delays in legal proceedings, borrowers and guarantors not being traceable, the Bank's records of borrowers' and guarantors addresses being ambiguous or outdated and defects in the perfection of collateral and fraudulent transfers by borrowers. In the event that a specialised regulatory agency gains jurisdiction over the borrower, creditor actions can be further delayed. In addition, the value of collateral may be less than we expect or may decline. If we are unable to foreclose on our collateral or realise adequate value, our losses will increase and our net profits will decline.

We are exposed to borrower and industry concentrations, and a default by any large borrower or a deterioration in the performance of any of the industry sectors to which we have significant exposure would adversely affect the quality of our portfolio, and our ability to meet capital requirements could be jeopardized.

We calculate exposure in accordance with the policies established by RBI. In the case of customer exposures, we aggregate the higher of the outstanding balances of, or limits on, funded and non-funded exposures. As of March 31, 2017, aggregate credit exposure including derivatives to the Bank's twenty largest borrowers amounted to ₹232.88 billion representing 82.7% of its total Tier I and Tier II capital. The Bank's aggregate credit exposure including derivatives to its single largest borrower as of March 31, 2017 amounted to ₹28.22 billion, representing 10.0% of its Tier I and Tier II capital. While none of our twenty largest customer exposures were classified as non-performing as of March 31, 2017, if any of them were to become non-performing, our net profits would decline and, due to the magnitude of the exposures, our ability to meet capital requirements could be jeopardised.

As of March 31, 2017, our largest industry concentrations as per internal classifications, based on outstanding advances of the Bank, were as follows: Automobiles including Ancillaries (4.92%), Commercial Real Estate (4.43%), NBFCs (including HFCs) (4.25%) and Wholesale Trade (3.61%).

Industry-specific difficulties in these or other sectors may increase our level of non-performing customer assets. If we experience a downturn in an industry in which we have concentrated exposure, our net profits will likely decline significantly and our financial condition may be materially adversely affected. As of March 31, 2017, the Gross NPAs in the Bank, in top the top five industries (based on total funded and non-funded outstanding) was ₹3.74 billion.

We may not be able to secure funding for our operations when we need it, and funding shortages or maturity mismatches or increases in funding costs could materially and adversely affect our business, financial condition and results of operations.

We meet most of our funding requirements through short-term and medium-term funding sources, primarily in the form of customer deposits. Short-term deposits are those with a maturity not exceeding one year. Medium-term deposits are those with a maturity of greater than one year but not exceeding three years. A portion of our assets has long-term maturities, which sometimes causes funding mismatches. As of March 31, 2017, we expect 30.5% of the Bank's loans to mature within the next one year, 46.0% of the Bank's loans to mature between the next one to three years, 54.8% of the Bank's deposits to mature within the next one year and 44.0% of the Bank's deposits to mature between the next one to three years on a standalone basis. In the past, a substantial portion of our customer term deposits has been rolled over upon maturity and has been, over time, a stable source of funding. However, if a substantial number of our depositors do not roll over term deposits upon maturity, our liquidity position will be adversely affected. We may also face a concentration of deposits by our larger depositors. Any sudden or large withdrawals by such large depositors or group of large depositors may impact our liquidity position. As such, we may be required to seek more expensive sources of funding to finance our operations, which would result in a decline in our net profits and have a material adverse effect on our business, financial condition, results of operations, and prospects.

Apart from the above short-term and medium-term funding sources, our other sources of funding (other than equity share capital and share premium) are primarily institutional and inter-bank borrowings, long-term Tier II debt, perpetual debt instruments and foreign currency borrowings. Failure to obtain these sources of funding or replace them with fresh borrowings or deposits at competitive rates may materially and adversely affect our business, financial condition and results of operations.

We face pre-payment risk on our loans, which may result in losing future interest and reduced cash flow if the proceeds are re-invested at lower interest rates. In certain products, we may not be able to collect prepayment charges. The Bank is not permitted to charge foreclosure charges or pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

Our cost of funds is sensitive to interest rate fluctuations, which exposes us to the risk of reduction in spreads, which is the difference between the returns that we earn on our advances as well as our investments and the amounts that we must pay to fund them, on account of changing interest rates.

The pricing on our issuances of debt will also be negatively impacted by any downgrade or potential downgrade in our credit ratings. This would increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis.

In addition, any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may have a similar effect on our ability to raise additional financing and the terms at which such financing is available. This could have an adverse effect on our business, profitability and the ability to fund our growth. In addition, attracting customer deposits in the Indian market is competitive. If we fail to sustain or achieve the growth rate of our deposit base, including our CASA base, our business may be adversely affected. The rates that we must pay to attract deposits are determined by numerous factors, such as the prevailing interest rate structure, competitive landscape, Indian monetary policy and inflation. For example, in October 2011, the RBI deregulated interest rates on savings bank deposits, which resulted in certain banks increasing their interest rates, leading to increased competition in this area. In the event that our spreads decrease, it may have a material adverse effect on our business, financial condition, results and cash flow.

Our banking and insurance businesses are particularly vulnerable to interest rate risk and volatility in interest rates could materially adversely affect our net interest margin, pension liabilities and our financial performance.

Our results depend to a great extent on our net interest income in particular at our Bank and the three NBFCs, whose primary revenue source is interest income, as well as at our insurance companies, who invest in interest-earning securities. During fiscal year 2017, 2016 and 2015, interest earned for the Bank represented 83.6%, 86.2% and 82.7% of its total income (interest earned plus other income) on a standalone basis while interest earned for Group represented 65.7%, 72.8% and 62.0% of our total income (interest earned plus other income) on a consolidated basis. Changes in market interest rates affect the interest rates charged on our interest-earning assets differently from the interest rates paid on our interest-bearing liabilities and also affect the value of our investments. An increase in interest rates could result in an increase in interest expense relative to interest income if we are not able to increase the rates charged on our advances, which would lead to a reduction in our net interest income and net interest margin. Further, an increase in interest rates could negatively affect demand for our loans and credit substitutes and we may not be able to achieve our volume growth, which could materially adversely affect our net profits. A decrease in interest rates could result in a decrease in interest income relative to interest expense due to the repricing of our loans at a pace faster than the rates we pay on our interest-bearing liabilities. The quantum of the changes in interest rates for our assets and liabilities may also be different. In order to attract savings deposits, we provide attractive interest rates of up to 6% for our domestic savings accounts. If the interest rate were to fluctuate, this could materially and adversely affect our net interest margin.

We also have a defined benefit pension scheme in respect of pensions payable to certain eIVBL employees under the IBA structure. If interest rates were to fall, our liabilities under the pension plan will increase, which would impact our profits.

Moreover, changes in interest rates could affect our fixed income portfolio and treasury income. See "Our treasury income, debt investment portfolio and derivatives portfolio is exposed to risks relating to mark-to-market valuation, illiquidity, credit risk and income volatility" for a discussion of risks relating to our treasury income and fixed income portfolio.

Life Insurance is a long term business and therefore exposed to risk of future interest rate changes. Some of our key products have guaranteed or semi-guaranteed benefits, any fall in future interest rates could reduce our investment returns and spread and thus materially and adversely affect our insurance businesses and investment returns, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

A decline in interest rates could not only result in an increase in the value of our existing fixed income assets calculated based on fair value, but could also result in reduced returns on investment from our newly added fixed income assets and thus materially reduce our profitability. During periods of declining interest rates, our average investment yield may be affected as our maturing investments and bonds that are redeemed or prepaid to take advantage of the lower interest rate environment may have to be replaced with new investments carrying lower yields, thus reducing our investment margins and investment income.

An increase in interest rates could also negatively affect our profitability. An increase in interest rates could not only result in an increase in investment returns on our newly added fixed income assets, but could also result in reduced value of our existing fixed income assets calculated based on fair value. While the increased investment yield will increase the returns on investment from newly added assets in our investment portfolios, surrenders and withdrawals of existing insurance policies may increase as policyholders may seek to buy products with perceived higher returns. These surrenders and withdrawals may result in payments by us requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, potentially resulting in realised investment losses. These payments to policyholders would result in a decrease in total invested assets and a potential decrease in net income.

We could experience a decline in our revenue generated from activities in the equity capital markets if there is a prolonged or significant downturn on the Indian stock exchanges, or we may face difficulties in procuring required regulatory approvals for our business if we fail to meet regulatory limits on capital market exposures.

Our Bank and a number of our Subsidiaries, such as our broking, asset management and investment banking subsidiaries, provide a variety of services and products to participants involved with the Indian stock exchanges. The Bank offers working capital funding and margin guarantees to share brokers, personal loans secured by shares, initial public offering finance for retail customers, stock exchange clearing services, collecting bankers to various public issues, and depository accounts. Similarly, through our Subsidiaries, we offer capital markets financing, broking services, distribution of initial public offerings, Gold ETFs and mutual funds, and investment banking services. If there is a prolonged or significant downturn or extreme volatility on the Indian stock exchanges, our revenue generated from these products and services may decrease, which would have a material adverse effect on our financial condition. In our insurance subsidiary, a portion of investment returns comes from investments in the equity markets in India. Any decline in stock prices or dividends from stocks could negatively affect our net investment income and fund management fees.

We are required to maintain our exposure to capital markets within the regulatory limits prescribed by the RBI. Our capital markets exposures consist primarily of investments in equity shares, loans to share brokers and financial guarantees issued to stock exchanges on behalf of share brokers.

As per RBI norms, a bank's capital market exposure (both fund-based and non-fund-based) is limited to 40.0% of its last audited net worth under Indian GAAP, both on a consolidated and standalone basis. Our capital market exposure as of March 31, 2017, was 18.7% of our last audited net worth as of March 31, 2016 on a standalone basis and 33.5% on a consolidated basis. In the future, if we breach these regulatory limits, we may face regulatory actions that may have a material adverse effect on our business, operations and reputation.

We face the threat of fraud and cyber attacks, such as hacking, phishing, trojans and advanced persistency threats, attempting to exploit our network to disrupt services to customers and/or theft of sensitive internal Bank data or customer information. This may cause damage to our reputation and adversely impact our business and financial results.

Our systemic and operational controls may not be adequate to prevent adverse impact from frauds, errors, hacking and system failures. Further, our mobile and internet based customer applications and interfaces may be open to being hacked or compromised by third parties, resulting in thefts and losses to our customers and us. Some of these cyber threats from third parties include: (a) phishing and trojans – targeting our customers, wherein fraudsters send unsolicited mails to our customers seeking account sensitive information or to infect customer machines to search and attempt ex-filtration of account sensitive information; (b) hacking – wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; (c) data theft – wherein cyber criminals may attempt to intrude into our network with the intention of stealing our data or information; and (d) advanced persistency threat – network attack in which an unauthorized person gains access to our network and remains undetected for a long period of time. The intention of this attack is to steal our data or information rather than to cause damage to our network or organization. Attempted cyber threats fluctuate in frequency but are generally not decreasing in frequency. For example, we have had an instance where credit cards were fabricated by fraudsters and used outside India. We were able to detect this and recover part (but not all) of the withdrawn amounts through insurance. Not only are we exposed to such risks from our own actions or those of our employees, but from actions of our third party service providers, over whom we do not have full control. If we suffer from any of such cyber threats, it could materially and adversely affect our business, financial condition and results of operations.

A significant system breakdown or system failure caused due to intentional or unintentional acts would have an adverse impact on our revenue-generating activities and lead to financial loss.

There is also the risk of our customers blaming us and terminating their accounts with us for a cyber-incident that might have occurred on their own system or with that of an unrelated third party. The RBI has, on June 2, 2016, issued a framework for cyber-security for banks, prescribing measures to be adopted by banks to address security risks including putting in place a cyber-security policy and requiring banks to report all unusual cyber-security incidents to the RBI. Any cyber-security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability.

Although we have established a geographically remote disaster recovery site to support critical applications, it is possible the disaster recovery site may also fail or it may take considerable time to make the system fully operational and achieve complete business resumption using the alternate site. Therefore, in such a scenario, where the primary site is completely unavailable, there may be significant disruption to our operations, which would materially adversely affect our reputation and financial condition.

Our reputation could be adversely affected by fraud committed by employees, customers or outsiders, or by our perceived inability to properly manage fraud-related risks. Our inability or perceived inability to manage these risks could lead to enhanced regulatory oversight and scrutiny. We reported 126 cases of fraud over ₹ 100,000 during fiscal year 2017 amounting to ₹1.12 billion, 114 cases of fraud over ₹ 100,000 during fiscal year 2016 amounting to ₹ 0.45 billion and 56 cases of fraud over ₹ 100,000 during fiscal year 2015 amounting to ₹0.59 billion.

Differences between our actual benefits and claim payments and those assumptions and estimates used in the pricing of, and setting reserves for, our insurance products could have a material adverse effect on our business, financial condition, results of operations and prospects.

We price our insurance products based on assumptions for benefits and claim patterns. Our insurance earnings depend significantly upon the extent to which actual claims and benefits are consistent with the assumptions used in pricing our insurance products and determining the appropriate amount of policy reserves. Such assumptions include future mortality and morbidity rates. Although our annuity portfolio is small, we are exposed to longevity risk for this portfolio. If actual mortality rates are lower than those expected for annuitants, it could have a material adverse effect on our profitability. In respect of our products that offer death and morbidity related benefits, actual mortality and morbidity rates that are higher than those projected could have a material adverse effect on our business, financial condition, results of operations and prospects. Mortality risk, i.e., the risk of higher mortality than expected, is more significant for our pure protection products as compared to our other products which offer both protection benefits as well as savings. Our pure protection portfolio currently represents a small proportion of our product portfolio. However, we have been increasingly focusing on protection business in recent years. Although we transfer a significant proportion of our mortality risk exposure to reinsurers, if our protection portfolio grows significantly, we would still have a significant exposure to mortality risk. Further, in recent years, we have released various new insurance products. The assumptions used in pricing such products involve an elevated degree of uncertainty, as they are often based on limited experience when compared to assumptions used for existing products. In addition to the assumptions mentioned above, we use policyholder data and various other third-party data as inputs to our models, which could be inaccurate or incomplete. Also, the models we use to value our expected benefits and claim payments themselves could be incorrect. As we increase the number and complexity of products we offer, the likelihood of an inaccuracy in our models may also increase. Therefore, if our actual benefits and claim payments experience are worse than our assumptions used in the pricing of our products or if we rely on inaccurate internal or third-party data or models, it could have a material adverse effect on our business, financial condition, results of operations and prospects. We establish liabilities to provide for future obligations under our insurance products. However, reserves do not represent an exact calculation of liability, but are estimates of expected net future policy benefits and claims payments. The assumptions used to set our reserves and our estimates require significant judgement and, therefore, are inherently uncertain. We cannot determine with precision the ultimate amounts that we will pay for actual benefit and claim payments, the timing of those payments, or whether the assets supporting our liabilities will increase to the levels we estimate before payment of benefits or claims.

Our consolidated financial information presented in this Preliminary Placement Document may not be comparable among the different periods presented, nor may it be indicative of future performance, primarily due to recent changes in our business as a result of significant acquisitions and investments.

In fiscal year 2016, we concluded the merger with eIVBL into our Bank. This transaction was given effect on April 1, 2015. As a result, the consolidated financial information presented in this Preliminary Placement Document as of and for fiscal years 2017 and 2016 is not comparable with the consolidated financial information for fiscal year 2015. Please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 85.

We have undertaken, and may continue to undertake, strategic investments, acquisitions and joint ventures, which may not perform in line with our expectations.

In fiscal year 2016, we concluded the merger of eIVBL into our Bank. For details, see "*Business — eIVBL Scheme*" on page 163. We may, depending on our management's view and market conditions, pursue additional strategic investments, undertake acquisitions and enter into joint ventures. We cannot assure you that we will be able to undertake such strategic investments, acquisitions (including by way of a merger, or share or asset acquisition) or joint ventures in the future, either on terms acceptable to us or at all. Moreover, we require regulatory approval for acquisitions, including our proposed acquisitions of BSS Microfinance Private Limited and the 26.0% equity stake held by Old Mutual Plc., UK in Kotak Life, and we cannot guarantee that we will receive such approvals in a timely manner, or subject to any conditions, or at all. Any inability to identify suitable acquisition targets or investments or failure to complete such transactions may adversely affect our competitiveness or growth prospects.

We regularly conduct feasibility studies and evaluate the commercial risks of any planned acquisition, investment and joint venture arrangement to ensure that such a transaction is in line with our strategy and business plan. For instance, one of the rationales for pursuing the eIVBL Scheme was to expand our branch network in Southern India and to increase our portfolio of SME customers. We have historically entered into partnerships and joint ventures to expand our service offering, and currently operate a joint venture with Old Mutual Plc. to offer life insurance products in India until completion of the acquisition of 100% beneficial interest by our Bank, which is subject to approval of the RBI, IRDAI and other regulatory authorities. However, there can be no assurance that our strategy or related evaluative processes will be successful in ensuring that the expected strategic benefits of our current or future acquisitions, investments or joint ventures will be realised or that our profitability will not be adversely affected.

Acquisitions, joint ventures or strategic investments may involve a number of special risks, including, but not limited to:

- the obligation to maintain our shareholding level or to comply with maximum or minimum shareholding levels, which could require us to purchase shares in rights issues or other capital raising activities and to seek RBI approval or that of other regulatory authorities, which we cannot guarantee will be forthcoming;
- higher provisioning, impacting our overall asset quality and leading to adverse effects on our reported operating results;
- difficulties in retaining customers or certain contracts;
- recruitment, training and retention of management;
- operational and financial systems and controls to handle the increased complexity and expanded breadth and geographic area of our newly acquired operations;
- satisfactory performance by our joint venture partners of their contractual obligations, and any disagreement or deadlock with them;
- difficulties assimilating and integrating our operations with that of the acquired entity or investment or joint venture partner;

- difficulties determining, evaluating and managing the risks and uncertainties in entering new markets and acquiring new businesses;

- difficulties in evaluating the contractual, financial, regulatory, environmental and other obligations and liabilities associated with our acquisitions, joint ventures and investments, including the appropriate implementation of financial oversight and internal controls and the timely preparation of financial statements that are in conformity with our accounting policies;

- unanticipated liabilities or contingencies relating to the acquired entity, investment or joint venture partner;

- accurately judging market dynamics, demographics, growth potential and competitive environment; and

- obtaining, maintaining and complying with the conditions prescribed under necessary permits, certificates, licences and approvals from governmental and regulatory authorities and agencies.

If we are unable to manage one or more of the events or challenges listed above, it could have a material adverse effect on our ability to successfully complete our acquisitions, investments or joint ventures and could may prevent us from achieving our strategic and financial goals and operational synergies, which in turn could have a material adverse effect on our business, results of operation, prospects and financial condition.

There is no assurance that the proposed acquisition of the entire 26.0% equity stake held by Old Mutual Plc. in Kotak Life shall be closed in a timely manner or at all.

Pursuant to a Share Purchase Agreement dated April 27, 2017 (the "**SPA**"), Kotak Bank has agreed to purchase the entire 26.0% equity stake held by Old Mutual Plc. in Kotak Life. Accordingly, if the acquisition is successfully completed, the entire equity share capital of Kotak Life shall be held by the Kotak group. Completion of the transaction is subject to fulfilment of certain conditions as mutually agreed between Kotak Bank and Old Mutual Plc., and the receipt of approvals as required from relevant regulatory authorities, including approval by the RBI. In addition, the sale is conditional upon the receipt of a valuation from a third party as to the consideration being paid, if the valuation results in a price lower than the price in the agreement the sale may not proceed as matter of Indian law, and if the price is above a certain threshold as agreed with Old Mutual Plc., then Old Mutual Plc. shall have the option to terminate the agreement. There is no assurance that we will be able to obtain approvals as required from appropriate regulatory authorities in a timely manner or at all, or that the other conditions to completion will be fulfilled.

We depend on our brand recognition, and failure to maintain and enhance awareness of our brand would adversely affect our ability to retain and expand our base of customers.

We believe that the strong reputation of the "Kotak" and "Kotak Mahindra" brand names are essential to our business. As such, any damage to our reputation and that of the "Kotak" or "Kotak Mahindra" brand names could substantially impair our ability to maintain or grow our business. In addition, any action on the part of our promoter or any of the companies in the Kotak Mahindra group that negatively impacts the "Kotak" or "Kotak Mahindra" brand names could have a material adverse effect on our business, financial condition and results of operations.

If we fail to maintain this brand recognition with our target customers due to any issues with our product offerings, a deterioration in service quality, or otherwise, or if any premium in value attributed to our business or to the brands under which our services are provided declines, market perception and customer acceptance of our brands may also decline. In such an event, we may not be able to compete for customers effectively, and our business, financial condition and growth prospects may be materially and adversely affected.

In addition, any unauthorized or inappropriate use of our brand, trademarks and other related intellectual property rights by others, including our Subsidiaries or third party distributors of our products, in their corporate names or product brands or otherwise could harm our brand image, competitive advantages and business and dilute or harm our reputation and brand recognition. Further, if a dispute arises with respect to any of our intellectual property rights or proprietary information, we will be required to produce evidence to defend or enforce our claims, and we may become party to litigation, which may strain our resources and divert the attention of our management. We cannot assure you that any infringement claims that are material will not arise in the future or that we will be successful in defending any such claims when they arise.

Our efforts to protect our intellectual property or proprietary information and the measures we take to identify potential infringement of our intellectual property may not be adequate to detect or prevent infringement, misappropriation or unauthorized use. The misappropriation or duplication of our intellectual property or proprietary information may disrupt our business, distract management and employees, reduce revenues and increase expenses. In addition, we may also become subject to infringement claims. Even if claims against us are not meritorious, any legal, arbitral or administrative proceedings that we may be required to initiate or defend in this regard may be time-consuming, costly and harmful to our reputation, and there is no assurance that such proceedings will ultimately be determined in our favour. Furthermore, the application of laws governing intellectual property rights in India is continuously evolving and there may be instances of infringement or passing-off of our brand in Indian markets.

Our failure to adequately protect our brand, trademarks and other related intellectual property rights may adversely affect our business, financial condition and results of operations.

Our Group's business is subject to various risks, including on account of our products or clients or agents which may subject us to substantial losses or affect our capital.

Our Group offers various financial products to clients, which exposes us to various financial and non-financial risks. For example, as part of our broking business we allow clients to take positions on the markets, basis their margins placed with us. In the event of a volatile stock market or adverse movements in stock prices, the collateral securing the position may have decreased significantly in value, resulting in defaults by our customers. Similarly, with a decline in market trading volumes, our profitability will be adversely affected because our revenues will be reduced.

In many of our businesses, we rely on third parties to deliver products and services to customers. Any termination of our agreements with such third parties may result in loss of business for us from such parties. For example in KSL, we use services of sub-brokers or authorised persons to deliver our products and services to our customers. We may suffer reputational damage if such third parties were not to conduct business in accordance with good practices.

In our broking business we engage in arbitrage and trading opportunities using our own capital. Any error in judgment or assessment of risk, or any other mala fide representation of trade positions by our proprietary traders, or any other human or mechanical errors may result in erosion of our capital and affect our financial conditions.

Our income and profit from our asset management business depend on the total value and composition of assets under our management. Any decrease in the value or composition of assets under management will cause a decline in our income and profit. The assets under management may decline or fluctuate for various reasons, many of which are outside our control. In respect of our mutual funds business, many of our funds invest in fixed income securities, the value of which may decline as a result of changes in interest rates, an issuer's actual or perceived creditworthiness or an issuer's ability to meet its obligations. This may, accordingly, adversely affect our business, financial condition and results of operation.

Certain of our Subsidiaries, Associates and entities in which we have equity investments have incurred losses, which may affect our profitability and may lead to an erosion of the value of our investments.

Certain of our Subsidiaries, Associates and entities in which we have equity investments have incurred losses in recent years. Any adverse impact on the business and revenue of our Subsidiaries will affect our profitability on a consolidated basis and could place the capital invested by us at risk, thereby affecting our consolidated business, profitability, financial condition and results of operation.

Any volatility in housing or real estate prices may have an adverse impact on our business and our growth strategy.

We have exposure to the real estate sector, including through home loans, LAP, lease rental discounting, loans to developers and commercial real estate loans. Accordingly, we are exposed to the effects of volatility in real estate prices. Any sudden or sharp movement in housing or commercial real estate prices may adversely affect the demand and the quality of our portfolio which may have an adverse impact on our business and growth strategy.

We may engage in new businesses that may not be successful and may not meet our expectations.

We are involved in and in the future may have further plans to be involved in new businesses, including complementary businesses, technologies, services and products, and we may enter into strategic partnerships or joint ventures with parties that we believe can provide access to new markets, technology, capabilities or assets.

These new businesses subject us to many risks, and we can provide no assurances that any such ventures will be successful or meet our expectations. In addition, these new ventures may require regulatory approvals, and we cannot assure you that we will be able to procure such approvals, either in a timely manner or at all. If these new ventures are not successful, we may suffer losses, dilute value to shareholders or may not be able to take advantage of appropriate investment opportunities or conclude transactions on terms commercially acceptable to us. These ventures may require significant investments of capital and we may not realize our expected (or any) returns on these investments. Our management may also need to divert its attention from our operations in order to integrate such new businesses, which may affect the quality of operational standards and our ability to retain the business of our existing customers. We could also have difficulty in integrating the acquired products, services, solutions, technologies, management and employees into our operations. We may face litigation or other claims arising out of our new businesses, including disputes with regard to additional payments or other closing adjustments. These difficulties could disrupt our ongoing business, distract our management and employees, and increase our expenses. As such, our business, financial condition and results of operations could be materially adversely affected.

We are expanding into new overseas jurisdictions which would involve a number of unknown factors that could materially and adversely affect our business, financial condition and results of operations

We are expanding our business internationally. Our international operations are subject to risks that are specific to each country and region in which we operate as well as risks associated with international operations in general. These risks included:

- unfamiliar and potentially complex regulations and regulatory frame works and environments in the new jurisdictions;
- changes in laws, regulations and policies of India and of each particular country in which we will operate in:
- trade restrictions (including foreign trade and investment);
- currency exchange controls and currency fluctuations;
- cultural and language barriers and customer behaviour and preferences that are different from those in India and that we may not understand or be able to address;
- political and macro-economic risks;
- interest rates and the availability of credit;
- property and contractual rights;
- where and to whom products may be sold;
- taxes;
- regulations associated with financial product liability;
- volatility in the industries and markets in which we operate;
- varying and unpredictable requirements and preferences of customers;
- the behaviour of our competitors;
- labour disruptions;
- natural disasters;
- administrative difficulties, including difficulties in management of international partners;
- difficulty in understanding local business and regulatory environments;
- government instability and corruption; and
- war, civil unrest, other military action and terrorism.

Unfavourable developments in any of the above areas may create difficulties for our business. For example, we may encounter difficulties in obtaining the necessary governmental approvals in a timely manner or at all or face challenges as a result of the pervasiveness of corruption and other irregularities in business practices. Similarly, restricted access to global markets would impair our ability to grow our overseas businesses. As a result, our business, prospects, financial condition and results of operations may be adversely affected.

Our success depends, in large part, upon our management team and skilled personnel and on our ability to attract and retain such persons.

We are highly dependent on the continued services of our management team, including the efforts of our Chairperson, Managing Director and Joint Managing Director. Our Bank complies with the RBI guidelines on Fit & Proper Criteria for Directors, relevant provisions of the Banking Regulation Act 1949 regarding Board composition, and other applicable provisions of the Companies Act, 2013. Our Chairperson is due for retirement in the annual general meeting to be held in 2018

We are also dependent on our experienced members of the Executive Board and Key Management Personnel. See the section "Board of Directors and Senior Management" for details of our Board and Executive Board. Our future performance is dependent on the continued service of these persons. Our internal retirement policy mandates a retirement age of 60 years old, which will require all current members of our Executive Board to retire within the next five years. We may not be able to replace these Executive Board members with similarly experienced professionals, which could materially and adversely impact the quality of our management and leadership team.

Our employment agreements with our management team do not obligate them to work for us for any specified period and do not contain non-compete or non-solicitation clauses in the event of termination of employment. Further, we do not maintain any "key man" insurance. If one or more of these key personnel are unwilling or unable to continue in their present positions, we may not be able to replace them with persons of comparable skills and expertise.

We also face a continuing challenge to hire and assimilate a number of skilled personnel. Competition for management and other skilled personnel in our industry is intense, and we may not be able to attract and retain the personnel we need in the future. The loss of key personnel or our inability to replace key personnel may restrict our ability to grow, to execute our strategy, to raise the profile of our brand, to raise funding, to make strategic decisions and to manage the overall running of our operations, which would have a material adverse impact on our results of operations and financial position.

We rely on models for risk analysis to guide our managerial decisions and any misspecification, deficiencies or inaccuracies in the models and data may impact our decision-making and operations.

As part of our ordinary decision making-process, we rely on various models for risk and data analysis. These models are based on historical data and supplemented with managerial input and comments. There are no assurances that these models and the data they analyze are accurate or adequate to guide our strategic and operational decisions and protect us from risks. Any misspecification, deficiencies or inaccuracies in the models or the data might have a material adverse effect on our business, financial condition or results of operation.

We could be subject to claims by our customers and/or regulators for alleged mis-selling of our products.

We sell insurance through Kotak Mahindra General Insurance and Kotak Mahindra Old Mutual Life Insurance and their intermediaries, including individual agents, corporate agents, brokers and bancassurance partners, as well as certain of our employees. Intermediaries aid the customer in choosing the correct product by advising on appropriate benefits and affordable premiums, disclosing product features and advising on whether to continue with a particular product or switch products.

We also sell investment products through our investment advisory unit within the Bank. Our investment advisory unit introduces and advises our customer as to the different types of products available for their investments and aids the customer in choosing appropriate products which suits their risk profile. Our investment advisory unit has received customer complaints previously but has not been involved in any material legal disputes with our customers. Our Treasury group also deals with foreign currency and derivative products and offers them to customers.

Under certain circumstances, customers may claim that our sales process is inadequate or that there was misconduct on the part of our employees or intermediaries at the time of signing of the policy contract or during the course of customer service. Such misconduct could include activities such as making non-compliant or fraudulent promises of high returns on investments and recommending inappropriate products and fund management strategies. We may be subject to claims by customers for such alleged instances of mis-selling. In some instances, we may also have paid a commission to the intermediary prior to a claim of mis-selling by our customers, and if we have to refund the customer but are unable to recover such commission, we might face significant losses. In addition, regulators may attribute the mis-selling activities of intermediaries to us and impose penalties on us for non-compliance with relevant laws and regulations.

It is also possible that a third party aggregates a number of individual complaints against us with the intention of obtaining increased negotiating power. This could result in significant financial losses to us as well as loss of our reputation. Further, persons may also misrepresent themselves as agents of our Company to defraud customers and such aggrieved customers, have filed and, in the future, may file complaints against us.

Cases of mis-selling, or recurring cases of mis-selling which are sub judice or initiated against us, could result in substantial claims and fines and could have a material adverse effect on our business, financial condition, results of operations and reputation.

Our business and financial results could be impacted materially by adverse results in legal proceedings.

We establish reserves for legal claims when payments associated with claims become probable and the costs can be reasonably estimated. We may still incur legal costs for a matter even if we have not established a reserve. In addition, the actual cost of resolving a suit, proceeding or a legal claim may be substantially higher than any amounts reserved for that matter. The final outcome of any pending or future legal proceeding, depending on the remedy sought and granted, could materially adversely affect our results of operations and financial condition. See "*Legal Proceedings.*"

Negative publicity could damage our reputation and adversely impact our business and financial results.

Reputational risk, or the risk to our business, earnings and capital from negative publicity, is inherent in our business. The reputation of the banking and financial services industry in general has been closely monitored as a result of the global financial crisis and other matters affecting the financial services industry. Negative public opinion about the banking and financial services industry generally or us specifically could materially adversely affect our ability to attract and retain customers, and may expose us to litigation and regulatory action. Negative publicity can result from our or our third-party service providers' actual or alleged conduct in any number of activities, including lending practices, mortgage servicing and foreclosure practices, technological practices, corporate governance, regulatory compliance, mergers and acquisitions, and related disclosure, sharing or inadequate protection of customer information, and actions taken by government regulators and community organisations in response to that conduct. Although we take steps to minimise reputational risk in dealing with customers and other constituencies, we, as a large financial services organisation with a high industry profile, are inherently exposed to this risk.

We may breach third-party intellectual property rights.

We may be subject to claims by third parties, both inside and outside India, if we breach their intellectual property rights by using slogans, names, designs, software or other such rights that are of a similar nature to the intellectual property these third parties may have registered or are using. We might also be in breach of such third-party intellectual property rights due to accidental or purposeful actions by our employees where we may also be subjected to claims by such third parties.

Any legal proceedings that result in a finding that we have breached third parties' intellectual property rights, or any settlements concerning such claims, may require us to provide financial compensation to such third parties or stop using the relevant intellectual property (including by way of temporary or permanent injunction) or make changes to our marketing strategies or to the brand names of our products, any of which may have a material adverse effect on our business, prospects, reputation, results of operations and financial condition.

We rely on third-party service providers who may not perform their obligations satisfactorily or in compliance with law.

We enter into outsourcing arrangements with third party vendors, in compliance with the RBI guidelines on outsourcing. These vendors provide services which include, among others, cash management services, software services, client sourcing, debt recovery services and call centre services. However, we cannot guarantee that there will be no disruptions in the provision of such services or that these third parties will adhere to their contractual obligation. If there is a disruption in the third-party services, or if the third-party service providers discontinue their service agreement with us, our business, financial condition and results of operations will be adversely affected. In case of any dispute, we cannot assure you that the terms of such agreements will not be breached, which may result in litigation costs. Such additional cost, in addition to the cost of entering into agreements with third parties in the same industry, may materially and adversely affect our business, financial condition and results of operations. We may also suffer from reputational and legal risks if our third-party service providers act unethically or unlawfully, which could materially and adversely affect our business, financial condition and results of operations.

We do not own a majority of our branches, delivery centres or office premises from which we operate.

We do not own a majority of the premises in which our branches, delivery centres and other office premises are situated. We cannot assure you that we will have the right to occupy our leased premises in the future, which may impair our operations and could materially and adversely affect our business, results of operations and financial condition.

Furthermore, some of our lease agreements and leave and license agreements may not be adequately stamped or registered with the registering authority of the appropriate jurisdiction. An instrument not duly stamped, or insufficiently stamped, shall not be admitted as evidence in any Indian court or may attract a penalty as prescribed under applicable law, which could adversely affect the continuance of our operations and business.

The majority of our offices, branches, ATMs and marketing outlets are located on premises leased from third parties, which require renewal or escalations in rentals from time to time during the lease period. If we are unable to renew the relevant lease agreements, or if such agreements are renewed on unfavourable terms and conditions, we may be required to relocate operations and incur additional costs in such relocation. We may also face the risk of being evicted in the event that our landlords allege a breach on our part of any terms under these lease agreements. This may cause a disruption in our operations or result in increased costs, or both, which may materially and adversely affect our business, financial condition and results of operations in respect of such defaulting premises.

Our insurance coverage may not be adequate to protect us against all potential losses, which may have a material adverse effect on our business, financial condition and results of operations.

Our operations are subject to various risks inherent in the banking industry, as well as fire, theft, robbery, earthquake, flood, acts of terrorism and other force majeure events. Our insurance cover includes, among other things, protection from corporate crime, professional liability, employment practice liability, banker indemnity, employee medical and personnel accident, directors' and officers' liability and general commercial liability. We maintain insurance for our operations in India largely through third party insurers in India. None of our insurance policies are assigned in favor of any third party.

We may not have identified every risk and further may not be insured against every risk, including operational risk that may occur and the occurrence of an event that causes losses in excess of the limits specified in our policies, or losses arising from events or risks not covered by insurance policies or due to the same being inadequate, could materially harm our financial condition and future results of operations. There can be no assurance that any claims filed will be honoured fully or timely under our insurance policies. Also, our financial condition may be affected to the extent we suffer any loss or damage that is not covered by insurance or which exceeds our insurance coverage. In addition, we may not be able to renew certain of our insurance policies upon their expiration, either on commercially acceptable terms or at all.

Deficiencies in the accuracy and completeness of information about our customers and counterparties may adversely impact us.

We rely on the accuracy and completeness of information about our customers and counterparties, and on representations by them or third parties as to the accuracy and completeness of such information, while carrying out transactions with these entities or on their behalf. For example, when deciding whether or not to extend credit to a customer, we may rely on reports of independent auditors with respect to the financial statements of the customer. We also rely on credit ratings assigned to our customers. Our financial condition and results of operations could be negatively impacted by such reliance on information that is inaccurate or materially misleading. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. As a consequence, our ability to effectively manage our credit risk may be adversely affected.

Any failure or material weakness of our internal control system could cause significant operational errors, which would materially and adversely affect our profitability and reputation.

We are responsible for establishing and maintaining adequate internal measures commensurate with the size of our Bank and group companies and complexity of operations. Our internal or concurrent audit functions are equipped to make an independent and objective evaluation of the adequacy and effectiveness of internal controls on an ongoing basis to ensure that business units adhere to our policies, compliance requirements and internal circular guidelines. While we periodically test and update, as necessary, our internal control systems, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances. Given our high volume of transactions, it is possible that errors may repeat or compound before they are discovered and rectified. Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weakness. We face operational risks in our various businesses within the group and there may be losses due to deal errors, settlement problems, errors in computation of NAV, pricing errors, inaccurate financial reporting, fraud and failure of mission critical systems and infrastructure. In addition, certain processes are carried out manually, which may increase the risk that human error, tampering or manipulation will result in losses that may be difficult to detect. As a result, we may suffer material monetary losses. Such instances may also adversely affect our reputation.

Our financial performance may be materially and adversely affected by an inability to generate and sustain other income.

In fiscal year 2017, 2016 and 2015 we generated other income, which includes commission, exchange and brokerage income, profit / loss on sale of investments, profit / loss on revaluation of investments of insurance business, profit on exchange transactions (including derivatives) and premiums on our insurance business, of ₹ 116.60 billion, ₹76.31 billion and ₹81.52 billion. This represents 34.3%, 27.2%, 38.0% of our total income for fiscal year 2017, 2016 and 2015.

We generate a majority of our other income from our Bank and life insurance, finance, investment and stock broking subsidiaries. We are facing various pressures in these industries that may result in reduced margins going forward. In particular, the premiums and fee structures that we use in our business may be limited by existing and upcoming regulations, which may result in our being paid less overall for our services and products. Moreover, the Indian financial services sector is facing increasing competition, which might further reduce the income that we generate out of our subsidiaries. There can be no assurance that we will be able to sustain current levels of income from, or effectively manage the risks associated with, our subsidiaries' businesses in the future.

Further, as part of our growth strategy, we have been diversifying and expanding our product and service offerings to retail customers in order to build a more balanced portfolio. New initiatives, products and services entail a number of risks and challenges, including risks relating to execution, the failure to identify new segments, the inability to attract customers and the inability to make competitive offerings. If we are unable to successfully diversify our products and services while managing the related risks and challenges, returns on such products and services may be less than anticipated, which may materially and adversely affect our business, financial condition and results of operations.

Any worldwide financial instability could influence the Indian economy and affect our business.

A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in the Indian financial markets and indirectly in the Indian economy in general. Any worldwide financial instability could have a negative influence on the Indian economy and on other economies in which the Group operates, including the United States, the United Kingdom, the United Arab Emirates and Singapore. In response to such developments, legislators and financial regulators in the United States, the United Kingdom, the United Arab Emirates, Singapore and other jurisdictions, including India, have implemented several policy measures designed to add stability to the financial markets. In addition, on March 15, 2017, the United States Federal Reserve increased interest rates from 0.75% to 1.0%, the second such increase in three months, which will lead to an increase in the borrowing costs in the United States which may in turn impact global borrowing as well. Furthermore, in several parts of the world, there are signs of increasing retreat from globalisation of goods, services and people, as pressure for the introduction of a protectionist regime is building and such developments could adversely affect the Indian economy. However, the overall impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilising effects. In the event that the current adverse conditions in the global credit markets continue or if there are any significant financial disruption, this could have an adverse effect on our business, financial condition, results of operations and the trading price of the equity shares.

There is a risk that a systemic shock could occur that causes an adverse impact on domestic or global financial systems. During the past decade the financial services industry and capital markets have been, adversely affected by market volatility, global economic conditions and political developments. A global shock could result in currency and interest rate fluctuations and operational disruptions that negatively impact the Group. Any such market and economic disruptions could adversely affect financial institutions and demand for the products and services we provide may decline, thereby reducing our earnings. These conditions may also affect the ability of our borrowers to repay their loans or our counterparties to meet their obligations, causing us to incur higher credit losses. These events could also result in the undermining of confidence in the financial system, reducing liquidity, impairing our access to funding and impairing our customers and counterparties and their businesses. If this were to occur, our business prospects, financial performance or financial condition could be adversely affected. The nature and consequences of any such event are difficult to predict and there can be no certainty that we could respond effectively to any such event.

Any failure of a bank in India or one of our key overseas correspondent banks would materially and adversely affect our business.

Our business relies heavily on our overseas correspondent banks to facilitate our international transactions. In India, the banking industry is also inter-dependent to facilitate domestic transactions. There is no assurance that our overseas correspondent banks or our domestic banking partners will not fail or face financial problems. If any bank in India, especially a private bank, or any of our key overseas correspondent banks were to fail, this would materially and adversely affect our business, financial condition and results of operations.

Our hedging strategies may not be successful in preventing all risk of losses.

We may utilize a variety of financial instruments, such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts to seek to hedge against any decline in value of our assets as a result of changes in currency exchange rates, certain changes in the equity markets and market interest rates and other events. Hedging transactions may also limit the opportunity for gain if the value of the hedged positions should increase, it may not be possible for us to hedge against a change or event at a price sufficient to fully protect our assets from the decline in value of the positions anticipated as a result of such change. In addition, it may not be possible to hedge against certain changes or events at all. While we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, or the risks of a decline in the equity markets generally or one or more sectors of the equity markets in particular, or the risks posed by the occurrence of certain other events, unanticipated changes in currency or interest rates or increases or smaller than expected decreases in the equity markets or sectors being hedged or the non-occurrence of other events being hedged may result in a poorer overall performance for the Group than if we had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the position being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the positions being hedged. Such imperfect correlation may prevent us from achieving the intended hedge or expose the Group to additional risk of loss.

Our treasury income, debt investment portfolio and derivatives portfolio are exposed to risks relating to mark-to-market valuation, illiquidity, credit risk and income volatility.

The Bank had debt investment portfolio (consists of government securities, treasury bills and Other Debt Securities) in available for sale and held for trading of ₹158.32 billion as of March 31, 2017. We run value-at-risk tests to manage risks in our investments, but in the event interest rates rise, our portfolio will be exposed to the adverse impact of the mark-to-market valuation of such bonds. Any rise in interest rates leading to a fall in the market value of such debentures or bonds may materially and adversely affect our business, financial condition and results of operations. We face income volatility due to the illiquid market for the disposal of some of debt investment portfolio.

Income from the Bank's sale of investments comprised 3.8%, 2.2% and 5.0% of the Bank's total net income (which comprises net interest income plus other income) on a standalone basis for fiscal year 2017, 2016 and 2015.

Our income from treasury operations at both the Bank and certain Subsidiaries, (including Kotak Life), is subject to volatility due to, among other things, changes in interest rates and foreign currency exchange rates as well as other market fluctuations. For example, an increase in interest rates may have a negative impact on the value of certain investments such as Government securities and corporate bonds and may require us to mark down the value of these investments on our balance sheet and recognize a loss on our income statement. Similarly, our derivative portfolio is subject to fluctuations in interest rates and foreign exchange rates, and any movement in those rates may require us to mark down the value of our derivatives portfolio. While we invest in corporate debt instruments as part of our normal business, we are exposed to risk of the issuer defaulting on its obligations. Changes in corporate bond spreads also affect valuations and expose us to risk of valuation losses. Although we have risk and operational controls and procedures in place for our treasury operations, such as sensitivity limits, value at risk ("**VaR"**) limits, position limits, stop loss limits and exposure limits, that are designed to mitigate the extent of such losses, there can be no assurance that we will not lose money in the course of trading on our fixed income book in held for trading and available-for-sale portfolio. Any such losses could materially and adversely affect our business, financial condition and results of operations.

Our ability to restructure our loans and NPAs and enforce collateral and security is subject to inter-creditor arrangements with other lenders, various regulations and multiple regulators with concurrent jurisdiction, which may impact the timing of our enforcement actions as well as the total amount we recover.

Our total gross standard restructured advances as on March 31, 2017, 2016 and 2015 were ₹ 1.32 billion, ₹ 2.70 billion and ₹ 1.64 billion, respectively, on a standalone basis. We restructure assets based on a borrower's potential to restore its financial health. However, there can be no assurance that borrowers will be able to meet their obligations under restructured advances as per regulatory requirements and certain assets classified as restructured may turn delinquent. Any resulting increase in delinquency levels from restructured standard assets may adversely impact our business, financial condition and results of operations. We also have investments in security receipts arising from the sale of non-performing assets to asset reconstruction companies. There can be no assurance that asset reconstruction companies will be able to recover these assets and redeem our investments in security receipts and that there will be no reduction in the value of these investments.

In addition to the debt recovery and security enforcement mechanisms available to lenders under DRT Act and the SARFAESI Act, the RBI provides for various mechanisms that may be adopted by banks to deal with stressed assets. These include, the Scheme for Sustainable Structuring of Stressed Assets, Corporate Debt Restructuring and Strategic Debt Restructuring Scheme. Very recently, the Indian parliament enacted the Insolvency and Bankruptcy Code, 2016 to provide a consolidated framework to address the concerns of lenders and to provide corporate debtors with an exit mechanism. See the section, "*Regulations and Policies*" at 189. Additionally, the Banking Regulation (Amendment) Ordinance, 2017 promulgated on May 4, 2017 states that the central Government may by order authorize the RBI to issue directions to banking companies to initiate insolvency proceedings under the Insolvency and Bankruptcy Code, 2016. Further, the RBI may issue directions to banking companies for the resolution of stressed assets.

However, there can be no assurance that these regulatory measures will have a favourable impact on our efforts to recover NPAs. Any failure to recover the expected value of collateral would expose us to potential loss. Banks in India are also required to share data with each other on certain categories of special mention accounts, set up joint lenders' forums and formulate action plans for resolution of these accounts. Failure to do so may result in accelerated provisioning for such cases and may also result in imposition of penalties by the RBI in the event we do not comply with the corrective action plan decisions. Even if an accelerated provision were made, there is no reassurance that we will be able to recover our NPAs.

A delay in the resolution of stressed assets and increased provisioning norms may adversely affect our business, results of operations and financial condition.

Resolution of large borrowers' accounts which are facing severe financial difficulties may require coordinated deep financial restructuring under the SDR/S4A schemes of the RBI, which often involves a substantial write-down of debt and/or making of large provisions. While the "stand still" clause in asset classification is permitted in both SDR/S4A process in order to provide reasonable time to lenders to review the processes involved in the resolution plan, if the account fails to get mandate and resolution within the time frame stipulated under the guidelines relating to SDR/S4A, then the asset classification will be as per the extant asset classification norms, assuming there was no such "stand still". The failure of these borrowers to perform as expected or a significant increase in the level of restructured loans in our portfolio could materially and adversely affect our business, results of operations and financial condition.

The RBI released a discussion paper on the dynamic loan loss provisioning framework in March 2012, with the objective of limiting the pro-cyclicality in loan loss provisioning during an economic cycle. The framework proposes to replace existing general provisioning norms and recommends that banks make provisions on their loan books every year based on their historical loss experience in various categories of loans. In years where the specific provision is higher than the computed dynamic provision requirement, the existing dynamic provision balance can be drawn down to the extent of the difference, subject to a minimum specified level of dynamic provision balance being retained. Any further increase by the RBI of the provisioning requirements may adversely affect our business, results of operations and financial condition.

Our unsecured loan portfolio is not supported by any collateral that could help ensure repayment of the loan, and in the event of non-payment by a borrower of one of these loans, we may be unable to collect the unpaid balance.

We offer unsecured personal loans and credit cards to the retail customer segment, including salaried individuals and self-employed professionals. In addition, we offer unsecured loans to corporates, small businesses and individual businessmen. Unsecured loans are at higher credit risk for us than our secured loan portfolio because they may not be supported by realisable collateral that could help ensure an adequate source of repayment for the loan. Although we may obtain direct debit instructions or post-dated checks from our customers for our unsecured loan products, we may be unable to collect in part or at all in the event of non-payment by a borrower. Further, any increase in delinquency in our unsecured loan portfolio could require us to increase our provision for credit losses, which would decrease our earnings.

Devolvement of our off-balance sheet liabilities could adversely affect our financial condition

As of March 31, 2017, we had total contingent liabilities (as per Banking Regulation Act 1949 and Accounting Standard 29) as per the Consolidated Financial Statements of ₹1,961.72 billion. Our off-balance sheet liabilities consist of, among other things, liability on account of forward exchange and derivative contracts, guarantees and claims not acknowledged as debts. In case of derivative contracts, we face potential losses if counterparties default due to adverse market movements. If any of these contingent liabilities materialize, our business, financial condition and results of operations may be materially and adversely affected.

Significant deviations from our assumptions regarding future persistency, coupled with mass surrenders of policies, could have a material adverse effect on our business, financial condition, results of operations and prospects.

We use models and estimates to anticipate the overall level of policy surrenders, withdrawals and lapses in a given period. The occurrence of unusual events that have significant or lasting impact, such as sharp declines in income of customers, changes in applicable government policies, loss of customer confidence in the insurance industry, may trigger mass surrenders, withdrawals and lapses of insurance policies, thus reducing our persistency. Increased volatility in the capital markets could trigger mass surrenders in unit linked portfolio, thus reducing our persistency.

Since the prices and expected future profitability of our products are based in part upon expected patterns of premiums and assumptions related to persistency, if the actual persistency of our products is different from our persistency assumptions, it could have a material adverse impact on our business and profitability.

In addition, if mass surrenders were to occur, we would have to sell our investment assets to cover the significant amount of surrender payments. If concentrated surrenders were to occur, we may be unable to sell our investment assets at favourable prices or in a timely manner to cover the significant level of surrender payments, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The actuarial valuations of liabilities for our insurance policies with outstanding liabilities are not required to be audited and if such valuation is incorrect, it could have an adverse effect on our financial condition.

The actuarial valuation that we use to estimate our liabilities for our insurance policies with outstanding liabilities are performed by an appointed actuary. In India, appointed actuaries of an insurance company certify such valuations and that in their opinion, the assumptions for such valuations are in accordance with the guidelines and norms issued by the IRDAI and the Institute of Actuaries of India in concurrence with the IRDAI. Our auditors rely upon our appointed actuary's certificate and do not review or audit such valuation independently, which practice might differ from other jurisdictions. If the assumptions and/or models used to conduct such an actuarial valuation of our liabilities are incorrect, or if there is an error in a calculation, it could have an adverse effect on our financial condition, given that there is no independent assurance on the actuarial liabilities through an audit process. We continually monitor the assumptions used in the calculation of reserves such as discount rates, mortality, morbidity, expenses including expense inflation, persistency, revival and free look cancellations. If we conclude that our reserves are insufficient to cover actual or expected policy benefits and expenses, we would be required to increase our reserves and incur income statement charges for the period in which we make the determination, and may lead to an increase in our pricing of certain products, which could have material adverse effect on our business, financial condition and results of operations.

The actuarial valuations of retiral benefits is carried out by an independent actuary and if such valuation is incorrect, it could have an adverse effect on our financial condition.

The Bank operates defined benefit schemes such as gratuity and pension (employees of eIVBL covered under the IBA structure) for its employees. No new members are accepted into the pension plan. Under defined benefit plans, there is an obligation to pay defined future benefits from the time of retirement. The calculation of the net obligation is based on valuations made by external actuaries who are qualified to do such valuations and estimations. These valuations rely on assumptions about a number of variables, including discount rate and mortality rates and salary increases. The company and auditors rely on the valuations done by actuaries. Actuarial risk arises as estimated value of the defined benefit scheme liabilities may increase due to changes in actuarial assumptions.

Changes in our pension liabilities and obligations could have a materially adverse effect on us.

We operate a defined benefit pension scheme in respect of certain erstwhile eIVBL employees under the IBA structure. The pension fund is administered by the board of trustees and managed by a life insurance company. Should the value of assets to liabilities in respect of the defined benefit scheme operated by us record a deficit, due to either a reduction in the value of the pension fund assets (depending on the performance of financial markets) and/or an increase in the pension fund liabilities due to changes in legislation, mortality assumptions, discount rate assumptions, inflation, the expected rate of return on scheme assets, or other factors, this could result in us having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of our business and reduce the bank's capital resources.

We rely extensively on our information technology systems and the telecommunications network in India, which require significant investment and expenditure for regular maintenance, upgrades and improvements.

Our information technology systems are a critical part of our business that help us manage, among other things, our risk management, deposit servicing and loan origination functions, as well as our increasing portfolio of products and services. We are heavily reliant on our technology systems in connection with financial controls, risk management and transaction processing. In addition, our delivery channels include ATMs, call centres, mobile applications and the internet. Our offline and online business channel networks are dependent on a dense, comprehensive telecommunications network in India. While deregulation and liberalisation of telecommunications laws have prompted the steady improvement in local and long-distance telephone services, telephone network coverage and accessibility is still intermittent in many parts of India. Failure by the Indian telecommunications industry to improve network coverage to meet the demands of the rapidly growing economy may affect our ability to expand our customer base, acquire new customers or service existing customers by limiting access to our services and products. This may materially and adversely affect our business, financial condition and results of operations.

In addition, our digital platform provides both internet and mobile application based banking services which includes multiple services such as electronic funds transfer, bill payment services, usage of credit cards on-line, requesting account statements, and requesting cheque books. These services are highly dependent on our ability to efficiently and reliably process a high volume of transactions across numerous locations and delivery channels. We place heavy reliance on our technology infrastructure for processing this data; therefore, ensuring system security and availability is of paramount importance.

Our success will depend, in part, on our ability to respond to new technological advances and emerging banking, capital markets, and other financial services industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will successfully implement new technologies or adapt our transaction processing systems to customer requirements or improving market standards.

We use our information systems and the internet to deliver services to, and perform transactions on behalf of, our customers and we may need to regularly upgrade our systems, including our software, back-up systems and disaster recovery operations, at substantial cost so that it remains competitive. Our hardware and software systems are also subject to damage or incapacitation by human error, natural disasters, power loss, sabotage, computer viruses and similar events or the loss of support services from third parties such as internet service providers. There is no warranty under our information technology licence agreements that the relevant software or system is free of interruptions, will meet our requirements or be suitable for use in any particular condition. So far, we have not experienced widespread disruptions of service to our customers, but there can be no assurance that we will not encounter disruptions in the future due to substantially increased numbers of customers and transactions, or for other reasons. Any inability to maintain the reliability and efficiency of our systems could adversely affect our reputation, and our ability to attract and retain customers. In the event we experience system interruptions, errors or downtime (which could result from a variety of causes, including changes in customer use patterns, technological failure, changes to systems, linkages with third-party systems and power failures), we are unable to develop necessary technology or any other failure occurs in our systems, this may materially and adversely affect our business, financial condition and results of operations.

Our financial performance may be materially and adversely affected by an inability to respond promptly and effectively to new technology innovations.

Currently, technology innovations in mobilisation and digitisation of financial services require banks to continuously develop new and simplified models for offering banking products and services. Disruptive technology and new models of banking or other financial services that utilise such technology, such as micro-financing and peer-to-peer lending, might also materially and adversely affect our financial performance.

Such technologies could increase competitive pressures on banks, including us, to adapt to new operating models and upgrade back-end infrastructure on an ongoing basis. There is no assurance that we will be able to continue to respond promptly and effectively to new technology developments, be in a position to dedicate resources to upgrade our systems and to compete with new players entering the market. Please see related risk factor "*We rely extensively on our information technology systems and the telecommunications network in India which require significant investment and expenditure for regular maintenance, upgrades and improvements.*" As such, the new technology innovations may result in a material adverse effect on our business, financial condition and results of operations.

The rise of digital platforms and payment solutions may adversely impact our floats and impact our fees, and there may be disintermediation in the loan market by fintech companies.

Through our electronically linked branch network, correspondent bank arrangements and centralized processing, we effectively provide a nationwide collection, disbursement and payment systems for our clients. Disruption from digital platforms could have an adverse effect on the cash float and fees that we have traditionally received on such services. We also face threat to our loan market from newer business models that leverage technology to bring together savers and borrowers. We may not be competitive in facing up to the challenges from such newer entrants. This may, accordingly, have an adverse impact on our business and growth strategy.

Banking companies in India, including us, are required to prepare financial statements under Indian Accounting Standards ("IND-AS"). In the future, we may be materially adversely affected by this transition.

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of IND-AS converged with IFRS for scheduled commercial banks, insurers, insurance companies and non-banking financial companies. This roadmap requires these institutions to prepare IND-AS based financial statements for the accounting periods beginning from April 1, 2018 onwards with comparatives for the periods ending March 31, 2018. The RBI, by its circular dated February 11, 2016, requires all scheduled commercial banks to comply with IND-AS for financial statements beginning April 1, 2018 and banks are also required to be in preparedness to submit proforma IND-AS financial statements to the RBI from the half-year ended September 30, 2016, onwards. In addition, banks shall disclose in the annual report, the strategy for IND-AS implementation, including the progress made in this regard from fiscal year 2017 onwards. The RBI does not permit banks to adopt IND-AS earlier than the above timeline and the guidelines also state that the RBI shall issue necessary instruction, guidance, and clarification on the relevant aspects for implementation of the IND-AS as and when required.

While we have been discussing, including with the RBI, the possible impact of IND-AS on our financial reporting, the nature and extent of such impact is still uncertain. Further, the new accounting standards will change, among other things, our methodology for estimating allowances for expected loan losses and for classifying and valuing our investment portfolio and our revenue recognition policy. For estimation of expected loan losses, the new accounting standards may require us to calculate the present value of the expected future cash flows realisable from our advances, including the possible liquidation of collateral (discounted at the loan's effective interest rate). This may result in us recognising allowances for expected loan losses in the future which may be higher or lower than under current Indian GAAP. There can be no assurance, therefore, that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IND-AS than under Indian GAAP. In our transition to IND-AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IND-AS financial statements. Further, there is no significant body of established practice on which to draw in forming judgments regarding the new system's implementation and application. There can be no assurance that our adoption of IND-AS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt IND-AS could materially adversely affect our business, financial condition and results of operations.

Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and International Financial Reporting Standards ("IFRS"), which investors may be more familiar with and may consider material to their assessment of our financial condition.

Our Financial Statements are prepared and presented in conformity with Indian GAAP. No attempt has been made to reconcile any of the information given in this Preliminary Placement Document to any other principles or to base it on any other standards. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles with which prospective investors may be familiar in other countries. If our Financial Statements were to be prepared in accordance with such other accounting principles, our results of operations, cash flows and financial position may be substantially different. Prospective investors should review the accounting policies applied in the preparation of our Financial Statements, and consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar.

Statistical and industry data in this Preliminary Placement Document may be incomplete or unreliable.

We have not independently verified data obtained from industry publications and other industry sources referred to in this Preliminary Placement Document and therefore, while we believe them to be true, we cannot assure you that they are complete or reliable. Such data may also be produced on different bases from those used in the industry publications we have referenced. Therefore, discussions of matters relating to India, its economy and the industries in which we currently operate are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable. See the section "*Industry Overview*" at 142.

Risks Relating to Regulations

We operate in a highly regulated environment and there are numerous laws and regulations impacting many aspects of our operations, including our capital maintenance, lending limits and the types of business in which we can engage. As such, we are exposed to a number of risks relating to regulations as detailed below. Any change to the existing legal framework will require us to allocate additional resources, which may increase our regulatory compliance costs and divert management attention.

We have the necessary approvals from RBI with regards to the establishment of all our subsidiaries. Any changes in the RBI regulations relating to the continuation of businesses of our subsidiaries, may impact the group and we may not be able to undertake certain types of businesses. This may impact our growth and profits.

Our Group operates in a highly regulated environment

Our Group operates in a highly regulated environment in which the Bank and our Subsidiaries are regulated by SEBI, RBI, IRDAI, PFRDA, and other domestic and international regulators. Accordingly, legal and regulatory risks are inherent and substantial in our businesses. As we operate under licences or registrations obtained from appropriate regulators, we are subject to actions that may be taken by such regulators in the event of any non-compliance with any applicable policies, guidelines, circular, notifications and regulations issued by the relevant regulators.

The Group's business could be directly affected by any changes in applicable policies and regulations for such entities. Being regulated they are subject to regular scrutiny and supervision by their respective regulators, such as regular inspections that may be conducted by SEBI and IRDAI. The requirements imposed by regulators are designed to ensure the integrity of the financial markets and to protect investors and depositors. Among other things, in the event of being found non-compliant, our investment bank or broking or asset management businesses could be fined or prohibited from engaging in certain business activities. For example, our investment bank could face the risk of investigation and surveillance activity and judicial or administrative proceedings that may result in substantial penalties, if we are found to be in violation of applicable law. Such action may have reputational impact on the entire Group and affect the price of our Equity Shares.

In addition, we are also exposed to the risk of us or any of our employees being non-compliant with insider trading rules or engaging in front running in securities markets. In the event of any such violations, regulators could take regulatory actions, including financial penalties against us and the concerned employees. This could have a materially adverse financial and reputational impact on the Group.

Any change to the existing legal or regulatory framework will require us to allocate additional resources, which may increase our regulatory compliance costs and direct management attention and consequently affect our business.

The RBI requires our Bank to reduce its promoters' shareholding as per prescribed milestones. Any failure to reduce such shareholding as per these milestones could invite regulatory restrictions on the Bank.

On January 30, 2017, the RBI issued a communication requiring our Bank to reduce its promoters' shareholding, and stipulated milestones for such reduction, being 30.0% by June 30, 2017, 20.0% by December 31, 2018 and 15.0% by March 31, 2020. Our Board has expressed concerns in relation to the promoter dilution requirement. These concerns have been shared with the RBI. However, the Board is of the view that so long as it is in the interest of the Bank, it will pursue all available options which would achieve the above milestone by June 30, 2017. On May 9, 2017, the Bank's shareholders have approved the issuance of up to 62 million Equity Shares by the Bank. This Issue will be made pursuant to the terms of this approval. In the event that the Bank issues additional Equity Shares after the completion of this Issue, the shareholding of the Bidders in this Issue will be diluted. Furthermore, it is possible that a share sale by the promoter or an issuance of new Equity Shares by the Bank, or the expectation of either of these events, will result in a decrease in the trading price of our Equity Shares on the BSE and/or NSE and a loss in your investment in the Issue. Moreover, the requirement to further reduce our promoters' shareholdings by 2018 and then 2020 could result in further dilution. There can be no assurance that any future issuance of Equity Shares by the Bank or sale of Equity Shares by the promoter would be at a price higher than the price at which Equity Shares may be issued pursuant to this Issue. See also the section "*Principal Shareholders*" on page 195.

It is also possible that our promoters' shareholding is not reduced by the stipulated timelines, in which case, various actions may be levied on us by the RBI or may lead to regulatory restrictions on the Bank. Such regulatory restrictions may have an adverse effect on the market price of our Equity Shares and may adversely affect our business, financial condition and results of operations.

Our Bank may become a "foreign owned" company as per the Consolidated FDI Policy and any investment by our Bank in its Subsidiaries may be subject to Indian foreign investment laws.

Indian companies, which are owned or controlled by non-resident entities, are subject to investment restrictions specified in the Consolidated FDI Policy. Under the Consolidated FDI Policy, an Indian company is considered to be "owned" by a non-resident entity if 50.0% or more of its equity interest is beneficially owned by non-resident entities. If the non-resident shareholding in our Bank, reaches or exceeds 50.0%, our Bank would be considered as being "owned" by non-resident entities under the Consolidated FDI Policy. In such an event, any downstream investment by our Bank may, subject to applicable regulations, be considered as indirect foreign investment and shall be subject to various requirements specified under the Consolidated FDI Policy for downstream investments, including sectoral investment restrictions, approval requirements and pricing guidelines.

FII and FPI holding in the Bank is controlled by the Board within shareholder approval limits

In accordance with the provisions of FEMA, FEMA 20 and the Consolidated FDI Policy, the ceiling limit for investments by FIIs and FPIs under the Portfolio Investment Scheme has been prescribed at 24% which can be increased to 49% of the total paid-up capital by the concerned bank through a board resolution followed by a special resolution to that effect by its shareholders and prior intimation to the RBI. The total foreign investment beyond 49% and up to 74% in a private sector bank requires prior FIPB approval.

The Board has by its resolution March 17, 2017, approved the proposal to seek approval of the shareholders to increase the ceiling limit on total holdings of FIIs and FPIs to such percentage as the Board may decide from time to time, but not exceeding 49% of the paid-up equity capital of the Bank, subject to such statutory and regulatory compliances and approvals as may be necessary, and with effect from such date as may be decided by the Board from time to time. The Shareholders in Bank's EGM on May 9 2017 have authorised Board of Directors of the Bank to increase the limits up to which FII/FPIs can invest in the Bank from 42% to 49%. The Board of directors will decide the limit up to which the FII/FPIs can invest into the Bank subject to such limit not exceeding 49%. There is no assurance as to when, up to what limit or if at all, such approval will be accorded by Board of Directors.

Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws and regulations, across the multiple jurisdictions we operate in may materially adversely affect our business and financial performance.

Our business and financial performance could be materially adversely affected by changes in the laws, rules, regulations or directions applicable to us and our business, or the interpretations of such existing laws, rules and regulations, or the promulgation of new laws, rules and regulations, in India or in the other jurisdictions we operate in.

The governmental and regulatory bodies in India and other jurisdictions where we operate may notify new regulations and/or policies, which may require us to obtain approvals and licenses from the government and other regulatory bodies, or impose onerous requirements and conditions on our operations, in addition to those which we are undertaking currently. Any such changes and the related uncertainties with respect to the implementation of new regulations may have a material adverse effect on our business, financial condition and results of operations.

Banking Regulations

We operate in a highly regulated environment in which the RBI extensively supervises and regulates all banks. Our business could be directly affected by any changes in policies for banks in respect of directed lending, reserve requirements, provisioning and other areas. For example, the RBI could change its methods of enforcing directed lending standards so as to require more lending to certain sectors, which could require us to change certain aspects of our business. In addition, we could be subject to other changes in laws and regulations, such as those affecting the extent to which we can engage in specific businesses or those that reduce our margins through a cap on either fees or interest rates chargeable to our customers or those affecting foreign investment or ownership requirements in the banking industry, as well as changes in other governmental policies and enforcement decisions, income tax laws, foreign investment laws and accounting principles. Laws and regulations governing the banking sector may change in the future and any changes may materially adversely affect our business, our future financial performance and the price of our equity shares.

Tax

The application of various Indian and international sales, value-added and other tax laws, rules and regulations to our services, currently or in the future, may be subject to interpretation by applicable authorities, and if amended/ notified, could result in an increase in our tax payments (prospectively or retrospectively) and/or subject us to penalties, which could affect our business operations. Further, we have incomplete income tax assessments for the previous years and we run the risk of the Income Tax Department assessing our tax liability that may be materially different from the provision that we carry in our books for the past periods.

The Government has proposed two major reforms in Indian tax laws, namely the goods and services tax ("**GST**"), and provisions relating to the General Anti-Avoidance Rule (the "**GAAR**").

GST is proposed to be implemented with effect from July 1, 2017 and would replace the indirect taxes on goods and services such as central excise duty, service tax, central sales tax, state VAT and surcharge currently being collected by the central and state governments. The GST is expected to increase tax incidence and administrative compliance.

There are several areas where there is ambiguity in interpreting the GST. Any such clarifications would have to come from potential litigation or challenges on issues related to interpretation of various provisions. Due to the uncertainty in introducing the GST, we may have to change and adapt our systems and such changes might have a material adverse effect on our business, financial condition and results of operations.

Furthermore, the GST has reduced the taxation threshold such that manufacturing companies with an aggregate turnover exceeding ₹2 million are now liable for GST as against erstwhile limit of Rs 15 million. Aggregate turnover would be computed on an all-India basis and shall include both exempted and non-taxable supplies. Import and inter-state supplies shall be taxable without any threshold limit. This reduction in the taxation threshold from the current limits may impact the working capital of the SME sector. Further, central registration has been replaced with state registration, resulting in additional compliance requirements for its customers in SME / MSME sector. With the introduction of GST, any major impact on the SME and MSME sector may have a material effect on our business, results of operations and financial conditions.

As regards GAAR, the provisions have been introduced in the Finance Act, 2012 and have come into effect from April 1, 2017. The GAAR provisions intend to identify arrangements declared as "impermissible avoidance arrangements", which is any arrangement, the main purpose or one of the main purposes of which is to obtain a tax benefit and which satisfy at least one of the following tests (i) creates rights or obligations which are not ordinarily created between persons dealing at arm's length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the Income Tax Act, 1961; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes. If GAAR provisions are invoked, then the tax authorities have wide powers, including denial of tax benefit or a benefit under a tax treaty. As the taxation system is intended to undergo significant overhaul, its consequent effects on the banking system cannot be determined at present and there can be no assurance that such effects would not adversely affect our business, future financial performance and the trading price of the Equity Shares.

The Government of India issued a set of Income Computation and Disclosure Standards ("**ICDS**") that has been applied in computing taxable income and the payment of income taxes since April 1, 2016. ICDS apply to all taxpayers following an accrual system of accounting for the purpose of computation of income under the heads of "Profits and gains of business or profession" and "Income from other sources".

This is the first time such specific standards have been issued for income taxes in India. Originally, it was introduced with effect from April 1, 2015. However, subsequent to various representations from tax payers seeking guidance and clarifications for implementation of the ICDS, the Ministry of Finance deferred the implementation of the ICDS by one year to make it effective from April 1, 2016.

The objective of introducing ICDS is to ensure consistency in the computation and in the reporting of taxable income and to reduce litigation and minimise accounting alternatives provided by the existing Accounting Standards issued by the Institute of Chartered Accountants of India. However, there is still ambiguity and challenges on issues related to interpretation of various provisions in ICDS and litigation on contentious areas is not ruled out.

There are no assurances that the ICDS will not be amended by the authorities. If the ICDS is amended, it might have a material adverse effect on our business, financial condition and results of operations.

*Cash Reserve Ratio ("**CRR**") and Statutory Liquidity Ratio ("**SLR**") requirements*

Under RBI regulations, we are subject to a CRR requirement. The CRR is a bank's balance held in a current account with the RBI calculated as a specified percentage of its total demand and time liabilities, adjusted for exemptions. The CRR currently applicable to banks in India is 4.0% and banks do not earn any interest on those reserves.

In addition, under the Banking Regulation Act, 1949, all banks operating in India are required to maintain an SLR. The SLR is a specified percentage of a bank's total demand and time liabilities by way of liquid assets such as cash, gold or approved unencumbered securities. Approved unencumbered securities consist of unencumbered Government securities and other securities as may be approved from time to time by the RBI and earn lower levels of interest as compared to advances to customers or investments made in other securities. In the fourth bi-monthly monetary policy statement of the RBI for fiscal year 2016, the ceiling on securities eligible for SLR under the held to maturity ("**HTM**") securities was aligned with the SLR and was accordingly brought down from 22.0% to 21.5% with effect from January 9, 2016. Further, it was decided that both the SLR and ceiling on SLR securities under HTM category would be brought down by 25 basis points every quarter until March 31, 2017. Currently, the RBI requires banks to maintain a SLR of 20.5%. For fiscal year 2017, the majority of Government securities held by us comprised fixed rate instruments. In an environment of rising interest rates, the value of Government securities and other fixed income securities may depreciate. Our large portfolio of Government securities may limit our ability to deploy funds into higher yielding investments.

Further, a decline in the valuation of our trading book as a result of rising interest rates may adversely affect our financial condition and results of operations. As a result of the statutory requirements imposed on us, we may be more structurally exposed to interest rate risk as compared to banks in other countries.

Further, the RBI may increase the CRR and SLR requirements to higher proportions as a monetary policy measure. Any increases in the CRR from the current levels could affect our ability to deploy our funds or make investments, which could in turn have a negative impact on our results of operations. We are also exposed to the risk of the RBI increasing the applicable risk weight requirement for different asset classes from time to time. If we are unable to meet the reserve requirements of the RBI, the RBI may impose penal interest or prohibit us from receiving any further fresh deposits, which may have a material adverse effect on our business, financial condition and results of operations.

Capital Adequacy, Liquidity Coverage Ratio, Net Stable Funding Ratio

In order to support and grow our business, we must maintain a minimum capital adequacy ratio, and a lack of access to the capital markets may prevent us from maintaining an adequate ratio.

The RBI requires a minimum capital adequacy ratio of 9.0% of our total risk-weighted assets. RBI Basel III capital regulations are effective in India from April 1, 2013. Our Bank capital adequacy ratio, calculated in accordance with RBI's Basel III guidelines, was 16.8%, 16.3% and 17.2% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively. Our ability to support and grow our business would become limited if the capital adequacy ratio declines. While we may access the capital markets to offset declines in our capital adequacy ratio, we may be unable to access the markets at the appropriate time or the terms of any such financing may be unattractive due to various reasons attributable to changes in the general environment, including political, legal and economic conditions.

The Basel Committee on Banking Supervision issued a comprehensive reform package entitled "*Basel III: A global regulatory framework for more resilient banks and banking systems*" in December 2010. In May 2012, the RBI released guidelines on implementation of Basel III capital regulations in India and in July 2013, the RBI issued a master circular consolidating all relevant guidelines on Basel III. The key items covered under these guidelines include: (i) improving the quality, consistency and transparency of the capital base; (ii) enhancing risk coverage; (iii) graded enhancement of the total capital requirement; (iv) introduction of capital conservation buffer and countercyclical buffer; and (v) supplementing the risk-based capital requirement with a leverage ratio. One of the major changes in the Basel III capital regulations is that the Tier I capital will predominantly consist of common equity of the banks which includes common shares, reserves and stock surplus. Innovative perpetual debt instruments and perpetual non-cumulative preference shares will not be considered a part of Common Equity Tier I capital. Basel III also defines criteria for Additional Tier I and Tier II instruments to improve their loss absorbency. The guidelines also set-out criteria for loss absorption through conversion/write-down/write-off of all non-common equity regulatory capital instruments at the point of non-viability. The point of non-viability is defined as a trigger event upon the occurrence of which non-common equity Tier I and Tier II instruments issued by banks in India under the Basel III rules may be required to be written off or converted into common equity. The capital requirement, including the capital conservation buffer, will be 11.5% once these guidelines are fully phased-in. Domestically, systemically important banks would be required to maintain Common Equity Tier ("**CET**") I capital requirement ranging from 0.2% to 0.8% of risk weighted assets. Banks will also be required to have an additional capital requirement increasing linearly up to 2.5% of the risk weighted assets if the RBI announces the implementation of countercyclical capital buffer requirements. The transitional arrangements began from April 1, 2013 and the guidelines will be fully phased-in and implemented as of March 31, 2019. Additionally, the Basel III Liquidity Coverage Ratio ("**LCR**"), which is a measure of the Bank's high quality liquid assets compared to its anticipated cash outflows over a 30 day stressed period, was applied in a phased manner starting with a minimum requirement of 60.0% from January 1, 2015 and will reach a minimum of 100.0% on January 1, 2019.

Besides the LCR, the Basel III rules also envisage the Net Stable Funding Ratio ("**NSFR**"), which aims to direct banks to fund their activities with more stable sources of funding on an ongoing structural basis. Draft guidelines for the NSFR were laid down by RBI as part of liquidity risk management on May 28, 2015. RBI proposes to make NSFR applicable to banks in India from January 1, 2018. This is expected to limit the reliance on short-term wholesale funding and may potentially increase the cost of funding and impact profits.

If we are unable to meet the new and revised requirements, our business, future financial performance and the price of our equity shares could be adversely affected.

Labour Laws

As of March 31, 2017, we have over 44,000 employees in our Group. Our full-time employees are employed by us and are entitled to statutory employment benefits, such as the employees' provident fund scheme and the employees' pension scheme, among others. In addition to our employees, our workforce also consists of outsourced personnel and personnel retained on a contractual basis.

We are subject to various labour laws and regulations governing our relationships with our employees and contractors, including in relation to minimum wages, working hours, overtime, working conditions, hiring and terminating the contracts of employees and contractors, contract labour and work permits.

A change of law that requires us to increase the benefits to the employees from the benefits now being provided may create potentially liability for us. Such benefits could also include provisions which reduce the number of hours an employee may work for or increase in number of mandatory casual leaves, which all can affect the productivity of the employees.

A change of law that requires us to treat and extend benefits to our outsourced personnel, and personnel retained on a contractual basis, as being full-time employees may create potentially liability for us. We cannot assure you that we will be in compliance with current and future health and safety and labour laws and regulations at all times and any failure to comply with such laws and regulations, including obtaining relevant statutory and regulatory approvals, could materially and adversely affect our business, future financial performance and results of operations.

Currently, some of our workforce is unionized and it is possible that future calls for work stoppages or other similar actions could force us to suspend all or part of our operations until disputes are resolved. The wage settlement discussion between IBA and Bank Unions takes place once every five years. The next wage settlement is scheduled for November 2017. From time to time, the labour unions for the banking employees organise strikes, as a result of which, we have been and may in the future be affected by strikes, work stoppages or other labour disputes. In the event of a labour dispute, protracted negotiations and strike action may impair our ability to carry on our day-to-day operations, which could materially and adversely affect our business, future financial performance and results of operations.

We depend on various licenses issued by domestic and foreign regulators for our banking and other operations

We are also required to maintain various licenses issued by domestic regulators and foreign regulators for our banking and other operations. Domestically, we maintain our licenses with the RBI, IRDA, PFRDA and SEBI. Globally, we maintain our licenses with FSC Mauritius, Central Bank of UAE, FCA, DFSA Dubai, MAS, and in the United States the Securities and Exchange Commission and FINRA. Any license we have obtained may be revoked if we fail to comply with any of the terms or conditions relating to such license, or restrictions may be placed on our operations. Any such failure to obtain, renew or maintain any required approvals, permits or licenses, may result in the interruption of all or some of our operations, which could materially and adversely affect our business and results of operations.

The Reserve Bank of India ("**RBI**") may cancel a licence for violations of the conditions under which it was granted. The RBI issues instructions and guidelines to banks on branch authorisation from time to time. With the objective of liberalising and rationalising the branch licensing process, the RBI, effective September 19, 2013, granted general permission to domestic banks to open branches in Tier 1 to Tier 6 centres, subject to certain specified conditions. If we are unable to perform in a manner satisfactory to the RBI in any of the above areas, it may have an impact on the number of branches we will be able to open and would in turn have an impact on our future growth and may also result in the imposition of penal measures by the RBI.

We are required to undertake directed lending under RBI guidelines. We may experience a higher level of non-performing assets in our directed lending portfolio, which could materially adversely impact the quality of our loan portfolio, our business and the price of our equity shares. Further, in the case of any shortfall in complying with these requirements, we may be required to invest in deposits as directed by the RBI. These deposits yield low returns, which may impact our profitability.

The RBI prescribes guidelines on priority sector lending ("PSL") in India. Under these guidelines, banks in India are required to lend 40.0% of their adjusted net bank credit ("ANBC") or the credit equivalent amount of off-balance sheet exposures ("CEOBE"), whichever is higher, as defined by the RBI, to certain eligible sectors categorised as priority sectors. The priority sector requirements are monitored on a quarterly basis to arrive at a shortfall or excess lending in each quarter. A simple average of all quarters will be arrived at and considered for computation of overall shortfall or excess as at the end of the financial year. Of the total priority sector advances, the RBI specifies sub-targets for lending towards agricultural advances, micro, small and medium enterprises, advances to weaker sections and the differential rate of interest scheme.

We have not always been able to meet the lending targets of certain sub-targets of the priority sector lending scheme in the past and may not be able to meet the overall priority sector lending target or certain sub-targets in the future. For example, we have in the past failed to meet the sub-targets for lending to small and marginal farmers, as a result of which we were required to increase our contribution to the RIDF (as defined below). Furthermore, the RBI can make changes to the types of loans that qualify under the PSL scheme or the RBI can change the sub-target requirements. Changes that reduce the types of loans that can qualify toward meeting our PSL targets could increase shortfalls under the overall target or under certain sub-targets.

In the case of non-achievement of priority sector lending targets, including sub-targets, we are required to invest in the Rural Infrastructure Development Fund ("**RIDF**") established with NABARD and other Funds with NHB/SIDBI/ MUDRA Ltd. as decided by the Reserve Bank from time to time. The amount to be deposited, interest rates on such deposits and periods of deposits, and other terms, are determined by the RBI from time to time. The interest rates on such deposits are lower than the interest rates which the Bank would have obtained by investing these funds at its discretion. As of March 31, 2017, our total investments as directed by the RBI in such deposits were ₹ 53.9 billion, yielding returns ranging from 4.00% to 8.25%. Additionally, as per RBI guidelines, non-achievement of priority sector lending target and sub-targets will be taken into account by the RBI when granting regulatory clearances/approvals for various purposes.

We may experience a higher level of NPAs in our directed lending portfolio, particularly in loans to the agricultural sector, small enterprises and weaker sections, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. Our gross NPAs in PSL sectors as a percentage to gross loans were 1.96% as of fiscal year 2017 (as compared to gross NPAs in PSL of 1.45% as of March 31, 2016 and 1.30% as of March 31, 2015). Further expansion of the PSL scheme could result in an increase of NPAs due to our limited ability to control the portfolio quality under the directed lending requirements.

In addition to the directed lending requirements, the RBI has encouraged banks in India to have a financial inclusion plan for expanding banking services to rural and unbanked centres and to customers who currently do not have access to banking services. The expansion into these markets involves significant investments and recurring costs. The profitability of these operations depends on our ability to generate business volumes in these centres and from these customers. Future changes by the RBI in the directed lending norms may result in our inability to meet the priority sector lending requirements as well as require us to increase our lending to relatively more risky segments and may result in an increase in non-performing loans.

We face restrictions on lending to large borrowers which may have a material adverse effect on our business, financial condition and results of operations.

In August 2016, the RBI released guidelines on the framework for enhancing credit supply for large borrowers. It was stated that corporate loans beyond the limit determined for a borrower, as per the guidelines, would attract additional provisions and higher capital. Further, the RBI has also aligned its limits on single and group borrowers to the Basel III standards. From April 2019, our limits for single and group borrowers will be 20.0% and 25.0% of our Tier 1 Capital funds as against the current norm of 15.0% and 40.0% of the Total Capital funds. These limits may be subjected to further changes and revisions in future. These new regulations may have a material adverse effect on our business, financial condition and results of operations.

RBI guidelines relating to ownership in private banks and foreign ownership restrictions in private banks and its downstream companies could discourage or prevent a change of control or other business combination involving us.

On May 12, 2016, RBI issued the Master Direction - Ownership in Private Sector Banks, Directions, 2016 ("**Master Directions**"). The Master Directions prescribe limits on ownership for all shareholders in the long run based on categorization of shareholders under two broad categories, namely (i) individuals; and (ii) entities/institutions. Further, these entities shall have separate limits for shareholding as laid down in the Master Directions.

There can be higher percentages of holding stakes by promoters or non-promoters through capital infusion by domestic or foreign entities or institutions if the RBI approves such transactions on a case-by-case basis.

If a transaction results in any person acquiring or agreeing to acquire, directly or indirectly, by itself or acting in concert with any other person, shares of a banking company or voting rights therein which taken together with shares and voting rights, if any, held by such person or such person's relative or associate enterprise or person acting in concert with such person, results in such person(s) holding at least 5.0% of the paid-up share capital of a banking company or entitles such person(s) to exercise at least 5.0% of a banking company's voting rights, RBI's approval is required prior to such a transaction.

The RBI, when considering whether to grant an approval, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fit and proper criteria. The RBI has accorded its approval to certain shareholders to acquire more than 5.0% of the equity share capital of the Bank which is valid for a period of one year from August 29, 2016.

The RBI limits voting rights to 15.0% currently; this can be amended by the RBI from time to time subject to a maximum of 26.0%. There are also foreign ownership restrictions in a private bank and in downstream companies which may impact an acquirer's ability to acquire a majority of our shares or acquire control over the Bank. The implementation of such restrictions could discourage or prevent a change in control, merger, consolidation, takeover or other business combination involving us, which might be beneficial to our shareholders.

Any substantial stake in us could discourage or prevent another entity from exploring the possibility of a combination with us. Any such obstacles to potentially synergistic business combinations could negatively impact our share price and have a material adverse effect on our ability to compete effectively with other large banks and, consequently, our ability to maintain and improve our financial condition.

RBI guidelines relating to prompt corrective action could materially and adversely affect our business, future financial performance and results of operations.

On April 13, 2017, the RBI revised the Prompt Corrective Action ("**PCA**") framework for Banks. The new PCA framework has stipulated thresholds for capital ratios, non-performing assets, profitability and leverage for banks. When the PCA framework is triggered, the RBI would have a range of discretionary actions it can take to address the outstanding issues. These discretionary actions include conducting supervisory meetings, conducting reviews, advising banks' boards for altering business strategy, review of capital planning, restricting staff expansion, removing of managerial persons and superseding the Board. If we are covered under the PCA framework, it could materially and adversely affect our business, future financial performance and results of operations.

We have previously been subject to penalties imposed by the RBI. Any regulatory investigations, fines, sanctions, and requirements relating to conduct of business and financial crime could negatively affect our business and financial results, or cause serious reputational harm across our businesses.

The RBI is empowered under the Banking Regulation Act, to impose penalties on banks for any failure by the banks to comply with the applicable regulatory requirements. During fiscal year 2014, the RBI investigated a corporate borrower's loan and current accounts maintained with 12 Indian banks, including us. On July 25, 2014, RBI imposed a penalty of ₹1,000,000 on us on the grounds that we failed to exchange information about the conduct of the corporate borrower's account with other banks at intervals as prescribed in the RBI guidelines on "Lending under Consortium Arrangement / Multiple Banking Arrangements" and for not obtaining the "No Objection Certificate" from other banks before opening current account.

Further, in September 2015, the Financial Intelligence Unit (India) ("**FIU**") has imposed a fine of ₹300,000 on us relating to the failure of erstwhile eIVBL in detecting and reporting attempted suspicious transactions in 2013. As of the date of this Preliminary Placement Document, we have filed an appeal against the FIU order as permitted by the order.

On 13 April 2017, RBI imposed a penalty of ₹10,000, under section 11(3) of FEMA 1999 for non-reporting of transactions on gross basis in the R-Returns in a specific case.

We cannot predict the initiation or outcome of any further investigations by other authorities or different investigations by the RBI. The penalty imposed by the RBI has generated adverse publicity for our business. Such adverse publicity, or any future scrutiny, investigation, inspection or audit which could result in fines, public reprimands, damage to our reputation, significant time and attention from our management, costs for investigations and remediation of affected customers, may materially adversely affect our business and financial results. For details of penalties imposed by RBI on the Bank, see also "*Legal Proceedings*" at 249.

Any non-compliance with mandatory Anti Money Laundering (AML) and Know Your Customer (KYC) policies could expose us to additional liability and harm our business and reputation.

In accordance with the requirements applicable to banks, we are mandated to comply with applicable anti-money laundering ("**AML**") and know your client ("**KYC**") regulations in India. These laws and regulations require us, among other things, to adopt and enforce AML and KYC policies and procedures. For further details, see "Regulations and Policies". While we have adopted policies and procedures aimed at collecting and maintaining all AML and KYC related information from our customers in order to detect and prevent the use of our banking networks for illegal money-laundering activities, there may be instances where we may be used by other parties in attempts to engage in money-laundering and other illegal or improper activities. In addition, a number of jurisdictions (including India) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA. Pursuant to these provisions, as part of our KYC processes we are required to collect and report certain information regarding US persons having accounts with us.

Although we believe that we have adequate internal policies, processes and controls in place to prevent and detect AML activity and ensure KYC compliance, including FATCA compliance, and have taken necessary corrective measures, there can be no assurance that we will be able to fully control instances of any potential or attempted violation by other parties and may accordingly be subject to regulatory actions including imposition of fines and other penalties by the relevant government agencies to whom we report, including the FIU-IND. Our business and reputation could suffer if any such parties use or attempt to use us for money-laundering or illegal or improper purposes and such attempts are not detected or reported to the appropriate authorities in compliance with applicable regulatory requirements. There have been KYC deficiencies in the past and notices from RBI have been received in relation to the same. See "*Legal Proceedings*" at 249.

Our customers may engage in certain transactions in or with countries or persons that are subject to U.S. and other sanctions.

U.S. law generally prohibits U.S. persons from directly or indirectly investing or otherwise doing business in or with certain countries (such as Iran, Myanmar, North Korea Sudan, Syria and the Crimea region) and with certain persons or businesses that have been specially designated by the OFAC or other U.S. government agencies. Other governments and international or regional organizations also administer similar economic sanctions.

We provide transfer, settlement and other services to our customers, who may be doing business with, or located in, countries to which certain OFAC-administered and other sanctions apply, such as Iran. Although we believe we have compliance systems in place that are sufficient to block prohibited transactions, there can be no assurance that we will be able to fully monitor all of our transactions for any potential violation. Although we do not believe that we are in violation of any applicable sanctions, if it were determined that transactions in which we participate violate U.S. or other sanctions, we could be subject to U.S. or other penalties, and our reputation and future business prospects in the United States or with U.S. persons, or in other jurisdictions, could be adversely affected. Further, investors in the equity shares could incur reputational or other risks as the result of our customers' dealings in or with countries or with persons that are the subject of U.S. sanctions.

RBI may remove any employee, managerial person or may supersede our Board.

The Banking Regulation Act confers powers on the RBI to remove from office any directors, chairman, chief executive officer or other officers or employees of a bank. RBI also has the powers to supersede the board of directors of a bank and appoint an administrator to manage the bank for a period of up to 12 months. The RBI may exercise powers of supersession where it is satisfied, in consultation with the Central Government that it is in the public interest to do so, to prevent the affairs of any bank from being conducted in a manner that is detrimental to the interest of the depositors, or for securing the proper management of any bank. Should any of the steps as explained herein are taken by RBI, our business, results of operations and financial conditions would be materially and adversely affected.

Non-compliance with RBI inspection/observations may have a material adverse effect on our business, financial condition or results of operation.

We are subject to periodic inspections by RBI under the Banking Regulation Act. In the past certain observations were made by RBI during such inspections regarding our business and operations. While we attempt to be in compliance with all regulatory provisions applicable to us, in the event we are not able to comply with the observations made by the RBI, we could be subject to supervisory actions which may have a material adverse effect on our reputation, financial condition and results of operations.

Our insurance subsidiaries are subject to a number of insurance laws and regulations which may restrict their operating flexibility.

Our insurance subsidiaries are subject to a number of insurance laws and regulations. The laws and regulations or the regulatory or enforcement environment, in each case as applicable to such subsidiaries, may change at any time, which may have an adverse effect on the products or services they offer, the value of our assets or our financial condition and profitability in general. Further, the laws and regulations governing the insurance industry cover a wide variety of issues, including foreign investment, solvency requirements, investments, money laundering, privacy, record keeping, marketing and selling practices, and have become increasingly complex over time. Any change in the policies of the IRDAI, including in relation to investment or provisioning, may result in our inability to meet such increased or changed requirements as well as require us to increase our coverage to relatively riskier segments. Future changes in laws and regulations and failure or the apparent failure to address any regulatory changes or enforcement initiatives could have a material adverse impact on our business, harm our reputation, subject us to penalties, fines, disciplinary actions or suspensions of any kind or increase our litigation risks.

In addition, the Insurance Act and regulations issued by the IRDAI could restrict our insurance subsidiaries' operating flexibility. The Insurance Act also restricts the types of capital that can be issued by an insurer in India to equity shares having a single face value preference share capital, subordinated debt instruments and any other debt instrument as may be permitted by the IRDAI. Accordingly, our insurance subsidiaries' ability to issue capital of varied nature is limited. In addition, the Insurance Act provides that appointment, reappointment or termination of a managing or whole time director, a manager or a chief executive officer, of an insurance company shall be made only with the prior approval of the IRDAI. The regulations further require that the right to appoint a chairman who exercises a casting vote and the right to appoint a chief executive officer has to necessarily be exercised by the Indian promoters and/or investors.

Further, in terms of the Insurance Regulatory and Development Authority (Investment) Regulations, 2016, life insurers are bound to invest a fixed percentage of their investment assets forming part of their controlled fund in certain products in certain specified categories of assets and instruments, including bonds and securities issued by various government institutions and investments in housing and infrastructure sector. For instance, our insurance subsidiaries are required to invest a minimum percentage of their life funds (funds other than those relating to their pension, general annuity and group businesses and unit reserves of our unit-linked business) in government securities and a minimum percentage of their funds in housing and infrastructure sectors. Additionally, IRDAI issues from time to time exposure norms and prudential norms which govern the types and categories of securities in which insurance companies are permitted to invest.

Any laws and regulations which restrict our insurance subsidiaries' operating flexibility could have a material adverse effect on our financial condition and profitability.

Risks Relating to India

Financial instability in other countries may cause increased volatility in Indian financial markets.

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and could harm the Bank's business, its future financial performance and the prices of the equity shares.

Any adverse change in India's credit rating by an international rating agency could materially adversely affect our business and profitability.

Our outstanding debt is mostly domestic even though the Bank is rated both domestically and internationally.

Standard and Poor's ("**S&P**"), Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings, Inc. ("**Fitch**") currently have stable outlooks on their sovereign rating for India. There is no assurance that these stable outlooks would remain and they may lower their sovereign ratings for India or the outlook on such ratings, which would also impact our ratings. Further, rating agencies may change their methodology for rating banks, which may impact our standing amongst peer banks.

Any adverse credit rating outlook on India would impact the country’s outlook and cascade into interest rate and currency depreciation.

In September 2014, S&P affirmed the "BBB minus" sovereign credit rating on India and revised the outlook on India's long-term rating from "negative" to "stable", citing improvement in the Government's ability to implement reforms and encourage growth, which in turn would lead to improving the country's fiscal performance. At the same time, S&P revised the rating outlooks on 11 Indian banks, including the Bank and other financial institutions from "negative" to "stable". In April 2015, Moody's revised India's sovereign rating outlook from "stable" to "positive" and retained the long-term rating at "Baa3" as it expected actions of policymakers to enhance India's economic strength in the medium term. In line with the revision in outlook, Moody's revised the outlook for 12 government-owned financial institutions from "stable" to "positive". The foreign currency deposit ratings of three private sector banks were affirmed at "Baa3" and the outlook on the long-term ratings changed from "stable" to "positive", while the local currency and senior unsecured rating of three private sector banks were downgraded to "Baa3" with a "positive" outlook. In July 2016, Fitch revised its outlook for the Indian banking sector to "Negative" from "Stable" due to the increase in non-performing loans.

There can be no assurance that these ratings will not be further revised or changed by S&P, Fitch or Moody's or that any of the other global rating agencies will not downgrade India's credit rating. As our foreign currency ratings are pegged to India's sovereign ceiling, any adverse revision to India's credit rating for international debt will have a corresponding effect on our ratings. Therefore, any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such financing is available. Any of these developments may materially and adversely affect our business, financial condition and results of operations.

Any volatility in the exchange rate may lead to a decline in India's foreign exchange reserves and may affect liquidity and interest rates in the Indian economy, which could adversely impact us.

Foreign inflows into India have remained extremely volatile responding to concerns about the domestic macroeconomic landscape and changes in the global risk environment. India's current account deficit jumped to a four quarter high of 1.4% of the gross domestic product in December 2016 as compared to 0.6% in September 2016. The widening current account deficit has been attributed largely to the surge in gold imports led by the uncertainty stemming from the demonetisation policy.

The Indian rupee also faces challenges in the volatile swings in capital flows. The shifts in capital flows is reflected in the fact that Indian rupee recorded a high of ₹ 64.84 to US dollar and a low of ₹ 68.72 to the US dollar during fiscal year 2017. Even though the Indian rupee has been fairly stable since the start of calendar year 2017, it may come back under pressure given the possibility of global fund flows from emerging markets to the US markets over the medium term. Additionally, some anxiety about the prospect of sub-normal monsoons adversely affecting the domestic economy could make investors circumspect of investing in domestic assets. The weak monsoons of fiscal year 2016 and 2015 weakened the purchasing and investing power in India. Further, there remains a possibility of intervention in the foreign exchange market to control volatility of the exchange rate. The need to intervene may result in a decline in India's foreign exchange reserves and subsequently reduce the amount of liquidity in the domestic financial system. This in turn could cause domestic interest rates to rise.

Further, increased volatility in foreign flows may also affect monetary policy decision making. For instance, a period of net capital outflows might force the RBI to keep monetary policy tighter than optimal to guard against any abnormal currency depreciation.

Political instability or changes in the government in India could delay the liberalisation of the Indian economy and materially adversely affect economic conditions in India generally, which would impact our financial results and prospects.

Since 1991, successive Indian governments have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. Nevertheless, the roles of the Indian central and state governments in the Indian economy as producers, consumers and regulators remain significant as independent factors in the Indian economy.

In recent years, India has been following a course of economic liberalisation and our business could be significantly influenced by economic policies followed by the Government. Further, our businesses are also impacted by regulation and conditions in the various states in India where we operate. There can be no assurance as to the policies future governments will follow or that it will continue the policies of the existing government.

The rate of economic liberalisation is subject to change and specific laws and policies affecting banking and finance companies, foreign investment, currency exchange and other matters affecting investment in our securities are continuously evolving as well. Any significant change in India's economic liberalisation, deregulation policies or other major economic reforms could materially adversely affect business and economic conditions in India generally and our business in particular.

Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries would negatively affect the Indian market where our shares trade and lead to a loss of confidence and impair travel, which could reduce our customers' appetite for our products and services.

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our equity shares trade and also materially adversely affect the global financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and as a result ultimately materially adversely affect our business. In addition, any deterioration in relations between India and its neighbours might result in investor concern about stability in the region, which could materially adversely affect the price of our equity shares.

India has also witnessed civil disturbances in recent years and future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Such incidents also create a greater perception that investment in Indian companies involves a higher degree of risk, which could have an adverse impact on our business and the price of our equity shares.

Investors may have difficulty enforcing foreign judgments in India against the Bank or its management.

The Bank was constituted under the Companies Act, 1956. Substantially all of the Bank's directors and executive officers named herein are residents of India and a substantial portion of the assets of the Bank and such persons are located in India. As a result, it may not be possible for investors outside of India to effect service of process on the Bank or such persons from their respective jurisdictions outside of India, or to enforce against them judgments obtained in courts outside of India predicated upon civil liabilities of the Bank or such directors and executive officers under laws other than Indian Law.

For more information on the enforcement of civil liabilities in India, see "*Enforcement of Civil Liabilities.*"

A slowdown in economic growth in India would cause us to experience slower growth in our asset portfolio and deterioration in the quality of our assets.

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy, which in turn is linked to global economic conditions. Below-trend global growth may adversely affect the growth prospects of the Indian economy. This could adversely affect our business, including our ability to grow our asset portfolio, the quality of our assets and our ability to implement our strategy. The Indian economy may be adversely affected by volatile oil prices, given India's dependence on imported oil for its energy needs, inflationary pressures and weather conditions adversely affecting the Indian agricultural market or other factors. This may have a cascading impact on our asset portfolio. In addition, the Indian economy is in a state of transition. The share of the services sector of the economy is rising, while that of the industrial, manufacturing and agricultural sectors is declining. Finally, India faces major challenges in sustaining its growth, which include the need for substantial infrastructure development and improving access to healthcare and education. If the Indian economy deteriorates, our asset base may erode, which would result in a material decrease in our net profits and total assets.

Risks Relating to the Equity Shares

Financial difficulty and other problems in certain financial institutions in India could materially adversely affect our business and the price of our equity shares.

We are exposed to the risks of the Indian financial system by being a part of the system. The financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Such "systemic risk", may materially adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with which we interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and materially adversely affect our business. Our transactions with these financial institutions expose us to various risks in the event of default by a counterparty, which can be exacerbated during periods of market illiquidity.

An investor will not be able to sell any of the equity shares subscribed in this Issue other than across a recognised Indian stock exchange for a period of 12 months from the date of the issue of the equity shares.

Pursuant to the SEBI Regulations, for a period of 12 months from the date of the issue of the equity shares in this Issue, Eligible Qualified Institutional Buyers ("**QIBs**") subscribing to the equity shares may only sell their equity shares on the NSE or the BSE and may not enter into any off-market trading in respect of these equity shares. We cannot be certain that these restrictions will not have an impact on the price of the equity shares. Further, allotments made to Venture Capital Funds ("**VCFs**") and Alternative Investment Funds ("**AIFs**") in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements. This may affect the liquidity of the equity shares purchased by investors and it is uncertain whether these restrictions will adversely impact the market price of the equity shares purchased by investors.

Investors may be subject to Indian taxes arising out of capital gains on the sale of the equity shares.

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax ("**STT**") has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to long-term capital gains tax in India.

The recent Finance Act 2017 amendments provided that where the shares have been acquired on or after October 1, 2004 and on which STT has not been paid at the time of acquisition, then the exemption of long term capital gains under section 10(38) of the Income Tax Act 1961 would not be available. This amendment further provides that the Government will notify certain modes of acquisition to which the recent amendment made by Finance Act 2017 would not be applicable and the shares acquired by such modes of acquisition would continue to get the benefit of section 10(38) of the Income Tax Act 1961. As of the latest practicable date, the Government has issued a draft notification listing out certain modes of acquisition where the benefit of section 10(38) will not be applicable and have invited comments or suggestions from the general public. The final notification is yet to be issued.

Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to short-term capital gains tax in India. Capital gains arising from the sale of the equity shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the equity shares. See the section "*Certain Tax considerations*" at 237.

Foreign Account Tax Compliance withholding may affect payments on the equity shares.

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“foreign passthru payments”) to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including India) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Equity Shares, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Equity Shares, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Equity Shares, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the shares. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Equity Shares, no person will be required to pay additional amounts as a result of the withholding.

The Company may be classified as a passive foreign investment company for U.S. federal income tax purposes, which could result in materially adverse U.S. federal income tax consequences to U.S. Holders of the equity shares.

Based on the anticipated market price of the Equity Shares, and the composition of our income, assets and operations, we do not expect to be treated as a passive foreign investment company (a “PFIC”) for U.S. federal income tax purposes for the most recent taxable year, and do not expect to be a PFIC for the current taxable year or in the foreseeable future. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure holders that the U.S. Internal Revenue Service will not take a contrary position. Furthermore, PFIC status is a factual determination that can only be made annually after the close of each taxable year. If we are a PFIC for any taxable year during which a U.S. Holder (as defined in "Certain Tax Considerations — Certain U.S. Federal Tax Considerations) holds the Equity Shares, certain materially adverse U.S. federal income tax consequences could apply to such U.S. Holder. See section "*Certain Tax Considerations— Certain U.S. Federal Income Tax Considerations — Passive Foreign Investment Company Rules*” on page 237.

MARKET PRICE INFORMATION

As at the date of this Preliminary Placement Document, 1,841,028,253 Equity Shares are issued and outstanding.

On May 10, 2017, the closing price of the Equity Shares on BSE and NSE was ₹926.45 and ₹927.65 per Equity Share, respectively. Since the Equity Shares are actively traded on the Stock Exchanges, the market price and other information for each of BSE and NSE has been given separately.

(i) The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded for the Financial Years ended March 31, 2017, March 31, 2016 and March 31, 2015:

BSE									
Financial Year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on the date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on the date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the year (₹)**
2017	878.50	March 24, 2017	217,367	188.67	663.15	April 7, 2016	65,370	43.34	762.32
2016	1,445.75	April 13, 2015	63,114	90.96	599.35	September 7, 2015	77,957	47.25	857.52
2015	1,412.90	March 5, 2015	45,972	64.90	755.30	April 4, 2014	20,260	15.32	1,078.79

NSE									
Financial Year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on the date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on the date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the year (₹)**
2017	879.35	March 24, 2017	2,280,029	1,991.27	662.50	April 7, 2016	1,619,424	1,073.20	764.44
2016	1,445.60	April 13, 2015	813,198	1,168.69	600.65	September 7, 2015	1,236,366	750.97	851.58
2015	1,412.25	March 5, 2015	1,430,259	2,016.27	755.10	April 4, 2014	509,684	385.07	1076.43

(Source: www.bseindia.com and www.nseindia.com)

Notes:

1. High, low and average prices are based on the daily closing prices.

2. In the case of a year, average represents the average of the closing prices of all trading days of each year presented.

(ii) The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded during each of the last six months:

BSE									
Month year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the month (₹)**
April 2017	914.55	April 27, 2017	321,112	291.25	874.45	April 7, 2017	61,271	53.96	886.87
March 2017	878.50	March 24, 2017	217,367	188.67	809	March 3, 2017	20,393	16.49	845.14
February 2017	808.85	February 23, 2017	88,154	71.02	766.35	February 3, 2017	90,523	69.66	785.51
January 2017	794.65	January 25, 2017	503,043	393.47	694.90	January 4, 2017	97,698	68.37	732.17
December 2016	748.90	December 8, 2016	57,839	43.18	709.70	0December 26, 2016	24,929	17.64	724.43
November 2016	823.85	November 9, 2016	355,804	280.83	743.35	November 24, 2016	267,221	199.96	782.68

NSE									
Month year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the month (₹)**
April 2017	916.65	April 27, 2017	7,060,437	6,415.28	873.10	April 7, 2017	1,612,677	1,418.38	887.65
March 2017	879.35	March 24, 2017	2,280,029	1,991.27	809.50	March 3, 2017	1,317,035	1,065.46	846.90
February 2017	810.95	February 27, 2017	4,575,547	3,693.42	765.30	February 3, 2017	1,562,576	12,021.34	785.79
January 2017	795.20	January 25, 2017	8,772,524	6,874.10	695.60	January 4, 2017	4,258,608	2,980.99	732.84
December 2016	748.65	December 8, 2016	826,615	617.15	711.05	December 26, 2016	485,656	343.99	724.78
November 2016	822.10	November 9, 2016	4,270,134	3,385.74	742.10	November 24, 2016	5,074,907	3,793.02	783.10

(Source: www.bseindia.com and www.nseindia.com)

Notes: *Average price based on average of daily closing price for the period.*

Notes:

1. High, low and average prices are based on the daily closing prices.

2. In the case of a month, average represents the average of the closing prices of all trading days of each month presented.

(iii) The following table set forth the details of the number of Equity Shares traded and the turnover during the last six months and the Financial Years ended March 31, 2017, 2016 and 2015 on the Stock Exchanges:

Period	**Number of Equity Shares Traded**		**Turnover (In ₹million)**	
	BSE	**NSE**	**BSE**	**NSE**
Year ended March 31, 2017	72,067,704	504,569,891	56,646.60	389,359.30
Year ended March 31, 2016	50,306,557	296,887,734	39,405.26	242,022.90
Year ended March 31, 2015	48,573,691	270,593,615	39,405.26	295,413.20
April 2017	2,330,548	34,535,210	2,074.88	30,822.07
March 2017	34,438,191	68,397,991	28,360.15	58,103.20
February 2017	3,209,427	40,821,525	2,509.40	32,064.25
January 2017	7,265,171	44,099,173	5,372.43	32,668.54
December 2016	2,741,955	26,148,343	1,981.50	18,928.99
November 2016	3,566,765	42,365,163	2,770.52	33,009.46

(iv) The following table sets forth the market price on the Stock Exchanges on March 31, 2017, the first working day following the approval of our Board of Directors for the Issue:

BSE						NSE					
Open	**High**	**Low**	**Close**	**Number of Equity Shares traded**	**Volume (₹ million)**	**Open**	**High**	**Low**	**Close**	**Number of Equity Shares traded**	**Volume (₹ million)**
866.00	879.70	863.10	872.10	346,179	301.54	865.00	880.00	862.05	872.20	2,586,431	2,259.12

(Source: www.bseindia.com and www.nseindia.com)

USE OF PROCEEDS

The gross proceeds from the Issue are approximately ₹ [●] million. After deducting the Issue expenses of approximately ₹ [●] million, the net proceeds of the Issue will be approximately ₹ [●] million (the "**Net Proceeds**").

The RBI has required our Bank to reduce its Promoters' shareholding. The next milestone is 30% by June 30, 2017. The raising of capital through this Issue is with a view to progress towards the aforesaid milestone. For further details, please refer to the section titled "*Risk Factors*" on page 41 of this Preliminary Placement Document.

Subject to compliance with applicable laws and regulations, our Bank intends to use the Net Proceeds towards augmenting the Bank's Tier I capital for growth in its balance sheet given the market opportunity from economic activity in the country.

The funds raised would enable the Bank to capitalize 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, investments, for growth of subsidiaries and for other general corporate purposes.

Since, the Net Proceeds of the Issue are proposed to be utilised towards augmenting the Bank's Tier I capital and not for implementing any project, the following disclosure requirement are not applicable: (i) break-up of cost of the project, (ii) means of financing such project, and (iii) proposed deployment status of the proceeds at each stage of the project.

CAPITALISATION STATEMENT

The following table sets forth our Bank's capitalization and total debt as at March 31, 2017 on a standalone basis and as adjusted for the Issue. This table should be read in conjunction with the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Statements*" on pages 85 and 242, respectively.

(in ₹ million)

Particulars	March 31, 2017	As adjusted for the Issue(1)(2)(3)
Short term borrowing *:		
Secured**	-	[●]
Unsecured	133,665.36	[●]
Long term borrowing:		
Unsecured	77,289.45	[●]
Total borrowing (a)	**210,954.81**	[●]
Shareholders' funds:		
Share capital	9,204.49	[●]
Securities premium	101,107.97	[●]
Reserves and surplus (excluding securities premium)	165,848.23	[●]
Total funds (excluding borrowings) (b)	**276,160.69**	[●]
Total capitalization (a + b)	**487,115.50**	[●]

** Residual maturity up to 1 year*

***Other than collateralized borrowing and lending obligation (CBLO) and Repo Borrowings*

(1) As adjusted for the number of Equity Shares issued in the Issue. However, this does not give effect to 130,376 *Equity Shares issued and allotted by our Bank post 31 March 2017 and up to the date of this Placement Document, pursuant to exercise of options granted under its ESOP Schemes.*

(2) As on the date of this Placement Document, 8,533,549 stock options are outstanding under its ESOP Schemes.

(3) Adjustments do not include Issue related expenses.

Employee Stock Option Plans

Our Bank has the following outstanding employee stock option plans:

A. Kotak Mahindra Equity Option Scheme 2007 ("**ESOP 2007**")

Our Bank instituted ESOP 2007 pursuant to a special resolution dated July 5, 2007 passed at an AGM of the Bank. The Board of Directors of our Bank, on July 24, 2007, approved the increase in the aggregate number of options that may be granted under ESOP 2007 from 15,000,000 to 20,000,000 options (excluding the options granted to eligible employees under previous ESOP schemes), which was subsequently approved by our shareholders by a special resolution dated August 21, 2007. The number of options per employee, as decided by the ESOP/Compensation Committee constituted for implementation of ESOP 2007 shall not exceed 1% of the paid up equity share capital of our Bank, at the time of the award of the options. ESOP 2007 came into effect on May 18, 2007 and shall remain in effect until all the options awarded under the ESOP 2007 have been exercised or have expired by reasons of lapse of time or otherwise, whichever is earlier. Under the ESOP 2007 scheme, 3,158,246 options are outstanding as of April 26, 2017.

B. Kotak Mahindra Equity Option Scheme 2015 ("**ESOP 2015**")

Our Bank instituted ESOP 2015 pursuant to a special resolution dated June 29, 2015 passed at an AGM of the Bank. A Compensation Committee of the Bank was constituted for administration and superintendence of ESOP 2015. The total number of options that may be granted under ESOP 2015 are 18,200,000 options (or such adjusted number, of such face value, as may be determined by the Board of Directors or the Compensation Committee, due to change in capital structure or any corporate action, after May 5, 2015, which is not prejudicial to the interest of the employees). The number of options per employee shall not, in any year, be equal to or exceed 1% of the issued equity capital of the Bank (excluding outstanding warrants and conversions) at the time of award of the options. ESOP 2015 came into effect on June 29, 2015 and shall remain in effect until all the options granted under ESOP 2015 have been exercised and/ or have expired by reasons of lapse of time or otherwise and any event, including any corporate action pursuant to which the Bank may lose its existence, specifically, the effective date of any court/ RBI/ competent authority sanctioned scheme or the date on which a winding up order is passed against the Bank or any order passed by RBI/ competent authority. Under the ESOP 2015 scheme, 3778,230 options are outstanding as of April 26, 2017.

C. Kotak Mahindra Stock Appreciation Rights Scheme 2015 (“SARs 2015”)

Our Bank instituted SARs 2015 pursuant to a special resolution dated June 29, 2015 passed at an AGM of the Bank. The total number of stock appreciation rights (“**SAR**”) that may be granted under SARs 2015 are 9,100,000 SARs (which is equivalent to 1% of the issued equity shares of our Bank as at May 5, 2015) or such adjusted numbers, as may be determined by the Board of Directors of the Bank due to change in capital structure or any corporate action after May 5, 2015. SAR 2015 came into effect on June 29, 2015 and shall remain in effect until all the SARs awarded under SARs 2015 have been paid out as appreciation or have been withdrawn or cancelled by the Bank or any corporate event, including the occurrence of a corporate action, pursuant to which the Bank may lose its existence, such as, the effective date of any court, the RBI or such other competent authority sanctioned scheme or the date on which a winding up order is passed against the Bank or any order passed by RBI or such other competent authority.

D. Kotak Mahindra Bank Ltd. (IVBL) Employee Stock Option Scheme 2007 (“**KMBL (eIVBL) 2007**”)*

KMBL (eIVBL) 2007 was instituted by eIVBL pursuant to resolution by postal ballot by the shareholders of eIVBL dated May 11, 2007. A Compensation Committee of eIVBL was constituted to administer the KMBL (eIVBL) 2007. The total number of options that may be granted under KMBL (eIVBL) 2007 are such as may be exercisable into not more than 7,800,000 equity shares of a face value of ₹ 10 each. KMBL (eIVBL) 2007 came into effect on May 11, 2007 and shall remain in effect until its termination by the Board of Directors or the date on which all options available for issuance under KMBL (eIBVL) 2007 have been issued and exercised. Under the KMBL (eIVBL) 2007 scheme, 156,022 options are outstanding as of April 26, 2017.

E. Kotak Mahindra Bank Ltd. (IVBL) Employee Stock Option Scheme 2010 (“**KMBL (eIVBL) 2010**”)*

KMBL (eIVBL) 2010 was instituted by eIVBL pursuant to a special resolution dated July 1, 2010 passed at an AGM of eIVBL. A Compensation Committee of IVBL was constituted to administer the KMBL (eIVBL) 2010. The total number of options that may be granted under KMBL (eIVBL) 2010 are such as may be exercisable into not more than 11,500,000 equity shares of ₹ 10 each. KMBL (eIVBL) 2010 came into effect on July 1, 2010 and shall remain in effect until its termination by the Board of Directors or until such date on which all options available for issuance under KMBL (eIVBL) 2010 have been issued and exercised. Under the KMBL (eIVBL) 2010 scheme, 708,278 options are outstanding as of April 26, 2017.

F. Kotak Mahindra Bank Ltd. (IVBL) Employee Stock Option Scheme 2013 (“**KMBL (eIVBL) 2013**”)*

KMBL (eIVBL) 2013 was instituted by eIVBL pursuant to a resolution dated June 25, 2013 passed at an AGM of eIVBL. A Compensation Committee of eIVBL was constituted to administer the KMBL (eIVBL) 2013. The total number of options that may be granted under KMBL (eIVBL) 2013 are such as may be convertible into not more than 7,500,000 equity shares. KMBL (eIVBL) 2013 came into effect on June 25, 2013 and shall remain in effect until its termination by the Board of Directors or until such date on which all options available for issuance under KMBL (eIVBL) 2013 have been issued and exercised. Under the KMBL (eIVBL) 2013 scheme, 732,773 options are outstanding as of April 26, 2017.

**Pursuant to the eIVBL Scheme, the options granted under each of the schemes of KMBL (eIVBL) Schemes and outstanding as on April 1, 2015 were swapped for an entitlement to receive 0.725 equity shares of our Bank for an entitlement to receive one equity share in eIVBL. The number of options, and the exercise price, have been subsequently, adjusted to reflected the swap ratio. The KMBL (eIVBL) Schemes were adopted and approved by the Board at its meeting held on April 3, 2015. The Scheme provided for the accelerated vesting of options and all the foresaid stock options are exercisable within a period of five years from the date of vesting.*

CAPITAL STRUCTURE

The Equity Share capital of our Bank as of the date of this Preliminary Placement Document is set forth below:

(In ₹, except share data)

	Particulars	Aggregate value at face value
A	**AUTHORISED SHARE CAPITAL**	
	3,000,000,000 Equity Shares[(1)]	15,000,000,000
B	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL BEFORE THE ISSUE**	
	1,841,028,253 Equity Shares	9,205,141,265
C	**PRESENT ISSUE IN TERMS OF THIS PRELIMINARY PLACEMENT DOCUMENT**	
	Up to [●] Equity Shares[(2)]	[•]
D	**PAID-UP CAPITAL AFTER THE ISSUE**	
	[•] Equity Shares	[•]
E	**SECURITIES PREMIUM ACCOUNT**	
	Before the Issue	101,171,250,000
	After the Issue	[●]

(1) *The face value of each equity share was ₹ 10 per equity share and subsequently, the face value of each share was changed to ₹ 5 with effect from September 14, 2010.*

(2) *The Issue has been authorised by our Board of Directors on March 30, 2017 and by our Shareholders pursuant to their resolution dated May 9, 2017 at an Extraordinary General Meeting.*

The following table sets forth details of allotments of Equity Shares our Bank since the date of inception (other than allotments made pursuant to exercise of stock options granted under the ESOP Schemes):

(in ₹, unless otherwise stated and except share data)

Date of Allotment	Number of Equity Shares Allotted	Face Value	Issue price per Equity Share	Consideration
November 22, 1985	70	10	10	Cash
September 30, 1986	308,700	10	10	Cash
June 22, 1989	341,230	10	10	Cash
September 27, 1989[(1)]	650,000	10	-	Other than cash
November 8, 1991[(2)]	1,300,000	10	-	Other than cash
February 25, 1992[(3)]	2,600,000	10	-	Other than cash
February 25, 1992	1,782,500	10	45	Cash
April 11, 1993	4,400,000	10	150	Cash
April 18, 1993[(4)]	6,982,500	10	25	Cash
January 21, 1995[(5)]	18,365,000	10	-	Other than cash
March 31, 2000[(6)]	9,182,500	10	100	Cash
January 12, 2001[(7)]	13,300,250	10	-	Other than cash
August 28, 2004[(8)]	59,532,750	10	-	Other than cash
February 18, 2005	3,300,000	10	230	Cash
August 30, 2005[(9)]	184,985,250	10	-	Other than cash
April 27, 2006[(10)]	15,000,000	10	$ 6.66 (300.00)	Cash
October 15, 2007[(11)]	17,000,000	10	950	Cash
August 11, 2010	16,400,000	10	833	Cash
September 14, 2010	In accordance with Sections 100 to 104 of the Companies Act, 1956, 366,512,332 equity shares of ₹10 each were sub-divided in to 733,024,664 Equity Shares of ₹5 each.			
May 16, 2013	20,000,000	5	648	Cash
April 21, 2015[(12)]	139,205,159	5	-	Other than cash
July 10, 2015[(13)]	912,841,920	5	-	Other than cash

1) *These Equity Shares were allotted to the Shareholders on account of a bonus issue in the ratio of 1:1 undertaken pursuant to the resolutions of the Board and the Shareholders.*

2) *These Equity Shares were allotted to the Shareholders on account of a bonus issue in the ratio of 1:1 undertaken pursuant to the resolutions of the Board and the Shareholders.*

3) *These Equity Shares were allotted to the Shareholders on account of a public issue undertaken pursuant to the resolutions of the Board and the Shareholders.*

4) *These Equity Shares were allotted to the Shareholders pursuant to a rights issue to the Shareholders in the ratio 1:1 undertaken pursuant to the resolutions of the Board and the Shareholders.*

5) *These Equity Shares were allotted to the Shareholders on account of a bonus issue in the ratio of 1:1undertaken pursuant to the resolutions of the Board and the Shareholders.*

6) *These Equity Shares were allotted to the Shareholders pursuant to a rights issue to the Shareholders in the ratio 1:4 undertaken pursuant to the resolutions of the Board and the Shareholders.*

7) *Issue of equity shares pursuant to a scheme of merger with Pannier Trading Company Private Limited (the then holding company of Kotak Securities Limited).*

8) *These Equity Shares were allotted to the Shareholders on account of a bonus issue in the ratio of 1:1 undertaken pursuant to the resolutions of the Board and the Shareholders.*

9) *These Equity Shares were allotted to the Shareholders on account of a bonus issue in the ratio of 3:2 undertaken pursuant to the resolutions of the Board and the Shareholders.*

10) *Issue of Equity Shares to holders of the global depository securities which were listed on the Luxembourg Stock Exchange. Subsequently, the global depository securities program was terminated with effect from September 4, 2015*

11) *Our Bank allotted 17,000,000 Equity Shares pursuant to a qualified institutions placement in accordance with the provisions of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000*

12) *Issue of Equity Shares to the shareholders of eIVBL pursuant to the eIVBL Scheme. 9,300 Equity Shares were cancelled on account of cross holding.*

13) *These Equity Shares were allotted to the Shareholders on account of a bonus issue in the ratio of 1:1 undertaken pursuant to the resolutions of the Board and the Shareholders.*

Note: 660 Equity Shares held in abeyance by eIVBL were allotted in lieu of the rights and bonus entitlement to an individual shareholder.

The following table sets forth a summary of the allotments of Equity Shares made by our Bank pursuant to the exercise of stock options granted under the ESOP Schemes:

(in ₹, unless otherwise stated and except share data)

Quarter during which allotments were made	No. of Equity Shares Allotted	Face Value	Issue Price	Consideration
ESOP 2001-02				
Quarter ended December 31, 2003	310,000	10	50	Cash
Quarter ended March 31, 2004	10,000	10	50	Cash
Quarter ended September 30, 2004	684,000	10	27.50	Cash
Quarter ended December 31, 2004	156,000	10	27.50	Cash
Quarter ended March 31, 2005	78,000	10	27.50	Cash
ESOP 2002-03				
Quarter ended September 30, 2004	40,000	10	67.50	Cash
Quarter ended September 30, 2005	50,000	10	10	Cash
Quarter ended December 31, 2005	734,000	10	10	Cash
Quarter ended March 31, 2006	201,875	10	10	Cash
Quarter ended June 30, 2006	7,500	10	10	Cash
	428,078	10	80	Cash
Quarter ended September 30, 2006	266,108	10	80	Cash
	50,000	10	10	Cash
Quarter ended December 31, 2006	793,500	10	10	Cash
	93,800	10	80	Cash
Quarter ended March 31, 2007	129,750	10	10	Cash
	92,347	10	80	Cash

Quarter during which allotments were made	No. of Equity Shares Allotted	Face Value	Issue Price	Consideration
Quarter ended June 30, 2007	272,407	10	80	Cash
Quarter ended September 30, 2007	203,437	10	80	Cash
Quarter ended December 31, 2007	68,465	10	80	Cash
Quarter ended March 31, 2008	279,595	10	80	Cash
Quarter ended June 30, 2008	221,919	10	80	Cash
Quarter ended September 30, 2008	80,870	10	80	Cash
Quarter ended December 31, 2008	39,832	10	80	Cash
Quarter ended March 31, 2009	10,730	10	80	Cash
ESOP 2005				
Quarter ended September 30, 2007	221,700	10	150	Cash
	76,800	10	10	Cash
	20,000	10	300	Cash
Quarter ended December 31, 2007	70,620	10	150	Cash
	107,200	10	10	Cash
	15,000	10	300	Cash
Quarter ended March 31, 2008	63,110	10	150	Cash
	118,800	10	10	Cash
Quarter ended June 30, 2008	109,960	10	150	Cash
	40,000	10	300	Cash
	3,000	10	200	Cash
Quarter ended September 30, 2008	137,760	10	150	Cash
Quarter ended December 31, 2008	28,630	10	150	Cash
	40,700	10	10	Cash
Quarter ended March 31, 2009	6,800	10	150	Cash
	124,550	10	10	Cash
Quarter ended June 30, 2009	216,170	10	150	Cash
	75,000	10	300	Cash
	3,000	10	200	Cash
	7,500	10	340	Cash
Quarter ended September 30, 2009	74,800	10	150	Cash
	20,000	10	340	Cash
Quarter ended December 31, 2009	200,560	10	150	Cash
Quarter ended March 31, 2010	72,720	10	150	Cash
	50,000	10	300	Cash
Quarter ended June 30, 2010	104,560	10	150	Cash
	4,000	10	200	Cash
	25,000	10	300	Cash
Quarter ended September 30, 2010	924,600	10	340	Cash
	284,000	5	170	Cash
Quarter ended December 1, 2010	2,071,800	5	170	Cash
	50,000	5	180	Cash
Quarter ended March 31, 2011	20,000	5	170	Cash
	100,000	5	180	Cash
ESOP 2007				
Quarter ended September 30, 2008	73,100	10	10	Cash
	1,800	10	325	Cash
Quarter ended December 31, 2008	14,800	10	10	Cash
	8,329	10	325	Cash
Quarter ended March 31, 2009	51,400	10	10	Cash
	1,837	10	325	Cash
Quarter ended June 30, 2009	310,744	10	325	Cash
	5,179	10	335	Cash
	6,750	10	400	Cash
	5,070	10	410	Cash
Quarter ended September 30, 2009	273,886	10	325	Cash
	2,624	10	335	Cash
	107,797	10	410	Cash
Quarter ended December 31, 2009	305,673	10	325	Cash
	10,051	10	335	Cash

Quarter during which allotments were made	No. of Equity Shares Allotted	Face Value	Issue Price	Consideration
	402,262	10	410	Cash
Quarter ended March 31, 2010	195,271	10	325	Cash
	1,407	10	335	Cash
	27,404	10	410	Cash
	98,750	10	225	Cash
Quarter ended June 30, 2010	199,908	10	325	Cash
	109,275	10	225	Cash
	6,750	10	400	Cash
	3,429	10	335	Cash
Quarter ended September 30, 2010	357,556	10	325	Cash
	108,800	10	225	Cash
	3,868	10	335	Cash
	121,769	10	410	Cash
	1,340	10	400	Cash
	60,000	5	325	Cash
	17,540	5	205	Cash
	9,000	5	112.50	Cash
	1,500	5	200	Cash
	10,000	5	5	Cash
Quarter ended December 31, 2010	370,422	5	205	Cash
	109,050	5	112.50	Cash
	12,580	5	5	Cash
	6,924	5	200	Cash
	35,000	5	162.50	Cash
	218,850	5	340	Cash
	20,000	5	292	Cash
Quarter ended March 31, 2011	195,150	5	112.50	Cash
	71,810	5	340	Cash
	1,544	5	205	Cash
	3,570	5	200	Cash
	111,500	5	125	Cash
	16,000	5	350	Cash
	50,600	5	5	Cash
Quarter ended June 30, 2011	684,965	5	340	Cash
	210,250	5	125	Cash
	27,650	5	112.50	Cash
	8,000	5	5	Cash
	8,000	5	200	Cash
Quarter ended September 30, 2011	225,250	5	125	Cash
	255,353	5	205	Cash
	325,000	5	340	Cash
	31,500	5	200	Cash
Quarter ended December 31, 2011	39,250	5	125	Cash
	463,775	5	340	Cash
	341,928	5	205	Cash
	6,666	5	5	Cash
	35,442	5	250	Cash
	10,000	5	372.50	Cash
	2,680	5	200	Cash
	20,000	5	292	Cash
Quarter ended March 31, 2012	475,045	5	340	Cash
	299,700	5	125	Cash
	123,066	5	250	Cash
	492	5	205	Cash
	10,000	5	372.50	Cash
	184,000	5	137.50	Cash
	24,000	5	350	Cash
	5,994	5	200	Cash
Quarter ended June 30, 2012	1,591,730	5	340	Cash

Quarter during which allotments were made	No. of Equity Shares Allotted	Face Value	Issue Price	Consideration
	125,750	5	137.50	Cash
	38,050	5	125	Cash
	16,842	5	250	Cash
	14,000	5	372.50	Cash
Quarter ended September 30, 2012	359,027	5	205	Cash
	111,000	5	137.50	Cash
	214,585	5	421	Cash
	132,500	5	350	Cash
	500	5	250	Cash
	14,000	5	200	Cash
Quarter ended December 31, 2012	229,289	5	205	Cash
	126,000	5	350	Cash
	67,000	5	137.50	Cash
	22,750	5	200	Cash
	5,328	5	5	Cash
	250,780	5	421	Cash
	100,632	5	312.50	Cash
	50,000	5	305	Cash
	31,332	5	250	Cash
	2,500	5	147.50	Cash
Quarter ended March 31, 2013	358,800	5	137.50	Cash
	459,500	5	350	Cash
	132,544	5	250	Cash
	412,467	5	312.50	Cash
	225,416	5	421	Cash
	329,000	5	337.50	Cash
	238,500	5	147.50	Cash
	3,424	5	200	Cash
	80	5	5	Cash
	256,190	5	205	Cash
Quarter ended June 30, 2013	3,686	5	250	Cash
	130,500	5	147.50	Cash
	471,000	5	337.50	Cash
	5,045	5	312.50	Cash
	31,950	5	137.50	Cash
Quarter ended September 30, 2013	113,600	5	147.50	Cash
	244,275	5	421	Cash
	21,250	5	305	Cash
	159,093	5	312.50	Cash
	437,400	5	337.50	Cash
	16,230	5	200	Cash
Quarter ended December 31, 2013	23,450	5	147.50	Cash
	187,238	5	312.50	Cash
	337,600	5	337.50	Cash
	56,805	5	545	Cash
	207,388	5	421	Cash
	26,092	5	250	Cash
	20,340	5	200	Cash
	5,038	5	5	Cash
	10,000	5	305	Cash
Quarter ended March 31, 2014	315,851	5	147.50	Cash
	3,608	5	200	Cash
	398	5	5	Cash
	344,126	5	312.50	Cash
	126,999	5	250	Cash
	184,894	5	421	Cash
	18,750	5	305	Cash
	181,897	5	545	Cash
	17,472	5	350	Cash

Quarter during which allotments were made	No. of Equity Shares Allotted	Face Value	Issue Price	Consideration
Quarter ended June 30, 2014	32,349	5	147.50	Cash
	48,198	5	312.50	Cash
	63,107	5	545	Cash
	300	5	421	Cash
	1,995	5	250	Cash
	10,206	5	350	Cash
Quarter ended September 30, 2014	110,252	5	312.50	Cash
	412,214	5	421	Cash
	203,3318	5	545	Cash
	50,000	5	305	Cash
	16,002	5	350	Cash
	31,500	5	200	Cash
	125	5	250	Cash
	33,570	5	724	Cash
	10,420	5	550	Cash
Quarter ended December 31, 2014	80,607	5	312.50	Cash
	145,198	5	421	Cash
	73,731	5	545	Cash
	48,359	5	724	Cash
	47,166	5	250	Cash
Quarter ended March 31, 2015	28,210	5	312.50	Cash
	98,367	5	250	Cash
	367,182	5	421	Cash
	98,537	5	724	Cash
	9,500	5	550	Cash
	21,250	5	305	Cash
Quarter ended June 30, 2015	1,038	5	250	Cash
	99,225	5	421	Cash
	140	5	724	Cash
	24,750	5	305	Cash
Quarter ended September 30, 2015	172,684	5	210.50	Cash
	351,920	5	272.50	Cash
	8,000	5	152.50	Cash
	60,690	5	175	Cash
	155,097	5	362	Cash
	25,840	5	275	Cash
Quarter ended December 31, 2015	192,364	5	272.50	Cash
	130,545	5	362	Cash
	132,798	5	406	Cash
	28,426	5	210.50	Cash
Quarter ended March 31, 2016	219,019	5	272.50	Cash
	246,314	5	362	Cash
	26,000	5	275	Cash
	381,500	5	406	Cash
	32,646	5	300	Cash
	32,784	5	210.50	Cash
	6,670	5	175	Cash
	254,601	5	320	Cash
Quarter ended June 30, 2016	260,427	5	272.50	Cash
	433,899	5	320	Cash
	44,786	5	406	Cash
	16,320	5	275	Cash
	54,000	5	400	Cash
	20,000	5	175	Cash
Quarter ended September 30, 2016	43,046	5	272.50	Cash
	1,050,600	5	320	Cash
	175,498	5	362	Cash
	16,000	5	275	Cash
	110,460	5	406	Cash

Quarter during which allotments were made	No. of Equity Shares Allotted	Face Value	Issue Price	Consideration
Quarter ended December 31, 2016	5,900	5	272.50	Cash
	970,900	5	320	Cash
	204,381	5	362	Cash
	14,000	5	275	Cash
	207,323	5	406	Cash
	252,764	5	665	Cash
	32,646	5	300	Cash
Quarter ended March 31, 2017	325,445	5	362	Cash
	229,435	5	406	Cash
	595,796	5	665	Cash
	22,620	5	500	Cash
Quarter ended June 30, 2017	22,352	5	362	Cash
	47,638	5	665	Cash
ESOP 2015				
Quarter ended March 31, 2017	3,500	5	690	Cash
KMBL (eIVBL) 2007				
Quarter ended June 30, 2015	19,591	5	403	Cash
	46,998	5	832	Cash
	3,037	5	185	Cash
	5,409	5	362	Cash
Quarter ended September 30, 2015	4,350	5	146	Cash
	13,354	5	92.50	Cash
	152,930	5	201.50	Cash
	60,349	5	181	Cash
	39,276	5	416	Cash
	24,834	5	99	Cash
	19,236	5	116.50	Cash
	14,822	5	151.50	Cash
	18,452	5	217.50	Cash
	14,484	5	262	Cash
Quarter ended December 31, 2015	21,433	5	181	Cash
	13,480	5	201.50	Cash
	136,174	5	416	Cash
Quarter ended March 31, 2016	15,800	5	201.50	Cash
	138,280	5	416	Cash
Quarter ended June 30, 2016	58,000	5	416	Cash
	400	5	201.50	Cash
	5,800	5	92.50	Cash
Quarter ended September 30, 2016	21,632	5	201.50	Cash
Quarter ended December 31, 2016	3,080	5	201.50	Cash
	46,400	5	416	Cash
Quarter ended March 31, 2017	350	5	201.50	Cash
	116,000	5	416	Cash
KMBL (eIVBL) 2010				
Quarter ended June 30, 2015	53,630	5	444	Cash
	24,304	5	481	Cash
	316,800	5	504	Cash
	72,500	5	514	Cash
	177,275	5	832	Cash
Quarter ended September 30, 2015	318,280	5	222	Cash
	50,026	5	232.50	Cash
	260,074	5	240.50	Cash
	725,658	5	252	Cash
	329,076	5	257	Cash
	552,422	5	416	Cash
	7,756	5	278.50	Cash
Quarter ended December 31, 2015	113,058	5	222	Cash
	98,652	5	240.50	Cash
	238,974	5	252	Cash

Quarter during which allotments were made	No. of Equity Shares Allotted	Face Value	Issue Price	Consideration
	154,498	5	257	Cash
	1,250	5	278.50	Cash
	58,046	5	416	Cash
Quarter ended March 31, 2016	48,336	5	240.50	Cash
	72,650	5	252	Cash
	1,346	5	278.50	Cash
	51,446	5	416	Cash
	9,492	5	222	Cash
Quarter ended June 30, 2016	16,054	5	222	Cash
	67,018	5	252	Cash
	18,710	5	240.50	Cash
	53,930	5	416	Cash
Quarter ended September 30, 2016	88,790	5	222	Cash
	28,986	5	240.50	Cash
	52,102	5	252	Cash
	2,700	5	278.50	Cash
	22,654	5	416	Cash
Quarter ended December 31, 2016	34,310	5	222	Cash
	69,604	5	240.50	Cash
	52,412	5	252	Cash
	3,046	5	278.50	Cash
	35,962	5	416	Cash
Quarter ended March 31, 2017	87,094	5	252	Cash
	29,580	5	222	Cash
	13,050	5	240.50	Cash
Quarter ended June 30, 2017	8,700	5	416	Cash
KMBL (eIVBL) 2013				
Quarter ended June 30, 2015	1,080	5	799	Cash
	140,801	5	832	Cash
	304,389	5	759	Cash
	2,430	5	797	Cash
Quarter ended September 30, 2015	1,312,544	5	379.50	Cash
	2,916	5	399.50	Cash
	133,674	5	416	Cash
Quarter ended December 31, 2015	385,732	5	379.50	Cash
	104,224	5	416	Cash
	91,272	5	436.50	Cash
	4,352	5	444	Cash
	81,334	5	444.50	Cash
Quarter ended March 31, 2016	197,112	5	379.50	Cash
	38,820	5	416	Cash
	68,230	5	436.50	Cash
	41,906	5	444.50	Cash
Quarter ended June 30, 2016	111,054	5	379.50	Cash
	32,174	5	416	Cash
	250	5	444	Cash
Quarter ended September 30, 2016	78,041	5	379.50	Cash
	22,840	5	416	Cash
Quarter ended December 31, 2016	30,878	5	379.50	Cash
	9,222	5	416	Cash
Quarter ended March 31, 2017	183,100	5	379.50	Cash
	9,902	5	444	Cash
	20,188	5	416	Cash
Quarter ended June 30, 2017	9,932	5	379.50	Cash
	36,254	5	399.50	Cash
	5,500	5	416	Cash

DIVIDENDS

The declaration and payment of dividends, if any, will be recommended by our Board of Directors and approved by our Shareholders at their discretion, subject to the provisions of the Articles of Association, the Companies Act and the Banking Regulation Act. The recommendation, declaration and payment of dividends, if any, will depend on a number of factors, including but not limited to availability of profits for distribution, overall financial conditions, capital requirements, results of operations, earnings, contractual restrictions, applicable Indian legal restrictions and other factors that may be considered relevant by our Board of Directors. For the Fiscal Year ended 2016, our Bank has paid a dividend of ₹ 0.50 per Equity Share amounting to ₹ 1,105.30 million including dividend distribution tax. For the Fiscal Year ended 2017, the Board has proposed a dividend of ₹ 0.60 per Equity Share amounting to ₹ 1,329.40 million including dividend distribution tax.

Our Bank has a dividend policy, key details of which are as follows:

- The Bank will maintain a balance between payment of dividend to its shareholders with retaining adequate capital for growth;
- The Bank shall declare dividend as per the prevailing regulations/guidelines issued by RBI from time to time and the provisions of the Banking Regulation Act;
- The Bank shall pay dividend (including interim dividend) in compliance with the relevant provisions of the Companies Act, 2013, the Companies (Declaration and Payment of Dividend) Rules, 2014, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time and such other act, rules or regulations which provide for the distribution of dividend;
- The Bank may generally declare dividend once a year, after announcement of the full year results;
- The Bank shall take into account interests of all the stakeholders and the financial and non-financial factors while deciding on the proposals for declaring dividend or retention of profits;
- The reserves created by the Bank in accordance with the regulations governing the Bank will be utilized based on approval of the Board to the extent permitted by regulations;
- The Board has defined the circumstances under which no dividend or a lower payout may be declared for a given financial year; and
- The Board would review the policy annually. Further, subject to applicable laws, the Board may, from time to time amend or alter this policy or any terms and conditions thereof. This policy shall be disclosed on the Bank's website http://www.kotak.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our Financial Statements included in this Preliminary Placement Document. Please also refer to the sections "Selected Financial Information" and "Selected Statistical Information" included in this Preliminary Placement Document. Unless otherwise specified, references herein to the "Bank" or "standalone" are to the Bank on a standalone basis and references herein to "we", "our", "us" and the "Group" are to the Bank on a consolidated basis. All financial figures presented in this section are based on our Consolidated Financial Statements unless otherwise specified

We prepare our Financial Statements in accordance with Indian GAAP. Our Financial Statements reflect applicable statutory requirements and regulatory guidelines and accounting practices in India, including the Accounting Standards 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, in so far as they apply, and guidelines issued by the Reserve Bank of India ("RBI"), Insurance Regulatory and Development Authority of India ("IRDAI") from time to time as applicable to relevant companies. For the purposes of a comparative analysis in the discussion below, previous years' figures have been reclassified and regrouped wherever necessary.

Our fiscal year ends on March 31, of each year. Accordingly, all references to a particular fiscal year are to the 12-month period ended on March 31, of that year. Unless otherwise specified, all information regarding cost, yield and average balances is based on the daily average of the Bank's standalone balances outstanding during the relevant period.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the section "Forward-Looking Statements" on page 12, the section "Risk Factors" on page 41 and elsewhere in this Preliminary Placement Document. Certain portions of the following discussion include information publicly available from the RBI and other sources.

Effective April 1, 2015, ING Vysya Bank Ltd merged into us. Our financial statements for fiscal year 2015 may not be strictly comparable to those for fiscal year 2016 due to impact of the merger.

Introduction

Overview

We are a diversified and integrated financial services conglomerate led by the commercial bank and holding company in our Group structure, Kotak Mahindra Bank Limited ("**Kotak Bank**"), which is among the largest private sector banks in India by total assets as of March 31, 2017. Our products and services cover banking, financing through non-banking financial companies ("**NBFCs**"), asset management, life and general insurance, stock broking, investment banking, wealth management and asset reconstruction, encompassing all customer and geographic segments within India. As a group, we also operate in overseas markets through international Subsidiaries or branches in the United States, United Kingdom, Mauritius, UAE and Singapore.

We organize our banking activities into consumer banking, commercial banking, corporate banking and treasury. Our consumer banking operations include deposit taking, disbursing loans such as home loans, loans against property, personal loans and working capital loans and offer various products such as debit cards and credit cards. Under corporate banking, we offer products and services such as corporate loans, trade finance, foreign exchange and derivatives, and cash management activities. Under commercial banking, we provide commercial loans to small and medium sized enterprises ("**SME**", which we also call "**Business Banking**"), tractor loans, commercial vehicles and construction equipment financing and agricultural finance. Treasury provides standardised and structured client solutions including loan syndication, bond placement, raising mezzanine financing, securitisation under through the Debt Capital Markets ("**DCM**") division. In addition, Treasury also provide foreign exchange services and interest rate risk management solutions to our consumer banking, commercial banking and corporate banking customer segments. Our strength in our businesses is demonstrated by awards such as Company of the Year 2016 at the Economic Times Awards for Corporate Excellence, Best Local Cash Management Bank India (Medium) by Asiamoney Cash Management Poll 2016, BFSI Digital Innovators Award in the Digital Pioneer category for Kotak Bharat app by the Indian Express Group in 2016, Securities Advisory Firm of the Year in India at the Corporate INTL Global Awards 2017, Best Group over 3 years (Equity) at the 2017 Thomson Reuters Lipper Fund Award for India, Best Private Bank India at the Global Private Banking 2016 for Financial Times Group, Best Equity House India at The Asset Triple A Country Awards 2016, #1 in All-India Research Team and #1 in All-India Sales Team by the Institutional Investor 2016 and Best Corporate & Investment Bank at the Asiamoney Best Bank Awards 2017 for India.

Our Group structure comprises of Kotak Bank (the commercial bank and holding company), 17 wholly-owned Subsidiaries and a life insurance Subsidiary, Kotak Mahindra Old Mutual Life Insurance Limited ("**Kotak Life**"), in which Kotak Bank holds 74%. The remaining 26% is held by our JV partner Old Mutual Plc. On April 27, 2017, Kotak Bank has executed a share purchase agreement with Old Mutual Plc. to acquire its 26% stake in Kotak Life, subject to regulatory approvals.

The largest companies in our Group by profit after tax in fiscal year ("**FY**") 2017 were Kotak Bank, Kotak Mahindra Prime Limited ("**Kotak Prime**"), Kotak Securities Limited ("**Kotak Securities**"), Kotak Life and Kotak Mahindra Investments Limited ("**Kotak Investments**") which accounted for 69.1%, 10.4%, 7.3%, 6.1%, and 4.0% of our consolidated profit after tax, respectively. Kotak Prime and Kotak Investments are NBFCs.

As of March 31, 2017, Kotak Bank had 1,369 branches and 2,163 ATMs, and our group companies Kotak Prime, Kotak Life, Kotak Securities and Kotak Mahindra Asset Management Company Limited ("**KMAMC**") had an additional 1,674 distribution outlets across India (including branches, franchises and referral co-ordinators. The Group has an international presence in New York, London, Mauritius, Dubai, Singapore and Abu Dhabi. We have an international banking unit in Gujarat International Finance Tec-City ("**GIFT City**"), India's first international financial services centre and have also received the RBI approval to set up a bank branch in Dubai International Financial Centre ("**DIFC**"). In addition, we also have correspondent banking arrangements and other arrangements to provide international remittance services.

For the years ended March 31, 2015, 2016 and 2017, we generated total consolidated income of ₹ 214.71 billion, ₹ 280.32 billion and ₹ 339.84 billion, respectively, and our net profit for the year was ₹ 30.45 billion, ₹ 34.59 billion and ₹ 49.40 billion, respectively, in each case on a consolidated basis. Our total consolidated assets have increased from ₹ 1,485.76 billion as of March 31, 2015, to ₹ 2,408.04 billion as of March 31, 2016, to ₹ 2,761.88 billion as of March 31, 2017. Our standalone total deposits have also increased from ₹ 748.60 billion as of March 31, 2015, to ₹ 1,386.43 billion as of March 31, 2016 and to ₹ 1,574.26 billion as of March 31, 2017.

Factors Affecting our Results of Operations

Numerous factors affect our results of operations and financial condition. The following factors are of particular importance:

ING Vysya Bank Ltd Merger

ING Vysya Bank Ltd ("**eIVBL**") merged into us effective from April 1, 2015. On March 31, 2015, we were the sixth largest private sector bank in India by total assets, and eIVBL was the ninth largest private sector bank in India by total assets. Post-merger, we are among the largest private sector banks in India by total assets as of March 31, 2017, and we now operate as an integrated entity. Given the relative size of the Bank and eIVBL prior to the merger, the merger and subsequent integration have had a significant impact on our results of operations, financial condition, business and prospects. We accounted for the merger using the pooling of interest method.

The merger was the primary driver responsible for, among others, the increase in our deposits, borrowings, advances, investments, contingent liabilities, interest income, fee income, operating expenses and provisions and contingencies in Fiscal 2016 compared to Fiscal 2015.

We believe that the merger provided us with significant opportunities to realise revenue and cost synergies. For example, as eIVBL had a stronger Business Banking portfolio than we did, we have aimed to realise synergies through integrating our branches with eIVBL's Business Banking to gain increased current account deposits. We have also increased our customer base in direct agricultural lending, on account of eIVBL's strong crop loan portfolio. We also believe that we and our subsidiary businesses have benefited from the wider distribution network that we achieved from the merger, for example through the increased ability to offer products such as life and general insurance, mutual funds, and Trinity accounts (which are three-in-one accounts integrating savings accounts, demat accounts and trading accounts) across our wider distribution network.

In addition, we have also optimised our business by adopting best practices from both sides of the business, namely the Bank and eIVBL, in order to improve our processes and efficiency.

On the cost side, we took on a number of initiatives, including:

(i) creating an efficient organization structure;

(ii) restricting external recruitment at the middle and senior management levels to utilise the internal talent pool created under the merger;

(iii) rationalising unutilized space in owned premises and rentals and exiting leased premises in order to save on rental expenses;

(iv) utilising eIVBL's larger network of currency chests, which are receptacles authorised by RBI to store cash on behalf of RBI, to optimize our CRR maintenance;

(v) optimising operating models in certain business segments and re-assessing of our operating models, both on the asset and liability side;

(vi) rationalising the number of vendors we use and negotiating better terms with our vendors, which was possible due to our increased scale of operations; and

(vii) consolidating data centres and eliminating overlapping IT systems.

These revenue and cost synergies have been largely responsible for a decrease in the Bank's cost-to-income ratio from 57.5% for fiscal year 2016 to 48.4% for fiscal year 2017 on a standalone basis.

While we believe that the merger was synergistic, the merger had an adverse impact on some factors related to our financial condition and results of operations. Prior to the merger, we reported net interest margin at 4.9% for fiscal year 2015, higher than that of eIVBL. The merger was one of the reasons for a subsequent decrease in our net interest margins. As our savings accounts had higher interest rates than eIVBL's savings accounts, we also paid ₹ 1.30 billion additional interest on savings accounts in fiscal year 2016 that previously were held at eIVBL. Accordingly, our net interest margin declined post merger to 4.4% for fiscal year 2016.

In addition, a portion of eIVBL's portfolio of advances was of a lower credit quality than our portfolio, resulting in a significant increase in the Bank's non-performing assets ("**NPAs**"). The merger with eIVBL was primarily responsible for a 129.4% increase in gross NPAs from ₹ 12.37 billion as of March 31, 2015 to ₹ 28.38 billion as of March 31, 2016, and a further 26.1% increase to ₹ 35.79 billion as of March 31, 2017.

Further, as part of the post-merger integration activities that we undertook, our payments to and provisions for employees increased by 62.3% from ₹ 23.75 billion in fiscal year 2015 to ₹ 38.54 billion in fiscal year 2016. This included a provision of ₹ 4.40 billion for retirement benefits for eIVBL employees who are covered under the specific defined benefit schemes. We also incurred integration related expenses on our expanded ATM and branch network and in integrating eIVBL's technology and operations with our own, as well as legal and advisory fees and stamp duty expenses on the merger.

Primarily due to our increased expenses arising from the merger and the fact that eIVBL had a higher cost-to-income ratio than we did, our net profit margin (calculated as net profit divided by total income) decreased from 14.2% in fiscal year 2015 to 12.3% in fiscal year 2016. However, our consolidated profit after tax increased by 13.6% from ₹ 30.45 billion for fiscal year 2015 to ₹ 34.59 billion for fiscal year 2016, which was primarily as a result of our larger portfolio of advances and investments post merger.

On a consolidated basis our profit after tax increased by 42.8% from ₹ 34.59 billion for fiscal year 2016 to ₹ 49.40 billion for fiscal year 2017, in part due to synergies for both the Bank and subsidiaries resulting from the merger.

India's Macroeconomic Environment

India is one of the fastest growing major economies in the world. Since 2013, India has implemented macroeconomic adjustments, particularly as it sought to reduce its fiscal deficit and current account deficit. India's economic reforms continued in fiscal year 2017, which was marked by two major domestic policy developments, namely demonetization of higher-denomination notes and the passage of a Constitutional amendment paving way for the implementation of a goods and services tax.

Based on data from the Central Statistical Office of India's Ministry of Statistics and Programme Implementation (the "**Central Statistical Office**"), India's GDP growth for fiscal year 2016 increased to 7.9% from 7.2% in fiscal year 2015, and gross value added ("**GVA**") for fiscal year 2016 increased to 7.8% from 6.9% for fiscal year 2015. CSO data depicts that this growth was led by increases in private consumption demand, even as capital formation remained weak.

However, as per advanced estimates from the Central Statistical Office, India's GDP growth slowed in fiscal year 2017 to 7.1% and GVA growth slowed to 6.7% for fiscal year 2017. On the positive side, implementation of salary increases for central government employees, based on the recommendations of the Seventh Central Pay Commission, helped to buoy the economy. Additionally, a strong monsoon season helped to increase agricultural production, also reducing food-based inflation. However, private investment remained weak in fiscal year 2017, and demonetisation seemed to have further added, albeit marginally, to slowdown in growth.

India has seen a decline in its inflation since fiscal year 2015, helped by tighter monetary policy, weak domestic demand and fiscal consolidation. The consumer price index ("**CPI**") inflation has fallen from a high of 6.0% in fiscal year 2015 to 4.9% in fiscal year 2016, despite another year of drought. Food inflation declined, aided by a slight increase in minimum support price for food grains and better food supply management by the government. Inflation fell further in fiscal year 2017, with CPI inflation of 4.5%, largely driven by a sharp decrease in food inflation due to the strong monsoon. Core CPI inflation has picked up to 4.7% in fiscal year 2017 as against 4.3% in fiscal year 2016. The deflationary effect was more pronounced in the wholesale price index ("**WPI**"), which decreased by 2.5% for fiscal year 2016 as compared to an increase of 2.0% in fiscal year 2015. WPI inflation increased in fiscal year 2017 due to reversal of favourable base effect and increases in oil and other commodity prices.

The Reserve Bank of India (RBI) had cut policy rates by 175bps since January 2015 due to steady fall in CPI inflation. However in December 2016 monetary policy meeting, 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 demonetization and also global risks.

India has reduced its fiscal deficit over the past few years, as well as shifted expenditures away from current to capital expenditures. The fiscal deficit has come down from 4.1% of GDP in fiscal year 2015 to 3.5% in fiscal year 2017. In fiscal year 2017, the government was able to stick to the budgeted fiscal deficit target of 3.5% of GDP. This was helped by additional tax revenues and achievement of estimated non-tax revenues, despite a shortfall in spectrum auction receipts and higher-than-budgeted expenditure. In its budget presented on 1 February 2017, the government announced that the Fiscal Responsibility and Budget Management Committee has recommended 3% fiscal deficit for the next three years, keeping in mind the sustainable debt target and a need for public investment. The fiscal deficit for 2017-18 is targeted at 3.2% of GDP.

Tighter money market liquidity conditions were one of the impediments to transmission of policy rate cuts post 2015. Liquidity improved during the first half of fiscal year 2016, with average liquidity being in surplus between July and September, but it again deteriorated sharply in the second half of fiscal year 2016 and by March 31, 2016, the liquidity deficit was ₹3.02 trillion. In April 2016, RBI announced plans for a new liquidity framework to align liquidity conditions with accommodative monetary stance for smoother monetary policy transmission over the medium term. Liquidity eased towards surplus by the end of first half of fiscal year 2017, and demonetisation in November 2016 led to a significant increase in bank deposits and a surge in liquidity surplus. The banking system liquidity stood at a surplus of ₹ 3.13 trillion as of March 31, 2017, as compared to a deficit of ₹ 3.02 trillion deficit as of March 31, 2016. Furthermore, helped by easing policy rates and surplus liquidity, as well as global trends, Indian government bond yields softened in fiscal year 2017, with the benchmark 10-year paper rate standing at 6.68% to end the fiscal year, easing around 79bps from fiscal year 2016.

India has come a long way over the past few years in terms of external sector adjustments, with current account deficits decreasing and balance of payments increasing. Despite moderation in India's exports, India's current account deficit has contracted from US$ 88.2 billion (4.8% of GDP) in fiscal year 2013to US$26.8 billion in fiscal year 2015 (1.3% of GDP) and further to USS$22.2 billion (1.1% of GDP) in fiscal year 2016. The trend has further continued with the current account deficit further narrowing to US$11.6 billion (0.7% of GDP) in the first nine months of fiscal year 2017. The balance of payment surplus has remained healthy owing to better foreign portfolio inflows and steady FDI flows. Foreign exchange reserves have risen to US$370 billion as of March 31, 2017 from US $356 billion as of March 31, 2016 and US $341.4 billion as of end- March 2015.

The Indian Rupee was largely resilient against the US dollar in fiscal year 2015, and depreciated marginally by an average of 1.1%. However, emerging market sell-offs following global uncertainty owing to the devaluation of the Chinese Yuan and changes in China's foreign exchange policy, as well as expectations of an interest rate increase by the US Federal Reserve, led the Rupee to decline against the US dollar overall for fiscal year 2016. In fiscal year 2017, a variety of factors, including India's improving macroeconomic fundamentals, the outcome of the US presidential election, foreign institutional investment flows into India and the passage of India's GST bill, led to volatilities in the Rupee, particularly in the third and fourth quarters, with the Rupee ending fiscal year 2017 on a strong note. Rupee ended the fiscal year 2017 at 64.85, rallying by 4.7% in end-March 2017 from end-December 2016 and 2.2% from end-March 2016. However on an average, Rupee depreciated 2.4% against US dollar in fiscal year 2017 from fiscal year 2016.

For more details, please refer to the "Industry Overview" section at 142.

Health of the Indian banking sector

The Indian banking sector is highly regulated and monitored, which contributes to its relative stability during uncertain economic periods.

According to the RBI's financial stability report, December 2016 ("**RBI Financial Stability Report**"), global recovery remains fragile amidst slowdown in trade, rising tendency towards protectionism and slower growth in productivity. Global financial markets continue to face elevated levels of uncertainty, notwithstanding the resilience exhibited in overcoming the outcomes of Brexit referendum and the US presidential election. In India, macroeconomic conditions remained stable with significant moderation in inflation. Moreover, reduced policy uncertainty and legislative and tax reforms such as implementation of goods and services tax and enactment of bankruptcy laws are expected to reinforce the benefits from the strong macro fundamentals and the withdrawal of legal tender status of specified bank notes could potentially transform the Indian economy. While the overall risks to the corporate sector moderated in 2016-17, concerns remain over its recovery. Domestic debt and equity markets witnessed foreign portfolio investment outflows since October 2016 reflecting expectations of increase in the interest rates by the U.S. Federal Reserve. Moreover, the recent decision in March 2017 by the U.S. Federal Reserve to again raise interest rates may result in further foreign portfolio investment outflows.

The RBI Financial Stability Report noted that among financial institutions, asset quality of public sector banks, scheduled urban co-operative banks and non-banking financial companies has deteriorated. The banking stability indicator showed that risks to the banking sector remained elevated. Though the capital adequacy of banks was above regulatory requirements, continuous deterioration in their asset quality, low profitability and liquidity contributed to the high level of overall risk. The gross NPA ratio of scheduled commercial banks increased to 9.1% in September 2016 from 7.8% in March 2016, pushing the overall stressed advances ratio to 12.3% from 11.5% during the same period. Large borrowers registered significant deterioration in their asset quality, whereas the restructured standard advances ratio declined during the same period. The capital to risk (weighted) assets ratio ("**CRAR**") of scheduled commercial banks remains unchanged during the first half of fiscal year 2016 while public sector banks continued to record the lowest CRAR among banks.

The Indian banking sector, as a whole, has maintained its CRAR above the regulatory requirement of 9.0% under Basel III.

Regulatory intervention

The banking industry in India is subject to extensive regulation by Governmental organizations and regulatory bodies such as the RBI, Securities and Exchange Board of India (SEBI) and the Insurance Regulatory and Development Authority, stock exchanges and self-regulatory organisations. These regulations cover various aspects such as loans and advances, investments, deposits, risk management, foreign investment, corporate governance and market conduct, customer protection, foreign exchange management, capital adequacy, margin requirements, know-your customer and anti-money laundering, and provisioning for NPAs. The RBI also prescribes required levels of lending to "priority sectors" such as agriculture, which may expose us to higher levels of risk than we may otherwise face.

In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented, which are intended to provide tighter control and more transparency in India's banking and securities sectors. Any changes in the regulatory environment pertaining to the Indian financial services industry could have a significant impact on our operations and financial condition.

Monetary policy is heavily influenced by the condition of the Indian economy, and changes in the monetary policy affect the interest rates of our advances and deposits. The RBI responds to fluctuating levels of economic growth, liquidity concerns and inflationary pressures in the economy by adjusting its monetary policy. A monetary policy designed to combat inflation typically results in an increase in RBI lending rates.

Further, in addition to having gradually established more stringent capital adequacy requirements, the RBI has also instituted several prudential measures including an increase in risk weights for capital adequacy computation and general provisioning for certain types of asset classes. See "*Regulation and Policies* " on page 176.

Within our insurance businesses, regulations cover a variety of aspects which impact our business, including product design, capital requirements, new product approvals, investment guidelines and distribution guidelines. Pursuant to the insurance laws, rules and regulations, we are restricted to a specified range of investment activities. These restrictions may limit our ability to diversify investment risks and improve returns on our investment portfolio, thereby affecting our results of operations. For example, in 2010, IRDAI overhauled the regulations affecting unit-linked insurance policies, which caused a decline in the sales of these polices and caused a life insurance sector-wide decrease in new business premiums. Any such further regulatory changes in the future could affect our results of operations. We are required by IRDAI regulations to maintain our solvency ratio above the regulatory control limit, which is 1.5. While Kotak Life's solvency ratio at March 31, 2017 was 3.0, if we fail for any reason to meet the relevant solvency ratio requirements, IRDAI may impose a range of regulatory sanctions, depending on the degree of the deficiency.

See “*Risk Factors—Risks Relating to Regulation*” on page 58.

Provisioning

Our profits are affected by the amounts provided against advances, investments and the related recovery and litigation costs. At a minimum, we make provisions in accordance with RBI guidelines, though we may provide in excess of RBI requirements to reflect our internal estimates of actual losses.

Pursuant to the revised "Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions" issued by the RBI on May 30, 2013, provisioning requirements on all new standard restructured assets increased to 5.00% with effect from June 1, 2013. This increased requirement for existing restructured standard assets has been gradually implemented, from provisioning of 3.5% with effect from March 31, 2014, to provisioning of 4.25% with effect from March 31, 2015 and to provisioning of 5.00% with effect from March 31, 2016. These provisions will apply for two years from the date of restructuring and in case of moratorium, covering the moratorium period and two years thereafter. In addition, NPAs when upgraded to standard attract a higher provision in the first year of being upgraded. The Bank’s net restructured asset considered standard as of March 31, 17 was ₹ 1.02 billion, equivalent to 0.07% of net advances.

In addition, the RBI in its circular dated April 18, 2017 prescribe additional provisions for standard advances higher than prescribed rates based on evaluation of risk and stress in various sectors. In accordance with the circular, the Bank plans to put in a place a Board approved policy for the same by June 30, 2017.

Capital Requirements, Reserve Ratios and Liquidity Coverage Ratios

Since April 1, 2013, capital adequacy ratios prescribed by the RBI Basel III Capital Regulations have been implemented in phases. Under the RBI Basel III Capital Regulations, banks are required to improve the quantity, quality and transparency of their Tier I capital, enhance risk coverage and supplement the risk-based requirements with a leverage ratio. By March 2019, when the Basel III norms are fully implemented, the minimum total capital adequacy ratio (including the capital conservation buffer) required will be 11.5% of risk-weighted assets. The table below summarises the capital requirements under RBI Basel III Capital Regulations for banks in India:

	Regulatory Capital	**As % of Risk Weighted Assets**
(i)	Minimum Common Equity Tier I Ratio	5.50
(ii)	Capital Conservation Buffer (comprising Common Equity)	2.50
(iii)	Minimum Common Equity Tier I Ratio plus Capital Conservation Buffer (i)+(ii)	8.00
(iv)	Additional Tier I capital	1.50
(v)	Minimum Tier I capital adequacy ratio (i)+(iv)	7.00
(vi)	Tier II capital	2.00
(vii)	Minimum Total Capital Ratio (MTC) (v)+(vi)	9.00
(viii)	Minimum Total Capital Ratio plus Capital Conservation Buffer (vii)+(ii)	11.50

The capital adequacy requirements prescribed by the RBI's Basel III guidelines are more stringent than the requirements prescribed by the earlier guidelines and compliance with such requirements will have an impact on our financial results, including certain key indicators of financial performance, such as our return on equity.

Commercial banks in India are required to maintain statutory reserve requirements of Cash Reserve Ratio ("**CRR**") and Statutory Liquidity Ratio ("**SLR**"). As of the date of this Preliminary Placement Document, the RBI requires a CRR of 4.0% of our net demand and time liabilities and an SLR of 20.50% of our demand and time liabilities. The RBI has the authority to prescribe CRR without any ceiling limits and is not obliged to pay interest payments on CRR balances. For instance, during the period of demonetisation, the RBI introduced, effective from the fortnight beginning from November 26, 2016, an incremental CRR of 100% on the increase in net demand and time liabilities between September 16, 2016 and November 11, 2016. The same was withdrawn effective from the fortnight beginning December 10, 2016. RBI does not make any interest payments on CRR. Any increases in the CRR requirements could affect available funds for deployment in our operations and, consequently, our results of operations. Regarding the SLR, although it is intended to be a measure to maintain the bank's liquidity, it has adverse implications for the banks' ability to expand its credit. Changes in interest rates also impact the valuation of our SLR portfolio and thereby affect our profitability.

The liquidity coverage ratio ("**LCR**") stipulated by the Basel Committee became effective from January 1, 2015. The LCR is being implemented in a phased manner, starting with a minimum requirement of 60% from January 1, 2015 and reaching 100% on January 1, 2019. As of the date of this Preliminary Placement Document, banks in India are required to maintain liquidity buffers in the form of high quality liquid assets of 80% with effect from January 1, 2017. This is scheduled to increase to 90% with effect from January 1, 2018, and to 100% with effect from January 1, 2019. The current requirement is to maintain incremental liquidity buffer of high quality liquid assets, in addition to the extant reserves requirement.

The LCR regime requires that banks maintain appropriate liquidity buffers to cover for possible outflows over a period of 30 days under a significant stress scenario. While LCR, in addition to extant reserve requirements, provides higher safety, it also adds the drag of higher liquidity cost and hence lower profitability. The Bank’s average LCR for the fourth quarter of fiscal year 2017 was 88.7% on a standalone basis and 89.0% on a consolidated basis, both above the current requirement of 80%.

Interest Rates

The magnitude and timing of interest rate changes in the asset and liability markets as well as the relative steepness of the rate curves, have a significant impact on our net interest margins and our profitability. Movements in short- and long-term interest rates affect our interest income and interest expense as well as the level of gains and losses on our securities portfolio. Our yields and costs are functions of our lending and deposit rates, interbank rates, yields on government and other debt securities, and costs of term debts and other borrowings, which are generally linked to the interest rate environment. In addition, lending and deposit rates are significantly influenced by competition in the markets in which we operate.

Prior to April 2016, bank loans were priced by reference to a base rate. With effect from April 1, 2016, RBI guidelines replaced the base rate-link loan pricing with a new regime based on the marginal cost of funds based lending rate ("**MCLR**"). Accordingly, all Rupee advances sanctioned or renewed after April 1, 2016 must be priced with reference to MCLR of different maturities. Commercial banks must review and publish their MCLR of different maturities every month.

We have historically had a relatively low duration mismatch between our assets and liabilities, largely because the majority of the Bank's advances were either floating rate advances or short-term fixed rate advances. This low mismatch has helped us to pass on, in most cases, any changes in interest rates to our customers and broadly maintain our margins.

Policy rates

The following table sets forth the RBI's reverse repo rate, the repo rate and marginal standing facility as of the indicated dates:

	Reverse Repo Rate	Repo Rate	Marginal Standing Facility
	(percentages)		
As of March 31, 2015	6.50	7.50	8.50
As of March 31, 2016	5.75	6.75	7.75
As of March 31, 2017	5.75(1)	6.25	6.75(2)

Source: RBI

(1) RBI raised the reverse report rate 6.00% on April 6, 2017.

(2) RBI raised the marginal standing facility rate to 6.50% on April 6, 2017.

In August 2016, the RBI adopted an inflation target of 4% (with an upper limit of 6% and lower limit of 2%) for the next five years under its monetary policy framework. The RBI sets interest rates in an effort to keep inflation within the target range, and Indian banks generally follow the direction of interest rates set by the RBI and adjust both their deposit rates and lending rates upwards or downwards accordingly. Decreases in the RBI policy rates generally prompt Indian banks to re-examine their lending rates. Adverse changes in prevailing interest rates may result in a decline in net interest income due to increase in our costs of funds or deposits without a corresponding increase in our yield on assets, and may also lead to a decline in demand for our loan products. See "*Risk Factors – Risks Relating to Our Business - Our banking and insurance businesses are particularly vulnerable to interest rate risk and volatility in interest rates could materially adversely affect our net interest margin, pension scheme and our financial performance.*" on page 44. Since fiscal year 2015, the RBI's decrease in policy rates has been largely responsible for driving a general decreasing interest rate environment in India, which is reflected in decreased yields on our lending and investing portfolios and decreased rates on our borrowings. Although our spreads and net interest margins decreased from fiscal year 2015 to 2016 as a result of the eIVBL Scheme, we were able to improve our net interest margins in fiscal year 2017 as a result of a strengthened base of low-cost deposits.

Since mid-June 2016, markets have rallied and yields softened on the back of the Brexit referendum, liquidity conditions supported by a series of open market operations purchases, lower inflation concerns due to normal monsoons, expectations of a rate cut and impact of demonetisation. However, after the Sixth Bi-Monthly Monetary Policy Statement for Fiscal Year 2017 in February 2017, the government security yields increased. As of March 31, 2017, the ten year government security yield was 6.81%, and in fiscal year 2017 the ten year government security yield ranged from 6.18% to 7.54%.

Demonetisation

On November 8, 2016, the Government of India announced the demonetisation of all existing ₹500 and ₹1000 banknotes. As a result, the Reserve Bank of India has withdrawn all the then prevailing ₹500 and ₹1000 banknotes as legal tender effective from November 9, 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 immediately ensuing adverse impact, caused by limited cash availability, had a downward impact on some of our businesses, especially those with a non-urban and Business Banking focus. Consequently, we 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. We also saw a significant increase in the number of credit cards issued.

Within the liabilities side of our business, we saw a significant increase in current accounts, savings accounts and sweep deposits (which are those deposits that we automatically convert into term deposits), as a result of which our CASA ratio significantly improved. The Bank's standalone CASA ratio was 38.1% and 44.0% as of March 31, 2016 and 2017. The demonetisation period also resulted in a significant increase in our digital banking channels, with first-time logins, net banking by value and volume, debit card and credit card customers all significantly increasing. We also had an increase in requests for cheque books.

In addition, RBI had allowed a 60 or 90 day dispensation on recognition of NPAs during demonetisation. Banks were permitted to defer the downgrading of an account (across certain loans) that was standard on November 1, 2016 and would have become NPA for dues payable during the period from November 1, 2016 to December 31, 2016 by 60 or 90 days. We were able to defer the downgrade of certain accounts as a result of this dispensation beyond March 31, 2017, as a result of which we will downgrade such accounts in our financial statements as of and for the quarter ended June 30, 2017 based on their overdue position. However, we do not expect the downgrade of these accounts to have a material impact on our NPAs.

Sources and Cost of Funding

Our primary interest-bearing liabilities are our deposit base, subordinated debt instruments and RBI and inter-bank borrowings. Adverse economic conditions may also limit or negatively affect our ability to attract deposits, replace maturing liabilities in a timely manner and at commercially acceptable rates, satisfy statutory liquidity requirements and access funding.

To continue to source low-cost funding through Customer Deposits, we must, among other things, optimize our branch network, increase brand recall and develop products and services to distinguish ourselves in an increasingly competitive industry. However, increasing customer sophistication, competition for funding, any sharp increase in prevailing interest rates and changes to the RBI's liquidity and reserve requirements may increase the rates that we pay on our Customer Deposits. 56.6%, 65.0% and 65.0% of our total liabilities (excluding Equity Share capital and reserves) were attributable to Customer Deposits and 1.0%, 0.6% and 0.4% were attributable to Interbank Liabilities as of each of March 31, 2015, 2016 and 2017. As of March 31, 2015, 2016 and 2017, we had total deposits of ₹ 728.43 billion, ₹ 1,359.49 billion and ₹ 1,555.4 billion respectively, and an advance-to-deposit ratio (calculated as advances divided by deposits) of 121.7%, 106.5% and 107.4%, respectively.

Our CASA ratio has improved over the last three fiscal years. From fiscal year 2015 to 2016, we benefited from eIVBL's base of demand deposits and savings bank deposits, as well as the fact that we increased the savings rate paid on the accounts that we inherited from eIVBL. Whereas eIVBL had been paying 4%, we currently offer 5% for amounts below ₹ 100,000, 6% for balances from ₹ 100,000 to ₹ 50 million and 5.5% for balances more than ₹ 50 million. These, together with organic growth through the expanded branch network following the eIVBL Scheme, led to an increase in the Bank's CASA ratio from 36.4% as of March 31, 2015 to 38.1% as of March 31, 2016 on standalone basis.

From fiscal year 2016 to 2017, the Bank's CASA ratio further increased, from 38.1% as of March 31, 2016 to 44.0% as of March 31, 2017 on a standalone basis. The increase in the Bank's CASA ratio during fiscal year 2017 was driven particularly by growth in our savings deposits, which increased by 40.7% from ₹ 294.95 billion as of March 31, 2016 to ₹ 415.04 billion as of March 31, 2017 on a standalone basis. This led to an increase in the Bank's total CASA by 31.2% from ₹ 527.76 billion as of March 31, 2016 to ₹ 692.65 billion as of March 31, 2017 on a standalone basis. Savings deposits increased largely due to demonetisation, plus synergies from the eIVBL Scheme, which helped us to access a larger customer base than we had before the merger, as well as the high savings rates that we offer.

In addition to our deposits, we have issued, and may continue to issue, Tier II capital to further enhance our capital adequacy ratios and build long-term stable funding. As of March 31, 2017, we had ₹ 12.07 billion of Tier II capital outstanding on standalone basis, which constituted 0.6% of Bank's total liabilities. Our average liquidity coverage ratio for the fourth quarter of Fiscal 2017 was 89.0%, which was above the regulatory requirement of 80% applicable from January 1, 2017. The required liquidity coverage ratio is scheduled to increase to 90% with effect from January 1, 2018 and 100% from January 1, 2019.

Equity market conditions

Equity market conditions, including the volume of equities traded and the value of equities, directly impact revenue from several of our businesses. For example, our broking business earns brokerage fees for facilitating trades for our clients; our mutual funds business earns management fees that depend on the value of our mutual funds and on the amount of assets under management; various of our Group businesses also earn investment income through treasury activities, including investing in securities. Within our insurance business, in general, the investment risk in respect of investments held to back unit linked contracts is borne by policyholders of such products, whereas the investment risk associated with investments backing other products or shareholders' funds is either shared between our policyholders and us or completely borne by us.

An increase in the value of the equity markets increases our investment income and also increases the fair value of investments held and, similarly, a decline in the value of the equity markets reduces our investment income and also reduces the fair value of investments held. High trading volumes improve our broking fees; similarly, low trading volumes reduce our broking fees. Moreover, for our insurance business, sales of unit-linked products typically decrease in periods of protracted or steep declines in equity markets and increase in periods of rising equity markets.

The level of market activity depends primarily on macroeconomic conditions in India and globally. Capital markets in India experienced stronger conditions during fiscal year 2017 as compared to fiscal year 2016. These strong market conditions have helped to drive growth in our market-dependent businesses, and have directly affected our revenue and profitability. In particular, the strong market conditions have led to increases in our profits from our broking business and increased deal volume for our investment bank. Further, the increase in financial savings in the equity markets led to an increase in assets under management of Kotak Asset Management.

Customer and employee relationships

The key drivers of our revenues across our various business segments, including our corporate and retail banking, retail broking, life insurance and mutual funds businesses, are the number and quality of customer relationships, as well as the range of products and services we provide to each customer. The number of customers we serve depends on the success of our relationship managers, the reach and strength of our distribution network, and the demand for, and competitiveness of, our products and services. For our institutional business (including corporate banking, investment banking and institutional equities), revenues are driven primarily by the number, as well as quality, of our institutional and corporate clients, and our ability to grow our share of clients' business by providing advisory services, innovative business solutions, quality research and efficient execution. If we are not successful in developing new customer relationships, or retaining existing customer relationships, our earnings may be adversely affected.

Employee cost is a large component of our total cost. The Indian financial services sector is highly competitive, and it can be difficult and expensive to hire and assimilate talented and experienced employees. As the compensation structure for many of our businesses includes a material variable component, tied to the amount of revenues generated by such businesses, personnel costs are to some extent correlated to changes in our income.

Components of Income and Expenditure

Interest Earned

Interest earned consists of interest on advances and bills, income from investments, interest on reverse repo lending and other interbank funds and other interest income. Income from investments consists of interest on securities and other investments. Our securities portfolio consists primarily of Government securities, and to a lesser extent debentures and bonds, equity shares, mutual fund units, certificates of deposit, commercial paper, security receipts and pass through certificates. On the balances that we maintain with RBI to meet our cash reserve requirements, we do not receive any interest. See "*Risk Factors – Risks Relating to Our Business - Our banking and insurance businesses are particularly vulnerable to interest rate risk and volatility in interest rates could materially adversely affect our net interest margin, pension scheme and our financial performance*".

Other Income

Our non-interest income consists principally of (i) premiums from our insurance business, (ii) commission, exchange and brokerage, which includes fee income from corporate banking, investment banking, mergers and acquisitions advisory services and underwriting, securities brokerage, portfolio management services, distribution and asset management, (iii) net profit on the sale of investments, (iv) profit/loss on revaluation of investments of our insurance business, which derive from mark-to-market gains or losses in investments and are primarily for the account of policyholders, (v) net profit on exchange transactions (including derivatives), (vi) profit on recoveries of NPAs acquired, (vii) net profit on the sale of buildings and other assets and (viii) miscellaneous income.

Interest Expended

Our interest expended consists of interest on deposits, interest on RBI and inter-bank borrowings and other interest such as interest on subordinated debt, debentures, commercial paper, call money borrowings and other borrowings from mutual funds and other financial institutions.

Operating Expenses

Our operating expenses consist principally of (i) payments to and provision for employees, (ii) insurance business expenses (claims and benefits paid), (iii) policyholders' reserves, which relate to our insurance businesses and are primarily for the account of policyholders (iv) rent, taxes and lighting, (v) professional charges (including outsourcing costs), (vi) brokerage, (vii) repairs and maintenance, (viii) depreciation on our property, (ix) advertisement, publicity and promotion outgoings, and (x) other expenditure.

Policyholders' reserve consists of amounts that our insurance businesses have set aside for the future benefit obligations under their insurance policies. These reserves are calculated on the basis of, among other things, actuarial assumptions relating to mortality and morbidity rates and the estimate of future payments that will be made in respect of claims.

Provisions and Contingencies (net)

Our provisions and contingencies consist of (i) provision for taxation, (ii) provision for NPAs and contingencies (including write-offs net of recoveries), (iii) provision for diminution and/or depreciation in the value of investments, (iv) provision for standard assets, being the provision that RBI requires all banks and NBFCs to maintain on standard assets (v) provision for unhedged foreign currency exposure of clients and (vi) other provisions.

Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2017 – Consolidated

Summary of Performance

	Fiscal year		
	2016	**2017**	**% Increase/ (Decrease)**
	(*₹ in millions, except percentages*)		
Net interest income	92,786.63	108,666.97	17.1%
Other income	76,307.28	116,595.59	52.8%
Operating expenses	108,940.85	142,454.07	30.8%
Provisions and contingencies (excluding tax)	9,915.62	9,489.14	(4.3%)
Provision for tax	15,926.23	23,828.52	49.6%

	Fiscal year		
	2016	2017	% Increase/ (Decrease)
Net profit for the year	**34,311.21**	**49,490.83**	**44.2%**
Less: share of minority interest	651.94	788.29	20.9%
Add: share in profit / (loss) of Associates	929.22	701.78	(24.5)%
Consolidated profit for the year attributable to the Group	**34,588.49**	**49,404.34**	**42.8%**

Net Interest Income

Our net interest income increased by 17.1% from ₹ 92.79 billion in fiscal year 2016 to ₹ 108.67 billion in fiscal year 2017. The following table sets out the components of net interest income:

	Fiscal year		
	2016	2017	% Increase/ (Decrease)
	(*₹ in millions, except percentages*)		
Interest income			
Interest / discount on advances / bills	154,123.68	166,198.37	7.8%
Income from investments	44,082.78	48,553.61	10.1%
Interest on balances with RBI and other inter-bank funds	1,320.50	3,078.68	133.1%
Others	4,489.40	5,411.41	20.5%
Total interest income	**204,016.36**	**223,242.07**	**9.4%**
Interest expended			
Interest on deposits	76,493.89	80,626.58	5.4%
Interest on RBI / inter-bank borrowings	14,582.76	12,291.82	(15.7%)
Others	20,153.08	21,656.70	7.5%
Total interest expended	**111,229.73**	**114,575.10**	**3.0%**
Net Interest Income	**92,786.63**	**108,666.97**	**17.1%**

Interest Income

Our total interest income increased by 9.4% from ₹ 204.02 billion in fiscal year 2016 to ₹223.24 billion in fiscal year 2017. The increase in total interest income was primarily on account of increased lending activities of the Bank, though increased interest income at our subsidiary lending business, our broking business and our life insurance business also contributed. The total interest income for the Bank increased from ₹ 163.84 billion in fiscal year 2016 to ₹ 176.99 billion in fiscal year 2017. The increase in interest income was primarily due to the following:

- Interest and discounts on advances and bills increased by 7.8% from ₹ 154.12 billion in fiscal year 2016 to ₹ 166.20 billion for fiscal year 2017. Interest and discounts on advances and bills for the Bank on a standalone basis increased by 7.5% from ₹ 124.70 billion to ₹ 134.02 billion primarily due to an increase in the average balance of our total loan book, which increased by 13.7% from ₹ 1,081.53 billion in fiscal year 2016 to ₹ 1,229.68 billion for fiscal year 2017 on a standalone basis. This increase was partially off-set by a decrease in yield of the Bank's advances from 11.53% in fiscal year 2016 to 10.90% in fiscal year 2017 on a standalone basis, reflecting the decreasing interest rate environment in India in line with reduced RBI policy rates. Net interest margins, however, increased from 4.30% in fiscal year 2016 to 4.49% in fiscal year 2017 due to an improvement in our CASA ratio as described in "*—Interest Expended*".

- Income from investments increased by 10.1% from ₹ 44.08 billion in fiscal year 2016 to ₹ 48.55 billion for fiscal year 2017. Income from investments of the Bank increased by 6.5% from ₹ 34.56 billion in fiscal year 2016 to ₹ 36.81 billion in fiscal year 2017. This was driven by an increase in the average balance of interest-earning investments of the Bank. The average balance of the Bank's interest-earning investments on standalone basis increased by 9.0% from ₹ 445.02 billion in fiscal year 2016 to ₹ 485.38 billion in fiscal year 2017. This increase was partially off-set by a marginal decline in yield on investments from 7.8% in fiscal year 2016 to 7.6% in fiscal year 2017, reflecting the decreasing interest rate environment in India.

- Interest on balances with RBI and other inter-bank funds increased by 133.1% from ₹ 1.32 billion in fiscal year 2016 to ₹ 3.08 billion in fiscal year 2017 primarily due to an increase in reverse repo with RBI and other interbank balances. Our deposit base increased rapidly during demonetisation, during which period we were not able to fully deploy our deposits as quickly as they came in, resulting in a period of higher repo lending.

- Other interest income increased by 20.5% from ₹ 4.49 billion in fiscal year 2016 to ₹ 5.41 billion in fiscal year 2017 primarily due to interest on income tax refunds offset partly by a reduction in interest income on RIDF investments due to maturity of RIDF investments during the year and reduction in yield on fresh investments.

Interest Expended

Our total interest expended increased by 3.0% from ₹ 111.23 billion in fiscal year 2016 to ₹ 114.58 billion in fiscal year 2017. The increase in interest expensed was primarily due to the following:

- Our interest expense on deposits increased by 5.4% from ₹ 76.49 billion in fiscal year 2016 to ₹ 80.63 billion in fiscal year 2017. This increase was primarily attributable to the following:

  (i) a 17.7% increase in average deposits at the Bank from ₹ 1,204.77 billion in fiscal year 2016 to ₹ 1,417.93 billion in fiscal year 2017, which was partially offset by,

  (ii) a decline in the cost of the Bank's average deposits on standalone basis from 6.53% to 5.81% for the fiscal years 2016 and 2017 respectively, primarily due to an increase in average CASA deposits, and a decrease in the average cost of time deposits from 8.1% for fiscal year 2016 to 7.2% for fiscal year 2017, which was in line with reduced RBI policy rates.

- Our other interest expenses increased by 7.5% from ₹ 20.15 billion in fiscal year 2016 to ₹ 21.66 billion in fiscal year 2017, primarily pertaining to an increase in borrowings by way of debentures and bonds issued by our lending subsidiaries.

Other Income

The following table sets out the components of other income:

	Fiscal year		
	2016	**2017**	**% Increase/ (Decrease)**
	(*₹ in millions, except percentages*)		
Commission, exchange and brokerage	29,705.19	35,396.65	19.2%
Profit on sale of Investments (net)	7,163.72	12,649.52	76.6%
Profit on sale of building and other assets (net)	45.85	137.07	199.0%
Profit on exchange on transactions (net) (including derivatives)	4,912.03	5,571.04	13.4%
Profit on recoveries of NPAs acquired	1,130.27	2,295.59	103.1%
Miscellaneous Income	644.65	1,124.67	74.5%
Other income (excluding insurance premium and profit/(loss) on revaluation of investments of insurance business)	**43,601.71**	**57,174.54**	**31.1%**
Profit/(loss) on revaluation of investments of insurance business	(6,407.32)	8,043.39	-
Premium on Insurance Business	39,112.89	51,377.66	31.4%
Premium on insurance business and profit/(loss) on revaluation of investments of insurance business	**32,705.57**	**59,421.05**	**81.7%**
Total other income	**76,307.28**	**116,595.59**	**52.8%**

Our total other income increased by 52.8% from ₹ 76.31 billion in fiscal year 2016 to ₹ 116.60 billion in fiscal year 2017.

Our other income (excluding insurance premium and profit/(loss) on revaluation of investments of insurance business) increased by 31.1% from ₹ 43.60 billion in fiscal year 2016 to ₹ 57.17 billion in fiscal year 2017. The increase in income was primarily due to increase in fee income as well as profit on sale of investments for the Bank. In addition, profit on recoveries of NPA acquired increased due to higher recoveries from our asset reconstruction business. The increase was also due to higher brokerage income earned by Kotak Securities and asset management fees earned by our mutual fund asset management company and, to a lesser extent, our alternate assets, which were primarily due to increased market activity and securities valuations in fiscal year 2017.

Our premium on insurance business and profit/(loss) on revaluation of investments of insurance business increased by 81.7% from ₹ 32.71 billion in fiscal year 2016 to ₹ 59.42 billion in fiscal year 2017. This increase was primarily due to profit on revaluation of investments of our insurance businesses arising from mark-to-market gains on the investments; however, these gains are mostly for the account of the policyholders, and are offset by increased other expenses for policyholders' reserves. See *"—Operating expenses"* below. In addition, we had a 31.4% increase in premiums on insurance business, which was made possible by a 28.9% increase in first year life insurance premiums and a 29.9% increase in renewal life insurance premiums, which reflect the growth in our customer base through organic growth as well as synergistic effects of the eIVBL Scheme.

Operating Expenses

The following table sets out the components of operating expenses:

	Fiscal year		
	2016	**2017**	**% Increase/ (Decrease)**
	(₹ in millions, except percentages)		
Payments to and provision for employees	38,540.50	39,823.12	3.3%
Rent, taxes and lighting	5,881.39	6,162.89	4.8%
Printing and stationery	944.88	1,033.91	9.4%
Advertisement, publicity and promotion	2,596.17	2,415.66	(7.0)%
Depreciation on Group's property	3,445.13	3,622.14	5.1%
Directors' fees, allowances and expenses	19.73	31.93	61.8%
Auditors' fees and expenses	65.57	73.63	12.3%
Law charges	321.80	309.85	(3.7)%
Postage, telephone etc.	1,603.82	1,689.31	5.3%
Repairs and maintenance	3,655.16	4,255.28	16.4%
Insurance	1,234.49	1,429.03	15.8%
Travel and conveyance	1,530.98	1,466.53	(4.2)%
Professional charges	5,252.77	5,496.30	4.6%
Brokerage	4,610.48	5,640.49	22.3%
Stamping expenses	550.04	673.84	22.5%
Other expenditure	6,941.41	8,128.66	17.1%
Operating Expenses (excluding policyholders' reserves and insurance business expenses)	**77,194.32**	**82,252.58**	**6.6%**
Insurance Business Expenses (Claims and benefits paid)	18,242.45	23,109.59	26.7%
Policyholders' reserves	13,504.07	37,091.90	174.7%
Policyholders' reserves and insurance business expenses	**31,746.52**	**60,201.49**	**89.6%**
Operating Expenses	**108,940.85**	**142,454.07**	**30.8%**

Our total operating expenses increased by 30.8% from ₹ 108.94 billion in fiscal year 2016 to ₹ 142.45 billion in fiscal year 2017.

Our operating expenses (excluding policyholders' reserves and insurance business expenses) increased by 6.6 % from ₹ 77.19 billion in fiscal year 2016 to ₹ 82.25 billion in fiscal year 2017. This was primarily due to an increase in brokerage expenses across our businesses including asset management, broking and lending activities, due to increased business volumes.

Policyholders' reserves and insurance business expenses increased by 89.6% from ₹ 31.75 billion in fiscal year 2016 to ₹ 60.20 billion in fiscal year 2017. Policyholders' reserves increased by 174.7% from ₹ 13.50 billion in fiscal year 2016 to ₹ 37.09 billion in fiscal year 2017 primarily due to growth in our customer base as well as mark-to-market gains on investments; however, these increases are mostly for the account of the policyholders, and are largely offset by increased other income from revaluation of investments of our insurance business. See "*—Other income*", above. Apart from the increase in policyholders' reserves this increase was primarily attributable to increased insurance business expenses, for which claims and maturities increased largely in line with the growth in our insurance business.

Provisions and Contingencies

Provisions and contingencies (excluding tax)

Provisions and contingencies (excluding tax) decreased by 4.3% from ₹ 9.9 billion in fiscal year 2016 to ₹ 9.5 billion in fiscal year 2017. This was due to a decrease in provisions for other receivables as well as NPA provisions, which were offset by an increase in provision for standard assets, which was required due to increase in advances during the fiscal year 2017.

Provisions for tax

Provisions for tax increased by 49.6% from ₹ 15.93 billion in fiscal year 2016 to ₹ 23.83 billion in fiscal year 2017. This increase was primarily attributable to higher profits in fiscal year 2017.

Net Profit

As a result of the above, our consolidated net profit for the year increased by 42.8% from ₹ 34.59 billion in fiscal year 2016 to ₹ 49.40 billion in fiscal year 2017.

Fiscal Year Ended March 31, 2015 compared to Fiscal Year Ended March 31, 2016 - Consolidated

	Fiscal year		
	2015	**2016**	**% Increase/ (Decrease)**
	(₹ in millions, except percentages)		
Net interest income	63,527.86	92,786.63	46.1%
Other income	81,521.96	76,307.28	(6.4)%
Operating expenses	97,492.64	108,940.85	11.7%
Provisions and contingencies (excluding tax)	2,057.35	9,915.62	382.0%
Provision for tax	14,849.04	15,926.23	7.3%
Net profit for the year	**30,650.79**	**34,311.21**	**11.9%**
Less – share of minority interest	595.12	651.94	9.6%
Add: share in profit / (loss) of Associates	398.84	929.22	133.0%
Consolidated profit for the year attributable to the Group	**30,454.50**	**34,588.49**	**13.6%**

Net Interest Income

Our net interest income increased by 46.1% from ₹ 63.53 billion for fiscal year 2015 to ₹ 92.79 billion for fiscal year 2016, primarily on account of increased investments and advances resulting from the eIVBL Scheme. However, net interest margins decreased from 4.9% for fiscal year 2015 to 4.4% for fiscal year 2016. Net interest margins decreased from 2015 to 2016 primarily on account of the merger, as eIVBL had lower net interest margins than Kotak Bank, As our savings accounts had paid higher interest rates than eIVBL's savings accounts, we also paid ₹ 1.30 billion additional interest on savings accounts in fiscal year 2016 that previously were held at eIVBL, thereby negatively impacting the net interest margin of the merged business.

The following table sets out the components of net interest income:

	Fiscal year		
	2015	**2016**	**% Increase/ (Decrease)**
	(₹ in millions, except percentages)		
Interest income			
Interest / discount on advances / bills	101,211.92	154,123.68	52.3%
Income from investments	29,682.44	44,082.78	48.5%
Interest on balances with RBI and other inter-bank funds	610.18	1,320.51	116.4%
Other	1,684.34	4,489.40	166.5%
Total interest income	**133,188.89**	**204,016.36**	**53.2%**
Interest expended			
Interest on deposits	43,998.50	76,493.89	73.9%
Interest on RBI / inter-bank borrowings	10,187.69	14,582.76	43.1%
Others	15,474.83	20,153.08	30.2%
Total interest expended	**69,661.02**	**111,229.73**	**59.7%**
Net Interest Income	**63,527.86**	**92,786.63**	**46.1%**

Interest Income

Our total interest income increased by 53.2% from ₹ 133.19 billion for fiscal year 2015 to ₹ 204.02 billion for fiscal year 2016. Most of this increase was at the Bank, for which interest income increased by 68.6%, from ₹ 97.20 billion for fiscal year 2015 to ₹ 163.84 billion for fiscal year 2016 on a standalone basis. The increase in interest income was primarily due to the following:

- Interest and discounts on advances and bills increased by 52.3% from ₹ 101.21 billion in fiscal year 2015 to ₹ 154.12 billion for fiscal year 2016. Interest and discounts on advances and bills for the Bank increased by 67.0% from ₹ 74.69 billion for fiscal year 2015 to ₹ 124.70 billion for fiscal year 2016, primarily due to the eIVBL Scheme. The eIVBL Scheme was the primary driver for 84.0% increase in average advances at the Bank from ₹ 587.93 billion for fiscal year 2015 to ₹ 1,081.53 billion for fiscal year 2016.

  Interest and discounts on advances and bills for the Bank grew at a slower pace than average advances since average yield on advances reduced from 12.7% for fiscal year 2015 to 11.5% for fiscal year 2016, reflecting the decreasing interest rate environment in India in line with reduced RBI policy rates.

- Income from investments increased by 48.5% from ₹ 29.68 billion in fiscal year 2015 to ₹ 44.08 billion for fiscal year 2016. Income from investments for the Bank increased by 62.0% from ₹ 21.34 billion for fiscal year 2015 to ₹ 34.56

billion for fiscal year 2016, primarily due to the eIVBL Scheme. The eIVBL Scheme was the primary driver for 70.8% increase in average investments at the Bank from ₹ 260.08 billion for fiscal year 2015 to ₹ 445.02 billion for fiscal year 2016.

Income from investments for the Bank grew more slowly than average investments as the average yield on investments reduced from 8.2% in fiscal year 2015 to 7.8% in fiscal year 2016. This reflects decreasing interest rate environment in India in line with reduced RBI policy rates.

- Other interest income increased from ₹ 1.68 billion in fiscal year 2015 to ₹ 4.49 billion in fiscal year 2016 primarily due to increase in RIDF investments from the eIVBL Scheme.

Interest Expended

Our total interest expended increased by 59.7% from ₹ 69.66 billion for fiscal year 2015 to ₹ 111.23 billion for fiscal year 2016. The increase in interest expended was primarily due to the following:

- Interest expense on deposits increased by 73.9% primarily due to the eIVBL Scheme, which increased our deposit base. Average balances of deposits for the Bank increased by 86.6% from ₹ 645.77 billion for fiscal year 2015 to ₹ 1,204.77 billion for fiscal year 2016. However, our cost of average deposits at the Bank decreased from 7.1% in fiscal year 2015 to 6.5% in fiscal year 2016, primarily due to a higher CASA ratio, which increased from 36.4% to 38.1%, particularly driven by a higher proportion of savings accounts.

- Interest expense on RBI and inter-bank borrowings increased by 43.1% in fiscal year 2016 primarily due an increase in average borrowings resulting from the eIVBL Scheme.

- Interest expense on other borrowings increased by 30.2% in fiscal year 2016, largely in line with our increase in borrowings of 39.2%, primarily due to increased borrowings at the Bank on account of the eIVBL Scheme, as well as commercial paper and debentures issued by Kotak Mahindra Investments.

Other Income

The following table sets out the components of other income:

	Fiscal year		
	2015	**2016**	**% Increase/ (Decrease)**
	(₹ in millions, except percentages)		
Commission, exchange and brokerage	22,902.91	29,705.19	29.7%
Profit on sale of Investments (net)	17,620.17	7,163.72	(59.3)%
Profit on sale of building and other assets (net)	150.78	45.85	(69.6)%
Profit on exchange on transactions (net) (including derivatives)	2,050.98	4,912.03	139.5%
Profit on recoveries of NPAs acquired	1,356.48	1,130.27	(16.7)%
Miscellaneous Income	918.60	644.65	(29.8)%
Other income (excluding insurance premium and profit/(loss) on revaluation of investments of insurance business)	**44,999.92**	**43,601.71**	**(3.1)%**
Profit/(Loss) on revaluation of investments of insurance business	6,771.48	(6,407.32)	-
Premium on Insurance Business	29,750.56	39,112.89	31.5%
Premium on insurance business and profit/(loss) on revaluation of investments of insurance business	**36,522.04**	**32,705.57**	**(10.4%)**
Total other income	**81,521.96**	**76,307.28**	**(6.4)%**

Total other income decreased by 6.4% from ₹81.52 billion in fiscal year 2015 to ₹76.31 billion in fiscal year 2016.

Other income (excluding insurance premium and profit/(loss) on revaluation of investments of insurance business) decreased by 3.1% from ₹ 45.00 billion in fiscal year 2015 to ₹ 43.60 billion in 2016. There was a 59.3% decrease in net profit on the sale of investments from ₹ 17.62 billion in fiscal year 2015 to ₹ 7.16 billion in 2016 arising mainly from losses as well as lower profits on sales of securities at Kotak Bank and Kotak Securities.

The decrease was offset by a 29.7% increase in commission, exchange and brokerage fees, from ₹22.90 billion in fiscal year 2015 to ₹ 29.71 billion in 2016, arising mainly from processing and service charges, as well as cross-sell opportunities that arose as a result of the expanded branch network following the eIVBL Scheme, in particular for asset management products at our subsidiary business Kotak Mahindra Asset Management Company Limited.

Our premium on insurance business and profit/(loss) on revaluation of investments of insurance business decreased by 10.4% from ₹ 36.52 billion in fiscal year 2015 to ₹ 32.71 billion in fiscal year 2016. This decrease was primarily due to a decrease in profit on the revaluation of investments of our insurance business from a gain of ₹ 6.78 billion in fiscal year 2015 to a loss of ₹ 6.41 billion in 2016 arising mainly from mark-to-market losses due to market movements; however, these losses are mostly for the account of the policyholders, and are offset by decreased other expenses for policyholders' reserves; and

The above decrease was partially offset by a 31.5% increase in premiums on our insurance business, from ₹ 29.75 billion in fiscal year 2015 to ₹ 39.11 billion in 2016 arising mainly from our life insurance business, which recorded a 43.5% growth on first year premium. In particular, individual regular premiums and group first year premiums increased by 53.6% and 44.9%, respectively. These increases were primarily a result of cross-sell opportunities that arose as a result of the expanded branch network following the eIVBL Scheme.

Operating Expenses

The following table sets out the components of operating expenses:

	Fiscal year		
	2015	**2016**	**% Increase/ (Decrease)**
	(₹ in millions, except percentages)		
Payments to and provision for employees	23,754.64	38,540.50	62.2%
Rent, taxes and lighting	3,994.22	5,881.39	47.2%
Printing and stationery	674.78	944.88	40.0%
Advertisement, publicity and promotion	2,181.71	2,596.17	19.0%
Depreciation on Group's property	2,368.93	3,445.13	45.4%
Directors' fees, allowances and expenses	9.32	19.73	111.7%
Auditors' fees and expenses	54.25	65.57	20.9%
Law charges	230.43	321.80	39.7%
Postage, telephone etc.	1,172.47	1,603.82	36.8%
Repairs and maintenance	2,532.05	3,655.16	44.4%
Insurance	644.40	1,234.49	91.6%
Travel and conveyance	1,107.70	1,530.98	38.2%
Professional charges	3,723.69	5,252.77	41.1%
Brokerage	4,383.00	4,610.48	5.2%
Stamping expenses	417.73	550.04	31.7%
Other expenditure	4,521.27	6,941.41	53.5%
Operating Expenses (excluding policyholders' reserves and insurance business expenses)	**51,770.59**	**77,194.32**	**49.1%**
Insurance Business Expenses (Claims and benefits paid)	17,852.15	18,242.45	2.2%
Policyholders' reserves	27,869.90	13,504.07	(51.5)%
Policyholders' reserves and insurance business expenses	**45,722.05**	**31,746.52**	**(30.6%)**
Total operating expenses	**97,492.64**	**108,940.85**	**11.7%**

Our total operating expenses increased by 11.7% from ₹ 97.49 billion in fiscal year 2015 to ₹ 108.94 billion in fiscal year 2016.

Our operating expenses (excluding policyholders' reserves and insurance business expenses) increased by 49.1% from ₹ 51.77 billion in fiscal year 2015 to ₹ 77.19 billion in fiscal year 2016. The increase in operating expenses (excluding policyholders' reserves and insurance business expenses) was primarily attributable to the eIVBL Scheme. In particular, we had a ₹ 14.79 billion increase in fiscal year 2016 in payments to and provisions for employees, due mainly to increased staff numbers on account of the eIVBL Scheme, as well as a provision of ₹ 4.40 billion for retirement benefits for eIVBL employees who are covered under the specific defined benefit schemes. We also incurred a variety of other expenses, particularly in relation to our expanded ATM and branch network, in integrating eIVBL's operations with our own, as well as legal and advisory fees and stamp duty on the merger.

We also had a decrease of ₹ 14.37 billion in fiscal year 2016 in policyholders' reserves. This was to policyholder's account on account of losses on revaluation of investments of our insurance business.

Provisions and Contingencies

Provisions and contingencies (excluding tax)

Our provisions and contingencies (excluding tax) increased by 382.0% from ₹ 2.06 billion in fiscal year 2015 to ₹ 9.92 billion in fiscal year 2016. This increase was primarily attributable to the increase in NPA provisions arising out of the eIVBL Scheme, which had a higher ratio of NPAs than the Bank prior to the merger. Additionally, provision for diminution in the value of investments increased from a write back of ₹ 1.17 billion in fiscal year 2015 to a provision of ₹ 1.40 billion in fiscal year 2016 primarily due to diminution in value of security receipts of eIVBL.

Provisions for tax

Provision for tax increased by 7.3% from ₹ 14.85 billion in fiscal year 2015 to ₹ 15.93 billion in fiscal year 2016. This increase was primarily due to higher profits in fiscal year 2016.

Net Profit

As a result of the above, our consolidated net profit for the year increased by 13.6% from ₹ 30.45 billion for fiscal year 2015 to ₹ 34.59 billion for fiscal year 2016.

Financial Condition - Consolidated

Assets

The following table sets forth the principal components of our assets as of March 31, 2015, 2016 and 2017:

	As of March 31,		
	2015	**2016**	**2017**
	(*₹ in millions*)		
Cash and balances with the RBI	39,451.17	69,249.00	75,122.26
Balances with banks and money at call and short notice	29,583.25	46,745.08	180,763.24
Investments	455,888.86	702,738.99	684,615.38
Advances	886,322.15	1,447,928.15	1,671,249.11
Fixed assets	13,815.53	17,575.97	17,552.02
Other assets	60,662.48	123,764.37	132,539.39
Goodwill on consolidation	34.19	34.19	34.19
Total Assets	**1,485,757.62**	**2,408,035.76**	**2,761,875.59**

Consolidated assets amounted to ₹ 2,761.88 billion as of March 31, 2017, an increase of 14.7% as compared to ₹ 2,408.04 billion as of March 31, 2016. The increase was primarily on account of increase in advances and money at call and short notice.

Consolidated assets amounted to ₹ 2,408.04 billion as of March 31, 2016, an increase of 62.1% as compared to ₹ 1,485.76 billion as of March 31, 2015. Most of this increase was driven by increased assets at the Bank, primarily on account of the eIVBL Scheme, though organic growth particularly in investments and advances contributed to a lesser extent.

Advances

The following table sets forth a breakdown of our advances as of March 31, 2015, 2016 and 2017:

	As of March 31,		
	2015	**2016**	**2017**
	(*₹ in millions*)		
Corporate banking loans	245,464.99	392,531.52	482,397.49
Business Banking	64,216.01	179,970.85	178,841.36
Agriculture loans	118,101.91	175,825.12	189,686.87
Home loans and loans against property	147,086.95	230,093.90	261,208.77
Small business loans, personal loans and credit cards	62,981.71	149,669.67	173,976.82
Auto loans	146,912.30	166,880.97	184,074.15
Commercial vehicles loans and construction equipment loans	54,996.40	78,737.50	108,270.16
Other loans(1)	46,561.88	74,218.62	92,793.49
Total Advances	**886,322.15**	**1,447,928.15**	**1,671,249.11**

(1) Includes, among others, working capital loans for businesses, loans against securities, gold loans, rural housing loans and rural business loans.

Consolidated advances amounted to ₹ 1,671.25 billion as of March 31, 2017, an increase of 15.4% as compared to ₹ 1,447.93 billion as of March 31, 2016. The increase was particularly pronounced in the following portfolios:

(i) commercial vehicle loans and construction equipment loans, which increased by 37.5% from ₹ 78.74 billion as of March 31, 2016 to ₹ 108.27 billion as of March 31, 2017 primarily as a result of increased lending for these products. We had previously slowed our lending to this sector due to unfavourable conditions in the sector leading to higher NPAs, however, in fiscal year 2016 as well as 2017, we made a conscious decision to increase our lending to these category of loans based on our risk assessment of these category of loans;

(ii) corporate banking loans, which increased by 22.9% from ₹ 392.53 billion as of March 31, 2016 to ₹ 482.40 billion as of March 31, 2017 primarily as a result of our focus on growing our corporate loan portfolio;

(iii) small business loans, personal loans and credit cards, which increased by 16.2% from ₹ 149.67 billion as of March 31, 2016 to ₹ 173.98 billion as of March 31, 2017 primarily as a result of a general increase in demand in these markets; and

(iv) home loans and loans against property, which increased by 13.5% from ₹ 230.09 billion as of March 31, 2016 to ₹ 261.21 billion as of March 31, 2017 primarily as a result of a general increase in demand in these markets.

Consolidated advances amounted to ₹ 1,447.93 billion as of March 31, 2016, an increase of 63.4% as compared to ₹ 886.32 billion as of March 31, 2015. Most of this increase was driven by increased advances at the Bank, primarily on account of the eIVBL Scheme, though to an extent organic growth also contributed to the increases. Standalone advances at the Bank increased to ₹ 1,186.7 billion as of March 31, 2016, an increase of 79.4% as compared to ₹ 661.6 billion as of March 31, 2015. Our increased advances were particularly pronounced in our Business Banking and small business, personal loans and credit card segments, which increased by 180.3% and 137.6%, respectively. The Business Banking and small business, personal loans and credit card segments increased primarily since eIVBL had a substantially larger Business Banking and small business portfolio than we did.

Investments

The following table sets forth a breakdown of our investments as of March 31, 2015, 2016 and 2017:

	As of March 31,		
	2015	2016	2017
			(*₹ in millions*)
Investments in India			
Government securities	278,689.80	477,660.12	431,439.55
Shares	69,557.57	63,405.43	78,867.80
Debentures and bonds	79,700.48	96,720.23	116,599.58
Associates	7,347.04	8,288.74	8,995.90
Others (units, certificates of deposit, commercial paper, securities receipts, pass through certificates, alternate assets and similar other funds)	19,384.99	55,523.34	46,091.74
Total	**454,679.88**	**701,597.87**	**681,994.58**
Investments outside India			
Government Securities………………………………………	-	-	323.51
Shares	6.79	8.75	8.75
Debentures and bonds	-	-	1,312.43
Others (venture, private equity and other similar funds)	1,202.20	1,132.37	976.11
Total	**1,208.99**	**1,141.12**	**2,620.80**
Total Investments	**455,888.86**	**702,738.99**	**684,615.38**

Consolidated investments amounted to ₹ 684.62 billion as of March 31, 2017, a decrease of 2.6% as compared to ₹ 702.74 billion as of March 31, 2016, primarily as a result of decreases in investments in government securities and commercial paper. Investments in government securities decreased by 9.7% from ₹ 477.66 billion as of March 31, 2016 to ₹ 431.44 billion as of March 31, 2017, primarily in available for sale category, and other investments decreased by 17.0% from ₹ 55.52 billion as of March 31, 2017 to ₹ 46.09 billion as of March 31, 2016, primarily due to commercial paper. Both these decreases were due to maturities of the instruments and actions taken by us to reduce our positions in these instruments on the basis of the Bank's views of the prevailing interest rate environment.

Consolidated investments amounted to ₹ 702.74 billion as of March 31, 2016, an increase of 54.1% as compared to ₹ 455.89 billion as of March 31, 2015. Most of this increase was driven by increased investments at the Bank, largely on account of the eIVBL Scheme but to a lesser extent also driven by organic growth. These increases were primarily concentrated in (i) Government securities, which form the largest portion of our investment portfolio and increased by 71.4% largely on account of eIVBL's large portfolio of Government securities and (ii) units, certificates of deposit, commercial paper, security receipts and pass through certificates, which increased by 186.4%. Investments in units, certificates of deposit, commercial paper, security receipts and pass through certificates increased indirectly due to our acquisition of eIVBL's large portfolio of Government securities, which allowed us to shift a portion of investments towards higher-yielding assets given the large treasury base.

Balances with banks and money at call and short notice

Balances with banks and money at call and short notice increased by 286.7% from ₹ 46.75 billion as of March 31, 2016 to ₹ 180.76 billion as of March 31, 2017. This increase was primarily due to the effects of demonetisation, which led to a rapid increase in deposits that we were not able to re-deploy as quickly in the form of lending or investments.

Balances with banks and money at call and short notice increased from 58.0% from ₹ 29.58 billion as of March 31, 2015 to ₹ 46.75 billion as of March 31, 2016. This increase was primarily due to the eIVBL Scheme.

Other assets

Other assets amounted to ₹ 132.54 billion as of March 31, 2017, an increase of 7.1% as compared to ₹ 123.76 billion as of March 31, 2016. The increase was primarily on account of accrued interest, debtors of the broking subsidiary and cheques in course of collection.

Other assets amounted to ₹ 123.76 billion as of March 31, 2016, an increase of 104.0% as compared to ₹ 60.66 billion as of March 31, 2015. Most of this increase was driven by the eIVBL Scheme, as well as increases in other assets at Kotak Life.

Liabilities

The following table sets forth the principal components of our liabilities as of March 31, 2015, 2016 and 2017:

	As of March 31,		
	2015	**2016**	**2017**
	(*₹ in millions*)		
Deposits	728,434.59	1,359,487.60	1,555,399.98
Borrowings	314,148.79	437,297.94	496,899.09
Policyholders' Funds	137,926.10	151,482.78	187,928.77
Other liabilities and provisions	80,328.11	122,170.91	131,976.37
Minority interest	3,356.91	3,955.99	4,744.26
Employees' stock options (grants) outstanding	29.97	34.14	18.68
Total	**1,264,224.47**	**2,074,429.35**	**2,376,967.16**

Consolidated liabilities (excluding share capital and reserves and surplus) amounted to ₹ 2,376.97 billion as of March 31, 2017, an increase of 14.6% as compared to ₹ 2,074.43 billion as of March 31, 2016. The increase was primarily on account of growth in our deposits, borrowings and policyholders' funds.

Consolidated liabilities (excluding share capital and reserves and surplus) amounted to ₹ 2,074.43 billion as of March 31, 2016, an increase of 64.1% as compared to ₹ 1,264.22 billion as of March 31, 2015. Most of this increase was driven by increased liabilities at the Bank, primarily on account of the eIVBL Scheme, though organic growth, particularly in deposits, contributed to a lesser extent. The organic growth was largely the result of our expanded branch network following the eIVBL Scheme, which helped us to increase our customer base. Deposits increased after the merger not only as a result of the deposits that we inherited directly from eIVBL, but also due to increased interest rates on domestic savings deposits as described below.

Deposits

Our Bank is the only deposit-taking entity within our Group, and we therefore present the following discussion of the Bank's deposits on a standalone basis for our Bank. Note, however, that our Bank's standalone deposits are higher than our Group's consolidated deposits due to intercompany eliminations of balances deposited by our subsidiaries with the Bank.

The following table sets forth a breakdown of the Bank's standalone deposits, as well as the percentage of total deposits that each item contributes, as of March 31, 2015, 2016 and 2017:

	As of March 31,					
	2015		**2016**		**2017**	
	(*₹ in millions, except percentages*)					
a.Demand deposits (current account)	131,813.39	17.6%	232,816.77	16.8%	277,607.83	17.6%
b. Savings bank deposits	140,361.09	18.7%	294,947.21	21.3%	415,039.31	26.4%
c. Term deposits	476,428.61	63.6%	858,666.24	61.9%	881,611.46	56.0%
Of which TD sweep[(1)]	*54,397.06*	*7.3%*	*69,474.65*	*5.0%*	*100,785.06*	*6.4%*
Total deposits (a+b+c)	**748,603.09**	**100.0%**	**1,386,430.22**	**100.0%**	**1,574,258.60**	**100.0%**

(1) TD sweep deposits are a subset of term deposits. For a description of TD sweep deposits, see "Business" on page 147.

Standalone deposits amounted to ₹ 1,574.26 billion as of March 31, 2017, an increase of 13.5% as compared to ₹ 1,386.43 billion as of March 31, 2016. The increase was primarily on account of growth in the Bank's savings accounts, which increased by 40.7% from ₹ 294.95 billion as of March 31, 2016 to ₹ 415.04 billion as of March 31, 2017. Savings deposits increased largely due to demonetisation, plus synergies from the eIVBL Scheme, which helped the Bank to access a larger customer base than it had before the merger, as well as the high savings rates that we offer. As of March 31, 2017, CASA and term deposits below ₹ 50 million constituted 73.4% of total deposits. Further, term deposits below ₹ 10 million were ₹ 390.34 billon.

Standalone deposits amounted to ₹ 1,386.43 billion as of March 31, 2016, an increase of 85.2% as compared to ₹ 748.60 billion as of March 31, 2015. Most of this increase was driven by the eIVBL Scheme. To a lesser extent the Bank also had organic growth in deposits.

Savings account deposits increased by 110.1% in fiscal year 2016 on a standalone basis, primarily as a result of the eIVBL Scheme. Savings account deposits increased after the merger not only as a result of the deposits that the Bank inherited from eIVBL, but also because the Bank increased the interest rates on these accounts from the 4% that eIVBL had paid to 6%, applicable for the balance above ₹ 100,000 and to 5% for balances below ₹ 100,000. Marketing campaigns to highlight the Bank's 6% interest rate, as well as the expanded branch network following the eIVBL Scheme, also contributed to the increase in deposits.

Demand deposits (also called as current accounts) increased on a standalone basis by 76.6% in fiscal year 2016 primarily as a result of the eIVBL Scheme. In addition to the demand deposits that the Bank inherited from eIVBL, the expanded branch network following the merger led to a significant amount of growth.

Term deposits increased on a standalone basis by 80.2% in fiscal year 2016 largely as a result of the eIVBL Scheme, though organic growth contributed to a lesser extent.

Borrowings

Consolidated borrowings amounted to ₹ 496.90 billion as of March 31, 2017, an increase of 13.6% as compared to ₹ 437.30 billion as of March 31, 2016. The increase was primarily on account of increased borrowings at our lending subsidiaries, which we primarily used to support growth in their advances portfolios.

Consolidated borrowings amounted to ₹ 437.30 billion as of March 31, 2016, an increase of 39.2% as compared to ₹ 314.15 billion as of March 31, 2015. This increase was primarily driven by an increase in borrowings at the Bank, mainly on account of the eIVBL Scheme. At the Bank, borrowings amounted to ₹ 209.75 billion as of March 31, 2016, an increase of 72.6% as compared to ₹ 121.50 billion as of March 31, 2015. However, the impact of the eIVBL Scheme was much less pronounced on our borrowings than on many other aspects of our balance sheet. This was largely because we integrated the treasury functions of our Bank and eIVBL Scheme soon after securing RBI approval for the merger and we were able to take advantage of our having a higher capital adequacy than eIVBL, thereby reducing the overall borrowing requirement. Moreover, through the eIVBL Scheme, we acquired current account and savings account deposits, and our overall liability mix post-merger thereby shifted away from borrowings towards current and savings deposits.

Also, contributing to the rise in borrowings were increased borrowings at our lending subsidiaries, which we primarily used to support growth in their advances portfolios.

Policyholders' funds

Policyholders' funds increased by 24.1% from ₹ 151.48 billion as of March 31, 2016 to ₹ 187.93 billion as of March 31, 2017, primarily due to new business as well as increases in the value of the investment portfolio due to strong conditions in the equity markets.

Policyholders' funds increased by 9.8% from ₹ 137.93 billion as of March 31, 2015 to ₹ 151.48 billion as of March 31, 2016, primarily due to new business, though the gains from this business were partially offset by losses in the value of the investment portfolio due to weak conditions in the equity markets.

Other liabilities and provisions

Consolidated other liabilities and provisions amounted to ₹ 131.98 billion as of March 31, 2017, an increase of 8.0% as compared to ₹ 122.2 billion as of March 31, 2016. The increase was primarily on account of bills payable, interest accrued and exchange obligations of our broking subsidiaries.

Consolidated other liabilities and provisions amounted to ₹ 122.17 billion as of March 31, 2016, an increase of 52.1% as compared to ₹ 80.33 billion as of March 31, 2015. Most of this increase was driven by increased other liabilities and provisions at the Bank, primarily as a result of expenses, disbursements and incentive payables as well as provisions on standard assets and cash management service pool accounts.

Capital

We are a banking company within the meaning of the Indian Banking Regulation Act, 1949. We are registered with and subject to supervision by the RBI. The RBI issued detailed guidelines for implementation of Basel III capital regulations in May 2012. The minimum capital requirements under Basel III are being phased in as per the guidelines prescribed by the RBI. Accordingly, we are required to maintain a minimum Common Equity Tier I ratio of 5.0%, a minimum total Tier I capital ratio of 6.5% and a minimum total capital ratio of 9.0% as of March 31, 2014. We migrated to the new framework effective April 1, 2013.

The Bank's regulatory capital and capital adequacy ratios calculated under Basel III on a standalone basis as of March 31, 2017 are as follows:

	Basel III
	March 31, 2017
	(*₹ in millions, except percentages*)
Tier 1 capital	266,950.26
Tier 2 capital	14,720.02
Total capital	**281,670.28**
Total risk weighted assets and contingents	1,679,457.39
Capital ratios of the Bank:	
Tier 1	15.9%
Total CRAR	16.8%
Minimum capital ratios required by the RBI:	
Tier 1 including capital conservation buffer	6.75%
Total capital	11.5%

Capital Expenditure

Our capital expenditure consists principally of expenditure relating to branch network expansion as well as investment in technology and communication infrastructure, in each case principally in India. The capital expenditure for fiscal years 2015, 2016 and 2017, were ₹ 3.67 billion, ₹ 3.25 billion and ₹ 3.69 billion, respectively.

Our planned future capital expenditure relates primarily to maintenance and investments in technology and communication infrastructure. We do not consider our current capital expenditure plans to be material in amount, given the size, scope and nature of our business. However, our actual capital expenditure may be higher or lower than our current expectations, and could be material in amount. Moreover, we may use incur capital expenditure for purposes other than the above, depending on, among other factors, the business environment prevailing at the time and any change in our business plans.

Contingent Liabilities, Financial Instruments and Cross Border Exposures

Contingent Liabilities

Our contingent liability primarily relate to:

1. claims not acknowledged as debts, including liability on account of income tax, sales tax, lease tax demands, property tax demands and legal cases filed against us;

2. liability on account of outstanding forward exchange contracts, which relate to foreign exchange contracts with inter-bank participants on our own account and for customers;

3. guarantees on behalf of constituents, which relate to guarantees that we issue on behalf of our customers;

4. acceptances, endorsements and other obligations, which include (i) documentary credit such as letters of obligations, (ii) bills re-discounted by us and cash collateral provided by us on assets that have been securitised; and (iii) underwriting commitments in respect of debt syndication; and

5. other items for which we are contingently liable, which include (i) liabilities in respect of interest rate swaps, currency swaps, forward rate agreements, futures and options contracts, and (ii) liability in respect of capital commitments relating to fixed assets and undrawn commitments in respect of investments.

The following table presents our contingent liabilities[1] as per the Consolidated Financial Statements:

	As of March 31,		
	2015	2016	2017
			(₹ *in millions*)
Claims not acknowledged as debts	14,282.52	16,396.69	16,016.03
Liability on account of outstanding forward exchange contracts	298,744.98	1,658,110.19	1,166,206.83
Guarantees on behalf of constituents	121,192.06	240,236.03	249,897.76
Acceptances, endorsements and other obligations	63,711.64	106,140.68	115,154.90
Other items for which we are contingently liable			
Liability of in respect of interest rate, currency swaps and forward rate agreements	129,284.09	381,124.02	343,346.73
Liability in respect of other derivative contracts	32,082.65	41,762.81	64,053.01
Unclaimed customer balances transferred to RBI Depositor's Education Awareness Fund Scheme	24.20	1,140.44	1,359.09
Capital commitments not provided	5,148.80	2,207.78	5,686.30
Total Contingent Liabilities	**664,470.94**	**2,447,118.64**	**1,961,720.65**

[1] *As per Banking Regulation Act 1949 and Accounting Standard 29.*

From fiscal year 2015 to fiscal year 2016, our total contingent liabilities significantly increased primarily due to the eIVBL Scheme. In particular, eIVBL had a significantly larger contingent liability relating to interest rate, currency swaps and forward rate agreements and a significantly larger contingent liability relating to outstanding forward exchange contracts, each of which was due to eIVBL having a much larger non-fund book than we had. In fiscal year 2017, our liability on account of forward exchange contracts decreased as most of these contracts had been inherited in the eIVBL Scheme and, in many instances, the inherited clients chose not to rebook these contracts after maturity, though in some instances we opted not to renew the contracts due to our assessment of the credit quality of the counterparties. The decrease was also due to trade compression activities carried out by CCIL, the clearing corporation, which identifies economically redundant trades for early termination.

Financial Instruments

Our foreign exchange and derivative product offerings to our customers cover a range of products, including foreign exchange and interest rate transactions and hedging solutions, such as spot and forward foreign exchange contracts, forward rate agreements, currency swaps, currency options and interest rate derivatives. These transactions enable our customers to transfer, modify or reduce their foreign exchange and interest rate risks. A specified group of relationship managers from our treasury front office works on such product offerings jointly with the relationship managers across the various customer groups in the Bank.

We also enter into forward exchange contracts, currency options, forward rate agreements, currency swaps and rupee interest rate swaps with inter-bank participants, to support our activities with our clients. We also trade, to a more limited extent, for our own account. In addition, we also use these instruments for our asset liability management.

We earn profit on customer transactions by way of a margin as a mark-up over the inter-bank exchange or interest rate. We earn profit on inter-bank transactions by way of a differential between the purchase rate and the sale rate. These profits are recorded as income from foreign exchange and derivative transactions. The RBI imposes limits on our ability to hold overnight positions in foreign exchange and derivatives, and we maintain our overnight positions within the limits approved by our Board within the RBI framework.

Cross Border Exposures

The RBI requires banks in India to implement RBI prescribed guidelines on country risk management in respect of those countries where a bank has net funded exposure in excess of a prescribed percentage of its total assets. In the normal course of business, we have both direct and indirect exposure to risks related to counter parties and entities in foreign countries. We monitor such cross-border exposures on an ongoing basis. Our aggregate country risk exposure on a standalone basis was 1.64% of our total assets as of March 31, 2017.

Qualifications, Reservations and Adverse Remarks

There are no reservations, qualifications or adverse remarks highlighted by the auditors in their reports to our standalone financial statements and consolidated financial statements as of and for the fiscal years ended March 31, 2013, 2014, 2015, 2016 and 2017.

Critical Accounting Policies

We have set forth below some of our critical accounting policies under Indian GAAP. Our Financial Statements are prepared in accordance with Indian GAAP as applicable to banks. The preparation of our Financial Statements requires us to make estimates and judgements that affect the reported amounts of assets, liabilities, income and expenses as well as the disclosure of contingent liabilities. The notes to the Financial Statements contain a summary of our significant accounting policies. Certain of these policies are critical to the portrayal of our financial condition, since they require management to make subjective judgements, some of which may relate to matters that are inherently uncertain. Below is a discussion of these critical accounting policies. We base our estimates and judgements on historical experience and other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. As a result of changes in applicable statutory requirements, regulatory guidelines and accounting practices in India, our accounting policies may have undergone changes during the periods covered by this discussion. Accordingly, this discussion should be read in conjunction with our Financial Statements and notes as applicable during the respective fiscal year.

Set forth below are some of our critical accounting policies under Indian GAAP for fiscal 2017.

A. Revenue recognition

a. Banking / Investing:

i. Interest income is recognised on accrual basis.

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

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

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

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

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

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

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

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

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

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

xii. Fees received on sale of Priority Sector Lending Certificates is considered as Miscellaneous Income, while fees paid for purchase is 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 occur and over the remaining period of the policy. Subsequent cancellations of policies are recognised in the same period in which they occur.

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

iv. 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.

B. 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 ₹ 0.10 million 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 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 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.

C. 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.

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 August 23, 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 is recognised as expense in Profit and Loss Account. Any reversal of impairment loss is recognised in the Profit and Loss Account.

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

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

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 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.

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.

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 April 1, 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 ₹ 8.9 million (net of tax). Had the company followed the earlier method, the profit after tax for year ended March 31, 2017 would have been lower by ₹ 27.1 million.

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.

D. 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.

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.

E. 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 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.

Summary of Changes to Significant Accounting Policies

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 ₹ 1,329.4 million and Other Liabilities would have been higher by ₹ 1,329.4 million (including dividend distribution tax of ₹ 224.9 million).

Accounting for Derivatives – For other Entities

In accordance with 'Guidance Note on Accounting for Derivative Contracts' issued by the Institute of Chartered Accountants of India effective on April 1, 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 ₹ 8.9 million (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 ₹ 27.1 million.

Summary of Changes to Classification

In the consolidated financial statements for fiscal year 2015, we have classified "Investments in RIDF" as a part of "Investments" based on the RBI Guidelines existing then. In fiscal year 2016, we classified "Investment in RIDF" as a part of "Other Assets" based on the RBI Circular DBR.BP.BC.No.31/21.04.018/2015- 16 dated July 16, 2015. In order to present the consolidated financial statements for fiscal years 2015, 2016 and 2017 in a comparable format, we have reclassified the "Investment" and "Other Assets" for fiscal years 2015 in the same manner as the adjustment undertaken in the audited consolidated financial statements for fiscal year 2016. The net impact of this reclassification is that, the "Investments" for fiscal year 2015 have reduced by ₹ 17,619.82 million, with a corresponding increase in "Other Assets".

SELECTED STATISTICAL INFORMATION

The following information should be read together with our Standalone Financial Statements, including the notes thereto, and the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Preliminary Placement Document. Unless otherwise stated, all amounts presented in this section relate to the standalone financial information of the Bank, and all averages presented in this section are presented on the basis of daily balances outstanding. Figures for FY2015 and FY2016 have been regrouped and/or reclassified wherever necessary to conform to FY 2017 presentation.

ASSETS AND LIABILITIES

Average Balance Sheet of the Bank

The tables below present the average balances for interest-earning assets and interest-bearing liabilities together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the average of daily balances outstanding. The average yield on average assets is the ratio of interest income to average interest-earning assets (except that (i) investments include equity investments other than in subsidiaries, associates and joint ventures and (ii) interest income with respect to investments includes dividends on such equity investments). The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

	Fiscal								
	2015			2016			2017		
	(₹ in millions, except percentages)								
	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)
Interest-earning assets									
Advances	587,931.65	74,686.67	12.7%	1,081,528.25	124,703.72	11.5%	1,229,675.07	134,021.05	10.9%
Investments	260,083.89	21,335.41	8.2%	445,019.69	34,560.09	7.8%	485,375.52	36,810.38	7.6%
Others(1) (2)	18,739.61	1,176.58	6.3%	78,945.41	4,578.02	5.8%	95,059.77	6,157.90	6.5%
Total interest-earning assets	866,755.15	97,198.66	11.2%	1,605,493.35	163,841.83	10.2%	1,810,110.36	176,989.33	9.8%
Non-interest earning assets:									
Fixed assets	10,975.44	-	-	16,009.16	-	-	15,558.50	-	-
Other assets	53,992.85	-	-	109,891.73	-	-	135,057.99	-	-
Total non-interest earning assets	64,968.29	-	-	125,900.89	-	-	150,616.49	-	-
Total assets	931,723.44	97,198.66	-	1,731,394.24	163,841.83	-	1,960,726.85	176,989.33	-
Interest-bearing liabilities:									
Total deposits	645,766.67	45,794.86	7.1%	1,204,767.17	78,637.58	6.5%	1,417,925.79	82,360.07	5.8%
Tier II debt	8,945.85	628.80	7.0 %	17,911.92	1,259.74	7.0%	17,161.32	1,161.88	6.8%
Borrowings	105,702.52	8,537.68	8.1%	209,488.19	14,940.78	7.1%	190,883.31	12,205.89	6.4%
Total interest-bearing liabilities	760,415.04	54,961.34	7.2%	1,432,167.28	94,838.10	6.6%	1,625,970.42	95,727.84	5.9%
Non-interest bearing liabilities:									
Capital and reserves	133,262.36	-	-	229,185.57	-	-	258,566.63	-	-
Bills payable	5,342.04	-	-	8,888.88	-	-	10,183.84	-	-

	Fiscal								
	2015			2016			2017		
	(₹ in millions, except percentages)								
	Average Balance	**Interest Income/ Expense**	**Avg. Yield/ Cost (%)**	**Average Balance**	**Interest Income/ Expense**	**Avg. Yield/ Cost (%)**	**Average Balance**	**Interest Income/ Expense**	**Avg. Yield/ Cost (%)**
Other liabilities	32,704.00	-	-	61,152.51	-	-	66,005.96	-	-
Total non-interest bearing liabilities	171,308.40	--	-	299,226.96	-	-	334,756.43	--	-
Total liabilities	931,723.44	54,961.34	-	1,731,394.24	94,838.10	-	1,960,726.85	95,727.84	-

Note:

(1) Comprises deposits placed with NABARD/SIDBI/NHB for meeting shortfall in Priority Sector Lending, interest bearing deposits with other banks and money at call and short notice.

(2) Interest income from others includes interest on tax refunds.

Analysis of Changes in Interest Income and Interest Expense by Volume and Rate

The following table sets forth, for the periods indicated, the allocation of the changes in the Bank's interest income (including, with respect to equity investments other than in subsidiaries, associates and joint ventures, dividend income) and interest expense between average volume and changes in average rates. The changes in net interest income between periods have been reflected as attributed either to volume or rate changes. For the purposes of this table, changes which are due to both volume and rate have been allocated solely to changes in rate.

	Fiscal 2015 vs. Fiscal 2016			Fiscal 2016 vs. Fiscal 2017		
	Net Change	**Due to Change in Average Volume**	**Due to Change in Average rates**	**Net Change**	**Due to Change in Average Volume**	**Due to Change in Average rates**
	(₹ in millions, except percentages)					
Interest income						
Advances	50,017.05	62,703.02	-12,685.97	9,317.33	17,081.81	-7,764.48
Investments	13,224.68	15,170.81	-1,946.13	2,250.29	3,134.02	-883.73
Others(1)	3,401.44	3,780.07	-378.63	1,579.88	934.47	645.41
Total interest earned (a)	66,643.17	81,653.90	-15,010.73	13,147.50	21,150.30	-8,002.80
Interest expenses						
Total interest on deposits(2)	32,842.72	39,641.80	-6,799.08	3,722.49	13,913.29	-10,190.80
Tier II Debt	630.94	630.23	0.71	-97.86	-52.79	-45.07
Borrowings	6,403.10	8,382.85	-1,979.75	-2,734.89	-1,326.91	-1,407.98
Total interest expended (b)	39,876.76	48,654.88	-8,778.12	889.74	12,533.59	-11,643.85
Net interest income (a - b)	26,766.41	32,999.02	-6,232.61	12,257.76	8,616.71	3,641.05

Note:

(1) Interest income from others includes interest on tax refunds.

(2) Includes saving deposits, current deposits and term deposits

Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and interest margins on the Bank's interest-earning assets.

	Fiscal		
	2015	2016	2017
	(₹ in millions, except percentages)		
Interest income	97,198.66	163,841.83	176,989.33
Interest expense	54,961.34	94,838.10	95,727.84
Average interest-earning assets	866,755.15	1,605,493.35	1,810,110.36
Average interest-bearing liabilities	760,415.04	1,432,167.28	1,625,970.42
Average total assets	931,723.44	1,731,394.24	1,960,726.85
Average interest-earning assets as a percentage of average total assets	93.0%	92.7%	92.3%
Average interest-bearing liabilities as a percentage of average total assets	81.6%	82.7%	82.9%
Average interest-earning assets as a percentage of average interest-bearing Liabilities	114.0%	112.1%	111.3%
Yield(1)	11.2%	10.2%	9.8%
Cost of funds(2)	7.2%	6.6%	5.9%
Spread(3)	4.0%	3.6%	3.9%
Net interest margin(4)	4.9%	4.3%	4.5%

Notes:

(1) Yield is interest income divided by average interest-earning assets.

(2) Cost of funds is interest expense divided by average interest-bearing liabilities.

(3) Spread is the difference between yield and cost of funds.

(4) Net interest margin is the difference between interest earned and interest expended divided by the average interest-earning assets.

Return on Equity and Assets

The following table presents selected financial ratios for the Bank for the periods indicated.

	Fiscal		
	2015	2016	2017
	(₹ in millions, except percentages)		
Net profit	18,659.79	20,897.79	34,114.98
Average total assets	931,723.44	1,731,394.24	1,960,726.85
Average shareholders' equity(1)	133,262.36	229,185.57	258,566.63
Net profit as a percentage of average total assets	2.0%	1.2%	1.7%
Net profit as a percentage of average shareholders' equity	14.0%	9.1%	13.2%
Average shareholders' equity as a percentage of average total assets	14.3%	13.2%	13.2%

Note:

(1) Shareholders' equity comprises share capital and reserves and surplus

Investment Portfolio

As of March 31, 2015, March 31, 2016 and March 31, 2017, the Bank's investments comprised 27.0%, 26.7% and 21.0% of its total unconsolidated assets, respectively, while total advances were 62.4%, 61.7% and 63.4% of the Bank's total unconsolidated assets, respectively. The Bank carries out its investment activities according to various investment and trading policies. These policies set forth delegation of powers, types of instruments, maximum limits on investments in different types of securities, position limits, stop loss limits, duration limits, and minimum acceptable credit spreads.

The Bank attempts to achieve the highest risk-adjusted returns on its funds.

The Bank is required to maintain a minimum holding of 20.5% of its demand and time liabilities in SLR securities. In addition, the surplus funds of the Bank's deposits and advances are invested by the treasury. These investments are in conformity with the Bank's policy on investments and the risk limits set by the Bank's Board.

Total Domestic Investment Portfolio

The following tables set forth, as of the dates indicated, information relating to the Bank's total domestic investment portfolio. Domestic investments constituted 99.9%, 99.9% and 99.9% of the Bank's investment portfolio as of March 31, 2015, 2016 and 2017, respectively.

(₹ in millions)

	As of March 31, 2015				As of March 31, 2016				As of March 31, 2017			
	Book Value	**Market Value**	**Unrealised gain**	**Unrealised loss**	**Book Value**	**Market Value**	**Unrealised gain**	**Unrealised loss**	**Book Value**	**Market Value**	**Unrealised Gain**	**Unrealised Loss**
Government securities	228,817.19	231,999.14	3,289.54	-107.59	407,609.72	413,973.93	6,515.43	-151.22	3,61,575.40	374,056.14	12,779.80	-299.06
Other debt securities	44,047.37	44,405.09	396.80	-39.08	86,561.01	87,290.78	811.13	-81.36	65,724.13	66,018.71	433.04	-138.46
Total debt securities	**272,864.56**	**276,404.23**	**3,686.34**	**-146.67**	**494,170.73**	**501,264.71**	**7,326.56**	**-232.58**	**427,299.53**	**440,074.85**	**13,212.84**	**-437.52**
Non-debt securities	8,200.61	12,303.08	4,622.71	-520.24	10,721.02	12,247.85	2,571.05	-1,044.22	14,519.38	19,142.19	5,777.78	-1,154.97
Subsidiaries and associates — at cost	5,381.45	5,381.45	-	-	7,470.10	7,470.10	-	-	8,359.10	8,359.10	-	-
Total	**286,446.62**	**294,088.76**	**8,309.05**	**-666.91**	**512,361.85**	**520,982.66**	**9,897.61**	**-1,276.80**	**450,178.01**	**467,576.14**	**18,990.62**	**-1,592.49**

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

Available for Sale Investments

The following table sets forth, as of the dates indicated, information related to the Bank's domestic investments available for sale:

(₹ in millions)

	As of March 31, 2015				As of March 31, 2016				As of March 31, 2017			
	Book Value	**Market Value**	**Unrealised gain**	**Unrealised loss**	**Book Value**	**Market Value**	**Unrealised gain**	**Unrealised loss**	**Book Value**	**Market Value**	**Unrealised gain**	**Unrealised loss**
Government securities	102,802.69	103,447.55	735.66	-90.80	140,704.86	141,518.39	927.76	-114.23	90,200.20	91,980.27	1,919.10	-139.03
Other debt securities	36,574.29	36,921.46	379.46	-32.29	79,296.68	79,991.32	754.71	-60.07	53,052.84	53,318.60	355.69	-89.93
Total debt securities	**139,376.98**	**140,369.01**	**1,115.12**	**-123.09**	**220,001.54**	**221,509.71**	**1,682.47**	**-174.30**	**143,253.04**	**145,298.87**	**2,274.79**	**-228.96**
Non-debt securities	8,002.41	12,104.88	4,622.71	-520.24	10,721.02	12,247.85	2,571.05	-1,044.22	9,999.93	14,621.44	5,776.48	-1,154.97
Subsidiaries and associates — at cost	-	-	-	-	-	-	-	-	-	-	-	-
Total	**147,379.39**	**152,473.89**	**5,737.83**	**-643.33**	**230,722.56**	**233,757.56**	**4,253.52**	**-1,218.52**	**153,252.97**	**159,920.31**	**8,051.27**	**-1,383.93**

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

Held to Maturity Investments

The following tables set forth, as of the dates indicated, information related to the Bank's domestic investments held to maturity.

(₹ in millions)

	As of March 31, 2015				As of March 31, 2016				As of March 31, 2017			
	Book Value	**Market Value**	**Unrealised gain**	**Unrealised loss**	**Book Value**	**Market Value**	**Unrealised gain**	**Unrealised loss**	**Book Value**	**Market Value**	**Unrealised gain**	**Unrealised loss**
Government securities	108,239.30	110,772.19	2,535.42	-2.53	245,707.67	251,100.44	5,429.73	-36.96	269,298.10	279,998.77	10,860.70	-160.03
Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total debt securities	**108,239.30**	**110,772.19**	**2,535.42**	**-2.53**	**245,707.67**	**251,100.44**	**5,429.73**	**-36.96**	**269,298.10**	**279,998.77**	**10,860.70**	**-160.03**
Non-debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Subsidiaries and associates — at cost	5,381.45	5,381.45	-	-	7,470.10	7,470.10	-	-	8,359.10	8,359.10	-	-
Total	**113,620.75**	**116,153.64**	**2,535.42**	**-2.53**	**253,177.77**	**258,570.54**	**5,429.73**	**-36.96**	**277,657.20**	**288,357.87**	**10,860.70**	**-160.03**

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

Held for Trading Investments

The following table sets forth, as of the dates indicated, information related to the Bank's domestic investments held for trading.

(₹ in millions)

	As of March 31, 2015				As of March 31, 2016				As of March 31, 2017			
	Book Value	**Market Value**	**Unrealised gain**	**Unrealised loss**	**Book Value**	**Market Value**	**Unrealised gain**	**Unrealised loss**	**Book Value**	**Market Value**	**Unrealised gain**	**Unrealised loss**
Government securities	17,775.20	17,779.40	18.46	-14.26	21,197.19	21,355.10	157.94	-0.03	2,077.10	2,077.10	-	-
Other debt securities	7,473.08	7,483.63	17.34	-6.79	7,264.33	7,299.46	56.42	-21.29	12,671.29	12,700.11	77.35	-48.53
Total debt securities	**25,248.28**	**25,263.03**	**35.80**	**-21.05**	**28,461.52**	**28,654.56**	**214.36**	**-21.32**	**14,748.39**	**14,777.21**	**77.35**	**-48.53**
Non-debt securities	198.20	198.20	-	-	-	-	-	-	4,519.45	4,520.75	1.30	-
Subsidiaries and associates — at cost	-	-	-	-	-	-	-	-	-	-	-	-
Total	**25,446.48**	**25,461.23**	**35.80**	**-21.05**	**28,461.52**	**28,654.56**	**214.36**	**-21.32**	**19,267.84**	**19,297.96**	**78.65**	**-48.53**

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investment

Residual Maturity Profile

Available for sale

The following tables set forth, as of the date indicated, an analysis of the residual maturity profile of the Bank's domestic investments in government and other debt securities classified as AFS securities and their weighted average market yields.

(₹ in millions, except percentages)

	As of March 31, 2015							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield	Amount	Yield (%)	Amount	Yield (%)
Government securities	21,646.48	8.5%	22,786.58	8.6%	35,295.91	8.2%	23,073.71	8.1%
Other debt securities	4,551.36	9.4%	8,966.84	9.6%	22,856.04	9.9%	200.06	10.2%
Total debt securities - market value	26,201.21	-	31,839.95	-	58,604.75	-	23,723.08	-
Total Book Value	26,197.84	-	31,753.42	-	58,151.95	-	23,273.77	-

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

(₹ in millions, except percentages)

	As of March 31, 2016							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	33,826.45	7.4%	24,988.44	7.5%	52,643.01	8.0%	29,246.95	7.9%
Other debt securities	32,146.90	8.7%	16,525.51	9.5%	20,115.54	10.1%	10,508.73	8.4%
Total debt securities - market value	65,993.24	-	41,586.33	-	73,661.45	-	40,268.69	-
Total Book Value	65,973.35	-	41,513.95	-	72,758.55	-	39,755.68	-

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

(₹ in millions, except percentages)

	As of March 31, 2017							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	1,389.83	6.6%	11,347.42	7.1%	61,788.77	7.6%	15,674.18	7.6%
Other debt securities	9,851.62	7.7%	4,122.33	9.4%	35,906.20	8.2%	3,172.68	7.9%
Total debt securities market value	11,241.76	-	15,482.34	-	99,219.93	-	19,354.85	-
Total Book Value	11,241.45	-	15,469.75	-	97,694.97	-	18,846.86	-

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

Held to maturity

The following tables set forth, as of the indicated, an analysis of the residual maturity profile of the Bank's domestic investments in government and other debt securities classified as held to maturity and their weighted average market yields.

(₹ in millions, except percentages)

	As of March 31, 2015							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	1,194.54	8.0%	9,035.16	7.6%	51,498.06	8.4%	46,511.54	8.5%
Other debt securities	-	-	-	-	-	-	-	-
Total debt securities market value	1,207.16	-	9,049.43	-	52,451.62	-	48,063.99	-
Total Book Value	1,194.54	-	9,035.16	-	51,498.06	-	46,511.54	-

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

(₹ in millions, except percentages)

	As of March 31, 2016							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	1,930.36	7.8%	22,221.19	8.7%	105,669.54	7.9%	115,886.58	8.3%
Other debt securities	-	-	-		-		-	
Total debt securities market value	1,950.12	-	22,546.35	-	107,541.08	-	119,062.90	-
Total Book Value	1,930.36	-	22,221.19	-	105,669.54	-	115,886.58	-

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

(₹ in millions, except percentages)

	As of March 31, 2017							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	-	-	23,774.93	8.6%	141,973.88	7.7%	103,549.29	7.9%
Other debt securities	-	-	-	-	-	-	-	-
Total debt securities market value	-	-	24,244.43	-	147,117.50	-	108,636.84	-
Total Book Value	-	-	23,774.93	-	141,973.88	-	103,549.29	-

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

Held for trading

The following tables set forth, as of the indicated, an analysis of the residual maturity profile of the Bank's domestic investments in government and other debt securities classified as held for trading and their weighted average market yields.

(₹ in millions, except percentages)

	As of March 31, 2015							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	4.75	8.2%	-	-	-	-	17,770.46	7.7%
Other debt securities	270.17	9.3%	922.25	8.6%	653.78	8.6%	5,626.87	8.3%
Total debt securities market value	274.92	-	924.02	-	652.57	-	23,411.53	-
Total Book Value	274.92	-	922.25	-	653.78	-	23,397.33	-

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

(₹ in millions, except percentages)

	As of March 31, 2016							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	500.20	7.4%	-	-	13,145.42	7.6%	7,551.58	7.9%
Other debt securities	-	-	-	-	1,647.61	8.4%	5,616.72	8.7%
Total debt securities market value	500.24		-	-	14,871.77	-	13,282.54	-
Total Book Value	500.20		-	-	14,793.03	-	13,168.30	-

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

(₹ in millions, except percentages)

	As of March 31, 2017							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	-	-	-	-	890.30	6.6%	1,186.80	7.0%
Other debt securities	999.27	6.7%	-	-	4,806.68	7.7%	6,865.35	8.9%
Total debt securities market value	999.11	-	-	-	5,689.41	-	8,088.68	
Total Book Value	999.27	-	-	-	5,696.98		8,052.15	

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

Funding

The Bank's funding operations are designed to ensure stability, low cost of funding and effective liquidity management. The Bank's principal sources of funds are deposits from retail and corporate customers, borrowings from the RBI and other financial institutions, foreign currency borrowings, profits from the purchase and sale of investments, and the public and private issuance of bonds.

Total Deposits

The following table sets forth, for the periods indicated, the Bank's average outstanding domestic deposits (deposits of branches in India) on a daily average basis and the percentage composition by each category of deposits.

(₹ in millions except percentages)

	Fiscal 2015		Fiscal 2016		Fiscal 2017	
	Amounts	Percentage of total	Amounts	Percentage of total	Amounts	Percentage of total
Term deposits	453,199.31	70.2%	807,777.63	67.1%	886,892.36	62.6%
Saving deposits	112,450.84	17.4%	238,623.54	19.8%	331,126.69	23.3%
Current deposits	80,116.52	12.4%	158,366.00	13.1%	199,678.37	14.1%
Total	**645,766.67**	**100.0%**	**1,204,767.17**	**100.0%**	**1,417,697.42**	**100.0%**

As of March 31, 2017, individual domestic term deposits of the Bank in excess of ₹5,000,000 had balance to maturity profiles as set out below.

(₹ in millions, except percentages)

	As of March 31, 2017				
	Up to 3 months	Over 3 months to 1 Year	Over 1 year to 5 Years	Over 5 Years	Total
Balance to maturity for deposits exceeding ₹ 5,000,000	243,252.25	278,980.22	36,644.50	1,505.77	560,382.74

The interest cost of average savings deposits was 5.5%, 5.5% and 5.5 % in the years ended March 31, 2015, 2016 and 2017, respectively. The interest cost of average term deposits was 8.7%, 8.1% and 7.2% in the years ended March 31, 2015, 2016 and 2017, respectively.

Borrowings

The following table sets forth, for the periods indicated, information related to the Bank's domestic borrowings.

(₹ in millions, except percentages)

	Year ended March 31,		
	2015	2016	2017
Period end balance	78,072.52	130,137.38	154,336.35
Average balance during the period(1)	92,627.86	142,491.15	160,898.93
Interest expense during the period	8,118.36	11,980.36	11,956.02
Average interest rate during the period(2) (in percentage)	8.8%	8.4%	7.4%

Notes:

(1) Average daily balances outstanding.

(2) Represents the ratio of interest expense on borrowings to the average of balances of borrowings.

Short-term Borrowings

The following table sets forth, for the periods indicated, information related to the Bank's domestic borrowings.

(₹ in millions, except percentages)

	Year ended March 31,		
	2015	**2016**	**2017**
Period end balance	38,531.80	58,058.74	55,999.31
Average balance during the period [(1)]	48,252.07	64,912.15	72,324.27
Interest expense during the period	3,902.51	4,872.91	4,793.06
Average interest rate during the period[(2)] (in percentage)	8.1%	7.5%	6.6%

Notes:

(1) Average daily balances outstanding.

(2) Represents the ratio of interest expense on short-term borrowings to the average of balances of short-term borrowings.

Subordinated Debt

We also obtain funds from the issuance of unsecured non-convertible subordinated debt securities, which qualify as Tier 2 risk-based capital under the RBI's guidelines for assessing capital adequacy. Subordinated debt Lower Tier 2 capital and Upper Tier 2 capital Instruments outstanding as on March 31, 2017 were ₹ 8.59 billion and ₹ 3.48 billion, respectively.

The following table sets forth, as at March 31 2017, the details of subordinated debt issued by the Bank.

Type	Currency	Issue Date	Maturity Date	Interest rate	Year of call	Step-up rate	Face value (₹ in Millions)
Lower tier II	INR	07-04-2011	07-04-2021	9.3%	NONE	NIL	1,500.00
Lower tier II	INR	14-11-2006	14-04-2017	9.1%	NONE	NIL	100.00
Lower tier II	INR	14-11-2006	14-04-2017	9.1%	NONE	NIL	100.00
Lower tier II	INR	20-11-2006	20-04-2017	9.1%	NONE	NIL	21.00
Lower tier II	INR	20-11-2006	20-04-2017	9.1%	NONE	NIL	50.00
Lower tier II	INR	25-01-2007	25-04-2017	9.5%	NONE	NIL	45.00
Lower tier II	INR	25-01-2007	25-04-2017	9.5%	NONE	NIL	50.00
Lower tier II	INR	06-12-2006	06-05-2017	9.0%	NONE	NIL	500.00
Lower tier II	INR	06-02-2007	06-05-2017	9.5%	NONE	NIL	71.00
Lower tier II	INR	16-03-2007	16-05-2017	10.2%	NONE	NIL	600.00
Lower tier II	INR	21-02-2007	21-05-2017	9.5%	NONE	NIL	23.00
Lower tier II	INR	21-02-2007	21-05-2017	9.5%	NONE	NIL	10.00
Lower tier II	INR	09-07-2007	09-05-2018	10.3%	NONE	NIL	108.00
Lower tier II	INR	09-07-2007	09-05-2018	10.3%	NONE	NIL	250.00
Lower tier II	INR	15-07-2008	14-07-2018	10.4%	NONE	NIL	1,500.00
Lower tier II	INR	14-12-2012	13-12-2022	9.9%	NONE	NIL	3,060.00
Lower tier II	INR	31-01-2009	30-01-2019	9.7%	NONE	NIL	600.00
Upper tier II	INR	30-08-2007	30-08-2022	10.0%	30-08-2017	50 bps if call option not exercised	310.00
Upper tier II	INR	30-08-2007	30-08-2022	10.0%	30-08-2017	50 bps if call option not exercised	50.00
Upper tier II	INR	07-09-2007	07-09-2022	10.3%	07-09-2017	50 bps if call option not exercised	1,000.00
Upper tier II	JPY	23-01-2009	23-01-2024	3m libor + 230 bps	23-01-2019	100 bps	2,122.82
						Total	12,070.82

Interest Coverage Ratio

The following table sets forth information with respect to our interest coverage ratio for the periods indicated. This ratio, however, is typically used to measure the debt-servicing ability of a corporate and is generally not relevant to a banking company.

(₹ in millions, except percentages)

	Year ended March 31,		
	2015	**2016**	**2017**
(i) Net profit	18,659.79	20,897.79	34,114.98
(ii) Depreciation on the Bank's Property	1,930.00	2,873.76	2,906.62
(iii) Interest expended	54,961.35	94,838.10	95,727.84
(iv) Total (i)+(ii)+(iii)	75,551.14	118,609.65	132,749.44
(v) Interest coverage ratio (iv)÷(iii)	137.5%	125.1%	138.7%

Asset Liability Gap

The following table sets forth our asset liability gap position as March 31, 2017:

(₹ in millions except percentages)

	As of March 31, 2017							
	1-28 days	**29 days to 3 months**	**Over 3 months and up to 6 months**	**Over 6 months and up to 12 months**	**Over 1 year and up to 3 years**	**Over 3 years and up to 5 years**	**Over 5 years**	**Total**
Cash and bank balances	169,818.07	7,908.38	9,162.48	12,773.24	23,782.82	853.49	1,421.62	**225,720.10**
Advances	85,758.26	134,985.51	100,690.59	93,231.89	625,340.00	142,128.65	178,686.39	1,360,821.29
Investments	226,017.53	42,490.26	27,443.36	23,790.82	104,561.68	3,719.30	20,280.99	4,48,303.94
Fixed assets	-	-	-	-	-	-	15,376.28	15,376.28
Other assets	10,216.36	10,177.62	8,555.84	18,415.61	13,258.40	16,265.84	16,350.37	93,240.04
Total assets	**491,810.22**	**195,561.77**	**145,852.27**	**148,211.56**	**766,942.90**	**162,967.28**	**232,115.65**	**2,143,461.65**
Capital and reserves	-	-	-	-	-	-	276,179.37	2,76,179.37
Deposit	178,933.99	223,553.66	254,173.39	206,713.43	692,738.36	13,009.40	5,136.37	1,574,258.60
Borrowings	64,516.56	22,519.08	33,142.03	11,917.69	57,168.62	9,620.01	-	198,883.99
Tier II debt	366.00	1,204.00	-	-	4,580.80	1,500.00	4,420.02	12,070.82
Other liabilities	39,686.34	6,341.33	3,086.94	2,764.14	14,147.88	2,113.14	16,367.03	84,506.80
Total liabilities	**283,502.89**	**253,618.07**	**290,402.36**	**221,395.26**	**768,635.66**	**26,242.55**	**302,102.79**	**2,145,899.58**
Liquidity gap[(5)]	**208,307.33**	**-58,056.30**	**-144,550.09**	**-73,183.70**	**-1,692.76**	**136,724.74**	**-69,987.15**	**-2,437.93**
Cumulative liquidity gap	208,307.33	150,251.03	5,700.94	-67,482.76	-69,175.52	67,549.22	-2,437.93	
Cumulative liabilities	283,502.89	537,120.96	827,523.32	1,048,918.58	1,817,554.24	1,843,796.79	2,145,899.58	
Cumulative liquidity gap as a percentage of Cumulative liabilities	73.5%	28.0%	0.7%	-6.4%	-3.8%	3.7%	0.1%	

Notes:

(1) Classification methodologies are based on the Asset Liability Management Guidelines issued by the RBI.

(2) Assets and liabilities are classified into categories as per residual maturity.

(3) Assets and liabilities that do not mature or have ambiguous maturities are classified as per historical behavioral analysis or management judgment.

(4) Listed equity investments in the available for sale category have been considered in Asset Liability Gap statement at 50.0% haircut (₹ 2.44 billion), in accordance with RBI guidelines.

(5) Liquidity gap is defined as total assets minus total liabilities.

Advances Portfolio

The following table sets forth, for the periods indicated, the Bank's net advances portfolio classified by product groups.

(₹ in millions)

Classification of advances	Fiscal		
	2015	2016	2017
Corporate banking	202,994.99	342,778.40	417,030.32
Home Loans and loans against property	147,086.95	230,093.90	261,208.77
Agriculture division	118,101.92	175,825.09	189,686.87
Business Banking	64,216.01	179,974.35	178,841.58
Small business, personal loans and credit cards	62,627.91	149,474.24	173,865.05
Commercial vehicles and construction equipment	54,996.39	78,737.53	108,270.16
Others	11,582.96	29,769.44	31,918.54
Total Advances	**661,607.13**	**1,186,652.95**	**1,360,821.29**

Maturity and Interest Rate Sensitivity Analysis

The following table sets forth the interest rate sensitivity analysis of the Bank's advances as of March 31, 2017:

(₹ in millions)

Interest rate classification of assets and liabilities by re-pricing	As of March 31, 2017					
	Up to three months	Three months to one year	One to five years	More than five years	Non-sensitive	Total
Cash and Balances with RBI	-	-	-	-	74,924.26	**74,924.26**
Current Balances with other Banks	-	-	-	-	10,274.22	**10,274.22**
Other deposits and placements with Financial Institutions	135,448.19	5,066.80	6.63	-	-	**140,521.62**
Investments	14,496.09	40,597.72	242,816.98	129,817.01	23,014.07	**450,741.87**
Advances	718,118.02	478,611.59	161,049.75	3,041.93	-	**1,360,821.29**
Other Assets	72.90	11,006.17	26,735.13	16,040.28	54,761.84	**1,08,616.32**
Total Assets	**868,135.20**	**535,282.28**	**430,608.49**	**148,899.22**	**162,974.39**	**2,145,899.58**
Borrowings from Financial Institutions	95,382.73	37,926.22	65,575.04		-	**1,98,883.99**
Deposits from other Accounts	411,160.05	855,785.08	302,238.71	5,074.76	-	**1,574,258.60**
Tier II Debt	3,692.80	-	3,958.00	4,420.02	-	**12,070.82**
Other liability	-	-	-	-	84,506.80	**84,506.80**
Capital and Reserves	-	-	-	-	2,76,179.37	**276,179.37**
Total Liabilities	**510,235.58**	**893,711.30**	**371,771.75**	**9,494.78**	**3,60,686.17**	**2,145,899.58**

Concentration of Advances

Pursuant to RBI guidelines, exposure ceilings are 15.0% of capital funds in the case of a single borrower and 40.0% in the case of a borrower group. The single borrower exposure limit is extendable by another 5.0%, up to 20.0% of capital funds. The borrower group exposure limit is extendable by another 10.0%, up to 50.0% of capital funds, provided that the additional exposure is for the purpose of financing infrastructure projects. In addition, a bank may, in exceptional circumstances and with the approval of its board of directors, consider increasing its exposure to a single borrower up to a maximum of an additional 5.0% of capital funds, subject to the borrower consenting to the bank making appropriate disclosure about the borrower in the bank's annual report. There are generally no restrictions in India on exposure to a particular industry. RBI norms specify exposure to capital market, real estate, sensitive commodities listed by the RBI, venture capital funds, stockbrokers, financing for acquisition of overseas entities, and credit to overseas joint ventures. For further information, see "*Regulations and Policies*" on page 176.

The following table sets forth, at the dates indicated, the Bank's gross advances categorized by internal classifications of the borrower industry or economic activity.

(₹ in millions, except percentages)

Classification of Advances	**March 31, 2015**		**March 31, 2016**		**March 31, 2017**	
	Amounts	**Percentage of total**	**Amounts**	**Percentage of total**	**Amounts**	**Percentage of total**
Automobiles including ancilliaries	37,109.86	5.5%	58,777.27	4.9%	67,853.67	4.9%
Commercial Real Estate	41,932.47	6.3%	50,236.07	4.2%	61,143.37	4.4%
NBFCs (including HFCs)	23,079.92	3.5%	53,212.17	4.4%	58,628.00	4.3%
Wholesale Trade	20,465.42	3.1%	39,648.42	3.3%	49,853.20	3.6%
Banks	15,286.16	2.3%	26,323.38	2.2%	47,871.01	3.5%
Food Processing	14,663.95	2.2%	41,652.19	3.4%	46,577.61	3.4%
Gems and Jewellery	10,396.81	1.5%	40,369.07	3.4%	43,958.12	3.2%
Agriculture Related Service Activity	19,599.59	2.9%	32,030.85	2.7%	38,667.03	2.8%
Logistics and Auxiliary transport activities	17,440.43	2.6%	26,663.41	2.2%	38,326.54	2.8%
Engineering	12,829.37	1.9%	31,488.53	2.6%	38,032.92	2.8%
Iron and Steel	10,481.14	1.6%	25,266.82	2.1%	33,727.14	2.4%
Drugs and Pharmaceuticals	15,302.49	2.3%	28,403.85	2.4%	32,178.68	2.3%
Chemical, dyes, paints etc.	17,860.74	2.7%	23,865.40	2.0%	31,130.16	2.3%
Man Made textiles	9,259.60	1.4%	25,510.10	2.1%	28,203.50	2.0%
Apparels and Accessories	8,591.08	1.3%	20,270.02	1.7%	22,648.28	1.6%
All other industries including Retail	393,649.75	58.9%	679,094.33	56.4%	741,008.33	53.7%
Total Gross Advances	**667,948.78**	**100.0%**	**1,202,811.88**	**100.0%**	**1,379,807.56**	**100.0%**
Gross NPA in Top 5 industries (based on total funded and non-funded outstanding)	3,496.92		2,227.31		3,735.99	

As of March 31, 2017, aggregate credit exposure including derivatives to the Bank's twenty largest borrowers amounted to ₹ 232.88 billion representing 82.7% of its total Tier I and Tier II capital. The Bank's aggregate credit exposure including derivatives to its single largest borrower as of March 31, 2017 amounted to ₹ 28.22 billion, representing 10.0% of its Tier I and Tier II capital.

The following table sets forth, at the dates indicated, the Bank's net advances and investments on a standalone basis as per segmental classifications reported to the RBI:

(₹ in millions)

Industry Segment	**March 31, 2015**	**March 31, 2016**	**March 31, 2017**
Retail	291,128.41	525,836.01	552,373.26
Corporate	370,478.72	660,816.94	808,448.03
Total Advances	661,607.13	1,186,652.95	1,360,821.29
Investments	286,591.05	512,602.20	450,741.87
Total Advances and Investments	948,198.18	1,699,255.15	1,811,563.16

Priority Sector Lending

As stipulated by the RBI, commercial banks in India are required to lend, through advances or investment, 40% of their adjusted net bank credit or credit equivalent amount of off-balance sheet exposures, whichever is higher, to specified sectors known as "priority sectors," subject to certain exemptions permitted by RBI from time to time. Priority sector advances include advances to the agriculture sector, micro and small enterprises, weaker sections, housing and education finance up to certain ceilings.

We are required to comply with the priority sector lending requirements in each fiscal year. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with the Rural Infrastructure Development Fund established by NABARD or funds with other financial institutions as specified by the RBI.

A breakdown of our priority sector lending in the form of gross advances for the periods indicated is as follows:

(₹ in millions, except percentages)

	March 31, 2015		**March 31, 2016**		**March 31, 2017**	
	Amounts	**Percentage of total**	**Amounts**	**Percentage of total**	**Amounts**	**Percentage of total**
Agriculture advances	84,117.60	40.7%	156,931.40	37.7%	169,238.35	34.4%
Small-scale industry	46,249.50	22.4%	112,423.40	27.0%	137,851.24	28.0%
Services and others	76,299.30	36.9%	147,159.60	35.3%	184,866.97	37.6%
Total priority sector	206,666.40	100.0%	416,514.40	100.0%	491,956.56	100.0%

Non-Performing Assets

As a commercial bank operating in India, we recognize NPAs in accordance with the RBI's guidelines. The guidelines require Indian banks to classify their NPAs into three categories, as described below, based on the period for which the asset has remained non-performing and the estimated realization of amounts due in relation to such asset. Further, the NPA classification is at the borrower level, rather than at the facility level and accordingly, if one of the advances granted to a borrower becomes non-performing, such borrower is classified as non-performing and all advances due from it are so classified.

A non-performing asset is a loan or an advance where: (i) interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan; (ii) the account remains "out of order" in respect of an overdraft or cash credit; (iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted; (iv) the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops; (v) the installment of principal or interest thereon remains overdue for one crop season for long duration crops; (vi) the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on a securitization dated February 1, 2006; or (vii) in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment. According to guidelines specified by the RBI, an account should be classified as NPA on the basis of the record of recovery and not merely on deficiencies which are temporary in nature, such as non-renewal of limits on the due date or non-submission of stock statements.

Further, the RBI requires the banks to classify an account as a non-performing asset only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

Assets are classified as described below:

Standard assets	A standard asset is one which does not disclose any problem and which does not carry more than normal risks attached to the business. Such asset is not NPA.
Sub-standard assets	A sub-standard asset is one which has remained NPA for a period of less than or equal to 12 months.
Doubtful assets	A doubtful asset is one which has remained in the sub-standard category for a period of 12 months and more.
Loss assets	A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection, but the amount has not been written off wholly. In other words, such an asset is considered uncollectible.

Provisioning and Write-Offs

RBI guidelines on provisioning and write-off are as follows:

Standard assets	The general provisioning requirement for "standard advances" has now been increased by RBI from 0.25% to 0.4% with the exception of banks' farm credit to agricultural activities and SME sectors. For specific sectors, such as commercial real estate, provisioning at 1.0% is required.
Sub-standard assets	A general provision of 15.0% on total outstanding and 25.0% of the outstanding on the "unsecured exposures" identified as "sub-standard." Unsecured exposure is an exposure where

	realizable value of security is not more than 10.0%, *ab-initio*, of the outstanding exposure.
Doubtful Assets	Provision at 100.0% of the extent to which the advances is not covered by realizable value of security. In regard to the secured portion, provision is to be made as under: Period for which advance remained in "Doubtful" category: Up to one year: 25.0% One to three years: 40.0% More than three years: 100.0%
Loss assets	Written off or 100.0% provision is made on outstanding amount

The following table sets forth, for the periods indicated, information about the Bank's NPA position.

(₹ in millions, except percentages)

	As of March 31,		
	2015	**2016**	**2017**
Gross NPAs	12,372.32	28,381.12	35,786.13
NPA provisions (excluding provisions on standard assets)	6,281.47	15,761.52	18,605.43
Floating provisions	-	-	-
NPA net of provisions	6,090.85	12,619.60	17,180.70
Gross Advances	667,948.78	1,202,811.88	1,379,807.56
Net Advances	661,607.13	1,186,652.95	1,360,821.29
Gross NPAs/gross advances (%)	1.9%	2.4%	2.6%
Net NPAs/net advances (%)	0.9%	1.1%	1.3%
NPA provision as a percentage of gross NPAs*	56.8%	63.7%	61.4%
Total provisions as a percentage of gross NPAs*	56.8%	63.7%	61.4%

**After considering technical write-off of ₹ 1.73 billion, ₹ 6.37 billion and ₹ 8.70 billion respectively in fiscal year 2015, 2016 and 2017.*

The following table sets forth, for periods indicated, information about the Bank's NPA provisions.

(₹ in millions, except percentages)

	As of March 31,		
	2015	**2016**	**2017**
NPA provision at the beginning of the year	4,858.80	6,281.47	15,761.52
Addition during the year	3,827.70	15,175.04	8,928.32
Reduction during the period on account of recovery and write-offs	-2,405.03	-5,694.99	-6,084.41
NPA provision at the end	6,281.47	15,761.52	18,605.43
Floating provision	-	-	-

The following table sets forth the Bank's provisions for possible credit losses at the dates indicated.

(₹ in millions, except percentages)

	As of March 31,		
	2015	**2016**	**2017**
NPA provisions (excluding provisions on standard assets)	6,281.47	15,761.52	18,605.43
NPA provision held as percentage of gross advances	0.9%	1.3%	1.3%
NPA provision held as percentage of gross NPAs*	56.8%	63.7%	61.4%

**After considering technical write-off of ₹ 1.73 billion, ₹ 6.37 billion and ₹ 8.70 billion respectively in fiscal year 2015, 2016 and 2017.*

The following table sets forth the classification of gross advances of the Bank at the dates indicated.

(₹ in millions)

	As of March 31,		
	2015	**2016**	**2017**
Standard advances	655,576.46	1,174,430.76	1,344,021.43
Restructured advances	1,640.82	2,700.70	1,322.15
Non-performing assets	12,372.32	28,381.12	35,786.13
Sub-standard advances	5,520.91	14,357.96	14,682.47
Doubtful advances	6,733.73	13,883.67	20,974.74
Loss advances	117.68	139.49	128.92

Analysis of NPAs by Industry Sector

The following table sets forth, for the periods indicated, the Bank's NPAs, by borrowers' industry or economic activities sector and as a percentage of its loans in the respective industry or economic activities sector. These figures do not include credit substitutes.

(₹ in millions, except percentages)

Industry	**As of March 31,**								
	2015			**2016**			**2017**		
	Gross Advances	**NPAs**	**Percentage of Gross NPAs to Total Advances in that Sector**	**Gross Advances**	**NPAs**	**Percentage of Gross NPAs to Total Advances in that Sector**	**Gross Advances**	**NPAs**	**Percentage of Gross NPAs to Total Advances in that Sector**
Agricultural and Allied Activities	92,403.86	1,224.83	1.3%	170,886.68	2,957.71	1.7%	182,593.80	4,547.42	2.5%
Industry	188,104.61	2,156.59	1.2%	445,113.64	18,301.98	4.1%	544,752.73	22,293.84	4.1%
Services	340,781.41	8,366.80	2.5%	412,887.68	5,548.30	1.3%	430,343.89	5,822.83	1.4%
Personal Loans and others	46,658.90	624.10	1.3%	173,923.88	1,573.13	0.9%	222,117.14	3,122.04	1.4%
Total	667,948.78	12,372.32	1.9%	1,202,811.88	28,381.12	2.4%	1,379,807.56	35,786.13	2.6%

Restructuring of Debts

In respect of restructured or rescheduled accounts, we make provisions for the erosion in fair value of restructured advances in accordance with the general framework of the restructuring of advances as per the Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances dated July 1, 2015 issued by the RBI. The erosion in fair value of advances is computed as the difference between the fair values before and after restructuring.

The pre-restructuring and post-restructuring future cash flows would be discounted at a rate equal to the actual interest rate charged to the borrower before restructuring for the purpose of determining the diminution in fair value of loans on restructuring. In cases, where the existing credit facilities to a borrower carry different rates of interest, the weighted average interest rate (with share of each credit facility in the total outstanding of the borrower as on the date of restructuring being used as weights) would be used as the discounting rate.

Our total gross standard restructured advances was ₹ 1.64 billion (0.2% of gross advances), ₹ 2.70 billion (0.2% of gross advances) and ₹1.32 billion (0.1% of gross advances) as of March 31, 2015, 2016 and 2017, respectively.

The following table sets forth the movement in Restructured advances for the period ended March 31, 2017:

(₹ in millions except percentages)

	As of March 31, 2017		
	Standard	**NPA**	**Total**
Restructured Accounts as on April 1, 2016 (Opening position)	2,700.70	8,396.30	11,097.00
Add: Movement in the Accounts	-1,415.70	-394.74	-1,810.44
Add: Fresh Restructuring + Increase in outstanding during the financial year		1,751.40	1,751.40
Add: Up-gradation to restructured standard category	73.05	-73.05	-
Less: Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of the quarter and hence need not be shown as restructured standard advances at the beginning of the next quarter	-32.50	-	-32.50
Less: Down-gradations of restructured accounts during the financial year	-3.40	3.40	0.00
Less: Write-offs + Closures + Decrease in outstanding	-	-2,471.16	-2,471.16
Total restructured accounts as on March 31, 2017 (Closing Position)	1,322.15	7,212.25	8,534.30

The following table sets forth, as of the dates indicated, our restructured NPAs that have been restructured through rescheduling of principal repayments and deferral or waiver of interest:

(₹ in millions, except percentages)

	As of March 31,		
	2015	**2016**	**2017**
Gross restructured assets	1,156.3	8,396.30	7,212.20
Allowance for credit losses	483.8	5,815.50	5,138.70
Net restructured assets	672.5	2,580.80	2,073.50
Gross restructured assets as a percentage of gross NPAs	9.3%	29.6%	20.2%
Net restructured assets as a percentage of net NPAs	11.0%	20.5%	12.1%

Financial Ratios

The following table sets forth certain key financial indicators of the Bank, calculated on an unconsolidated basis, as of and for the periods indicated.

	Fiscal		
	2015	**2016**	**2017**
Return on average equity[(1)]	14.0%	9.1%	13.2%
Return on average assets[(2)]	2.0%	1.2%	1.7%
Dividend payout ratio[(3) (11)]	4.4%	4.4%	3.2%
Cost to average assets[(4)]	3.5%	3.2%	2.9%
Tier I capital adequacy ratio	16.2%	15.3%	15.9%
Tier II capital adequacy ratio	1.0%	1.1%	0.9%
Total capital adequacy ratio	17.2%	16.3%	16.8%
Net non-performing assets ratio[(5)]	0.9%	1.1%	1.3%
Allowance as percentage of gross non-performing assets[(6)]	56.8%	63.7%	61.4%
Average net worth to total average assets[(7)]	14.3%	13.2%	13.2%
Credit to deposit ratio[(8)]	88.4%	85.6%	86.4%
Cost to income ratio[(9)]	52.1%	57.5%	48.4%
Other income to operating income ratio[(10)]	32.4%	27.5%	30.0%

*Note*s:

(1) Return on average equity is the ratio of the net profit after tax to the average net worth (capital plus reserves).

(2) Return on average assets is the ratio of the net profit after tax to the average assets.

(3) Dividend payout ratio is the ratio of dividend to adjusted net profit (after exclusion of a one-off income item from net profit).

(4) Cost to average assets is the ratio of the operating expenses, to the average assets.

(5) Net non-performing assets ratio is the ratio of net non-performing assets divided by net advances.

(6) Allowance as a percentage of gross non-performing assets is the ratio of NPA provisions made to the gross NPAs.

(7) Average net worth to total average assets is the ratio of average capital and reserves divided by total average assets.

(8) Credit to deposit ratio is calculated as a ratio of total advances to total deposits.

(9) Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).

(10) Other income to operating income ratio is calculated as a ratio of other income divided by total operating income (total of net interest income and non-interest income).

(11) From fiscal year 2017, due to change in reporting standard, dividends declared shall be accounted for in the year of approval by the shareholders and actual payment.

Capital Adequacy

The following table sets out our capital adequacy ratios as of March 31, 2015, 2016 and 2017:

(₹ in millions, except percentages)

	As of March 31,		
	2015	**2016**	**2017**
Common Equity Tier I (CET I)	135,086.50	231,086.35	266, 290.56
Additional Tier I capital	-	791.64	659.70
Tier I capital	135,086.50	231,877.99	266,950.26
Tier II capital	8,235.36	16,015.70	14,720.02
Total Capital	143,321.86	247,893.69	281, 670.28
Credit Risk – RWA	658,749.45	1,246,410.84	1,375,783.55
Market Risk – RWA	89,000.02	106,746.66	115,586.21
Operational Risk – RWA	87,048.45	164,075.61	188,087.63
Total risk weighted assets	834,797.92	1,517,233.11	1,679,457.39
CET I Ratio (%)	16.2%	15.2%	15.9%
Capital Adequacy Ratio – Tier I capital (%)	16.2%	15.3%	15.9%
Capital Adequacy Ratio –Tier II capital (%)	1.0%	1.1%	0.9%
Total Capital Adequacy Ratio (%)	17.2%	16.3%	16.8%

INDUSTRY OVERVIEW

*The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries, the Reserve Bank of India ("**RBI**") and the Indian Banks' Association, and has not been prepared or independently verified by us or any of our GCBRLMs. Wherever we have relied on figures published by the RBI, unless stated otherwise, we have relied on the RBI Annual Report 2015-16, Report on Trend and Progress of Banking in India 2015-16 and the accompanying Explanatory Notes, Financial Stability Report (Including Trend and Progress of Banking in India 2015-16) December 2016 and Statistical Tables Relating to Banks in India, 2015-16 available at http://www.rbi.org.in. Industry sources and publications referred to by us state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and, accordingly, investment decisions should not be based on such information. Statements in this section that are not statements of historical fact constitute "forward-looking statements". Such forward-looking statements are subject to various risks, assumptions and uncertainties and certain factors could cause actual results or outcomes to differ materially.*

Indian Economy

The Indian economy is one of the largest economies in the world with a gross domestic product ("**GDP**") at market prices of an estimated ₹ 152.5 trillion for fiscal year 2017. (*Source: Central Statistical Office of India's Ministry of Statistics and Programme Implementation, available at http://mospi.nic.in/sites/default/files/press_release/nad_pr_28feb17r.pdf as of April 30, 2017.*) It is one of the fastest growing major economies in the world with private final consumption contributing over half of the overall GDP growth of 7.9% in 2015-16. (*Source: RBI Annual Report 2015-16.*) In recent years, India has become a popular destination for foreign direct investment ("**FDI**"), owing to its well-developed private corporate sector, large consumer market potential, large well-educated and English speaking workforce and well-established legal systems. Overall, India attracted FDI of approximately U.S$55.4 billion in fiscal year 2016 and U.S$45.1 billion in fiscal year 2015 as compared to an average of U.S$23.1 billion from fiscal year 2001 to fiscal year 2013. (*Source: Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India – Fact Sheet on FDI from April 2000 to December 2016.*)

Fiscal year 2016 was characterised with a moderate recovery for the Indian economy amidst global trade uncertainties. Maintaining macroeconomic stability and external viability remain key priorities for the Indian economy while stimulating private investment and reinvigorating the banking sector. Domestic GDP growth showed a marginal improvement from 7.2% in fiscal year 2015 to 7.9% in fiscal year 2016, primarily attributable to an increase in private final consumption expenditure from 6.2% in fiscal year 2015 to 7.4% in fiscal year 2016. (*Source: RBI Annual Report 2015-16.*) However Real GDP growth slowed to 7.1% in fiscal year 2017. The CSO data depicts that this growth was led by increases in private consumption demand, even as capital formation remained weak. Gross value added ("**GVA**") increased from 6.9% for fiscal year 2015 to 7.8% in fiscal year 2016 but decreased in fiscal year 2017 to 6.7%. (*Source: Central Statistical Office of India's Ministry of Statistics and Programme Implementation, available at http://mospi.nic.in/sites/default/files/press_release/nad_pr_28feb17r.pdf as of April 30, 2017*) A strong monsoon season helped to increase agricultural production, and reduced food-based inflation. The salary increases for central government employees also contributed to the further development of the Indian economy. However, private investment remained weak in fiscal year 2017, and demonetisation further added, albeit marginally, to slowdown in growth.

Overall, the domestic growth prospects remain positive based on expectations that the current Government, which took office in May 2014 with a strong mandate, could spur the reform process to address the structural bottlenecks that have hampered growth over the past few years. This may in turn help to revive growth prospects in the Indian economy.

India's inflation dynamics have become favourable over the last three years. The consumer price index ("**CPI**") inflation has fallen from a high of 6.0% in fiscal year 2015 to 4.9% in fiscal year 2016 and 4.5% in fiscal year 2017. Food inflation declined, aided by a slight increase in minimum support price for food grains and better food supply management by the government. Measures of underlying trends, such as core inflation and rural wage growth, remained muted. Core CPI inflation picked up to 4.7% in fiscal year 2017 as against 4.3% in fiscal year 2016. (*Source: RBI Handbook of Statistics on the Indian Economy available at http://www.rbi.org.in and Economic Survey 2016-17 available at http://indiabudget.nic.in/budget2016-2017/es2014-15/echapter-vol1.pdf*) The Government appears to be firmly committed to fiscal consolidation. The fiscal deficit has been reduced from 4.1% in fiscal year 2015 to 3.9% in fiscal year 2016 and 3.5% in fiscal year 2017. Despite increasing government expenditure in fiscal year 2017, the Government was able to achieve its fiscal deficit target of 3.5% of GDP due to better revenue receipts. In its budget presented on February 1, 2017, the Government announced that the Fiscal Responsibility and Budget Management Committee has recommended a 3% fiscal deficit for the next three years, keeping in mind the sustainable debt target and a need for public investment. The Government ultimately decided on targeting fiscal deficit at 3.2% of GDP for fiscal year 2018. (*Source: Union Budget of India, 2017-18 available at http://indiabudget.nic.in/ub2017-18/bag/bag1.pdf*)

India has also come a long way over the past few years in terms of external sector adjustments with current account deficits decreasing and balance of payments increasing. Despite moderation in India's exports, India's current account deficit has increased from US$ 7.1 billion (1.4% of GDP) in Q3 of fiscal year 2016 to US$7.9 billion (1.4% of GDP) in Q3 of fiscal year 2017. (*Source: The RBI's Developments in India's Balance of Payments during the Third Quarter (October - December) of 2016-17)*. The balance of payment surplus has been healthy owing to better foreign portfolio inflows and steady FDI flows. Foreign exchange reserves have risen to US$367 billion as of end-March 2017 from US $356 billion as of end-March 2016 and US $341.4 billion as of end-March 2015. (*Source: The RBI's Weekly Statistical Supplement)*

Domestic macroeconomic stability has also been achieved by a narrowing of fiscal and current account deficits and reducing inflation which has helped to stabilise the Indian rupee. The Indian Rupee was largely resilient against the US dollar in fiscal year 2015, and depreciated marginally by an average of 1.1% over fiscal year 2015. The Indian Rupee declined overall in fiscal year 2016 due to emerging market sell-offs, expectations of an interest rate increase by the US Federal Reserve, global uncertainty due to the devaluation of the Chinese Yuan and changes in China's exchange rate policy. In fiscal year 2017, the Indian Rupee experienced two-way volatility due to India's improving macroeconomic fundamentals, the outcome of the US presidential election, foreign institutional investment flows into India and the passage of India's GST bill. While the Indian Rupee ended fiscal year 2017 on a strong note at ₹64.84 to the US dollar, rallying ~4.7% from end-December 2016, it depreciated on an average of 2.4% against the US dollar between fiscal year 2016 and fiscal year 2017. (*Data Source: Bloomberg) (Alternative source: RBI's Database on Indian Economy; https://dbie.rbi.org.in/DBIE/dbie.rbi?site=home)*

Indian Banking Industry

Until the 1980s, the Indian financial system was strictly controlled. Interest rates were administered by the Government. Formal and informal parameters governed asset allocation and strict controls limited entry into and expansion within the financial sector. Bank profitability was low, non-performing assets ("**NPAs**") were comparatively high, capital adequacy was diminished and operational flexibility was hindered. The Government's economic reform programme, which began in 1991, encompassed the financial sector. The first phase of the reform process began with implementation of the recommendations of the Committee on the Financial System, namely the Narasimham Committee I. Following that, reports were submitted in 1997 and 1998 by other committees, such as the second Committee on Banking Sector Reform, namely, the Narasimham Committee II, and the Tarapore Committee on Capital Account Convertibility. This led to the second phase of reforms relating to capital adequacy requirements, asset classification and provisioning, risk management and merger policies. The deregulation of interest rates, the emergence of a liberalised domestic capital market and the entry of new private sector banks have progressively intensified the competition among banks.

Banks in India may be categorised as scheduled banks and non-scheduled banks, where the former are banks which are included in the second schedule to the RBI Act 1934, as amended. These banks comprise scheduled commercial banks and scheduled cooperative banks. Scheduled commercial banks may further be classified as the State Bank of India ("**SBI**") and its associates, nationalised banks, private sector banks, foreign banks and regional rural banks. (In the RBI reports, regional rural banks are usually excluded in tables providing details of individual banks and their summary tables at bank group level.) The focus of commercial banks in India has largely been on meeting the short-term financing needs of industry, trade and agriculture sectors. As of December 2016, there were 148 scheduled commercial banks in the country and commercial banks had a nationwide network of 136,412 offices with 62.5% of the offices in rural and semi-urban areas. (*Source: RBI, "Progress of Commercial Banking at a Glance" as of December 2016, available at http://www.rbi.org.in/*) As of December 2016, scheduled commercial banks, not including regional rural banks, had approximately ₹106.1 trillion of deposits and approximately ₹74.9 trillion of loans and advances. Aggregate deposits for all scheduled commercial banks had registered an annual growth rate of 16.4% while the loans and advances for all scheduled commercial banks had increased by 5.8%. (*Source: "Progress of Commercial Banking at a Glance" as of December 2016, available at http://www.rbi.org.in/*) The credit deposit ratio for all scheduled commercial banks stood at 70.6. (*Source: RBI, "Progress of Commercial Banking at a Glance" as of December 2016, available at http://www.rbi.org.in/*)

The RBI Financial Stability Report noted that among financial institutions, the asset quality of public sector banks, scheduled urban co-operative banks and non-banking financial companies has deteriorated. The banking stability indicator showed that risks to the banking sector remained elevated. Though the capital adequacy of banks was above regulatory requirements, continuous deterioration in their asset quality, low profitability and liquidity contributed to the high level of overall risk. The gross NPA ratio of scheduled commercial banks increased to 9.1% in September 2016 from 7.8% in March 2016, pushing the overall stressed advances ratio to 12.3% from 11.5% during the same period. Large borrowers registered significant deterioration in their asset quality, whereas the restructured standard advances ratio declined during the same period. The capital to risk (weighted) assets ratio ("**CRAR**") of scheduled commercial banks remains unchanged during the first half of fiscal year 2016 while public sector banks continued to record the lowest CRAR among banks. The Indian banking sector, as a whole, has maintained its CRAR above the regulatory requirement of 9.0% under Basel III.

Indian Life Insurance Industry

The size of the Indian life insurance sector was ₹3.7 trillion on a total premium basis in fiscal year 2016. (*Source: Handbook on Indian Insurance Statistics, Insurance Regulatory and Development Authority of India*) The total premium in the Indian life insurance sector grew by 11.84% in fiscal year 2016. (*Source: Annual Report 2015-16, Insurance Regulatory and Development Authority of India*) Despite this, India continues to be an underpenetrated insurance market with a life insurance penetration of 2.7% in fiscal year 2015, as compared to 3.7% in Thailand in calendar year 2015, 7.3% in South Korea in calendar year 2015 and a global average of 3.5% in calendar year 2015. The insurance density in India also remains very low as compared to other developed and emerging market economies. (*Source: Handbook on Indian Insurance Statistics, Insurance Regulatory and Development Authority of India*)

Indian Capital Markets

In recent years, the equity capital markets have undergone substantial reforms in regulation and supervision. Over the past decades, there have been a variety of reforms introduced to improve the efficiency of the equity capital markets. Some of these reforms such as scriptless settlement, the electronic transfer of securities, rolling settlement and derivatives trading have greatly improved both the regulatory framework and efficiency of trading and settlement. There are currently 23 recognised stock exchanges in India. In 2003, NCDEX and MCX were set up for trading of futures in various commodities. In addition, the growth of the economy and Indian corporations has coincided with a sharp increase in foreign direct investment, including significant participation from private equity firms, a marked increase in investment in the real estate sector, increasing M&A activity, and a growing demand for credit from both corporations and consumers. There has also been a proliferation in the presence of intermediaries such as investment banks and securities firms that closely monitor the performance of the markets and provide extensive fundamental and technical research on the economy, sectors, and companies. All of these have contributed significantly to the growth of the Indian capital markets. Corporate borrowing requirements are primarily met through the domestic banking system, due to the limited development of the corporate bond market. Large corporations are able to tap into the international banking system for their funding requirements however the RBI has placed restrictions on these borrowings by establishing limits on the amount and the rate at which corporations can borrow abroad. It is widely believed that for the healthy development of the Indian capital markets and corporate sector, it is imperative that the debt and equity markets develop in a systematic and scalable manner.

Investment Banking and Brokering Services

With the growth in the Indian economy, Indian companies have seen increased profits and have increased the scale of their operations. At the same time, their requirements for capital have increased as has their demand for increasingly sophisticated methods of funding, need for strategic advisory services related to mergers, acquisitions and restructurings, and need for risk management solutions. Indian companies have been increasingly raising funds from both domestic and international equity and equity linked and international debt capital markets. In addition, the pace of private equity activity has accelerated over the past few years. As private equity investing in India has gained momentum, the size and nature of investments has also evolved, increasingly moving from smaller start-up and early stage funding to later stage growth capital investments. There has also been a significant increase in merger and acquisition activity by Indian companies in recent years. This continuing increase is evident in the inbound, outbound and domestic segments.

As the Indian capital markets evolve, they undergo rapid consolidation driven by increased trading volumes, increased regulation, customer sophistication, availability of better technology and increased back-office requirements. As a result, significant changes have been introduced to strengthen risk management systems. Changes in the regulatory framework and settlement mechanics have resulted in a consolidation in the industry as the smaller brokering service provider lose market share. Technology has been one of the key enablers of the consolidation that has taken place in the Indian broking industry. New technologies such as digital platforms which provide mobile and internet broking services have made the process of trading more convenient and streamlined. Better telecom connectivity and lower costs have made it possible to have large interconnected operations across multiple locations for centralised operations and effective risk management and control.

Indian Asset Management

India's asset management industry has seen strong growth in the retail mutual funds sector and the alternative asset management sector. From 1963 to 1987, Unit Trust of India was the only mutual fund operating in the country. It was set up in 1963 at the initiative of the government and RBI. From 1987 onwards, several other public sector mutual funds entered this sector and participation was finally opened to the private sector in 1993. The mutual fund industry has experienced considerable growth in the last few years with total quarterly average assets under management increasing from ₹11,887 million as of March 31, 2015 to ₹13,534 million as of March 31, 2016 and ₹18,296 million as of March 31, 2017. (*Source: Association of Mutual Funds in India)*

In the recent past, regulatory initiatives have been taken to improve governance practices in the industry, which have helped to develop the asset management industry. These initiatives include increasing the net worth requirement for asset management companies to ₹500 million, introducing the concept of seed capital for asset management companies or sponsors, a requirement to disclose the asset under management, a requirement to disclose votes cast by mutual funds, and a commitment to develop alternative distribution channels.

Constituents of the Indian Banking Industry

The Reserve Bank of India

The RBI is the central regulatory and supervisory authority for the Indian banking sector. Besides regulating and supervising the banking system, the RBI performs the following important functions:

- acts as the central bank and the monetary authority;
- issues currency;

- manages debt for the central and certain state governments that have entered into agreements with it;
- regulates and supervises financial institutions including banking institutions and non banking financial companies ("**NBFCs**");
- manages the country's foreign exchange reserves;
- manages the capital account of the balance of payments;
- regulates and supervises payment settlement systems;
- operates a grievance redress scheme for bank customers through the banking ombudsmen and formulates policies for fair treatment of banking customers; and
- develops initiatives such as financial inclusion and strengthening of the credit delivery mechanisms to priority sectors and weaker sections, including agricultural entities, small and micro-enterprises and for affordable housing and education.

The RBI issues guidelines on various issues relating to the financial reporting of entities under its supervision. These guidelines regulate exposure standards, income recognition practices, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy. All the institutions under the purview of the RBI are required to furnish information relating to their businesses on a regular basis.

Public sector banks

Public sector banks are scheduled commercial banks with a significant Government shareholding and constitute the largest category in the Indian banking system. These include the SBI, 19 nationalised banks and 56 regional rural banks with 45 sustainable regional rural banks. The regional rural banks were established by the Government of India, the state governments and sponsoring commercial banks in an effort to develop the rural economy. These regional rural banks are regulated and supervised by National Bank for Agriculture and Rural Development ("**NABARD**"). In June 2016, the Government approved the merger of SBI with its five associate banks. On April 1, 2017, the merger was completed and the SBI now functions as a unified entity.

Public sector banks accounted for 66.2% of gross bank credit and 70.6% of the aggregate deposits of the scheduled commercial banks as of December 2016. (*Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks (SCBs) as on December 31, 2016.*)

Private sector banks

After bank nationalisation was completed in 1969 and 1980, the majority of Indian banks were public sector banks. Some of the existing private sector banks, which showed signs of an eventual default, were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry by the private sector into the banking system. This resulted in the emergence of private sector banks, collectively known as the "New Private Sector Banks". As of December 2016, there are a total of 21 private banks. (*Source: RBI Report on Trend and Progress of Banking in India 2015-16.*) Private sector banks grew their aggregate deposits by 23.6% and grew their bank credit by 17.7%. These figures do not include regional rural banks. (*Source: Statistical Tables Relating to Banks in India, 2015-16.*)

The Union Finance Minister made an announcement in his budget speech for 2010-11 that there was a need to extend the geographic coverage of banks and improve access to banking services and the RBI considered whether to begin granting additional banking licences to private sector players.

Following the budget announcement, the New Banks Licensing Guidelines were issued by the RBI in February 2013 specifying that select entities or groups in the private sector, entities in the public sector and non-banking financial companies with a successful track record of at least 10 years would be eligible to promote banks. Further, the RBI has published certain criteria for ascertaining whether a bank is "fit and proper" for the grant of a licence. The new banks can be set up only through a non-operative financial holding company registered with the RBI and the initial minimum paid-up equity voting capital requirement for the applicants is ₹ 5.0 billion, with foreign shareholding not exceeding 49.0% for the first five years.

On April 2, 2014, the RBI granted in-principle approval to two applicants (Infrastructure Development Finance Company (IDFC) Limited and Bandhan Financial Services Private Limited) to set up banks under the New Banks Licensing Guidelines. Both of these non-banking finance companies began operations during fiscal year 2016.

Further, on July 17, 2014, the RBI released the draft guidelines for "Licensing of Payments Banks" and for "Licensing of Small Banks", which are aimed at expanding the banking space and paving the way for corporate entities to enter these two segments. The RBI issued its final guidelines in November 2014 on the entry of "Small Finance Banks" and "Payments Banks" into the private sector in the banking industry, including the eligibility criteria, structure, capital requirements, shareholding structure and corporate governance practices applicable to such proposed entities. In August 2015, the RBI issued licences to two new private sector banks and 11 payment banks. Subsequently, ten small finance banks licenses were granted in September 2016. On August 1, 2016, RBI also issued guidelines with respect to an "on tap" (continuous) licensing policy for universal banks. Five of such small finance banks have started operations in India, they are Capital Small Finance Bank Ltd, Suryoday Small Finance Bank Ltd, Equitas Small Finance Bank Ltd, Utkarsh Small Finance Bank Ltd and Ujjivan Small Finance Bank Ltd.

Airtel Payments Bank Ltd began operations as India's first payments bank in January 2017. They were subsequently followed by India Post, FINO PayTech, Jio Payments Bank, PayTM, National Securities Depository Ltd and Aditya Birla Idea Payments Bank, putting the total number of payments bank in India at 7.

On April 7, 2017, the RBI released a discussion paper on Wholesale and Long-Term Finance banks. These banks will focus primarily on lending to infrastructure sector and small, medium and corporate businesses. These banks can provide refinancing to lending institutions and shall be present in the capital markets in the form of aggregators. The banks can also act like market makers in corporate bonds, credit derivatives and take out financing amongst others.

Foreign banks

As of December 2016, there were 44 foreign banks operating in India with a combined total of 284 branches.

As of fiscal year 2013, there were 43 foreign banks with 327 offices operating in India. (*Source: RBI website, data as of September 30, 2014*.) As of fiscal year 2014, foreign banks accounted for approximately 4.1% of deposits and approximately 4.3% of aggregate advances of scheduled commercial banks (not including regional rural banks). (*Source: Statistical Tables Relating to Banks in India, 2013-14*.)

In 2009, as part of the liberalisation process that accompanied the second phase of the reform process that began in 2005, the RBI began permitting foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made retail banking a significant part of their portfolios in recent years. Most foreign banks operate in India through branches of the parent bank. Certain foreign banks also have wholly owned non-banking financial company subsidiaries or joint ventures for both corporate and retail lending. In 2004, the RBI stipulated that banks, including foreign banks operating in India, should not acquire any fresh stake in another bank's equity shares if, by such acquisition, the investing bank's holding would exceed 5.0% of the investee bank's equity capital. In February 2005, the RBI issued a "Roadmap for Presence of Foreign Banks in India", announcing the following measures to be implemented in two phases:

- During the first phase (from March 2005 to March 2009), foreign banks were allowed to establish a presence by setting up wholly owned subsidiaries or by converting existing branches into wholly-owned subsidiaries.
- Also during the first phase, foreign banks were allowed to acquire a controlling stake in private sector banks identified by the RBI for restructuring. This was only to be done in a phased manner.
- For new and existing foreign banks, proposals were made to go beyond the existing World Trade Organisation commitment of allowing increases of 12 branches per year. A more liberal policy will be followed for areas with a small number of banks.
- During the second phase (from April 2009 onwards) and after a review of the first phase, foreign banks would be allowed to acquire up to 74.0% in private sector banks in India.

In April 2009, in light of deteriorating global financial markets, the RBI postponed the second phase until greater clarity emerged as to recovery and reform of the global regulatory and supervisory architecture. In January 2011, the RBI released a draft discussion paper on the mode of presence of foreign banks in India. The paper indicates a preference for a wholly owned subsidiary model of presence over a branch model. Other recommendations of the discussion paper include requiring systemically important foreign banks to convert their Indian operations into wholly-owned subsidiaries, a less restrictive branch expansion policy and ability to raise Rupee debt through issuance of non-equity capital instruments for such converted subsidiaries, lower priority sector targets as compared to domestic banks and unified regulation for both Indian and foreign banks with respect to investments in subsidiaries and associates.

In July 2012, the RBI revised priority sector lending norms and mandated foreign banks with 20 branches or more in India to meet priority lending norms as prescribed for domestic banks.

In November 2013, the RBI issued a scheme for setting up wholly owned subsidiaries by foreign banks in India. The scheme envisages that foreign banks that commenced business in India after August 2010 would be permitted to do so only through wholly owned subsidiaries if certain specified criteria apply to them. These criteria include incorporation in a jurisdiction which gives legal preference to home country depositor claims in case of a winding up proceeding, among others.

Further, a foreign bank that has set up operations in India through the branch mode after August 2010 will be required to convert its operations into a subsidiary if it is considered to be systemically important. A bank would be considered to be systemically important if the assets on its Indian balance sheet (including credit equivalent of off-balance sheet items) equals 0.25% of the total assets (inclusive of credit equivalents of off- balance sheet items) for all scheduled commercial banks in India as of March 31 of the preceding year. Establishment of a subsidiary would require approval of the home country regulator/supervisor and the RBI, which would be subject to various factors, including economic and political relations with the country of incorporation of the parent bank and reciprocity with the home country of the parent bank. The regulatory framework for a subsidiary of a foreign bank would be substantially similar to that applicable to domestic banks, including with respect to priority sector lending and branch expansion. Wholly-owned subsidiaries of foreign banks may, after further review, be permitted to enter into merger and acquisition transactions with Indian private sector banks, subject to adherence to the foreign ownership limit of 74.0% that is currently applicable to Indian private sector banks.

Cooperative banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban, semi-urban and rural areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004, which came into effect from September 24, 2004, specifies that all multi-state cooperative banks are under the supervision and regulation of the RBI. Accordingly, the RBI is currently responsible for the supervision and regulation of urban cooperative societies, NABARD, state cooperative banks and district central cooperative banks. The wide network of cooperative banks, both rural and urban, supplements the commercial banking network for deepening financial intermediation by bringing a large number of depositors/borrowers under the formal banking network.

Key Banking Industry Trends in India

Relative to the previous quarters, economic activity in India lost pace in the first half of 2016-2017. Weak domestic demand coupled with global economic slowdown and financial market turbulence has affected net exports and overall economic activity in India. However, the Government has sought to change this by increasing public spending, reviving agricultural activity and having a sizable upward revision in the wages and salaries of the public sector. This should lead to further growth in GDP across the economy for the rest of 2016-17. The increase in GDP is aided by a gradually recovering global economy, which in turn supports exports and spurs capital inflows driven by the ongoing search for yields in international financial markets. The inflation outlook for 2016-17 has improved with the Government setting out its inflation target of 4% with a 6% upper tolerance level and a 2% lower tolerance level on August 5, 2016. Between a robust domestic consumption with muted private investment and weak global demand, close vigilance is required for India to achieve its inflation target of 4%. (*Source: RBI Monetary Policy Report – October 2016.*)

India's macroeconomic performance and the RBI's targeted inflation goals have influenced the domestic banking industry. As the emerging market economies slow down due to severe domestic imbalances, global economic slowdown and the downturn in credit growth with rising stresses in corporate and financial sectors, India recorded a higher economic growth due to improvements in private final consumption in 2015-16. The banking sector was also burdened by its non-performing assets which increased sharply during the year. A slowdown in credit growth and profit growth was also recorded across the industry. This has resulted in a decrease in the return on assets and return on equity among the banks. However, the capital adequacy positions showed an improvement due to the capital infusion by the Government and the closer alignment of India's capital adequacy framework with the Basel Committee on Banking Supervision's guidelines. (*Source: Report on Trend and Progress of Banking in India 2015-16.*)

While the growth of the Indian banking sector moderated further during 2015-16 due to weakening credit growth and an increase in non-performing assets, the Reserve Bank is committed to pursuing a long-term vision of developing a sound, competitive, inclusive and customer friendly banking sector. In the pursuit of this goal, the Reserve Bank will explore the possibility of creating new kinds of differentiated banks, scale up the Business Correspondent model, improve the existing payment infrastructure and design an appropriate ombudsman scheme for the non-banking financial companies. (*Source: Report on Trend and Progress of Banking in India 2015-16.*)

Consumer credit

The consumer credit market in India has undergone a significant transformation over the last decade and has experienced rapid growth due to consumer credit becoming cheaper, more widely available and increasingly a more acceptable avenue of funding for consumers. The market has changed dramatically due to the following factors:

- increased focus by banks and financial institutions on consumer credit, resulting in a market shift towards regulated players from unregulated moneylenders/financiers;
- increasing desire by consumers to acquire assets such as cars, goods and houses on credit;
- fast emerging middle class and growing number of households in a bank's target segment;

- improved terms of credit;
- legislative changes that offer greater protection to lenders against fraud and potential default, increasing the incentive to lend; and
- growth in assignment and securitisation arrangements for consumer loans, enabling non-deposit based entities to access wholesale funding and compete in the market, based on the ability to originate, underwrite and service consumer loans.

Commercial Banking Trends

Credit

As of fiscal year 2016, the credit-deposit ratio for scheduled commercial banks was 77.9 as compared to 77.4 of the previous year. The aggregate deposits increased by 8.6% while loans and advances increased by 9.3% in fiscal year 2015. (*Source: RBI – Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, available at http://www.rbi.org.in/.*)

Fiscal year 2017 was marked by a slight improvement in the overall growth of credit. While credit to agriculture and allied activities, the service sector and personal loans showed an improved growth, the industry sector saw a decline in comparison to fiscal year 2016. The slowdown within the industry sector was mainly seen in the infrastructure, food processing, basic metal & metal products, and textiles areas. (*Source: RBI Data on Sectoral Deployment of Bank Credit – February 2017.*)

Fiscal year 2016 saw the Reserve Bank placing a great focus on ensuring adequate credit flow to various segments in the priority sector. As a result, there was a sharp rise in the growth of priority sector credit in fiscal year 2016 to 16.0% as compared to the previous year's growth of 9.3%. The growth in priority sector credit well surpassed the growth in overall credit. The growth in priority sector credit for fiscal year 2016 can be partially attributed to the housing loans credits which increased significantly. (*Source: Report on Trend and Progress of Banking in India 2015-16.*)

In fiscal year 2016, credit to priority sectors by public and private sector banks was 39.3% and 45.1% of adjusted net bank credit or credit equivalent of off-balance sheet exposure, whichever is higher, respectively, indicating a shortfall against the overall priority sector lending target of 40.0%. (*Source: Report on Trend and Progress of Banking in India 2015-16.*)

Interest rates and inflation

Inflation, as measured by the CPI, has seen a secular decline over the past few years. Specifically during fiscal year 2016, CPI inflation witnessed three phases. In the early months of fiscal year 2016, there were food price pressures stemming from unseasonal rains and subsequently from a delayed onset of the southwest monsoon. Inflation ebbed to an intra-year low of 3.7% in August 2015, the lowest since November 2014. The relatively lower inflation is due to a high inflation in the corresponding period in fiscal year 2015. In the second phase from September 2015, inflation rose month after month to 5.7% in January 2016, albeit falling below the RBI target of 6% set for that month. In the third phase of February and March 2016, vegetable prices declined and favourable price corrections and downward adjustments in fuel prices pulled down headline inflation to 4.8% in March 2016. For the year as a whole, inflation averaged 4.9%, a decrease from 6.0% in the preceding year.

CPI Inflation fell further in fiscal year 2017, averaging 4.5%, largely driven by a sharp decrease in food inflation due to the strong monsoon. Core CPI inflation has picked up to 4.7% in fiscal year 2017 as against 4.3% in fiscal year 2016. The deflationary effect was more pronounced in the wholesale price index ("**WPI**"), which contracted 2.5% for fiscal year 2016 as compared to an increase of 2.0% in fiscal year 2015 (*Source: RBI Handbook of Statistics on the Indian Economy available at http://www.rbi.org.in.*) However, WPI inflation increased to 3.7% in fiscal year 2017 due to a reversal of favourable base effect and increases in oil and other commodity prices. (*Source: Office of the Economic Adviser, Ministry of Commerce & Industry of the Government of India available at http://eaindustry.nic.in/)*

The monetary policies of the RBI play a major role in managing India's inflation. These policies are largely steered by the Monetary Policy Framework Agreement entered into on February 20, 2015 between the Government of India and the RBI. The key agenda for the RBI was to: (i) entrench a durable process to deflate consumer price index inflation; (ii) improve transmission of the policy rate to bank lending rates by ensuring appropriate liquidity management which is aligned with the monetary policy stance; and (iii) dampen the volatility of the weighted average call rate and other money market rates around the repo rate.

The RBI has constantly relied on adjustments of the repo rate to meet its policy agenda. Due to a steady fall in CPI inflation, the RBI had cut policy rates by an aggregate of 175bps since January 2015. The repo rate was first reduced by 25 bps in January 2015 to address the weak investment climate and the need to mitigate supply constraints. In September 2015, the benign cereal prices and moderation in crude oil prices motivated the RBI to cut the policy repo rate by 50 bps to boost domestic demand and stimulate investment. In order to bring the CPI inflation rate down to 5%, the RBI further reduced the repo rate by 25 bps to 6.5% in April 2016, which was the lowest the repo rate has been since March 2011. The policy rate corridor was narrowed by reducing the marginal standing facility ("**MSF**") rate by 75 bps to 7% and increasing the reverse repo rate by 25 bps to 6% for a finer alignment of the weighted average call rate with the policy repo rate. (*Source: RBI Annual Report 2015-16 available at http://www.rbi.org.in*.)

In the first bi-monthly monetary policy statement for fiscal year 2017 announced on April 5, 2016, the RBI reduced the repo rate from 6.75% to 6.5%. The minimum daily maintenance of the cash reserve ratio was also reduced to 90% of the requirement in order to ease liquidity management for banks without abandoning liquidity discipline. In the second bi-monthly monetary policy statement announced on June 7, 2016, the RBI maintained both the repo rate and the cash reserve ratio rates. Consequently, the reverse repo rate and the MSF rates were all unchanged. In the third bi-monthly monetary policy statement announced on August 9, 2016, the RBI continued its previous position and kept the repo rate, cash reserve ratio, reverse repo and MSF rates unchanged. In the fourth bi-monthly monetary policy statement announced on October 4, 2016, the RBI further reduced the repo rate by 25 bps to 6.25% and the reverse repo rate was adjusted to 5.75% with the MSF rate at 6.75%. The repo rate has been maintained at 6.25% ever since the last adjustment on October 4, 2016. However, in the December 2016 and February 2017 policies, the RBI's tone turned relatively hawkish and the RBI changed its stance from accommodative to neutral, premised on upside risk to inflation, limited transient growth drag owing to demonetization and global risks. (*Source: Monetary Policy, Reserve Bank of India available at http://www.rbi.org.in*.)

Base rate system and the marginal cost of funds based lending rate

The base rate system, which replaced the benchmark prime lending rate system introduced in 2003, became effective from July 2010 and has contributed to improvement in the pricing of loans, enhanced transparency in lending rates and has improved the assessment of the transmission of monetary policy. This, combined with freeing of interest rates on export credit in foreign currency, effective May 5, 2012, has resulted in complete deregulation of interest rates on lending by commercial banks. As proposed in the RBI Second Quarter Review of Monetary Policy 2010-11 and pursuant to Guidelines on Deregulation of Savings Bank Deposit Interest Rate, the RBI decided to deregulate the savings bank deposit interest rate, effective October 25, 2011, subject to the following two conditions:

- *first*, each bank will have to offer a uniform interest rate on savings bank deposits up to ₹ 100,000, irrespective of the amount in the account within this limit; and
- *second*, for savings bank balances over ₹ 100,000, a bank may provide differential rates of interest, if it so chooses. However, there should not be any differentiation on interest rates between similar deposit amounts accepted on the same date at any of a bank's branches.

On December 17, 2015, the RBI also released the final guidelines on computing interest rates on advances based on the marginal cost of funds. These guidelines came into effect on April 1, 2016 with the introduction of the Marginal Cost of Funds based Lending Rate ("**MCLR**") system under which new rupee loans and renewal of credit limits would be priced with reference to the MCLR. Apart from helping to improve the transmission of policy rates into the lending rates of banks, these measures are also expected to improve transparency in the methodology followed by banks for determining interest rates on advances. The guidelines are also expected to ensure availability of bank credit at interest rates which are fair to the borrowers as well as the banks. Further, marginal cost pricing of loans will help the banks become more competitive and enhance their long-run value and contribution to economic growth.

As per these guidelines issued by the RBI, banks have to publish the MCLR for various tenors which will be the internal benchmark lending rates. Based on the MCLR, interest rates for different types of customers should be fixed in accordance with their respective risk profiles.

The MCLR is to be reviewed and published every month. According to these guidelines, banks have to set five benchmark rates for different tenures or time periods ranging from overnight (one day) rates to one year. The new methodology uses the marginal cost or latest cost conditions reflected in the interest rate given by the banks for obtaining funds while setting their lending rate. (*Source: RBI Annual Report 2015-16*.)

Asset quality

The gross NPA ratio for scheduled commercial banks increased from 7.8% in March 2016 to 9.1% in September 2016, pushing the overall stressed advances ratio to 12.3% from 11.5%. This deterioration in NPAs occurred for both public sector banks and foreign banks. In September 2016, the gross and net NPA ratio for public sector banks stood at 11.8% and 7.4%, respectively. Private sector banks recorded stable gross and net NPA ratios as 3.2% and 1.6% in September 2016, respectively. (*Source: RBI Financial Stability Report December 2016.*)

Across the industry, the banks have been making efforts to reduce the amount of NPA via various legal dispute resolution channels such as Lok Adalats, Debt Recovery Tribunals and the invocation of SARFAESI. In 2015-16, the recovery rate of all banks decreased. The scheduled commercial banks recovered ₹227.68 billion as against ₹307.92 billion during the previous year and the public sector banks could only recover ₹197.57 billion as against ₹278.49 billion during the previous year. The reduced recovery rate was largely due to a 52% reduced recovery rate for SARFAESI. Recovery rates for Lok Adalats and Dispute Recovery Tribunals increased by 127.6% and 51.2%, respectively. Four sub-sectors (Basic metal, construction, textiles and food processing) had above 20% of the stressed advances for their respective sectors. These four sub-sectors had 30.5% of total stressed advances of all scheduled commercial banks as of September 2016. (*Source: Financial Stability Report December 2016.*)

Income and profitability

During fiscal year 2016, there was a 60% decrease in net profits for the banking sector as a whole. The deterioration in asset quality has led to an increase in the provisioning measures for such non-performing assets. This has adversely impacted revenues for the scheduled commercial banks. Despite the various issues affecting the banking sector, private banks and foreign banks both reported net profits. Only the public sector banks incurred losses of ₹ 180 billion with net profits declining by 148% over the previous year. Return on assets for the scheduled commercial banks decreased by 61.7% from 0.81 in fiscal year 2015 to 0.31 in fiscal year 2016 and return on equity for the scheduled commercial banks decreased by 65.5% from 10.42 in fiscal year 2015 to 3.59 in fiscal year 2016. (*Source: Report on Trend and Progress of Banking in India 2015-16.*)

Impact of Liberalisation on the Indian Financial Sector

Until 1991, the financial sector in India was heavily controlled and commercial banks and long-term lending institutions, the two dominant financial intermediaries, had mutually exclusive roles and objectives and operated in a largely stable environment, with little or no competition. Long-term lending institutions were focused on the achievement of the Government's various socio-economic objectives, including balanced industrial growth and employment creation, especially in areas requiring development. Long-term lending institutions were extended access to long-term funds at subsidised rates through loans and equity from the Government and from funds guaranteed by the Government originating from commercial banks in India and foreign currency resources originating from multilateral and bilateral agencies.

The focus of the commercial banks was primarily to mobilise household savings through demand and time deposits and to use these deposits to meet the short-term financial needs of borrowers in industry, trade and agriculture. In addition, the commercial banks provided a range of banking services to individuals and business entities. However, there have been comprehensive changes in the Indian financial system since 1991. These changes have transformed the operating environment of banks and long-term lending institutions. In particular, the deregulation of interest rates, the emergence of a liberalised domestic capital market, and the entry of new private sector banks, along with the transformation of long-term lending institutions into banks, have progressively intensified the competition among banks.

Recent Developments in the Indian Banking Industry

- As part of the framework for revitalising distressed assets, the RBI introduced the Scheme for Sustainable Structuring of Stressed Assets for financial restructuring of large accounts on June 13, 2016. The process of selling stressed assets by banks was further streamlined to facilitate better valuation, price discovery and the creation of a vibrant stressed assets market.

- After consultation with the Government, the RBI also released a separate framework for the revival of distressed loans in this sector on March 17, 2016 after considering the difficulties faced by micro, small and medium enterprises in resolving and restructuring their stressed bank loans.

- The RBI has liberalised the banking licensing regime and intends to issue licences on an ongoing basis, subject to the RBI's qualification criteria. The RBI has issued licences to two new private sector banks, 11 payment banks and ten small finance banks in fiscal year 2016. On August 1, 2016, the RBI published the Guidelines for "on-tap" Licensing of Universal Banks in the Private Sector. As these licenses are "on-tap", there is no licensing window and applicants can apply at any time. While large industrial houses are barred, entities or groups in the private sector that are "owned and controlled by residents" (as defined in the FEMA Regulations, as amended from time to time) and have a successful track record for at least ten years are allowed to promote to universal banks, **provided that** such entity/group has total assets of ₹50 billion or more, and the non-financial business of the group does not account for 40% or more in terms of total assets or gross income.

- On April 1, 2016, the RBI replaced the existing base rate regime by pricing new rupee loans and renewal of credit limits with reference to the MCLR to ensure better transmission of policy rates.

Future Developments in the Banking Sector and Expected Domestic Reforms

Implementation of the Basel III capital regulations

In December 2010, the Basel Committee on Banking Supervision ("**BCBS**") issued a comprehensive reform package of capital regulations, Basel III. The objective of the reform package is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus reducing the risk of spill over from the financial sector to the real economy. The RBI issued the RBI Basel III Capital Regulations and the guidelines became operational from April 1, 2013. However, the reform package and guidelines will be implemented in a phased manner. On December 31, 2013, the RBI further extended the implementation of credit valuation adjustment risk to April 1, 2014; and, on March 27, 2014, extended the deadline for full implementation of Basel III requirements to March 31, 2019. (*Source: RBI Circular DBOD.No.BP.BC.81/21.06.201/2013-14 dated December 31, 2013 and RBI Circular DBOD.No.BP.BC.102/21.06.201/2013-14 dated March 27, 2014.*)

Under Basel III, total capital of a bank in India must be at least 9.00% of RWAs (8.00% as specified by the BCBS), Tier I capital must be at least 7.00% of RWAs (6.00% as specified by the BCBS) and Common Equity Tier I capital must be at least 5.50% of RWAs (4.50% as specified by BCBS). Due to the transitional arrangements, the capital requirements of banks may be lower during the initial periods and higher during later years. Therefore, banks have been advised to carry out their capital planning accordingly. In addition to the minimum requirements as indicated above, banks are required to maintain a capital conservation buffer ("**CCB**") in the form of common equity of 2.50% of RWAs. Under the RBI Basel III Guidelines, total capital with CCB has been fixed at 11.50% of RWAs. In July 2014, the RBI released the *"Final Report of the Internal Working Group on Implementation of Counter-cyclical Capital Buffer (CCCB)",* which requires banks to maintain a buffer of up to 2.5% of RWAs in period of high credit growth as precaution for downturn. Further, as per the RBI's release on *"Framework for Dealing with Domestic Systemically Important Banks (D-SIBs)"* dated July 22, 2014, D-SIBs must have incremental capital of 0.2% to 0.8% and the quantum of capital required is dependent upon size, interconnectedness, substitutability and complexity of the bank.

Further, under Basel III, a simple, transparent, non-risk based leverage ratio has been introduced. The BCBS will test a minimum Tier I leverage ratio of 3.00% during a parallel run period from January 1, 2013 to January 1, 2017. The RBI has prescribed that, during this parallel run period, banks should strive to maintain their existing leverage ratios, but in no case should a bank's leverage ratio fall below 4.50%. Banks whose leverage is below 4.50% have been advised to achieve this target as early as possible. This leverage ratio requirement is yet to be finalised and will be finalised taking into account the final proposals of the BCBS. (*Source: RBI Annual Report 2011-2012*.) Additionally, in June 2014, the RBI released guidelines for a LCR as part of the Basel III framework on liquidity standards, which will require minimum LCRs starting at 60% as of January 1, 2015, increasing in equal annual steps to 100% by January 1, 2019.

Further, Additional Tier I non-equity capital instruments under Basel III are expected to provide additional features such as full coupon discretion, and principal loss absorption when the common equity ratio of a bank falls below 6.125% of its risk-weighted assets. In the case of Tier II non-equity capital instruments, the distinction between Upper Tier II and Lower Tier II instruments under Basel II is removed and a single class of Tier II instrument eligibility criteria has been prescribed. Additionally, under Basel III, loss absorption features have been included in the event of the occurrence of the "Point of Non-Viability" trigger. The RBI has also fixed the base at the nominal amount of capital instruments outstanding on January 1, 2013, and their recognition will be capped at 90.00% from April 1, 2013, with the cap reducing by 10.00% points in each subsequent year.

On August 31, 2015, the RBI designated the SBI and ICICI Bank Ltd. as domestic systemically important banks ("**D-SIB**"). Based on the methodology provided in the D-SIB framework and data collected from banks as of March 31, 2015, the SBI and ICICI Bank Ltd. will have to provide Additional Common Equity Tier 1 ("**CET1**") requirements as a percentage of risk weighted assets of 0.6% and 0.2%, respectively. The CET1 requirements applicable to D-SIBs will be applicable from April 1, 2016 in a phased manner and would become fully effective from April 1, 2019. The additional CET1 requirements will be in addition to the CCB.

Dynamic provisioning guidelines

At present, banks generally make two types of provisions; general provisions on standard assets and specific provisions on NPAs. Since the level of NPAs varies through the economic cycle, the resultant level of specific provisions also behaves cyclically. Consequently, lower provisions during upturns and higher provisions during downturns have a pro-cyclical effect on the real economy.

To address the pro-cyclicality of capital and provisioning, efforts at an international level are being made to introduce countercyclical capital and provisioning buffers. The RBI has prepared a discussion paper on a countercyclical (dynamic) provisioning (DP) framework.

The DP framework is based on the concept of expected loss, or "EL", which is the average level of losses a bank can reasonably expect to experience, and is considered the cost of doing business. It is generally covered by provisioning and pricing. The objective of DP is to soften the impact of incurred losses on the results of operations through the economic cycle, and not to provide a general provisioning cushion for EL. More specifically, the DP created during a year will be the difference between the long run average EL of the portfolio for one year and the incremental specific provisions made during the year. The parameters of the model suggested in the discussion paper are calibrated based on data of Indian banks. Banks that have the capability to calibrate their own parameters may, with the prior approval of the RBI, introduce a DP framework using the theoretical model indicated by the RBI. Other banks will have to use the standardised calibration provided by the RBI. (*Source: RBI Annual Report 2011-2012 and Discussion Paper on Introduction of Dynamic Loan Loss Provisioning Framework for Banks in India dated March 30, 2012*.)

Finance Sector Legislative Reforms Commission ("FSLRC")

The FSLRC was constituted on March 24, 2011 to redraft and harmonise legislation related to the financial sector. (*Source: RBI Report on Trend and Progress of Banking in India 2011-12*.)

In its approach paper released on October 1, 2012, the FSLRC has proposed a two-agency regulatory model; the RBI as the monetary authority, banking regulator and payment systems regulator, and a single regulator for the rest of the financial sector. (*Source: FSLRC, Ministry of Finance, Approach Paper and Press Release.*)

The FSLRC submitted its final report to the Government on March 22, 2013. As per this report, the FSLRC recommended a non-sectoral, principle-based, legislative architecture for the financial sector by restructuring and/or upgrading existing regulatory agencies and creating new agencies wherever necessary for better governance. On September 30, 2014, the Government announced the establishment of four new task forces to lay the roadmap for the upgrade of existing agencies and establishment of new agencies, namely Financial Sector Appellate Tribunal, Resolution Corporation, Public Debt Management Agency and Financial Data Management Centre. (*Source: Government of India, Ministry of Finance, Department of Economic Affairs Press Release dated September 30, 2014.*)

Financial Holding Company ("FHC")

In June 2010, the RBI set up a working group to examine the different holding company structures prevalent internationally in the financial sector and to examine the feasibility of introducing an FHC structure in India. FHCs are companies that own or control one or more banks or NBFCs. Currently, banks in India are organised under a bank-subsidiary model, or "BSM", in which the bank is the parent of all the subsidiaries of the group. In May 2011, the RBI released the working group's recommendations that included, among others, that the FHC model should be pursued as a preferred model for the financial sector in India and that the RBI should be designated as the regulator for FHCs. The recommendations have currently not been implemented. (*Source: RBI Report of the Working Group on Introduction of Financial Holding Company Structure in India and Press Release available at http://www.rbi.org.in as of November 2, 2014*.)

Goods and Service Tax

The goods and service tax ("**GST**") is proposed to be implemented with effect from July 1, 2017 and would replace the indirect taxes on goods and services such as central excise duty, service tax, central sales tax, state VAT and surcharge currently being collected by the central and state governments. The GST is expected to be applied to banking transactions, which will increase the tax incidence and administrative compliance costs for banks.

Demonetisation and Digitization

Through a notification dated November 8, 2016 issued by the Ministry of Finance, the Government of India and the RBI, ₹500 and ₹1,000 denominations of bank notes of the then-existing series ceased to be legal tender. These notes were replaced with a new series of bank notes of ₹500 and ₹2,000 denominations.

The immediate financial impact of withdrawal of Specified Bank Notes ("**SBNs**"), announced on November 8, 2016, was a surge in bank deposits with a commensurate fall in currency in circulation. In terms of macroeconomic impact, there was a dampening effect on inflation with a temporary loss of momentum in the growth of real gross value added ("**GVA**"). The RBI also revised the GVA growth for 2016-17 downwards from 7.6% to 7.1%, partly due to slower activity in general in first half of the year and partly due to demonetization. However, the precise impact of the same on the economy may be difficult to capture at this stage and the disruptions in the cash-intensive sectors of the economy are likely to be transitory. In the interim, policy measures to sterilise the impact of excess liquidity resulted in higher investment in government securities by the banking system. There was also a fall in the RBI's investments in government securities and in the RBI's credit to commercial banks. Notwithstanding the short-term disruptions in certain segments of the economy, withdrawal of SBNs is expected to transform significantly the domestic economy in the long run in terms of greater intermediation and increasing efficiency gains through adoption of digital modes of payments. (*Source: Financial Stability Report – December 2016*.)

Future Outlook and Key Trends

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 demonetization 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 fiscal year 2017, 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 fiscal year 2018 and beyond.

BUSINESS

Overview

We are a diversified and integrated financial services conglomerate led by the commercial bank and holding company in our Group structure, Kotak Mahindra Bank Limited ("**Kotak Bank**"), which is among the largest private sector banks in India by total assets as of March 31, 2017. Our products and services cover banking, financing through non-banking financial companies ("**NBFCs**"), asset management, life and general insurance, stock broking, investment banking, wealth management and asset reconstruction, encompassing all customer and geographic segments within India. As a group, we also operate in overseas markets through international Subsidiaries or branches in the United States, United Kingdom, Mauritius, UAE and Singapore.

We organize our banking activities into consumer banking, commercial banking, corporate banking and treasury. Our consumer banking operations include deposit taking, disbursing loans such as home loans, loans against property, personal loans and working capital loans and offer various products such as debit cards and credit cards. Under corporate banking, we offer products and services such as corporate loans, trade finance, foreign exchange and derivatives, and cash management activities. Under commercial banking, we provide commercial loans to small and medium sized enterprises ("**SME**", which we also call "**Business Banking**"), tractor loans, commercial vehicles and construction equipment financing and agricultural finance. Treasury provides standardised and structured client solutions including loan syndication, bond placement, mezzanine financing, securitisation through the Debt Capital Markets ("**DCM**") division. In addition, Treasury also provide foreign exchange services and interest rate risk management solutions to our consumer banking, commercial banking and corporate banking customer segments. Our strength in our businesses is demonstrated by awards such as Company of the Year 2016 at the Economic Times Awards for Corporate Excellence, Best Local Cash Management Bank India (Medium) by Asiamoney Cash Management Poll 2016, BFSI Digital Innovators Award in the Digital Pioneer category for Kotak Bharat app by the Indian Express Group in 2016, Securities Advisory Firm of the Year in India at the Corporate INTL Global Awards 2017, Best Group over 3 years (Equity) at the 2017 Thomson Reuters Lipper Fund Award for India, Best Private Bank India at the Global Private Banking 2016 for Financial Times Group, Best Equity House India at The Asset Triple A Country Awards 2016, #1 in All-India Research Team and #1 in All-India Sales Team by the Institutional Investor 2016 and Best Corporate & Investment Bank at the Asiamoney Best Bank Awards 2017 for India.

Our Group structure comprises of Kotak Bank (the commercial bank and holding company), 17 wholly-owned Subsidiaries and a life insurance Subsidiary, Kotak Mahindra Old Mutual Life Insurance Limited ("**Kotak Life**"), in which Kotak Bank holds 74%. The remaining 26% is held by our JV partner Old Mutual Plc. On April 27, 2017, Kotak Bank has executed a share purchase agreement with Old Mutual Plc. to acquire its 26% stake in Kotak Life, subject to regulatory approvals.

The largest companies in our Group by profit after tax in fiscal year ("**FY**") 2017 were Kotak Bank, Kotak Mahindra Prime Limited ("**Kotak Prime**"), Kotak Securities Limited ("**Kotak Securities**"), Kotak Life and Kotak Mahindra Investments Limited ("**Kotak Investments**") which accounted for 69.1%, 10.4%, 7.3%, 6.1%, and 4.0% of our consolidated profit after tax, respectively. Kotak Prime and Kotak Investments are NBFCs.

As of March 31, 2017, Kotak Bank had 1,369 branches and 2,163 ATMs, and our group companies Kotak Prime, Kotak Life, Kotak Securities and Kotak Mahindra Asset Management Company Limited ("**KMAMC**") had an additional 1,674 distribution outlets across India (including branches, franchises and referral co-ordinators). The Group has an international presence in New York, London, Mauritius, Dubai, Singapore and Abu Dhabi. We have an international banking unit in Gujarat International Finance Tec-City ("**GIFT City**"), India's first international financial services centre and have also received the RBI approval to set up a bank branch in Dubai International Financial Centre ("**DIFC**"). In addition, we also have correspondent banking arrangements and other arrangements to provide international remittance services.

For the years ended March 31, 2015, 2016 and 2017, we generated total consolidated income of ₹ 214.71 billion, ₹ 280.32 billion and ₹ 339.84 billion, respectively, and our net profit for the year was ₹ 30.45 billion, ₹ 34.59 billion and ₹ 49.40 billion, respectively, in each case on a consolidated basis. Our total consolidated assets have increased from ₹ 1,485.76 billion as of March 31, 2015, to ₹ 2,408.04 billion as of March 31, 2016, to ₹ 2,761.88 billion as of March 31, 2017. Our standalone total deposits have also increased from ₹ 748.60 billion as of March 31, 2015, to ₹ 1,386.43 billion as of March 31, 2016 and to ₹ 1,574.26 billion as of March 31, 2017.

Our Competitive Strengths

We believe that the following strengths give us a competitive advantage in the Indian financial services space:

An integrated and diversified business model

We have an integrated and diversified business model offering banking, financing, asset management, insurance, stock broking, investment banking, wealth management and asset reconstruction encompassing all customer and geographic segments within India. Such a model gives us the ability to take advantage of shifting economic environments. We have balance-sheet driven businesses, such as lending and investing, to capitalise on favourable interest rate movements, market-driven businesses such as mutual funds to capitalise on favourable capital markets conditions and knowledge-driven businesses such as investment banking to maximize fee-based income, deepen relationships and increase customer penetration.

We also benefit from diverse revenue streams in many of our business segments. For example, in the mutual fund segment, we not only manage our own mutual fund products but also act as distributors for third-party products, allowing us to capture the margins that arise from offering our own products while also earning distribution revenue from others' products. The wide spectrum of financial products and services that we offer provides us with complementary revenue streams that help to balance against market cycles and hedge against downturns in any particular business segment or asset class, as well as access multiple growth avenues.

Our broad product spectrum also helps us to meet our customers' diverse financial and investment requirements, enhancing the overall experience of our customers. Our diversified business leads to significant cross-selling opportunities, subject to any regulatory restrictions, enabling us to garner a larger proportion of potential revenue from our customers to meet their diverse financial requirements. For example, we are able to realise advisory fees by providing investment banking services, underwriting fees by arranging bond financing for a transaction and service income by acting as the escrow bank for a transaction, all while deepening our customer interactions and relationships, which we can then leverage into corporate banking services.

We are diversified not only across products and service segments and revenue streams, but also customer segments and geographies within India. Our corporate and institutional customers range from small and medium enterprises to emerging, large and very large corporates. Our retail customers range from mass market to affluent to high net worth individuals. Geographically, our retail customers are spread across metro, urban, semi-urban and rural geographies in India, and our bank branch network covers 1,369 branches as of March 31, 2017 across India.

Our integrated business model is strengthened by our senior management, many of whom have expertise across the spectrum of financial services, as opposed to expertise only within the banking industry or isolated business segments. This cross-group expertise allows our senior management team to understand the interactions and relationships between various aspects of our businesses in order to flexibly respond to changing economic conditions and to enhance our product and service offerings.

We are able to identify and capitalise on opportunities

One of our key strengths is our ability to identify and capitalise on opportunities, both through offering innovative new products and services as well as by entering into established segments and effectively compete. To this end, we are continually looking for opportunities to innovate and expand our offerings.

We were the first non-bank financial company to convert into a bank in India, having converted in 2003. Subsequent to our conversion, we have grown to become among the largest private sector banks in India by total assets as of March 31, 2017. We believe that a key element of our growth has been our ability to create niche and differentiated business segments across many aspects of the financial services industry.

Since our founding in 1985, we have led many "firsts" in India's financial services industry. For example, our Subsidiary, Kotak Mahindra Capital Company Limited managed one of the first book-built initial public offering in India, and we were among the first banks to raise interest rates over the prevalent 4% on domestic savings deposits after the RBI deregulated interest rates on savings deposits in 2011, which helped to drive a rise in our savings deposit base.

More recently, we have developed a comprehensive digital offering across internet and mobile platforms to increase our new customer acquisition and better engage with our existing customers**.** Our digital strategy has been designed to complement our physical infrastructure to drive efficiency and enhance customer experience.

We routinely review and monitor a number of internal and external factors across all our various businesses to identify opportunities as well as weaknesses in order to take early decisions to either capitalise on an opportunity or take corrective action to limit our exposure. We believe that our culture of innovation has allowed us to build profitable business models across our various businesses and has enabled us to enter into and maintain partnerships across our various businesses from time to time and also attract quality long term investors as shareholders.

Prudent Risk Management Capabilities

One of our key strengths is our ability to assess opportunities in order to make clear decisions with a focus on rewards that are commensurate with risk. While our policy is one of prudent risk management, we are not averse to taking risk so long as the risk is priced to provide attractive risk-based returns.

Our prudent risk management and credit evaluation processes, coupled with our ability to evaluate and appropriately price risk, have helped us maintain low NPAs, Restructured Standard Assets and Special Mention Accounts Category 2 ("**SMA2**"), despite rapid growth in recent years. Our Net NPA, Net Restructured Standard Assets, and SMA2 were 1.26%, 0.07% and 0.10% of net advances respectively on a standalone basis as of March 31, 2017. Our outstanding Net NPA, Net Restructured Standard Assets and SMA2 were ₹ 17.18 billion, ₹ 1.02 billion and ₹ 1.31 billion respectively as on March 31, 2017. See section entitled "*Selected*

Statistical Information" on page 117 for a description of RBI guidelines for classifying NPAs and restructured assets. We also have an asset reconstruction division to buy stressed portfolios from other financial institutions.

We are a well-capitalised Bank with a standalone capital adequacy ratio of 16.77% as per Basel III as on March 31, 2017. Our strong financial position is also reaffirmed by the AAA rating accorded by CRISIL and ICRA to our Bank, Kotak Prime, Kotak Investments and Kotak Securities. We have also been able to maintain high NIMs in spite of the fact that we offer higher interest rates on domestic savings deposit than many of our peers. Though we offer a rate of 6% on domestic savings deposits between ₹ 0.1 million and ₹ 50 million, as against 4% provided by many of our peers, our standalone NIMs were 4.49% for FY2017.

Our strong brand and leadership in various businesses

We believe that the "Kotak" and "Kotak Mahindra" brands are among the most reputed and widely recognised brands in Indian financial services. The 'Kotak Mahindra Bank' brand was recognised as the ninth and the seventh most valuable Indian brand across industry categories in 2015 and 2016 respectively, in the BrandZ Top 50 Most Valuable Indian Brand study by WPP Group and Kantar Millward Brown. We have been recognized with numerous industry awards and accolades for various aspects of our business, which we believe reflect the governance culture and talent of our senior management and employees as well as trust in the quality of our products and services. Examples of the awards and recognitions that we have received include being named "Company of the Year" in 2016 at the Economic Times Awards for Corporate Excellence, 'Best Private Bank' in India Global Private Banking Awards 2016 by Financial Times Group as well as Best Corporate & Investment Bank in India at the Asiamoney Best Bank Awards 2017.

Our brand strength is supported by strong positions that we hold across various segments of our business. In addition to being among the largest private sector banks in India by total assets as of March 31, 2017, we also are the fifth largest private sector life insurer in terms of individual first year premiums for FY2017 on the basis of data for all life insurers released by the Life Insurance Council of India and the seventh largest mutual fund in terms of quarterly average assets under management for the quarter January – March 2017 as per data available from Association of Mutual Funds in India ("**AMFI**"). Moreover, Kotak Mahindra Capital Company Limited, our 100% Subsidiary, has the highest ranking among the investment banks in India based on the amount raised through domestic issuances (equity and convertibles) for the period April 1, 2014 to March 31, 2017 *(Source: Prime Database)*.

We have a strong governance culture and an experienced management team

Eight of the ten members of our Executive Board are professional entrepreneurs that have spent more than 20 years with our Group and helped us to create various businesses since inception. This continuity in leadership has carried our Group successfully through periods of global financial crisis and economic downturn, as well as through periods of volatility in markets and interest rates. We also derive our strength from our Promoter, Uday Kotak, an entrepreneur whose leadership achievements have been recognised and rewarded through numerous awards throughout his career, including being named 'EY World Entrepreneur of The Year 2014' by Ernst & Young, 'Entrepreneur of the Year' at the Forbes India Leadership Awards 2015 and 'Businessman of the Year 2016' by Business India.

In addition, we have a significant pool of managerial talent in our mid-to-senior ranks so that we are not dependent on the continuing services of any one person. As on March 31, 2017, we had 57 members in our "Kotak Leadership Team" (including our Executive Vice Chairman and Managing Director, and Joint Managing Director) of which 33 have served with our Group for more than 15 years as on March 31, 2017 and an additional 17 members have served for more than 10 years.

Having a management team with such length, breadth and depth of experience enables us to have a strong succession pipeline for senior leadership positions and also helps us to carefully nurture our culture of growth, innovation and high quality governance. See also the section entitled "*Board of Directors and Senior Management*" on page 184.

Our Business Strategy

Expanding market share in Indian financial services with our established offerings

We aim to expand our market share in Indian financial services by increasing our customer base across the Group. The Bank will continue to be our main customer acquisition engine and we aim to leverage customer growth achieved at the Bank by offering our banking customers products and services offered by our other businesses. To drive growth at the Bank, we are focusing particularly on our digital platform, such as our recently introduced "811" mobile application, to target the mass markets across India. We believe that digital offerings will position us well to capitalise on growth in India's banking and financial services sector arising from India's emerging middle class and growing number of bankable households. For a description of our digital offerings, see "—Distribution Channels—Digital Banking" on page 160.

With 1,369 branches across India as of March 31, 2017, we believe that we have a widespread distribution network, through which we can offer our products and services to a broad range of customers, while maintaining profitability. We plan to have a measured growth of our branch network. We are also in the midst of executing a branch rationalisation and relocation strategy to address the overlap in close proximity branches of eIVBL and KMBL. This branch rationalisation and relocation plan will help to further expand our geographical reach in an optimal manner.

Our diversification across financial products and services, coupled with our organizational structure and culture, provides us with an ability to offer various products and services from across our businesses to our expanding base of banking customers. We believe that this will position us well to increase the proportion of our customers' total spending that we capture.

Our life insurance business has been growing through a multi-pronged strategy of entering new geographical markets, cross-selling to our Group's customer base, introducing new products to cater to underpenetrated customer segments, increase the number of life insurance advisers licensed by us and tying up with new distributors.

In our asset management business, the focus has been to deepen penetration through increased distribution tie-ups across channels, increasing accounts under the regular saving systematic investment plans ("**SIPs**") and further improving performance of existing funds. As a result, our assets under management ("**AUM**") have grown from ₹ 1,022.49 billion as on March 31, 2016 to ₹ 1,413.36 billion as on March 31, 2017. These initiatives are expected to help us increase our customer base further and also aid in increasing our AUM**.**

Kotak Securities, our stock broking Subsidiary, has worked with the Bank to leverage on the banks client base to extend broking services. Kotak Securities has also tied up with some other banks to offer broking services to their clients. It uses digital marketing to generate customer leads and has also introduced a number of initiatives to simplify customer on boarding. This is in addition to new products that it launches regularly in line with customer needs.

Focus on Additional Avenues of Organic Growth

In addition to benefiting from the overall growth in India's economy and financial services industry, we aim to increase our market share by continuing to focus on our competitive strengths, including our strong brand and our extensive network, to increase our market penetration. We also aim to deepen our market penetration by pursuing new opportunities in our commercial, corporate and retail lending businesses, as well as by growing our various non-banking businesses.

Within our banking business, we aim to continue harnessing synergies provided by the eIVBL merger to increase our strength in Business Banking and to grow our corporate loan book. In addition, we have set up an infrastructure debt financing company to increase our corporate loan book through avenues such as infrastructure lending, for which we have recently received the certificate of registration as a NBFC from RBI. We are also making an entry into the area of consumer durable finance, which we believe holds significant growth potential given increasing household disposable incomes and increased awareness. Moreover, we aim to expand our international presence through an increased focus on our international lending portfolio, through our international banking unit in GIFT City and through the opening of an overseas bank branch in Dubai, for which we have received RBI approval recently and we are awaiting the approval from the DIFC.

We inherited a strong portfolio of SMEs under our merger with eIVBL. These self-employed customers, in addition to being a strong base for our cross-sell proposition for other Group products and services, especially on the consumer finance side, also serve as a customer segment for our priority and wealth management offerings.

We are not just focused on increasing market penetration in our banking business. We also aim to increase the share of contribution from our complementary non-banking businesses, such as insurance and securities broking.

We see an immense opportunity in the under-penetrated life insurance space. Our life insurance business is well poised to capitalise on the same. We are targeting higher growth through a planned foray into new geographies and customer segments, introducing new tools to improving front-line productivity and retention, increased numbers of life insurance advisors licensed by us and new distribution tie-ups.

Leverage our strong standing to pursue inorganic opportunities

We will actively seek inorganic growth opportunities in the Indian financial services space. These opportunities can take various forms, including acquisitions, mergers, joint ventures, strategic investments and asset purchases. To this end, we will seek inorganic growth opportunities in businesses or assets that are aligned to our business across our product and service lines. We will pursue these inorganic growth opportunities where we see the ability to add value for our stakeholders and customers and also grow our footprint across the Indian banking and financial services chain. For example, subject to RBI approval, we are in the process of completing the acquisition of BSS Microfinance Private Limited, a micro-finance company, and from time-to-time in the past we have acquired portfolios from others banks, such as international banks exiting their India businesses, to expand our deposit and loan portfolios. We will also seek out partners and investors for particular businesses and asset classes to diversify the risk of launching new businesses and also benefit from the expertise or track record of such partners and investors in these businesses.

We believe that our successful integration of eIVBL demonstrates our strong ability to execute complex and large transactions.

Capitalize on opportunities arising from the increase in NPAs and stressed assets in the Indian banking industry

In recent years, the level of NPAs and stressed assets across the Indian banking sector has risen substantially. RBI has, post its asset quality review in 2015, introduced various guidelines to banks on ways to handle stressed assets and methods to improve the financial condition of banks. These guidelines cover different aspects such as revisions in rules pertaining to the sale of NPAs, restructuring of stressed assets and availability of data on industry level position of stressed assets. Our Bank, is among the few banks in India to buy NPAs from other banks and financial institutions and considers opportunities in the stressed assets space to be of interest. We believe that there could be strategic investment opportunities in the form of setting up and operating an entity focused on purchasing and restructuring of these portfolios. We will actively seek out and look to participate in this opportunity either on our own or with a consortium of banks and investors.

Continue our investments in technology

We believe the increased availability of internet access and broadband connectivity across India requires a comprehensive digital strategy to proactively develop new methods of reaching our customers and running our businesses. We have therefore adopted a four-pronged digital strategy, focusing on (i) acquiring customers, (ii) enhancing our customer experience, (iii) making our internal business operations more efficient, and (iv) enhancing our cyber security and data protection framework.

We are continuously investing in technology as a means of improving our customers' experience, offering them a range of products tailored to their financial needs and making it easier for them to interact with us. We have launched internet and mobile based applications across most of our product and service portfolios, and we will continue to invest in creating a superior technology infrastructure to support our digital strategy. We believe additional investments in our technology infrastructure to further develop our digital strategy will allow us to cross-sell a wider range of products on our digital platform in response to our customers' needs and thereby expand our relationship with our customers across a range of customer segments. We believe a comprehensive digital strategy will provide benefits in developing long-term customer relationships by allowing customers to interact with us and access their accounts wherever and whenever they desire.

On the operational side, we believe that investments in internal systems and security technology lead to enhanced customer satisfaction, and therefore enhance our competitiveness. Accordingly, we are continuing to invest in technology in order to improve our banking operations and efficiency, to reduce errors arising out of manual intervention and to carry out regular IT audits which are reviewed by committees of our Board. We are also continuing to invest in our cyber security network and privacy protection systems, in order to supplement our growth and increase the robustness of our data security framework.

History

Over the course of the last 30 years, we have built up our business to provide the full suite of financial products for our customers.

We commenced operations in 1985 as a non-bank finance company providing bill-discounting services. In 1987, we entered the lease and hire purchase business. With opening up of the Indian economy in early 1990, we entered the auto finance (1990) and investment banking (1991) business to capitalise on new opportunities. We completed our initial public offering ("**IPO**") in 1992. In 1995, we entered into a joint venture with Goldman Sachs and incorporated Kotak Mahindra Capital Company, our investment banking Subsidiary. In 1996, our auto finance business was hived off into a separate company - Kotak Mahindra Primus Limited (now known as Kotak Mahindra Prime Limited), a joint venture with Ford Credit to finance non-Ford vehicles. We also took a significant stake in Ford Credit Kotak Mahindra Limited for financing Ford vehicles. In 1998, we entered into the asset management business with the launch of India's first gilt fund managed by Kotak Mahindra Asset Management Company. Our life insurance Subsidiary, Kotak Mahindra Old Mutual Life Insurance Limited was incorporated in 2000 as a joint venture with Old Mutual Plc. In the same year, after corporatisation of individual brokers was permitted, the stock broking business became our Subsidiary, Kotak Securities.

In 2003, Kotak Mahindra Finance Limited ("**KMFL**"), the Group's flagship company, received a banking license from the RBI. With this, KMFL became the first NBFC in India to be converted into a commercial bank - Kotak Mahindra Bank Limited.

In 2004, we became one of the early entrants into the alternate assets business with the launch of a private equity fund. Thereafter, we launched a real estate fund in 2005. In 2005, we realigned our joint venture with Ford Credit to take 100% ownership of Kotak Mahindra Prime (formerly known as Kotak Mahindra Primus Limited). We also sold our stake in Ford Credit Kotak Mahindra to Ford Credit. In 2006, we bought out Goldman Sachs' equity stake in Kotak Mahindra Capital Company Limited and Kotak Securities Limited. In 2008, Phoenix Asset Reconstruction Company obtained registration from RBI to conduct the business of securitisation and asset reconstruction. In 2009, we launched a pension fund under India's National Pension Fund. In 2015, we received IRDAI approval to commence our general insurance business through Kotak Mahindra General Insurance Limited.

We have pursued growth also through inorganic initiatives. In 2014, Kotak Mahindra Asset Management Company acquired the schemes of Pinebridge Mutual Fund. In 2015, eIVBL merged in our Bank in one of the largest bank mergers in the Indian banking industry.

Our Principal Business Activities

We organise our principal business activities into the following business units: consumer banking, commercial banking, corporate banking, treasury, and other financial services. The consumer, commercial and corporate banking businesses correspond to the key customer segments of our Bank. The treasury offers specialised products and services to these customer segments.

In addition to our banking activities, our Group offers a significant array of other financial products and services as well, which we operate through our Subsidiaries. These products and services include banking, financing through NBFCs, asset management, insurance, broking, investment banking, wealth management and asset reconstruction.

The table below provides a breakdown of our Bank's total advances and investments on a standalone basis as of the dates indicated.

	As at March 31 (₹ in billions)		
	2015[(1)]	**2016**	**2017**
Consumer Banking Advances	211.81	384.95	441.57
Commercial Banking Advances	242.71	444.81	491.48
Corporate Banking Advances	207.09	356.89	427.77
Investments	286.59	512.60	450.74
Total Advances and Investments	**948.20**	**1,699.25**	**1,811.56**

(1) The breakdown of advances and investments may not be comparable between March 31, 2015 and March 31, 2016 on account of the eIVBL merger, as our Bank and eIVBL used different classifications from categorizing advances between consumer banking, commercial banking and corporate banking activities.

Consumer Banking

Overview

Our consumer banking business unit provides a wide range of products and services to retail customers. The products and services include deposits, branch banking services, financial products such as insurance and mutual funds which the unit distributes, consumer finance products such as housing loans, loans secured against property, credit cards, personal loans, loans against securities and unsecured business loans.

Branch Banking

We use a combination of our branch network, ATMs and alternative channels, such as mobile banking, internet banking and 24/7 customer contact centres, to deliver our banking services. Our branch banking offering include deposits, distribution of third party products such as mutual funds and insurance products. We also distribute three-in-one savings accounts comprising of linked demat and trading accounts offered through Kotak Securities. Our deposit products include the following:

Savings accounts

We offer savings accounts, which are interest bearing on-demand deposit accounts designed primarily for individuals and trusts. For Indian residents, we currently offer rates of 5% on domestic savings deposits up to ₹ 0.1 million, 6% on domestic savings deposits between ₹ 0.1 million and up to ₹ 50 million and 5.5% on domestic savings deposits above ₹ 50 million. The Bank's average outstanding savings deposits on a daily average basis was ₹ 112.45 billion, ₹ 238.62 billion and ₹ 331.13 billion for FY2015, FY2016 and FY2017 respectively.

Current accounts

We also offer current accounts which are non-interest-bearing accounts, designed primarily for businesses. Customers have a choice of regular and premium product offerings with different minimum average quarterly account balance requirements. The Bank's average outstanding current accounts on a daily average basis was ₹ 80.12 billion, ₹ 158.37 billion and ₹ 199.72 billion for FY2015, FY2016 and FY2017 respectively.

Term deposits

The Bank accepts term deposits (also known as fixed deposits or time deposits) giving a fixed return, for periods ranging from 7 days to 10 years. In addition to regular deposits, we also offer specialized products such as recurring deposits (the customer deposits a pre-determined amounts over a predetermined time period), Sweep Term Deposits (deposits which automatically transfer from the customer's CASA account to one or more fixed deposits and vice versa), senior citizen deposits (offers higher rate of interest for Senior Citizens) and non premature withdrawal deposits (deposits which give a little higher rates of interest but are not permitted to be withdrawn prematurely) as improved value added services to our depositors. The Bank also offers overdraft facility against the term deposits to its customers.

We had ₹ 54.40 billion, ₹ 69.47 billion and ₹ 100.79 billion in Sweep Term Deposits as of March 31, 2015, 2016 and 2017, respectively

Retail Term Deposits (term deposits of less than ₹10 million) provides the Bank with cost efficient and stable funding and hence remains a key focus area. We had ₹ 188.72 billion, ₹ 353.48 billion and ₹ 390.34 billion in Retail Term Deposits as of March 31, 2015, 2016 and 2017, respectively.

In addition to Retail Term Deposits, the Bank also accepts Wholesale Term Deposits (i.e. deposits of greater than ₹ 10 million) and also issues Certificates of Deposit ("**CDs**") selectively as an alternate source of funding, based on ALM and liquidity requirements.

Other Retail Services and Products

Debit Cards

We have issued approximately 4.97 million debit cards as of March 31, 2017, as compared to 3.57 million as of March 31, 2016 and 1.59 million as of March 31, 2015. These debit cards can be used at domestic and international ATMs, point-of-sale terminals and e-commerce portals.

Mutual Funds

We offer our retail customers units in our own mutual funds as well as most of the other large and reputable mutual funds in India.

We earn our fee income through a combination of upfront commission and trail income (also known as servicing fees) in subsequent years. We distribute mutual funds primarily through our branches and our personal banking advisors.

Insurance

We have Bancassurance arrangements for distribution of life insurance policies and non-life policies with our Subsidiaries, Kotak Life and Kotak General Insurance, respectively. We currently do not distribute third-party insurance products.

We earn upfront commissions on new premiums collected as well as trail income on all policies which are under renewal annually or as specified by the customer.

Investment Advisory

We offer our customers a broad range of investment advice, including advice regarding the purchase of bonds, mutual funds, and alternate assets. For our affluent and mass-affluent segment customers, we run a priority programme called Privy League, providing them with a personal investment advisor. Our wealth management division caters to the investment needs of high net worth investors by structuring customized investment plans.

Forex Cards

We offer travel foreign exchange prepaid cards in ten currencies, namely the US Dollar, British Pound Sterling, Euro, Australian Dollar, Singapore Dollar, Canadian Dollar, Japanese Yen, Swiss Franc, Hong Kong Dollar and Swedish Krona for which we earn fee income based on the exchange rate conversion and other transaction fees.

Non Resident Services

We offer a range of products and services to non-resident Indian ("**NRI**") customers. Our products include current, savings and term deposits of both repatriable ("**NRE**") and non-repatriable ("**NRO**") variants. We also offer lending products such as home loans and credit cards. The NRI credit card is offered against an NRE/NRO Term Deposit of ₹ 0.1 million or above. The credit limit offered can be as high as 80% of the term deposit amount. In addition, we offer remittance and fund transfer solutions in various foreign currencies under our Click2Remit facility. The facility is available in US Dollar, Euro, Canadian Dollar, British Pound Sterling, Singapore Dollar, UAE Dirham, Japanese Yen, Swiss Franc, Swedish Krona and Danish Krone. Our NRI customers can also choose to avail of our investment and insurance products and services.

Corporate Salary Accounts

Our corporate salary product offers an efficient payroll service through the Salary2Wealth program, where an employer can open salary accounts for its employees and credit those accounts. The Salary2Wealth program offers various bundled products such as investments, household/ retail assets and a host of value added services across all major industry segments.

Our tablet-based account opening process paired with biometric and Aadhaar integration has enabled faster account opening with reduced turn-around-time.

TASC and Government Business

Our government business division caters to central and state governments and various other autonomous bodies such as municipal corporations, state enterprises, urban local bodies and other implementing agencies. The banking services offered to government entities ranges from online payments/ collections and various other transactions executed through our branch network. We also actively work with multiple government departments to digitize their existing processes in line with the central government's Digital India programme.

The Retail Institutions business offers customised banking and investment solutions for non-profit institutions such as Trusts, Association, Societies, Clubs ("**TASC**"). These solutions help the respective institutions in easy reconciliation and efficient management of funds.

Consumer Finance

We offer a wide range of consumer loans, including secured loans such as housing loans, loans against property, loans against securities and working capital loans and unsecured products such as credit cards, personal loans and business loans. Loans are classified as consumer loans primarily on the nature of the customer segment, the nature of the product, granularity of the exposure and the end use.

Apart from working with our branches, we also engage with direct selling agents to source customers for our loan products, which we promote across our channels. We also seek to drive customer acquisition through our digital channels. For example, our customers are able to apply for personal loans through our mobile banking app.

Housing loans

We provide housing loans with a maximum tenor of 20 years on under-construction and ready properties, secured by a mortgage on the underlying property. The loan-to-value ratio depends on the tenor, loan size and customer segment. The loan-to-value ratio across our housing loans could go up to 80% at an individual loan level. It may go higher for affordable housing/budget housing loans as per existing regulations. Although the return on equity for these loans is lower as compared to some other product segments, the long tenure of these loans helps maintain a stable loan base and increases the opportunities to cross-sell other products and services.

Loans against property

We offer multi-purpose loans secured against residential or commercial property to salaried or self-employed individuals and small businesses, including proprietorships, partnership firms and companies.

Working capital loans for businesses

We offer facilities such as credit lines, term loans for expansion or addition of facilities and receivables discounting to address the borrowing needs of small businesses. These facilities are typically secured against current assets as well as immovable property, or fixed assets in some cases.

Personal loans, business loans and credit cards

We offer unsecured personal loans at fixed rates to specific customer segments, including salaried individuals and self-employed professionals. These loans can be used for a wide variety of end-uses such as medical, marriage, special occasions, travel and small asset purchase.

We also offer unsecured loans to small businesses and individual businessmen, which we classify as business loans. We are able to provide loans of up to a maximum of ₹ 10 million, depending on the financial performance of the borrower. We work with multiple credit bureaus to obtain standardised credit scores, which help us conduct a more comprehensive risk assessment of our customers.

We offer Consumer and Commercial credit cards from Visa and MasterCard (Commercial Cards), including Gold, Platinum, Signature, and Infinite cards. For customers of our Wealth Management division and Privy League, we offer the option of applying for a Visa Infinite card and Visa Signature Card respectively. As of March 31, 2017, we had 1.04 million cards outstanding, as compared to 0.73 million as of March 31, 2016 and 0.53 million as of March 31, 2015.

Loans against securities

We offer loans against securities such as equity shares, mutual fund units, government securities and other securities on our approved list. We limit our loans against equity shares to ₹ 2 million per retail customer, in line with regulatory guidelines, and limit the amount of our total exposure secured by particular securities. The minimum margin for lending against equity shares is prescribed by the RBI.

Commercial Banking

Overview

We offer a range of products for agriculture finance, tractor finance, the purchase of commercial vehicles and construction equipment, rural housing finance and gold loans. Through our Business Banking unit, we also cater specifically to the needs of small and medium enterprises.

Agriculture and Tractor Finance

Our loans to the agricultural sector consist of loans to farmers, agricultural businesses and corporations. We also have a crop loan portfolio consisting of extending working capital facilities to farmers to finance activities such as agricultural input and farm mechanisation, post-harvest expenses and domestic consumption needs. The amount of funding available is based on the land holding, the crops the farmer cultivates, cropping pattern and the area of operations. We provide tractor finance to individual farmers with the underlying tractor as collateral. In addition, we also provide secured/unsecured financing to tractor dealers. The agriculture and tractor finance portfolio helps us meet our priority sector lending obligations. We are required to lend 40% of our adjusted net bank credit or credit equivalent amount of off balance sheet exposure, whichever is higher, towards priority sectors. See "*Selected Statistical Information – Priority Sector Lending*" on page 129.

Business Banking

Our Business Banking unit extends facilities to SMEs. Such facilities can be in the form of working capital finance such as cash credit, overdraft, term loans, packing credit, buyers credit and trade services for domestic and international trade such as documentary credit, letter of credit backed bill discounting, bank guarantees, bill collection and processing remittances among others. We also offer products to meet the foreign exchange related requirements of our customers.

Commercial Vehicles and Construction Equipment Loans

We provide loans for the purchase of commercial vehicles with flexible payment options. We also provide loans for the purchase of various construction, earth-moving and material handling equipment, which includes excavators, cranes, rollers, tippers and loaders.

Gold Loans

We offer loans against gold jewellery to specific customer segments; such loans are offered with monthly interest payments and principal due at maturity. These loans also have a margin requirement in the event of a decrease in the value of the gold collateral due to fluctuations in market prices of gold.

Rural Housing and Rural Business Loans

We offer small principal loans for housing and business in the Tier 2 to Tier 6 locations in India (being areas with populations under 100,000). We primarily offer these through our branch network in these locations.

Corporate Banking

Our corporate banking business caters to various customer and industry segments in the wholesale space, such as large corporations, mid-market corporations, multi-national corporations, financial institutions and commercial real estate. We offer our customers a wide range of banking services covering their working capital, medium term finance, trade finance, foreign exchange services, supply chain, cash management and other transaction banking requirements. The core focus of our business has been to acquire quality customers on a consistent basis, delivering customized solutions through efficient technology platforms backed by high quality service. We also aim to secure value addition through the cross-selling of our varied products and services.

Our corporate segment focuses on building a strong franchise with quality customers and deepening existing relationships. Our mid-market strategy is driven by targeted client acquisitions and becoming a preferred banker to the mid-market corporations.

We have focused on increasing our market share over the large and mid-market corporations. Our exposures were confined to segments with credit comfort in terms of better rated exposure and industries with a positive outlook.

Our transaction banking group focuses on acquiring customers through understanding our customer's requirements and business. We provide both trade and cash management services. Our cash management services include cheque collection, dividend payment and remittance services.

Our transaction banking product offerings include documentary credits, bank guarantees, export credit and supply chain financing among others. Our focus on driving higher trade, foreign exchange and debt syndication services has resulted in growth in our fee income. Our offerings around cash management services, supply chain management services, escrow account services and other transaction banking services have resulted in a deepening of current account deposits across our customers.

We also focus on product innovation and risk management through technology. We offer a range of fund based and non-fund based services to capital market intermediaries and provide custodial services to domestic and international financial institutions. These services include the safekeeping of securities and collection of dividend and interest payments on securities. We also offer derivative clearing services to domestic and foreign institutional investors.

In order to limit our exposure, we have introduced exposure limits for various industries, which we review periodically based on industry performance. Our industry research group rates industries on an internal scale and they provide industry input when we define our strategies for the industry.

We also continually monitor our portfolio diversification through the tracking of industry, group and company specific exposure limits. We rate our portfolio with an internal credit rating tool, which facilitates appropriate credit selection and monitoring.

Treasury

Our Treasury group manages our balance sheet, including maintaining reserve and liquidity requirements and managing market and liquidity risk. The Treasury group also advises and executes the foreign exchange and derivatives transactions for our corporate and institutional customers. In addition, treasury offers certificates of deposit to our corporate and institutional customers. CDs are discounted liquid instruments which are tradable and hence evince interest from investors. Subscribers to the Bank's CDs are well diversified ranging from banks, mutual funds, insurance companies and corporates. Typical tenors where the Bank's CDs are issued range between 60 to 365 days.

Our Treasury group seeks to optimize profits through active management of our Bank's investment book, which comprises of government securities and non-government securities. Our investments stood at ₹ 450.74 billion as of March 31, 2017, as compared to ₹ 512.60 billion as of March 31, 2016 and ₹ 286.59 billion as of March 31, 2015.

We have four divisions within our treasury group, namely debt capital markets, balance sheet management, correspondent banking and the forex division. The debt capital markets division provides standardised and structured client solutions including the syndication of loans, bonds, mezzanine financing, promoter funding, acquisition financing and securitisation. Our balance sheet management unit manages the asset liability mismatches, interest rate and liquidity gaps and the implementation of funds transfer pricing between various business units. The correspondent banking division actively builds on relationships with offshore banks towards improving quality and international reach for its customers. Our forex division offers forex solutions to our retail and corporate customers.

Other Financial Services

Overview

We provide a diverse array of financial products and services, a key component of our overall strategy of increased cross-selling and deeper customer penetration. These services include financing through NBFCs, life and general insurance, stock broking, asset management, investment banking and wealth management.

The largest Subsidiaries in our Group by profit after tax in FY2017 were Kotak Mahindra Prime Limited (NBFC), Kotak Securities Limited (our stock broking Subsidiary), Kotak Mahindra Old Mutual Life Insurance Co. Limited (our life insurance Subsidiary) and Kotak Mahindra Investments Limited (NBFC), which respectively accounted for 10.4%, 7.3%, 6.1%, and 4.0% of our consolidated profit after tax for the FY2017. These four Subsidiaries, when taken together with Kotak Bank, accounted for 96.9% of our profit after tax for FY2017, with the rest of our Subsidiaries together accounted for the remaining 3.1% of our profit after tax for FY2017.

The following table sets forth a breakdown of the consolidated assets under management ("**AUM**") of our Group as of the dates indicated:

	As at March 31 (₹ in billions)		
	2015	**2016**	**2017**
Domestic mutual funds			
Debt	291.89	392.02	609.82
Equity	98.19	146.24	275.69
Offshore	212.18	212.01	246.00
Insurance			
Life Insurance	141.84	155.36	193.52

	As at March 31 (₹ in billions)		
	2015	2016	2017
Alternate assets	59.19	113.14	72.40
Portfolio management services	3.24	3.72	15.92
Total assets under management	**806.53**	**1,022.49**	**1,413.36**

Kotak Mahindra Prime Limited

We offer car loans through our Subsidiary, Kotak Prime. Kotak Prime offers loans to customers against the underlying vehicle as collateral. These loans can be for new cars, used cars or for refinance against existing car. We also offer financing to car dealers against security collateral such as immovable property and current assets. In addition, we also offer top-up loans (additional loan on the underlying car as collateral on reduction of outstanding loan-to-value due to repayments) to our customers, with existing car loans, who have a good repayment track record.

Kotak Prime has recently entered the consumer durable financing space. In addition, it also offers other products such as capital markets - based lending and real estate developer financing.

As of March 31, 2017, Kotak Prime had a retail distribution network comprising 79 outlets in 76 cities and towns across India. As of March 31, 2017, Kotak Prime had 378,316 customers and 883 full time employees.

The following table sets forth certain financial and other data regarding Kotak Prime as of and for the FYs ended March 31, 2015, 2016 and 2017:

	As of and for the FY ended March 31 (₹ in millions, except %)		
	2015	2016	2017
Retail distribution network	77	79	79
Customer assets[(1)]	197,070.3	222,619.8	251,214.8
Car loan assets	147,261.0	167,066.8	181,775.8
Other assets	49,809.3	55,553.0	69,439.0
Net NPA (%)[(2)]	0.43%	0.40%	0.36%
Net interest income	9,147.0	9,672.6	10,170.6
Other income	2,067.6	2,100.5	2,245.9
Total income[(3)]	11,214.6	11,773.0	12,416.5
Profit before tax	7,739.5	7,726.4	7,878.0
Profit after tax	5,073.6	5,023.1	5,147.5
Net worth	33,507.2	38,526.6	42,270.6
Capital adequacy ratio (%)[(4)]	18.35%	18.24%	17.20%
Return on assets (%)[(5)]	2.53%	2.27%	2.04%

(1) Customer assets includes loans and credit substitutes

(2) Net NPA % - Net Non-performing assets

(3) Total Income is defined as sum of Net Interest Income and Other Income

(4) Capital adequacy ratio is defined as Capital to assets risk ratio

(5) Return on assets is calculated based on Net profit for the year divided by five quarter averages

Kotak Mahindra Investments Limited

Kotak Mahindra Investments Limited offers comprehensive financial solutions such as financing against securities, acquisition financing, promoter financing, mezzanine debt solutions, bridge loans, take out financing including structured debt. Kotak Investments also offers financial assistance to real estate developers for construction and development of residential complexes, commercial buildings and SEZ, among others. It also offers products such as loan against property and lease rental discounting to the developers.

As of March 31, 2017, KMIL had 88 full time employees.

The following table sets forth certain financial and other data regarding KMIL as of and for the FYs ended March 31, 2015, 2016 and 2017:

	As of and for the FY ended March 31 (₹ in millions, except %)		
	2015	2016	2017
Customer assets(1)	32,683.9	47,949.4	69,059.3
Net NPA (%)(2)	0.13%	0.05%	0.07%
Net interest income	1,623.8	2,499.2	3,069.9
Other income	371.4	297.2	406.6
Total income(3)	1,995.2	2,796.4	3,476.5
Profit before tax	1,582.0	2,359.1	2,901.1
Profit after tax	1,063.5	1,539.0	1,964.3
Net worth	6,172.2	8,411.2	10,375.5
Capital adequacy ratio (%)(4)	18.32%	18.20%	16.84%
Return on assets (%)(5)	3.87%	3.36%	3.11%

(1) Customer assets include loans and credit substitutes

(2) Net NPA % - Net Non-performing assets

(3) Total Income is defined as sum of Net Interest Income and Other Income

(4) Capital adequacy ratio is defined as capital to assets risk ratio

(5) Return on assets is calculated based on Net profit for the year divided by five quarter averages of total assets

Kotak Mahindra Old Mutual Life Insurance Limited

Kotak Mahindra Old Mutual Life Insurance Limited is a joint venture between us and Old Mutual Plc., in which we hold a 74% interest with Old Mutual Plc. holding the remaining 26%. On April 27, 2017, Kotak Bank executed a share purchase agreement with Old Mutual Plc. to acquire its 26% stake in Kotak Life, subject to regulatory approvals.

For FY2017, Kotak Life was ranked fifth largest private sector life insurer in terms of individual first year premiums for FY2017 on the basis of data for all life insurers released by the Life Insurance Council of India. As of March 31, 2017, Kotak Life's solvency ratio was 3, as against the minimum regulatory requirement of 1.5. As of March 31, 2017, Kotak Life had 6,290 full time employees.

As on March 31, 2017, Kotak Life had 235 life insurance outlets, 14 Bancassurance partners and 167 brokers and corporate agency tie-ups. It also had 1.38 million active individual policies and 17.57 million active group lives.

The following table sets forth certain financial and other data regarding Kotak Life as of and for the FYs ended March 31, 2015, 2016 and 2017:

	As of and for the FY ended March 31 (₹ in millions, except %)		
	2015	2016	2017
First year premium	15,402	22,097	28,497
Group	7,908	11,460	14,131
Individual Single	1,471	1,387	2,604
Individual regular	6,023	9,250	11,762
Renewal Premium	14,979	17,620	22,898
Total premium	**30,381**	**39,717**	**51,395**
Sum assured	3,333,417	4,211,190	4,928,460
Group Lives covered (millions)	9.8	13.8	17.6
Solvency ratio (%)(1)	313%	311%	300%
Conservation ratio (%)(2)	80%	84%	85%
Claims settlement ratio (%)(3)	98.3%	98.5%	99.5%
Policyholder AUM(5)	141,843	155,363	193,522
Net worth	12,707	15,214	18,247
Capital(4)	5,623	5,623	5,623
Profit after tax	2,289	2,507	3,033

(1) Solvency ratio depicts the ability to pay all liabilities, including long-term liabilities, and is calculated in accordance with the methodology prescribed by the Insurance Regulatory and Development Authority of India

(2) Conservation ratio is the renewal premium collected in the current year divided by the sum of First Year Premium (Individual Regular) in the prior year plus the renewal premium of prior year. This ratio is calculated only for individual regular premiums.

(3) Claims settlement ratio is defined as the number of claims settled during the year divided by the sum of the number of claims pending at the start of the years plus the number of claims intimated during the year

(4) Capital is defined as paid-up capital plus securities premium.

(5) Policyholder AUM is Investments made on behalf of policyholders, assets held to cover linked liabilities and loans made out of policyholders' fund.

Kotak Securities Limited

Retail broking

Under retail broking, we help customers trade in the stock market, invest in IPOs, Mutual Funds, Currency Derivatives across online and offline modes. We are also registered as participants with depositories viz. National Securities Depository Limited ("**NSDL**") and Central Depository Services Limited ("**CDSL**"), enabling us to provide depository services, including for trade settlement to our customers.

As of March 31, 2017, Kotak Securities has a registered customer base of approximately 1.4 million secondary market customers through 1,281 branches, sub-brokers and authorized persons.

Institutional broking and Research

Kotak Institutional Equities division ("**KIE**") covers secondary market broking and markets Indian equity offerings, including IPOs, to domestic mutual funds, foreign institutional investors ("**FIIs**") foreign portfolio investors ("**FPIs**"), insurance companies, sovereign funds and pension funds. KIE has a full-fledged research division, engaged in macro-economic studies, and industry- and company-specific equity research.

KIE offers high quality trade execution on the cash and futures and options desk. It also offers its clients extensive corporate access leveraging on the Group's corporate relationships. KIE's clients can address their trading needs through a single window and also take benefit of the bank's Professional Clearing Member ("**PCM**") services and custodial services.

As of March 31, 2017, Kotak Securities Limited had 3,423 full time employees.

The following table sets forth certain financial and other data regarding Kotak Securities as of and for the FYs ended March 31, 2015, 2016 and 2017:

	As of and for the FY ended March 31 (₹ in millions, except %)		
	2015	**2016**	**2017**
Market average daily volume(1)	2,512,023	2,843,540	4,065,769
Kotak Securities' average daily volume(2)	71,069	73,292	89,806
Net worth	23,840	26,347	29,959
Total income	9,598	9,746	11,843
Profit before tax	4,414	3,810	5,433
Profit after tax	2,896	2,507	3,613
Market share (%)(3)	2.83%	2.58%	2.21%

(1) Market average daily volume is the sum of the Daily turnover reported by BSE Limited for the cash segment and National Stock Exchange of India Limited for cash and F&O market segment divided by the number of working days for that segment

(2) Kotak Securities ADV is the sum of the Daily turnover executed through the various platforms and channels of Kotak Securities on BSE Limited for the cash segment and National Stock Exchange of India Limited for cash and F&O segment divided by the number of working days for that segment.

(3) Market Share is the Kotak Securities average daily volumes divided by the Market average daily volumes expressed as a percentage. BSE's average daily volumes for F&O segment are not included for this Market share calculation.

Kotak Mahindra Capital Company Limited

Our investment bank, Kotak Mahindra Capital Company Limited ("**KMCC**"), services our customers by advising on equity capital markets issuances, merger and acquisitions, private equity and infrastructure projects. KMCC works with customers across a wide range of sectors including automobiles, infrastructure, banking and finance, media and entertainment, consumer and retail, real estate, healthcare and pharmaceuticals, technology, industrials, engineering and telecommunications. KMCC, our 100% Subsidiary, has the highest ranking among the investment banks in India based on the amount raised through domestic issuances (equity and convertibles) for the period April 1, 2014 to March 31, 2017 *(Source: Prime Database)*.

Kotak Mahindra Asset Management Company Limited

Kotak Mahindra Asset Management Company Limited ("**KMAMC**") is the investment manager to our mutual funds, with Kotak Mahindra Trustee Company Limited ("**KMT**") acting as trustee. KMAMC was the seventh largest mutual fund manager in India by average AUM, for the quarter of January – March 2017 based figures available from the Association of Mutual Funds in India ("**AMFI**"). KMAMC raises its assets under management through a variety of distribution channels, such as banks, independent financial advisors, large brokers, branches and online channels. As of March 31, 2017, KMAMC had 79 branches across India.

As on March 31, 2017, mutual fund schemes under KMAMC had approximately 1.18 million customer folios. KMAMC had 344 full time employees as on March 31, 2017.

The following table sets forth certain data regarding KMAMC's average AUM, based on daily averages, for the FYs ended March 31, 2015, 2016 and 2017:

	For the FY ended March 31 (₹ in billions)		
	2015	**2016**	**2017**
Overall average AUM	386	547	771
Average AUM (equity)	62	137	199

AUM as on March 31, 2017 was ₹ 885.51 billion compared to ₹ 538.26 billion and ₹ 390.08 billion as on March 31, 2016 and March 31, 2015 respectively.

Kotak Mahindra (UK) Limited and Kotak Mahindra Asset Management (Singapore) Pte. Limited

We provide asset management services to overseas investors seeking to invest in India through our Subsidiaries Kotak Mahindra (UK) Limited and Kotak Mahindra Asset Management (Singapore) Pte. Limited. Through these Subsidiaries, investors can access our asset management capabilities through funds domiciled outside India.

In Singapore, Kotak Mahindra Asset Management (Singapore) Pte. Limited is registered with the Monetary Authority of Singapore and holds a capital markets license to engage in fund management activities.

Kotak Investment Advisors Limited

Through Kotak Investment Advisors Limited, we advise our customers on investments into alternative assets such as private equity funds, real estate funds and special situation funds. As of March 31, 2015, 2016 and 2017, Kotak Investment Advisors Limited had assets under management of ₹ 59.19 billion, ₹ 113.14 billion and ₹ 72.40 billion, respectively. This includes advisory services to customers.

Distribution Channels

Branch Network

As of March 31, 2017, we had an aggregate of 1,369 bank branches across India. We also have an international banking unit in the International Finance Services Centre at GIFT City, Gujarat. Additionally we have RBI approval to set-up a branch in the Dubai International Financial Centre ("**DIFC**") and is subject to the receipt of approvals in the host country.

The following table sets out a breakdown of our branch network by State/ Union territory as of March 31, 2017:

State/ Union Territory	Number of branches	Percentage of branches
East India		
West Bengal	36	2.6
Odisha	17	1.2
Bihar	14	1.0
Jharkhand	8	0.6
Assam	4	0.3
Meghalaya	1	0.1
Sikkim	1	0.1
Tripura	1	0.1

State/ Union Territory	Number of branches	Percentage of branches
North India		
Delhi	98	7.2
Punjab	70	5.1
Uttar Pradesh	64	4.7
Rajasthan	56	4.0
Haryana	47	3.4
Madhya Pradesh	36	2.6
Chhattisgarh	16	1.2
Himachal Pradesh	2	0.2
Uttarakhand	8	0.6
Jammu & Kashmir	2	0.2
Chandigarh……………………………………………………………………………	7	0.5
South India		
Karnataka	155	11.3
Andhra Pradesh	108	7.9
Telengana	83	6.1
Tamil Nadu	77	5.6
Kerala	32	2.3
Pondicherry……………………………………………………………………………	2	0.2
West India		
Maharashtra	288	21.0
Gujarat	128	9.4
Goa	6	0.4
Dadra & Nagar Haveli	2	0.2
Total	**1,369**	**100.0%**

As of March 31, 2017, 44.1%, 21%, 20.7% and 14.2% of our branches were located in metro, urban, semi-urban and rural locations, respectively as clarified by the RBI.

ATM Network

As of March 31, 2017, we had a total of 2,163 ATMs, of which 971 were located at our branches or extension counters (onsite) and 1,192 were located off site. We issue Visa, MasterCard and Rupay debit cards which can be used on all our ATMs and other bank ATMs in India. In addition, our Visa and MasterCard debit cum ATM cards can also be used at international ATMs.

Phone Banking

Our customers can access their accounts over the phone through our 24-hour automated voice response system and can order cheque books, conduct balance inquiries and order stop payments on cheques. In selected cities, our customers can engage in financial transactions (such as cash transfers, opening deposits and ordering demand drafts) over the phone.

Digital Offerings

Kotak Mahindra Bank

Our digital strategy focuses on (i) acquiring customers, (ii) enhancing our customer experience, (iii) making our internal business operations more efficient, and (iv) enhancing our cyber security and data protection framework. The strategy is supported by our Group's core pillars which include ease of use, scalability, cost effectiveness and increased agility.

Through internet banking, our customers can perform various transactions such as accessing account information, tracking transactions, ordering cheque books, requesting stop cheque payments, transferring funds between accounts and to third parties accounts, opening fixed deposits, transacting in mutual funds, paying bills and making demand draft requests. Apart from internet banking, our mobile banking services allow our customers to perform a range of transactions including bill-payments, recharge, fund-transfer, online shopping and access to investments.

Enabling digital payments in a fast, safe and secure manner forms another key component of our digital strategy. We have introduced a number of features that can be accessed natively through our mobile banking app to facilitate the same, including (i) an integrated payment platform where funds transfers can be made easily, wherein we have also integrated QR code recognition to allow our customers to transfer funds via the scanning of the mVisa and Bharat QR standards; (ii) an m-store with offerings across categories such as movies, online shopping, travel, magazines where our customers are able to book tickets and shop online; and

(iii) comprehensive banking services where our customers can access their accounts, credit cards and apply for an instant personal loan.

We have seen a significant increase in our online payment channels since the Government of India's demonetization efforts. In March 2017, we had three times more customers who used our mobile banking services than our internet banking services. 54% of our mobile banking customers used the mobile application for all their banking needs in March 2017. As on March 31, 2017, 52% of bank active customers were digitally active (used either of net banking or mobile banking). We saw a growth of 138% on a year-on-year basis for mobile banking in terms of number of transactions done in the month of March 2017 versus March 2016. In terms of value, the growth was 143% year-on-year for transactions done in March 2016 and in March 2017, and 38% between December 2016 and March 2017.

Our digital initiatives have enabled the successful sourcing of loans and deposits through the online platforms. A quarter-on-quarter progress of transactions done through our digital platform in FY2017 is shown below:

	For the three months ended			
	June 30, 2016	**September 30, 2016**	**December 31, 2016**	**March 31, 2017**
Recurring deposits sourced digitally	63%	60%	57%	58%
Term deposits sourced digitally	56%	55%	63%	63%
Digital share of salaried personal loan	13%	16%	15%	19%
Value of mobile transactions (₹ bn.)	86	104	131	174(1)
Value of payment gateway transaction (online shopping) (₹ mn.)	10,483.1	13,201.3	16,076.5	18,682.1(2)
Mobile share of total online shopping transactions	35%	39%	45%	50%(3)
UPI transactions processed	NA	NA	22,254	154,316

(1) The value of monthly transactions on mobile crossed ₹ 67 billion in the month of March 2017.

(2) The value of payment gateway transactions saw a 115% growth between the transactions done in March 2016 and March 2017, and the volume of payment gateway transactions saw a 68% growth between the transactions done in March 2016 and March 2017

(3) Mobile contributed 51% of the total online shopping payment gateway transactions in the month of March 2017.

We have rolled out additional features across our digital channels to further enhance customer experience. Some of them include online customer profile updating, online submission of 15G/H forms (used for claiming reduced deduction of tax deducted at source on interest earned on term deposits), pre-approved loans, personal loans in 72 hours and DigiLocker. DigiLocker is the Government of India's cloud-based platform for issuance and verification of documents and certificates digitally. Such initiatives are steps towards making banking easier and more convenient for our customers. The Kotak Bank App is highly rated in the Google Playstore with a rating of 4.5 as on March 31, 2017.

To remain at the forefront of continuous innovation, we have created an Innovation Hub wherein we work on emerging transformational technologies such as blockchain, artificial intelligence, security and analytics. We have also set up a special design studio dedicated to improving user experience and engagement across digital channels. We have also partnered with various financial technology companies to develop and roll out new technologies.

In March 2017, we launched Kotak 811, a digital service that we offer through our mobile banking app that allows potential customers to open a savings account on their mobile through a completely paperless procedure. This service is available to customers at all hours of the day. This offering uses a combination of a Bank-provided one time password, ("**OTP**"), the customer's PAN number and the Aadhaar OTP to complete the necessary know your client ("**KYC**") required for opening a limited KYC account. Once these KYC requirements are satisfied, the system is configured to open this account in under 5 minutes.

Customers are able to access Kotak 811 to set up a new account at all times and it includes core features such as no minimum balance requirement, zero charges for specified digital transaction and up to 6% interest on domestic savings account balance. This product was made available within our existing mobile banking app, allowing customers immediate access to our digital banking services. In order to overcome the restrictions on this limited account, we have rolled out a paperless Aadhaar biometric-based KYC process to complete full KYC requirements at the convenience of the customer. It leverages the power of eKYC from the India Stack with secure biometric authentication from the Unique Identification Authority of India. On our launch day, we opened it to our customers at more than 680 locations.

Our Subsidiaries are also embracing the digital revolution. Some key highlights of our Subsidiaries' digital initiatives are given below:

Kotak Securities

Kotak Securities, our brokerage arm, has introduced the Kotak Stock Trader application which allows customers to trade via the mobile application. It also introduced an electronic "know-your-client" service through a tie-up with UIDAI where-in customer's details are validated electronically using his Aadhaar number. Kotak Securities also introduced a new trading platform with advanced market analytics for all customers called the TradeSmart Terminal. To experience faster service and query resolution, Kotak Securities customers can chat with representatives using WhatsApp, Facebook Messenger, Twitter and Telegram.

Mobile app average daily volumes grew by 57% year-on-year in the fourth quarter of FY2017.

Kotak Life and Kotak General Insurance

The number of policies which our insurance Subsidiaries provide has increased with the deployment of Genie, a mobile application designed to allow our customers access to our insurance products. A quarter-on-quarter progress of transactions done through our digital platforms in FY2017 is shown below:

	For the three months ended			
	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017
Kotak Life				
Policies sourced through Genie	8%	8%	24%	37%
Policies sourced through Genie for Bancassurance	35%	30%	60%	74%
Switch requests serviced through the online customer portal	49%	48%	50%	55%
Renewal premium through digital platforms	15%	14%	14%	13%
Kotak General Insurance				
Policies sourced through digital channel	N.A	11%	30 %	20%

eIVBL Scheme

Effective on April 1, 2015, eIVBL merged into our Bank pursuant to a Scheme of Amalgamation under Section 44(A)(4) of the Banking Regulation Act, 1949. We undertook the eIVBL merger because we believe that eIVBL's business model was complementary with our business model and because we believe that we can provide shareholders value through strategic integration of eIVBL's business with our own. In particular, we believe that our businesses were complementary in the areas of distribution and customer penetration.

In terms of distribution, at the time of the merger on April 1, 2015, eIVBL had 577 bank branches compared to our 684, resulting in a combined total of 1,261 bank branches. In particular, eIVBL had a strong presence in South India, with 61% of its branches there, whereas our Bank was comparatively focused on West India and North India, with only 14% of our bank branches in South India. The merger significantly strengthened our presence in South India. We believe that this expanded base of bank branches helped create a network effect and can help to drive growth in savings accounts thereby lowering our cost of funding. We believe that an increased geographic footprint also enables an increased distribution of our asset products to existing and new customers. The expanded branch network pairs well with our offering of various financial products and services by our Subsidiaries, such as insurance, broking and asset management, allowing opportunities for increased cross-selling.

In terms of customer penetration, eIVBL had stronger positions in several customer demographics, namely small and medium enterprises, multinational corporations and transaction banking. The eIVBL merger has allowed us to achieve a greater penetration in these segments.

In integrating eIVBL with our Bank, we wanted to ensure that we could unlock value by integrating our businesses, while doing so in a way would minimise disruption to our employees and customers. We therefore concentrated the integration on four key areas, namely (i) employee interest and satisfaction, (ii) customer experience, (iii) cost efficiency, and (iv) productivity.

For our employees, we adopted a phased approach to create an integrated organizational structure, in order to minimize disruption, and we focused on (i) finding the best person for roles in the merged organization, whether they were from eIVBL or our Bank, (ii) training staff on new products, processes and systems, (iii) harmonising corporate culture, including through merging or cross-staffing teams between eIVBL staff and staff from our Bank, and (iv) monitoring employee satisfaction through internal surveys.

For our customers, we sought to (i) align products and pricing between eIVBL and our Bank, (ii) ensure interoperability between eIVBL's IT systems and our IT systems, including maintaining smooth transition during systems migration, (iii) actively communicate with customers on the status of facilities and systems and the overall integration process, and (iv) provide continuity of services, such as through maintaining account numbers and collateral.

In terms of cost efficiency, the eIVBL merger has allowed us to rationalise our IT systems by adopting the best systems from each of eIVBL and our Bank. Similarly, we sought to rationalise vendors by maintaining relationships with those best suited to supply our merged organization, and to rationalise branches and other premises through moving or terminating redundant or expensive locations. The merger also helped us to create an optimal and efficient organisation structure.

In terms of productivity, we have adopted the most efficient operating methods from eIVBL and our Bank. Additionally, we also expect to lower our overall funding costs. When eIVBL's Tier II borrowings mature and need to be renewed, we expect to benefit from our higher credit rating in order to lower borrowing costs due to a comparatively lower coupon. We are also in the process of rationalising and relocating some branches in locations where eIVBL and our branches were in close proximity of each other. This strategy will help us to increase our overall branch catchment area and improve branch productivity.

Awards and Recognitions

- Mr. Uday Kotak World Entrepreneur Of The Year - Ernst & Young World Entrepreneur Of The Year Award 2014
- Company of the Year 2016 - The Economic Times Awards for Corporate Excellence
- Mr. Uday Kotak Businessman of the Year 2016 - Business India
- Best Corporate & Investment Bank - Asiamoney Best Bank Awards 2017 - India
- BFSI Digital Innovators Award in the Digital Pioneer category for Kotak Bharat app - Financial Express 2016
- Best Local Cash Management Bank India - Asiamoney Cash Management Poll 2016
- Securities Advisory Firm of the Year in India-Corporate INTL Global Awards 2017
- Best Group over 3 years – Equity-2017 Thomson Reuters Lipper Fund Award-India
- Best Private Bank India - Global Private Banking 2016 - Financial Times Group
- Best Equity House India - The Asset Triple A Country Awards 2016
- #1 in All-India Research Team and #1 in All - India Sales-Institutional Investor 2016

Competition

We face intense competition in all of our principal lines of business. Our primary competitors are some of the public sector banks, private sector banks, foreign banks, cooperative banks and, for some products, NBFCs, mutual funds, insurance companies and investment banks. The RBI has liberalised its licensing regime and intends to issue licences on an ongoing basis, subject to the RBI's qualification criteria. In September 2015, the RBI has issued licences to two new private sector banks, 11 payment banks and ten small finance banks. Three entities to whom payment bank licenses were issued have since then surrendered their license. In August 2016, the RBI issued guidelines with respect to a continuous licensing policy for universal banks in the private sector. Recently in April 2017, the RBI has also proposed to float wholesale and long-term finance ("**WLTF**") banks that would fund long-term high-value projects — something similar to the development finance institutions ("**DFIs**") of the past. The expansion of existing competitors or the entry of new players could significantly increase competition. See the section entitled "*Industry Overview*" on page 136.

Kotak Bank

In consumer banking, our principal competitors are public sector banks, private sector banks, foreign banks and NBFCs in the case of retail loan products and credit cards. In mutual fund sales, insurance distribution and other investment-related products, our principal competitors are broking houses, foreign banks, private sector banks and public sector banks. In addition, some foreign banks have a significant presence among non-resident Indians and also compete for non-branch-based products.

Our principal competitors in the commercial banking space are certain public sector banks, private sector banks and foreign banks. We also face significant competition from NBFCs in areas such as tractor finance, gold loans and commercial vehicle finance.

Our principal competitors in corporate banking are public sector banks, private sector banks, foreign banks and financial institutions. The large public sector banks have traditionally been the market leaders in this space. Foreign banks have focused primarily on serving the needs of multinational companies and Indian corporations with cross-border financing requirements including trade and transactional services and foreign exchange products and derivatives, while large public sector banks have large local currency funding capabilities through their extensive branch networks.

In our treasury advisory services for corporate customers, we compete principally with foreign banks, private sector banks and public sector banks in the foreign exchange and money markets businesses.

Kotak Prime

We believe that our knowledge of the car financing industry, existing customer base and associated relationships will enable us to remain competitive. Competition in our industry is expected to increase. Our primary competitors are public sector banks, private sector banks and foreign banks, co-operative banks, regional rural banks and NBFCs. Banks are increasingly expanding into retail loans in the rural and semi-urban areas of India.

Kotak Investments

Kotak Investments competes primarily with banks and other NBFCs focused on wholesale lending, private equity funds focused on lending to real estate developers and structured lending. Mutual funds are also becoming a big competition in loan against shares and other vanilla financing to large and medium corporates.

Kotak Life

We face intense competition in the Indian insurance market from both public and private sector competitors. We believe that competition in the Indian insurance sector is based on a number of factors, including distribution networks, quality of service, product features, pricing, marketing methods, brand recognition, financial strength ratings and other indicators of financial soundness. We also believe that products offered by the life insurance sector compete with other financial services products. In the area of savings-oriented insurance products, we compete with mutual fund companies, bank fixed deposits and Government small saving schemes.

Kotak Securities

Our competitors in the retail broking business include domestic brokerage houses and broking Subsidiaries of other private sector banks. On the institutional broking side, we compete with international and domestic broking houses.

Employees

The Group had an employee base of around 44,000 as on 31 March 2017 (31 March 2016 and 2015: around 42,000 and around 28,000 respectively). Most of our employees are located in India. In addition to our own employees, we also engage contract labour through registered contractors for ancillary activities.

Some of our Bank employees transferred from eIVBL are members of the Kotak Mahindra Bank Employees Union ("**KMBEU**") and Kotak Mahindra Bank Officers Association ("**KMBOA**"), which are affiliated to the All India Bank Employees Association ("**AIBEA**") and All India Bank Officers Association ("**AIBOA**") respectively, which are national trade unions representing workers in the banking industry. We experience strikes by the members of Union as per the strike call given at Industry level, but have not experienced any strike, work stoppage or labour unrest specific to the issues of our Bank in the last two financial years and the subsequent interim period until the date of this Preliminary Placement Document. The next wage settlement with the union is due in November 2017.

We contribute to a recognized provident fund and have no further obligations. In respect of employees that we acquired from the merger of eIVBL, we have an in house provident fund which has generated sufficient funds internally to meet the annual return requirement since inception of the fund. The Bank operates a New Pension Scheme, which is a defined contribution plan and is administered by the regulatory body, Pension Funds Regulatory and Development Authority ("**PFRDA**") appointed pension fund manager.

The Bank has a defined benefit pension scheme for eIVBL employees under Indian Bank’s Association structure. The Bank contributes 10% of basic salary to a pension fund and the balance amount is funded based on the actuarial valuation conducted by an independent actuary. Employees covered under this scheme are not eligible for employers’ contribution under the provident fund plan. As of March 31, 2017, the pension fund is sufficiently funded to meet the pension obligations of the Bank.

We have also set up a superannuation fund in respect of eligible employees, to which we contribute defined amounts. In addition, we contribute specified amounts to a gratuity fund set up pursuant to Indian statutory requirements. It is funded as per an actuarial valuation conducted by an independent actuary.

We focus on training our employees on a continuous basis. We have a training centre in Mumbai, where we conduct regular training programmes for our employees. Management and executive trainees generally undergo 4 to 8 weeks training modules inducting the new trainees through the Bank's induction program K-One. The induction provides the trainees with a sound grounding on understanding the evolution of the organization, the values and other business aspects of banking, functional product and process knowledge inputs. These skills are provided to make the trainees ready for their respective roles in the shortest possible time.

We offer courses conducted by both internal and external faculty. In addition to the ongoing on-the-job training, we provide employees courses in specific areas or specialised operations on an as-needed basis. We also have various e-modules for self-learning by the employees.

We engage with our employees in relation to their attendance, leave, goal setting and performance management through our human resources information system. Employee training is a key focus area for us. We focus on the continuous development of our employees through regular training programs including classroom programs and online training modules for self-learning.

Our compensation structure has fixed as well as variable pay components. Our variable pay is paid out by way of sales incentives as well as performance linked bonuses. In addition to basic compensation, employees are eligible to participate in our provident fund and other employee benefit plans. The provident fund, to which both we and our employees contribute, is a savings scheme, required by government regulation, under which the fund is required to pay to employees a minimum annual return.

We also offer employee stock options ("**ESOPs**") and stock appreciation rights ("**SARs**") to our senior management and high performing employees, under various schemes approved by our Board. For a description of our ESOPs, see section entitled "*Capitalisation Statement*" on page 74.

Properties

Our registered office and corporate headquarters is located at Kotak Mahindra Bank Limited, 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051, India. We lease our registered office from the Mumbai Metropolitan Regional Development Authority pursuant to an 80 year lease that began on June 7, 1995 and expires on June 6, 2075.

In addition to our registered office, we have administrative offices in most of the metros and some other major cities in India, as well as international offices in London, the United States, Dubai, Abu Dhabi, Mauritius and Singapore. We also have a network of bank branches, securities brokerage branches and franchisees, life insurance branches, car financing and other lending branches, and mutual fund branches, as well as a network of ATMs. We lease most of these locations.

Intellectual Property

We conduct our business under the "Kotak" and "Kotak Mahindra" brand names and the Kotak logo, each of which have been registered in India with the Registrar of Trademarks. In addition, we have registered the marks “PRIVY LEAGUE”, “KOTAK HOME FINANCE”, “WONDER CARD”, “BEST COMPLIMENTS”, “KAYPAY” (label mark), “CLICK2REMIT”, “FORTUNE”, “DREAM DEALS”, ACTIV MONEY”, “LEAGUE”, “ROYALE”, "KOTAK PRO", "JALDIII", "THINK INVESTMENTS. THINK KOTAK", "SARAL" "FUNDS TO HOME", "KOTAK ACE", "KOTAK EDGE", "KOTAKAFFINITY" AND "KOTAKSTREET.COM". The registrations for such marks with the trade mark registrar have been done in different classes including ‘9’, ‘16’, and ‘36’. We have also applied for the registration of various other marks with the Registrar of Trademarks such as "811", "811+Kotak".

Legal Proceedings

We are involved in a number of legal proceedings in the ordinary course of our business. In addition, certain government entities, including RBI, SEBI and the IRDAI, make inquiries and conduct examinations or investigations from time to time concerning our compliance with certain laws and regulations. However, other than as described in the section titled "*Legal Proceedings*" (read along with the explanations and assumptions) on page 234, we are not currently a party to any proceedings and no proceedings are known by us to be contemplated by government authorities or third parties, which, we believe, if adversely determined, would have a material adverse effect on our business, prospects, financial condition or results of operations.

Risk Management

A. Risk Management

Managing risk is fundamental to financial services industry and key to sustained profitability and stability. While Risks are assumed after appropriate consideration, some risks may arise due to unintended consequences of internal actions or external events. The Group views risk management as a core competency and tries to ensure that risks are identified, assessed and managed well in time. The success of the Group is built on sound management of a broad range of inter-related risks. The Group believes in taking measured risks, built on a culture of doing what’s right. The Group manages Risk under an Enterprise wide Risk Management ("**ERM**") framework that aligns risk and capital management to business strategy, protects its financial strength, reputation and ensures support to business activities for adding value to customers while creating sustainable shareholder value. The Group believes that all employees must play their part in risk management, regardless of position, function or location.

The Group has clear risk management objectives and a strategy to deliver them through core risks management processes. The ERM framework sets the direction by defining clear standards, objectives and responsibilities for all areas. It supports the Chief Executive Officer ("**CEO**") and the Group Chief Risk Officer ("**CRO**") by embedding strong risk management and risk culture. The ERM framework lays down the following components for effective Risk Management across the Group

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

During FY2017, the ERM framework was enhanced, keeping in mind the advances in Risk Management emerging / evolving guidelines.

Managing risk is a collective responsibility and business units and risk management units work together to ensure that business strategies and activities are consistent with approved policies and defined risk appetite. The enterprise-wide risk management aligns with the three lines of defence model towards risk management. Responsibilities for risk management at each line of defence are defined, thereby providing clarity in the roles and responsibilities towards risk management function.

At the first line of defence are the various business lines who assume risk taking positions on a day to day basis within approved framework and boundaries. Stable customer relationships and strong risk culture are the foundation for risk taking decisions. The business lines are responsible for ensuring that activities comply with applicable rules and are supported by appropriate policies, rules and decision-making structure.

The second line of defence is made up of Risk Management, Finance and Compliance functions. The second line of defence is independent from business activities and is responsible for frameworks to identify, measure, monitor and control risk. Risks are measured and controlled though limits at transaction and portfolio levels. The independent compliance function assists the businesses in ensuring compliance with legal and regulatory requirements. This line provides challenge and oversight of the activities conducted by the first line and provides periodic reporting to the Board.

The third line of defence is the audit function that provides an independent assurance and assessment of the first and second line of defence to the Board and Executive Management. Based on the evaluations of the third line of defence, the processes in the first and second lines of defence are continuously strengthened.

The risk unit works closely with the business teams within each division while maintaining its independence as part of the CRO Function. The Risk function provides an independent and integrated assessment of risks across various business lines. The independent Risk function is headed by the Group CRO who reports directly to the Executive Vice Chairman and Managing Director of the Group. The Risk function also participates in activities that support business development such as new product approvals and post implementation reviews.

The risk management process is the responsibility of the Board of Directors which approves risk policies and the delegation matrix. The Board is supported by various management committees as part of the Risk Governance framework. These committees include Risk Management Committee ("**RMC**"), Asset Liability Management Committee ("**ALCO**"), Credit Committee, Audit Committee etc. Day-to-day responsibility for risk management is delegated to senior managers with accountability for decision making. Appropriate governance structures ensure oversight and accountability of risk, which facilitates reporting and escalation. 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.

There is regular monitoring and review of top and emerging risks and appropriate risk mitigation measures are pursued to maintain an acceptable risk profile. To monitor risk profile and facilitate evaluation, suitable measurement metrics have been established and there is periodic reporting against these metrics to senior management. Regular reporting to senior management facilitates communication of risks and discussion of risk management strategies across the organization.

Every quarter, the Group CRO reports to the Board, on the risk appetite levels and the risk profile. Besides this, formal updates on various portfolios are provided to the Board periodically. Such regular reporting enables the Board to monitor the development of risk exposure and whether risk is managed within the overall risk policies.

The Bank and 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 practices are built on an assessment of all identified risks and consider the risk reward balance. This involves the on-going review of the level of capitalization against key objectives and to maintain a strong capital base to support the risks inherent in various businesses. The Group’s approach to capital management ensures that businesses are adequately capitalized in excess of minimum regulatory Capital Ratios to meet their short- and long-term business plans, while holding adequate capital buffers during normal business conditions and to absorb the impact of stress events.

The Group manages its capital position to maintain strong and efficient capital ratios well in excess of regulatory and Board Approved minimum capital adequacy at all times. The strong Tier I capital position of the Group is part of the overall business strategy and source of competitive advantage. It provides assurance to regulators and credit rating agencies, while protecting the interests of depositors, creditors and shareholders. In accordance with the RBI guidelines on NCAF (New capital adequacy framework under Basel norms), the Bank adopts the standardized approach for credit risk, basic indicator approach for operational risk and standardised duration approach for market risk.

Under the Basel III capital regulations, in addition to the minimum regulatory capital, Banks are required to hold a capital conservation buffer that can be drawn down in times of stress. There are restrictions on dividend distribution, if the buffer is not maintained. The capital conservation buffer is phased-in at 0.625% p.a., effective March 31, 2016 and will be fully implemented by March 31, 2019.

Each legal entity within the group, manages its capital base to support planned business growth and meet regulatory and internal capital requirements. Capital utilization 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 maintained a strong capital position, with capital adequacy above internal and regulatory minimum requirements at all times during the year, including under stress conditions.

C. Risk Appetite

The Group faces a variety of risks across businesses. Defining acceptable levels of risk is fundamental to delivering consistent and sustainable performance over the long term. Our risk appetite defines acceptable levels for various risks and is the foundation for our risk culture and risk management. Appetite for risk is influenced by a range of factors, including whether a risk is considered consistent with core strategy

The risk appetite is set by the Board and lays down principles which protects our business franchise and supports sound risk culture. The Risk appetite is a top-down process and consists of specific quantitative and qualitative factors and provides an enforceable risk statement on the amount of risk the Group is willing to accept in support of its financial and strategic objectives. The Risk appetite thus sets the outer boundaries for risk taking. The guiding principle is to practice sound risk management, supported by strong capital and funding position. Risk Appetite forms a key input to the business and capital planning process by linking risk strategy to the business strategy, through a set of comprehensive indicators. The Risk appetite statement is reviewed annually and the financial plans are tested against the risk appetite to ensure alignment. To ensure that the Bank stays within its risk appetite, the Board, RMC, and senior management review performance against defined risk appetite 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.

D. Credit Risk

Of the various types of risks which the Bank assumes, credit risk contributes to the largest regulatory capital requirement

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

The Bank has a comprehensive top down framework to manage credit risk. The framework is defined by credit policies and standards that sets out the principles and control requirements under which the Bank is prepared to assume credit risk in various business divisions to ensure smooth & timely flow of credit to the Bank's customers while ensuring prudent credit growth. Formal credit standards apply to all credit risks, with specific standards in major lending areas. These standards set the minimum requirements in assessing the ability of borrowers / counterparties to meet their commitments for repayment, acceptable forms of collateral and security and the frequency of credit reviews.

The policies and standards cover all stages of the credit cycle and cover the following elements: origination; client ratings, risk assessment; credit approval; risk mitigation; documentation, administration, monitoring and recovery. The Bank has credit approving authorities and committee structures and a set of formal limits for the extension of credit, linked to the risk levels of the borrower and transaction. The Credit Policy and delegation of authority are linked to customer ratings. The delegation of authority is reviewed at least annually. Appropriate credit appraisal standards are enforced consistently across business lines. These include mandatory internal credit ratings for customers above a certain threshold, standardized content in credit risk assessment notes and consistent assessment criteria. The Bank recognises the importance of the risk of adverse fluctuation of foreign exchange rates on the profitability and financial position of borrowers who are exposed to currency risk. The Bank has a board approved policy on managing credit risk on account of unhedged foreign exchange exposures of borrowers and Management of foreign exchange risk is considered as part of the internal rating of borrowers. Considering the risk in long tenor transactions, the bank has reviewed and enhanced the approval framework for long tenor loans in its wholesale portfolio.

The credit philosophy in the Bank mandates that lending is based on credit analysis, with full understanding of the purpose of the loan and is commensurate to customer financials and ability to repay.

Wholesale and retail portfolios are managed separately owing to difference in the risk profile of the assets. Wholesale lending tends to be larger and is managed on a name-by-name basis for each type of counterparty. Credit rating models provide a consistent and structured assessment, which, supplemented with expert judgment determines credit approval. Wholesale credit is monitored at an aggregate portfolio, industry, and individual client level. There are concentration limits that are reviewed as necessary, in light of emerging risks, business needs and portfolio performance. All wholesale accounts are reviewed at least once, annually. Besides client account reviews, sectoral 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 judgment. Parameters like loan to value, borrower demographics, income, loan tenor etc determine the credit. Retail clients are monitored on a portfolio basis. Business-specific credit risk policies and procedures including client acceptance criteria, approving authorities, frequency of reviews, as well as portfolio monitoring frameworks and robust collections and recovery processes are in place.

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

At the pre-sanction stage, the independent credit function within respective businesses conduct credit appraisal and assign a borrower credit rating based on internal rating model. The credit rating takes into consideration the borrowers current and anticipated financial position and other relevant risk factors like Business risk of the borrower, Industry in which the borrower operates and its prospects and Management quality. The Bank has operationalised various rating models depending upon the borrower size and segment.

Each credit rating assigned maps into a borrower's probability of default. Currently, there are 18 obligor grades in the internal credit rating model

The borrower rating is supplemented by the facility rating system, which considers mitigants, such as collateral and guarantees. At a minimum, two independent credit officers are involved in the rating decisions and the ratings are finalized by a senior credit officer. Based on the independent credit risk assessment, appropriate credit decisions are taken by the sanctioning authorities. The Bank has a tiered credit sanction process where credit approvals are reported to the next higher level. Client accounts and ratings are reviewed at least once a year.

As part of the post sanction process, the Credit Administration team processes documentation, on the completion of which, credit is disbursed. In accordance with credit policies, the borrowers are subject to an annual review with updated information on financial position, market position, industry and economic condition and account conduct.

Borrowers are monitored regularly, commensurate with their level of risk. Credit managers use a variety of measures to conduct follow-up on accounts. An independent loan review team conducts reviews of credit exposures covering compliance to internal policies, sanction terms, regulatory guidelines. It also examines the conduct of the account 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 for the Bank. Accounts categorized under EWS are discussed at the EWS committee meetings and have enhanced monitoring. Compliance and progress against the committee decisions is reported regularly.

In case of loans where there is significant deterioration, the Bank employs various recovery mechanisms, including transferring the account to an internal unit specialized in managing problem accounts, to maximize collection from these accounts.

There is regular reporting on portfolio distribution by risk grades, monitoring of covenants prescribed as part of sanction and pending documentation if any.

Besides the credit rating system, the Bank has a central database that covers substantially all direct client exposures across the Group and is linked to the transaction and risk rating systems. This system aims at accurate classification of customers, timely registration of collateral and values, details about credit facilities and a single view of customer exposure across all segments.

E. Collateral and Credit Risk Mitigation

Mitigating risks is a key element of internal credit policies. Risk mitigation in the Bank, begins with proper customer selection through assessment of the borrower, along financial and non-financial parameters, to meet commitments. The bank promotes the use of credit risk mitigation that meets the requirements of business prudence and capital efficiency. The Bank uses a number of methods to mitigate risk in its credit portfolio, depending on suitability of the mitigant for the credit, legal enforceability, type of customer and the Bank's experience to manage the particular risk mitigation technique.

Common credit risk mitigation techniques are facility structuring, obtaining security / collateral, guarantees and lending covenants. The credit policies lay down parameters for acceptable level of credit risk. When granting credit facilities, the sanctioning authorities base their decision on credit standing of the borrower, source of repayment, debt servicing ability, and character of the borrower. Based on the risk profile of the borrower while unsecured facilities may be provided, within the Board approved limits for unsecured lending, collateral is taken wherever needed, depending upon the level of borrower risk and the type of loan granted. The extent of risk mitigation provided by collateral depends on the amount, type and quality of the collateral.

The Bank has an approved Collateral management policy that sets out the acceptable types of collateral and the hair cut applicable on their valuation for lending. The haircut applied depends on collateral type and reflects the risk that the Bank will not be able to sell collateral at a price equal to the expected market value due to price volatility, time taken to liquidate the asset and realization costs. The main types of collateral / security taken include cash and cash equivalents, immovable property, movable fixed assets, inventory and receivables. Guarantees from higher rated entities are also obtained in cases where credit worthiness of the standalone borrower is not sufficient to extend credit.

Framework for valuation and review of collaterals are specified as part of the collateral management policy. The control process for various credit risk mitigation techniques includes credit review and approval requirements, specific credit product policies, credit risk monitoring and control. The value of exposure and the mitigating collateral are monitored periodically depending on the type of counterparty, transaction structure and collateral type.

Legal enforceability of any collateral obtained is critical in risk mitigation. The Bank has specific requirements in its internal policies with regards to appropriate legal documentation The Credit Administration and Legal function ensure that there is adequate legal documentation, in line with internal policies, to establish its recourse to any collateral, security or other credit enhancements.

F. Credit Risk Concentration

Risk concentrations arise in the credit portfolio as a consequence of the business strategy. To avoid undue concentration in credit exposures and maintain diversification, the Bank operates within Board approved limits or operational controls in its loan portfolio. Concentration limits represent the maximum exposure levels the Bank will hold on its books. The Bank constantly reviews its concentration in a number of areas.

Some of the key portfolio limits to mitigate concentration risk include:

- single borrower limits;
- exposure to borrower groups;
- substantial exposure limits;
- sector and Industry limits;
- exposure limits on below investment grade accounts; 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. Besides controlling fresh exposure generation, loan sell-downs are used as a key tool in managing concentrations.

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 Bank's positions in debt, foreign exchange, derivatives, and equity are subject to Market Risk.

The Board Approved Investment Policy sets out the Investment Philosophy of the Bank and approach to Market Risk Management. The Asset Liability Management Committee of the Bank oversees the Market Risks in the Trading Book and the Banking Book. This committee approves the exposure limits, revision in MCLR limits, market risk and limit framework, allocation of limits to branches in other countries, counterparties, banks and desks and reviews the risk monitoring systems and risk control procedures. Additionally, the Bank has a Senior Management Committee for derivatives that is responsible for approval of product structures and its oversight.

Risk limits are monitored and utilizations are reported by the Market Risk Management unit. Market Risk Management unit is independent of the dealing function and the settlements function and reports directly to the Group Chief Risk Officer. This unit ensures that all market risks are identified, assessed, monitored and reported for management decision making. The unit is responsible for identifying and escalating any risks, including limit breaches on a timely basis.

The Bank’s limit-framework is comprehensive and effectively controls market risk. Limits on sensitivity measures like PV01, Duration, Delta, Gamma, Vega etc. and other limits like loss-limits, value-limits, gap-limits, deal-size limits, holding-period limits constitute the Bank’s limit framework.

The Bank has a Policy for Submission of Financial Benchmarks, which provides a framework and guidelines for contributing to the Benchmark administrator (FEDAI/FIMMDA). All Benchmark submissions are verified independently by the Market Risk department.

Valuation of the portfolio is done on a conservative basis at the bid / offer rate, as appropriate, reflecting the direction of the trade. Market Liquidity of the trading portfolio is also periodically assessed and an appropriate deduction is made from Tier 1 capital towards illiquidity if any.

The Bank uses Value-at-Risk ("**VaR**") to quantify the potential price risk in the portfolio. Value at risk is a statistical measure that estimates, at a certain confidence level, the potential decline in the value of a position or a portfolio under normal market conditions assuming a holding period. The Bank’s VaR model is based on historical simulation and a confidence level of 99%. Additionally, to assess the tail risk, the Bank computes Expected Shortfall. Value-at-Risk limits have been set on all trading portfolios. The VaR model of the Bank has been independently validated by an external agency. The VaR model is periodically validated through a process of back testing.

The Bank also uses metrics like stressed Value-at-Risk and periodically performs stress testing and scenario analysis to measure the exposure of the Bank to extreme, but plausible market movements. The Bank computes credit valuation adjustment, which captures the risk of mark to market losses due to deterioration in the credit worthiness of the counterparty.

H. 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. Unlike exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss whereby the market value for many different types of transactions can be positive or negative to either counterparty. The market value is uncertain and can vary over time with the movement in underlying market factors.

The CCR exposure is calculated on a daily basis, using Current Exposure Method. Limits for interbank counterparties are set on the basis of an evaluation of parameters like capitalization, asset quality, profitability, credit ratings of the banks and their country of origin (as applicable for foreign banks), amongst others. The contours of the framework for credit assessment of bank counterparties are prescribed by ALCO.

CCR limits for other counterparties are set on the basis of their internal ratings, Loan Equivalent Ratio and business requirement of the counterparty. These CCR limits are approved by the appropriate sanctioning authorities under the respective credit policies.

The Board-approved Customer Appropriate Policy sets the framework to evaluate the Suitability of the customer and Appropriateness of the derivative to the client’s hedging requirements. The MTM on client exposures are monitored on a daily basis. The Bank computes Loan Equivalent Ratio ("**LER**") and reviews it periodically to evaluate the risk arising out of customer contracts. The Group does not recognize bilateral netting for capital computation. 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)

The objective of balance sheet interest rate risk management is to secure stable and optimal net interest income over both the short and long-term. IRRBB relates to the potential impact of interest rate changes on net interest income. This risk 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. Interest rate risk is a part of the Bank risk appetite statements.

ALCO is the guiding body for management of IRRBB in the bank and sets the overall policy and risk limits. Balance Sheet Management Unit ("**BMU**"), which is part of the treasury, is entrusted with the responsibility of managing IRRBB. BMU uses Funds Transfer Pricing ("**FTP**") to transfer risk from business units to centralized treasury. As a policy, 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 also the capacity to fund increase in assets and has the potential to constrain growth through depletion of resources available for lending and investment. Efficient management of liquidity is essential to the Group retaining confidence of the financial markets and ensuring a sustainable business. 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 while maintaining a diversified funding profile.

Asset Liability Management Committee ("**ALCO**") of the Bank defines its liquidity risk management strategy and risk tolerances. Balance Sheet Management Unit ("**BMU**") of the bank is responsible for managing liquidity under the liquidity risk management framework. Bank actively manages its liquidity risk covering both funding risk and market liquidity risk. Liquidity management strategies aim to maintain sufficient liquid assets and diversified funding sources to fund balance sheet and contingent obligations, while maintaining operations under normal as well as stressed conditions.

The Bank maintains a diversified funding profile with emphasis on building retail franchise to increase stable deposits. The Bank manages limits on a variety of on and off balance sheet items to control the composition of liquidity risk by managing exposure to the outflows. The Bank ensures that there is sufficient liquidity headroom available, including stock of liquid assets, at all times to manage any contingency.

Liquidity risk is assessed in the Bank from both structural and dynamic perspective and the bank uses various approaches like Stock approach, cash flow approach and stress test approach to assess liquidity risk. Bank has also set prudential internal limits in addition to regulatory limits on liquidity gaps, call borrowing, interbank liabilities, etc. Cash flow management is critical for liquidity risk management and the Bank has developed models for predicting cash flows for products with indeterminate maturity, products with embedded options, contingents, etc. The outcome of the models are periodically back tested to test their effectiveness.

The Bank also manages its intra-day liquidity positions so that payments and settlement obligations are met on a timely basis. The Bank dynamically manages the queue of payments, forecasts the quantum and timing of cash flows, prioritizing critical payment transactions, assessing the drawing power of intraday liquidity facilities, etc.

Bank follows scenario based approach for liquidity stress testing wherein hypothetical but plausible scenarios are employed to evaluate the impact of stress on the liquidity position. The Liquidity Coverage Ratio ("**LCR**") measures the extent to which a Banking Group's High-quality liquid assets are sufficient to cover short-term cash outflows in a stressed scenario, over the next 30 calendar days, as defined by the regulator. The Group monitors and manages the composition of liquid assets to ensure diversification by asset class, counterparty and tenor. The LCR guidelines provide phased timelines for compliance, starting with a minimum of 60% coverage by January 2015 and increasing by 10% annually to 100% in 2019. The Group is currently well above the minimum regulatory requirement for the LCR. The Bank factors liquidity risk as part of its ICAAP and stress testing.

Besides LCR, the Basel III liquidity framework also envisage the Net Stable Funding Ratio ("**NSFR**"), which measures the ratio between available stable funding (>1 year) and the required stable funding (> 1 year) to support long-term lending and other long term assets. The BIS, in October 2014, released the final guidelines for NSFR and aims for an NSFR of at least 100% as of 2018. The Bank is on track to meet the NSFR requirements as per final Basel III framework. For banks in India, RBI released the draft guidelines on NSFR in May 2015 and the final guidelines are awaited.

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

K. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. This definition includes legal risk but excludes reputational risk. Therefore, in line with the Basel II risk management framework and best practices, operational risk in the Bank; is composed of the following risk types: people, process, technology, legal, compliance, outsourcing and mis-selling.

The objective of operational risk management at the Bank is to manage and control operational risk in a cost effective manner within targeted levels of operational risk as defined in the risk appetite. The centralized and independent operational risk management function is the second line of defence and manages this risk as guided by the Board approved operational risk management policy. It is responsible for implementation of the policy and monitoring operational risk events and risk exposures.

The Board of Directors, Risk Management Committee and the Operational Risk Executive Council ("**OREC**") (Bank wide and in the business units) have overall oversight function for operational risk management. The Group level IT Security Committee provides direction for mitigating the operational risk in IT security. There is a group wide IT security programme ("**ARISTI**") to ensure complete data security and integrity. There is also a Committee on Frauds, which reviews all frauds above a threshold amount.

The Business Units and support functions, own, manage and are accountable for the operational risks and controls in their respective areas. The independent Operational Risk Management function lays down the operational risk management policies, standards, processes, procedures; and operational risk management framework under which the business units and support functions operate. Internal audit and Internal Control teams provide oversight over business control activities and assurance that activities are conducted as per laid down guidelines.

The operational risk management function assists businesses by defining standardized tools and techniques such as risk and control self-assessment ("**RCSA**") to identify and assess operational risks and the controls in place to manage those risks. The RCSA programme is executed by Business and support functions in accordance with the minimum standards established by the ORM function. The ORM team provides independent challenge to the RCSAs and evaluates the residual risks. Key Risk Indicators ("**KRIs**") are also defined and tracked to monitor trends of operational risk parameters. Further, in accordance with Bank policy, for new products, the operational risk management function does an assessment of the risks generated by the new product and required measures are taken to mitigate the risks.

The Bank has an internal framework for reporting and capturing operational risk incidents, which also includes 'near misses'. Significant incidents reported are investigated to assess weaknesses in controls and identify areas for improvement. External operational events are also collated to identify potential risks and high impact events are analysed as this helps in strengthening the systems. The Bank also has a Whistle blower policy and platform, which is open to employees and vendors for raising their concerns, with full confidentiality, on any fraud, malpractice or any other untoward activity or event.

The operational risk strategy of the Bank, aims to reduce the likelihood of occurrence of unexpected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques. Disaster recovery and Business Continuity Plans ("**BCP**") have been established for significant businesses to ensure continuity of operations and minimal disruption to customer services. These plans are periodically tested and reviewed to ensure their effectiveness to mitigate unforeseen risks arising out of disruptions.

Risk transfer via insurance is a key strategy to mitigate operational risk exposure at the Bank. The Operational Risk team helps assess the quantum of insurance cover required and aligns it to the Bank's current and projected operational risk exposures.

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, unauthorized 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 digitization 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 minimize the impact of any incidents that may occur and provides regular updates to the Senior Management. New digital product offerings are also thoroughly assessed for cyber risks prior to roll out.

M. Reputation Risk

Reputation risk is 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 plays a key role in determining whether an institution has a sustainable future for its business and managing reputation is a priority area for the Group. 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. The Bank has Zero tolerance for knowingly engaging in any activity that has potential for unacceptable reputational risk. Reputational risk from business transactions and client activity is assessed as part of the transaction review and approval process. The Bank manages reputation risk through robust governance and controls process. The Group ERM policy lays down the framework to ensure Reputation is managed effectively and consistently across the group. This is supplemented by business procedures for identifying and escalating transactions to senior management that could pose material reputation risk. The framework seeks to proactively identify and avoid areas that may result in potential damage to reputation and guidelines for managing crisis situations, if a reputation risk incident has occurred. The Group believes that all employees are responsible for management of reputation risk. The reputation risk management process is integrated with the Internal Capital Adequacy Assessment Process and a scorecard approach, based on expert judgment 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 and 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 as part of the Group ICAAP through a scorecard that considers the various drivers of conduct risk to arrive a weighted score. The Bank believes in acting with professionalism, utmost care, skill, diligence and conducting its business in a fair and transparent manner by upholding moral and ethical standards, and the same is expected and ensured of all group entities. As a part of employment contract, employees are required to adhere to respective Code of Conduct.

O. Internal Capital Adequacy Assessment Process

Every year, the Group undertakes the Internal Capital Adequacy Assessment Process ("**ICAAP**"), which provides management with a view of the risks, assessment and capital allocated to cover the risks. The ICAAP encompasses internal views on material risks and their development as well as risk measurement models, risk governance and risk mitigants. It is linked to overall business planning and establishes a strategy for maintaining appropriate capital levels. ICAAP is an assessment of all significant risks (Pillar II), other than Pillar I, to which the Bank is exposed. Pillar I risks includes credit risk, market risk and operational risk. Pillar II risks include Credit Concentration risk, Underestimation of Credit Risk under Standardised Approach, Currency induced credit risk, Interest Rate Risk in the Banking Book, Liquidity Risk, Settlement Risk, Reputation risk, Strategic and Business Risk, Model Risk, Compliance Risk, Country Risk, Pension Obligation Risk, Conduct Risk, IT and Cyber Risks, Group Risk. The risks covered under Pillar II depend on the specific circumstances of the Bank and the nature and scale of its operations. As part of this process, the Group identifies risks to which it is exposed, in order to assess its risk profile. During the year, the Pillar II risks were reviewed and coverage enhanced, considering the evolving risk and economic environment. Once the risks are identified, the Group determines the method and extent of risk mitigation. Risk mitigation takes place through strengthening policies, procedures, improving risk controls and having suitable contingency plans. Finally, the Group determines the risks that will be covered by capital and the level of capital sufficient to cover those risks. The Bank has methodologies that help in capital allocation towards quantifiable Pillar II risks. The capital required thus identified are additive and represent a conservative assessment.

Capital planning under ICAAP takes into account the demand for capital from businesses for their growth plans and ensures that the Group is adequately capitalised for the period ahead and holds sufficient buffers to withstand stress conditions. The ICAAP is thus a forward-looking assessment of capital requirements given the business strategy, risk profile, risk assessment, risk appetite and capital plan. The ICAAP outcomes are reviewed by senior management and formally approved by the Board.

The business growth plans factor in the need to maintain the target credit rating, threshold return ratio and other key parameters specified in the Risk Appetite. The budgeting process under ICAAP thus ensures that the overall risk and rewards are aligned with Risk Appetite.

During the year, based on the ICAAP outcome, the Group was adequately capitalized to cover the Pillar I and Pillar II risks.

P. Stress Testing

Effective risk management depends, among other things, on the ability through stress testing and other techniques to prepare for adverse economic events. Stress testing is a key element of the ICAAP and an integral tool in the Risk Management framework as it provides management a better understanding of how portfolios perform under adverse economic conditions. Stress testing is an important tool for analyzing the risk profile. Stress-testing provides senior management with an assessment of the financial impact of identified extreme events. Stress testing is integral to strengthening the predictive approach to risk management and is a key component in managing risks. The stress tests determine the level of capital needed to absorb losses that may be experienced during stress conditions.

The Bank has a Board approved Stress testing policy which is aligned to regulatory guidelines and covers material risks. The policy was enhanced during FY2017 to cover additional risks and stress testing scenarios. Indicative stress scenarios are defined in the policy and applied uniformly across the businesses. The scenarios are articulated in terms of shock to macroeconomic factors, risk sensitivities and cover a range of historical and hypothetical stress scenarios. These provide for severe shocks to various risk parameters and are intended to capture key vulnerabilities and risks. As actual events can sometimes be more severe than anticipated, management considers additional stresses outside these scenarios, as necessary. Liquidity stress tests are also part of this framework and are intended to ensure that all contractual and contingent outflows are met and there is recourse to adequate liquidity to withstand a variety of adverse stress scenarios. The Bank carries our 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 and ensures that adequate levels capital is held to support operations. 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.

REGULATIONS AND POLICIES

The following description is a summary of some of the relevant regulations and policies as prescribed by the central, state and regulatory bodies in India that are applicable to our Bank and its Subsidiaries. The following description is not meant to be exhaustive, and is only intended to provide general information to the investors on some of the key regulations and policies applicable to us.

The primary legislation governing banking companies in India is the Banking Regulation Act, 1949 (the "**Banking Regulation Act**"). The provisions of the Banking Regulation Act are, in addition to and not, save as expressly provided under the Banking Regulation Act, in derogation of the Companies Act, 2013, Companies Act, 1956 and any other law currently in force. Other laws governing banking companies include the Reserve Bank of India Act, 1934, the Negotiable Instruments Act, 1881, the SARFAESI Act and the Bankers' Books Evidence Act, 1891. Additionally, the RBI issues guidelines, circulars, directions, and policies relating to our businesses. Our Bank and its Subsidiaries are regulated by various regulators, including but not limited, to SEBI and the RBI.

I. Law, rules and regulations governing our Bank

Some of the key rules and regulations governing our Bank's functioning are enumerated below:

A. RBI Regulations

Commercial banks in India are required to obtain a license from the RBI to carry on banking business in India. Such license is granted to the bank subject to compliance with certain conditions, as specified in Section 22 of the Banking Regulation Act. The RBI may cancel the license if the bank fails to meet the qualifications or if the bank ceases to carry on banking operations in India.

The Banking Regulation Act confers power on the RBI (in consultation with the Central Government) to supersede the Board of Directors of a banking company for a period not exceeding a total of 12 months, in public interest or for preventing the affairs of the bank from being conducted in a manner detrimental to the interest of the depositors or for securing the proper management of any banking company.

Our Bank has obtained a banking license from the RBI and is regulated and supervised by the RBI. The RBI has issued directions/ guidelines to commercial banks in relation to functioning, covering various aspects such as loans and advances, investments, risk management, recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for non-performing and restructured assets, periodical submission of reports etc. The RBI requires us to furnish statements, information and certain details relating to our business.

When a bank fails to or omits to comply with the provisions of the Banking Regulation Act and directions issued thereunder or willfully makes a statement which is false in any material particularly, knowing it to be false or willfully omits to make a material statement, the RBI may impose fine within prescribed limits on banks and its officers or punish with imprisonment for the term provided in the law, on the basis of the nature of the violation.

The appointment of the auditors of the banks is subject to the approval of the RBI. The RBI can direct a special audit in the interest of the depositors or in the public interest.

B. Regulations Relating to the Opening of Branches

Section 23 of the Banking Regulation Act requires banks to obtain prior permission of the RBI to open new branches. The RBI issues instructions and guidelines to banks on branch authorization from time to time, including guidelines allowing banking companies to open new branches, closure, shifting of branches/ extension counters/ ATMs etc. With effective from September 19, 2013, domestic scheduled commercial banks may open branches in Tier 1 to Tier 6 centres without prior permission from RBI, subject to the conditions laid down by RBI. Further, such banks may also shift, merge or close all branches except rural branches and sole semi-urban branches. Rural branches and sole semi-urban branches can also be closed subject to certain conditions.

The RBI has further stipulated that the banks are required to open at least 25 percent of the total number of branches opened during a financial year (excluding incentives for opening of branches in Tier 2 to 6 centres of underbanked districts of underbanked states) in unbanked rural (Tier 5 and Tier 6) centres and total number of branches opened by a bank in Tier 1 centres (excluding incentives) during the financial year cannot exceed the total number of branches opened in Tier 2 to Tier 6 centres and all centres in the North Eastern States and Sikkim.

Further, RBI has permitted installation of off-site ATMs at centres identified by banks, without the need for permission from the RBI.

Further, Banks are required to periodically report details of the branches opened/closed/shifted to RBI.

C. Capital Adequacy Requirements

The RBI has issued guidelines for implementation of the Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework ("**NCAF**"), to ensure that the capital held by a bank is commensurate with the bank's overall risk profile. The NCAF prescribes the minimum Capital to Risk – weighted Assets Ratio ("**CRAR**") to be maintained by banks.

The Basel Committee on Banking Supervision, with a view to improve the banking sectors' ability to absorb shocks arising from financial and economic stress, implemented Basel III framework. Further, the Basel III capital regulations in India are applicable to banks from April 1, 2013 and are required to be fully implemented by March 31, 2019 in a phase-wise manner.

D. Liquidity coverage ratio

The Basel III framework on 'Liquidity Standard' includes 'Liquidity Coverage Ratio', 'Net Stable Funding Ratio' and liquidity risk monitoring tools. With effect from January 1, 2015, the RBI introduced a requirement for commercial banks in India to maintain certain levels of Liquidity Coverage Ratio ("**LCR**"). The LCR measures a bank's ability to manage and survive for 30 days under a significant stress scenario that combines idiosyncratic as well as market-wide shock situations that would result in accelerated withdrawal of deposits from retail as well as wholesale depositors, partial loss of secured funding, increase in collateral requirements and unscheduled drawdown of unused credit lines. At least 60% of the net cash outflows in the next 30 days, computed with these assumptions of a stressed scenario, are required to be supported by High Quality Liquid Assets ("**HQLA**"). As of the date of this Preliminary Placement Document, banks are required to maintain HQLA of 80% with effect from January 1, 2017, which will increase to 90% with effect from January 1, 2018, and to 100% with effect from January 1, 2019.

The Basel Committee on Banking Supervision issued the final rules on 'Net Stable Funding Ratio' in October 2014. RBI has issued draft guidelines on NFSR on May 28, 2015. RBI proposes to make NSFR applicable to banks in India from January 1, 2018.

E. Loan Loss Provisions and Non-Performing Assets

The RBI has issued guidelines on income recognition, asset classification, provisioning standards and the valuation of investments, which are revised from time to time. In terms of the guidelines issued by RBI, banks are required to classify an asset into non-performing when it ceases to generate income for the bank. Once the account has been classified as a non-performing asset, the unrealized interest and other income already debited to the account is derecognized and further interest is not recognized or credited to the income account unless collected in cash. The Prudential Norms require banks to classify NPAs into the following three categories viz. (i) sub-standard assets;(ii) doubtful assets; and (iii) loss assets based on the period for which the asset has remained non- performing. These norms also specify provisioning requirements specific to the classification of the assets.

The RBI revised "Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions" on May 30, 2013. Pursuant to these guidelines, from April 1, 2015, advances (classified as a standard asset) that are restructured (other than due to extension in date of commencement of commercial operation ("**DCCO**") of infrastructure and non infrastructure project) would be immediately classified as sub-standard on restructuring and the non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per the extant asset classification norms with reference to the pre-restructuring repayment schedule. The general provision required on restructured standard accounts stands increased to 5% from March 31, 2016.

The RBI has issued guidelines on April 18, 2017 advising all scheduled commercial banks to make additional provisions in respect of advances to stressed sectors of the economy. The banks are required to put in place a Board–approved policy for making provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors. This evaluation needs to be on a quarterly basis. The RBI observed that the telecom sector is facing stressed financial conditions as the current interest coverage ratio for the sector is less than one and advised banks to review exposure to the telecom sector.

The RBI has issued guidelines on September 1, 2016 to restrict scheduled commercial banks' investment in Security Receipts ("**SRs**") backed by their own stressed assets. With effect from April 1, 2017, where the investment in a bank in SRs backed by stressed assets sold by it, under an asset securitisation is more than 50 per cent of the SRs backed by its sold assets and issued under that securitisation, provisioning requirement on SRs will be higher of the provisioning rate required in terms of net asset value declared by the SCs/ RCs and provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books of the bank. With effect from April 1, 2018, this threshold of 50 per cent will be reduced to 10 per cent.

F. Corporate Debt Restructuring Mechanism

The corporate debt restructuring mechanism ("**CDR**") provides for an institutional mechanism to restructure corporate debt. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities, particularly entities that are affected by certain internal and external factors and aims to minimize the losses to creditors and other stakeholders through an orderly and co-ordinated restructuring program.

G. Scheme for Sustainable Structuring of Stressed Assets ("Scheme for Stressed Assets")

The RBI has formulated the Scheme for Stressed Assets as an optional framework for the resolution of large stressed accounts. The Scheme for Stressed Assets envisages determination of the sustainable debt level for a stressed borrower, and bifurcation of the outstanding debt based on maturity profile and the level of debt which can be serviced.

Pursuant to the Banking Regulation (Amendment) Ordinance, 2017 promulgated on May 4, 2017, the Central Government has been granted the power to authorise the RBI to issue directions to one or more banking companies to initiate insolvency resolution process in respect of a "default" under the Insolvency and Bankruptcy Code, 2016. The RBI has also been granted powers to issue directions to banks for resolution of stressed assets.

H. Directed Lending

The Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2016 dated July 7, 2016 sets out the broad policy in relation to priority sector lending ("**PSL**"). In accordance with this circular, the priority sectors for all scheduled banks include (i) agriculture; (ii) micro, small and medium enterprises ("**MSMEs**"); (iii) export credit; (iv) education; (v) housing; (vi) social infrastructure; (vii) renewable energy and (viii) others. Under the Master Direction, the priority sector lending targets are linked to adjusted net bank credit as defined ("**ANBC**") or credit equivalent amount of off-balance sheet exposure, whichever is higher, as on the corresponding date of the preceding year. Currently, the total priority sector lending target for domestic banks is 40% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher. It also prescribed sub-targets for small and marginal farmers, micro-enterprises and weaker sections.

I. Exposure Norms

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the RBI has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all borrowers belonging to a single group. The RBI has prescribed exposure ceiling for a single borrower as 15.00% of capital funds and group exposure limit as 40% of capital funds comprising of Tier I and Tier II capital. Relaxations are permitted in exceptional circumstances and lending to infrastructure sector. The total exposure to a single NBFC, NBFC-AFC (Asset Financing Companies) and Infrastructure Finance Companies ("**IFCs**") should not exceed 10%, 15% and 15% respectively, of the bank's capital funds as per its last audited balance sheet. The limit may be increased by another 5% provided that the excess exposure is on account of funds on-lent to the infrastructure sector.

The aggregate exposure of a bank to the capital markets in all forms (both fund based and non-fund based) should not exceed 40% of its net worth, on both standalone and consolidated basis as on March 31 of the previous year. Within this overall ceiling, the bank's direct investment in shares, convertible bonds/debentures, units of equity-oriented mutual funds and all exposures to Venture Capital Funds (VCFs) (both registered and unregistered) should not exceed 20% of its net worth on both standalone and consolidated basis.

On August 25, 2016, the RBI released guidelines on Enhancing Credit Supply for Large Borrowers through market Mechanism with the objective of mitigating the risk posed to the banking system on account of large aggregate lending to a single corporate. As per the framework, exposure to corporate with large borrowing from banking system beyond the prescribed limit would attract additional provisions and higher risk weights.

On December 1, 2016, the RBI released guidelines on Large Exposures Framework to align the exposure norms for Indian banks with the Basel Committee on Banking Supervision standards. From April 1, 2019, exposure limits to single and group borrowers will be 20% and 25% of our Tier 1 Capital funds as against the current norm of 15% and 40% of the Total Capital funds Limits.

J. Regulations Relating to Know Your Customer and Anti-Money Laundering

The RBI has issued several guidelines on Know Your Customer (KYC) and Anti Money Laundering (AML) inter-alia containing rules on (i) customer identification and acceptance; (ii) monitoring of transactions; and (iii) vigilance at the time of opening accounts for new customers to prevent misuse of the banking system. Banks have been advised to ensure systems and procedures are in place to control financial frauds, identify money laundering and suspicious activities and monitor high value cash transactions. Such monitoring includes cross border transactions. Further, banks have also been advised to ensure that adequate policies are formulated and adopted in relation to KYC and AML.

K. Legal Reserve Requirements

1. Cash Reserve Ratio

Each bank is required to maintain CRR on a daily basis which is a specified percentage of total of DTL adjusted for the exemptions, by way of a balance in a current account with the RBI. At present the required CRR is 4%. The RBI does not pay any interest on CRR balances. The CRR has to be maintained on an average basis for a fortnightly period and the minimum daily maintenance of the CRR should be 90% effective from the fortnight beginning April 16, 2016. The RBI may impose penal interest at the rate of 3% above the bank rate on the amount by which the reserve falls short of the CRR required to be maintained on a particular day and if the shortfall continues further the penal interest charged shall be increased to a rate of 5% above the bank rate in respect of each subsequent day during which the default continues. In case of default in the maintenance of CRR on average basis during the fortnight, penal interest will be recovered as envisaged under Section 42(3) of the RBI Act.

2. Statutory Liquidity Ratio

Each Bank is required to maintain a SLR, a specified percentage of total DTL by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, pursuant to Section 24 of the Banking Regulation Act. At present, the RBI requires banks to maintain SLR of 20.50%.

RBI requires the banks to create a reserve fund to which it must transfer not less than 25.00% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation.

L. Regulations relating to Authorised Dealers ("ADs") for foreign exchange and cross-border business transactions

The foreign exchange and cross border transactions undertaken by banks, both on its own account and also on behalf of customers, are subject to the provisions of the Foreign Exchange Management Act and rules/ regulations/ directions and notifications issued thereunder. The bank should monitor all non-resident accounts and cross border transactions to prevent money laundering. RBI may impose penalty for contravention of Foreign Exchange Management Act, 1999 and regulations/ notifications issued there under or contravenes any condition subject to which an authorisation is issued by the Reserve Bank.

M. Secrecy obligations

We are mandated to keep secrecy on account of the regulations and directions of the RBI.

N. Ownership restrictions

Section 12 of the Banking Regulation Act prohibits any shareholder of the bank from exercising voting rights on poll in excess of 10% of total voting rights of all the shareholders of the bank. However, the RBI may increase this ceiling to 26% in a phased manner. At present this is capped by RBI at 15%.

RBI guidelines prescribe a policy framework for the ownership and governance of private sector banks. As per the extant guidelines any individual / entity who wishes to acquire shareholding of 5% or more but less than 10% of the total paid up capital of the Bank needs to obtain prior approval of the RBI. Thereafter prior approval is also needed to go beyond 10%. The RBI, when considering whether to grant an approval, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fit and proper criteria.

The "Reserve Bank of India (Ownership in Private Sector Banks) Directions, 2016" ("**Directions on Ownership**") dated May 12, 2016, envisages diversified shareholding in private sector banks by a single entity/corporate entity/group of related entities. Pursuant to the Directions on Ownership, ownership limits for all shareholders in the private sector bank in the long run shall be stipulated under two broad categories: (i) natural persons (individuals) and (ii) legal persons (entities/institutions). Further, separate limits are now stipulated for (i) non-financial and (ii) financial institutions; and among financial institutions, for diversified and non-diversified financial institutions.

O. Issue of shares by private sector banks

The "Reserve Bank of India (Issue and Pricing of Shares by Private Sector Banks) Directions, 2016" provides general permission for issue of shares by private sector banks through the routes mentioned therein subject to certain conditions, *inter alia*: the issue of shares is required to be in compliance with the Companies Act, 2013 and SEBI regulations; the issue of shares has the approval from the bank's board or shareholders, as may be required under the Companies Act, 2013 or applicable SEBI regulations .

P. Downstream investment by banks

In accordance with the Consolidated FDI Policy, downstream investments made by a banking company, as defined in section 5 (C) of the Banking Regulation Act, incorporated in India, which is owned or controlled by non-residents/ non-resident entity, under corporate debt restructuring, or other loan restructuring mechanism, or in trading books, or for acquisition of shares due to defaults in loans, shall not count towards indirect foreign investment.

Q. Guidelines for merger and amalgamation of private sector banks

The Reserve Bank of India (Amalgamation of Private Sector Banks) Directions, 2016 dated April 21, 2016 relate to: (i) an amalgamation of two banking companies; and (ii) an amalgamation of a NBFC with a banking company.

R. Regulation of financial services provided by banks

The Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 dated May 26, 2016 require banks to comply with certain restrictions while undertaking financial services including in relation to risk mitigation measures, limits on investment that can be made by banks in companies undertaking financial services. The directions also provide for specific regulations for certain financial services such as, *inter alia*, setting of an infrastructure debt fund, underwriting activities, mutual fund business, insurance business.

S. Guidelines on management of intra-group transactions and exposures

The RBI issued the Guidelines on Management of Intra-Group Transactions and Exposures on February 11, 2014". Pursuant to the said guidelines, RBI has prescribed quantitative limits on financial intra-group transactions and exposures and prudential measures for the non-financial intra-group transactions and exposures. These guidelines also require that all intra-group transactions to be at "arms-length".

T. Capital and provisioning requirements for exposures to entities with unhedged foreign currency exposure

The RBI issued a circular relating to Capital and Provisioning Requirements for Exposures to entities with Unhedged Foreign Currency Exposure on January 15, 2014. Pursuant to these guidelines, RBI has introduced incremental provisioning and capital requirements for bank exposures to entities with unhedged foreign currency exposures.

U. Framework for revitalising distressed assets in the economy

The RBI issued the Framework for Revitalising Distressed Assets in the Economy on January 30, 2014 (the "**Framework**") which lays down the corrective action plan that will incentivise early identification of problem cases, timely restructuring of accounts which are considered to be viable, and taking prompt steps by banks for recovery or sale of unviable accounts. This framework became fully effective from April 1, 2014. In this regard, the RBI issued the Framework for Revitalising Distressed Assets in the Economy - Guidelines on Joint Lenders' Forum and Corrective Action Plan ("**CAP**") detailing guidelines on formation of the joint lenders' forum and adoption of the corrective action plan for operationalising the aforementioned framework. The RBI, by its Circular dated May 5, 2017, clarified that the CAP may include resolution by way of flexible structuring of project loans, change in ownership under strategic debt restructuring or scheme for sustainable restructuring of stressed assets. The RBI, further reiterated that banks must scrupulously adhere to the timelines prescribed in the Framework for finalising and implementing of CAP and any non-compliance with the directions of the RBI with regards to the Framework shall attract monetary penalties on the concerned banks under the provisions of the Banking Regulation Act. Following the notification dated February 25, 2016, the prudential guidelines on revitalising stressed assets in the economy, have been partially revised in relation to inter alia, strategic debt restructuring scheme, joint lenders' forum empowered group, restructuring of advances, structuring of project loans and sale of financial assets to securitisation company/ reconstruction company.

V. Central Repository of Large Common Exposures

The RBI has introduced Central Repository of Large Common Exposures (CRILC) repository of large credits and share information with the banks for enabling them to be aware of building leverage and common exposures. All banks are required to report to RBI , on a quarterly basis, exposures of individuals and entities having exposure (both fund and non-fund based) of more than ₹ 50.00 million and also details of customers with outstanding current account balance (debit or credit) of ₹ 10.00 million and above. In addition, RBI guidelines require banks to report, among others, the SMA 2 (Principal or interest payment overdue between 61-90 days) status of the borrower to the CRILC. Any non-submission of or wrong reporting in these returns attracts penalties as specified in the Banking Regulation Act 1949.

W. The Banking Ombudsman Scheme, 2006

The Banking Ombudsman Scheme, 2006 provides the extent and scope of the authority and functions of the Banking Ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances and other specified matters. On February 3, 2009, the said scheme was amended to provide for revised procedures for redressal of grievances by a complainant under the scheme. The Banking Ombudsman receive and consider complaints relating to the deficiencies in banking or other services filed on the grounds mentioned in clause 8 and facilitate their satisfaction or settlement by agreement or through conciliation and mediation between the bank concerned and the aggrieved parties or by passing an Award in accordance with the Scheme.

X. Declaration of dividend by banks

The payment of dividends by banks is subject to restrictions under the Banking Regulation Act. Section 15(1) of the Banking Regulation Act states that no banking company shall pay any dividend on its shares until all its capitalized expenses (including preliminary expenses, organisation expenses, share-selling commissions, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. In addition, Section 17(1) of the Banking Regulation Act requires every banking company to create a reserve fund and, out of the balance of the profit of each year as disclosed in the profit and loss account, transfer a sum equivalent to not less than 25% of such profit to the reserve fund before declaring any dividend.

Further, in May 2005, the RBI issued guidelines on Declaration of Dividends by Banks, which prescribed certain conditions for declaration of dividends by banks.

Y. Regulations governing International Operations

The Bank's international operations are governed by regulations in the countries in which the Bank has a presence and also certain guidelines issued by Reserve Bank of India.

Z. Consolidated Supervision Guidelines

In 2003, the RBI issued guidelines for consolidated accounting and consolidated supervision for banks. Under the guidelines, banks are required to prepare Consolidated financial statements, submit Consolidated prudential returns among other things.

AA. Regulations relating to banking business

The Banking Regulation Act defined the forms of business a banking company may engage. RBI has issued various guidelines/directions governing the functioning of banks in India. These guidelines cover, not limited to, governance, deposits, loans, investments, risk management, operations, audit, compliance, housekeeping etc.

BB. Classification and Reporting of Fraud Cases

The RBI issued guidelines on the classification and reporting of fraud cases. The fraud cases have been classified into misappropriation and criminal breach of trust, fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property, unauthorised credit facilities extended for reward or for illegal gratification, negligence and cash shortages, cheating and forgery, irregularities in foreign exchange and any other type of fraud not coming under the specific heads as above. The banks are required to submit fraud related data to RBI through various returns/ reports.

CC. Marginal Cost of Funds based Lending Rate (MCLR)

Pursuant to the notification issued by RBI dated December 17, 2015, all rupee loans sanctioned and credit limits renewed with effect from April 1, 2016 are to be priced with reference to the MCLR which is the internal benchmark for such purposes. MCLR comprise of: (a) marginal cost of funds; (b) negative carry on account of CRR (c) operating costs (d) tenor premium.

DD. Indian Accounting Standards

On February 16, 2015, the Ministry of Corporate Affairs (MCA), Government of India has notified the Companies (Indian Accounting Standards) Rules, 2015. On January 18, 2016 MCA outlined the roadmap for implementation of Indian Accounting Standards for banks, non-banking financial companies, select All India Term Lending and Refinancing Institutions and insurance entities. In pursuant to this, RBI has issued guidelines on February 11, 2016 on implementation of Indian Accounting Standards (Ind AS). All scheduled commercial banks to follow Indian Accounting Standards (Ind AS) for financial statements for accounting periods beginning from April 1, 2018 onwards. Ind AS would be applicable to both standalone financial statements and consolidated financial statement. These accounting standards could impact the financials of banks in many ways but not limited to the way the fair value is computed on financial assets and liabilities, the way financial assets and liabilities are classified and measured in resulting in volatility in profit or loss and equity, accounting of interest income, the credit loss provisioning which would be based on expected credit losses rather than percentage based provisioning etc.

II. Law governing our Subsidiaries

Our Subsidiaries are engaged in various sectors and are governed by numerous regulators. Any investment made by our Subsidiaries will be subject to applicable law. The following description relates to certain Subsidiaries of our Bank and is not meant to be exhaustive, and is only intended to provide general information to the investors on some of the key regulations and policies applicable to our Subsidiaries.

A. Insurance

The insurance sector in India is governed by the Insurance Act, 1934 and the regulations, guidelines and circulars issued by IRDAI. These govern the matters relating to the insurance sector in India, such as opening of new places of business, accounts and balance sheet, audit of financial statements, actuarial report and abstract, insurance intermediaries and agents, investment of funds, valuation of assets and liabilities, solvency margins, restrictions on dividends, limits on expenses of management. IRDAI has been established under the IRDA Act, to regulate, promote and ensure orderly growth of the insurance sector in India. Separately, any entity which intends to carry on the life insurance business in India must receive a certificate of registration, in accordance with regulations promulgated by IRDAI.

Some of the important areas in which the regulations are issued by IRDA which affect our operations are as under:

- Policy and procedure for issuing e-policies
- KYC guidelines
- Guidelines on investment of premium received
- Customer grievance redressal mechanism and method of charging the customers
- Guidelines on claims settlements

B. Non-Banking Finance Companies

The RBI Act defines an NBFC as (a) a financial institution which is a company; (b) a non-banking institution which is a company and which has, as its principal business, the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner; or (c) such other non-banking institution or class of institutions as the RBI may, with the previous approval of the Central Government, and by notification in the Official Gazette, specify. NBFCs are required to obtain a certificate of registration from the RBI and maintain net owned funds as prescribed, prior to commencement of the business as a non banking financial institution.

Some of the important regulations that affect the operations of the NBFCs in our group are as under:

- NBFCs are also governed by regulations on Income Recognition, Asset Classification and Provisioning norms which are similar to those applicable to the Bank to a great extent with minor differences.
- While there are no separate CRR and SLR requirements, there is a requirement to maintain Statutory Reserve in the form of cash balances / investments in financial instruments etc.
- NBFCs are also required to report large credit exposures under CRILC
- NBFCs are required to report the Frauds to Reserve Bank of India on a periodical basis much similar to that of Banks
- NBFCs are not a part of the payment and settlement system

C. Stock broking

Stock brokers, sub-brokers and clearing members in India are regulated by the Stock Brokers Regulations. Each stock-broker, sub-broker and clearing member is required to be registered under the Stock Brokers Regulations. The Stock Brokers Regulations require every stock-broker to keep and maintain its books of accounts, records and documents, and appoint a compliance officer, amongst other things. Further, SEBI may impose restrictions on them regarding dealing in securities.

Some of the key changes in the regulations which affect the business are as under:

- Regulations regarding brokerage and margin maintenance
- Centralized KYC requirements

- Requirements under FATCA
- Regulations regarding pay outs by the brokers
- IPO regulations

D. Other subsidiaries:

Our other subsidiaries are regulated and supervised by the respective authorities in the relevant sector such as our pension fund subsidiary is governed by the regulations issued by the Pension Fund Regulatory and Development Authority and our asset management subsidiary and the investment banking entities are registered with and governed by SEBI. Our international subsidiaries are in different geographies and are governed by regulators such as the Dubai Financial Services Authority, the Monetary Authority of Singapore, the Financial Services Commission, Mauritius, the Financial Conduct Authority, United Kingdom and the SEC.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

As per the Articles of Association of our Bank, the number of Directors in the Bank shall be not less than three and not more than 15, excluding the Debenture Directors, Government Directors or other Directors, as may be appointed by the RBI. The composition of our Board shall be in accordance with applicable law, including the Banking Regulation Act. At present, our Bank has 10 Directors including one Executive Vice Chairman and Managing Director, one Joint Managing Director and eight Non-Executive Directors including one woman Director.

The Banking Regulation Act requires that at least 51% of Directors have specialised knowledge or practical experience in one or more of the following areas: accountancy, agriculture and rural economy, banking, cooperation, economics, finance, law, small-scale industry, information technology, payment & settlement systems, human resources, risk management and business management and any other matter RBI may specify. Out of the aforesaid number of Directors, not less than two Directors are required to have specialised knowledge or practical experience in agriculture and rural economy, co-operation or small-scale industry. As on the date of this Preliminary Placement Document, all of our Directors are professionals with the prescribed special knowledge or practical experience and meet the conditions specified in the Banking Regulation Act. Further, under the Banking Regulation Act, the appointment of whole-time Directors requires the approval of the RBI. The RBI has also prescribed the “fit and proper” criteria to be considered when appointing directors of banks, with our Directors being required to make declarations confirming their on-going compliance with such criteria.

Pursuant to the provisions of the Companies Act, 2013, at least two-thirds of the total number of Directors, excluding Independent Directors, appointed are liable to retire by rotation, with one-third of such number retiring at each annual general meeting. A retiring Director is eligible for re-election. Further, an Independent Director may be appointed for two terms of up to five consecutive years in accordance with the Companies Act, 2013. However, in accordance with the provisions of the Banking Regulation Act, a Director (other than the Chairman or Whole-time Director) may be appointed for a maximum period of eight years. Any re-appointment of Independent Directors shall *inter alia* be on the basis of the performance evaluation report and on such appointment being approved by the shareholders by way of special resolution. Our Directors are not required to hold any Equity Shares in our Bank to qualify as a Director.

The following table provides information about our Directors as of the date of this Preliminary Placement Document. Except as disclosed below, there were no other transactions other than in the ordinary course of business undertaken by our Bank, in which our Directors are interested parties:

Sr. No.	Name	Designation	Term	DIN	Address	Occupation
1.	**Shankar Acharya**	Non-Executive Chairman	Re-appointed for a term of three years from July 20, 2015 to July 19, 2018	00033242	S-523A, Second floor, Greater Kailash-2, New Delhi 110 048	Economist
2.	**Uday Kotak**	Executive Vice-Chairman and Managing Director, Promoter	Re-appointed for a term of three years with effect from January 1, 2015 to December 31, 2017	00007467	62, NCPA Apartments, Sir Dorabji Tata Marg, Nariman Point, Mumbai 400 021	Service
3.	**Dipak Gupta**	Joint Managing Director	Re-appointed for a term of three years with effect from January 1, 2015 to December 31, 2017	00004771	Tanna Residency, Flat No. 32, A-Wing 392, Veer Savarkar Marg, Opposite Siddhivinayak Temple, Mumbai 400 025	Service
4.	**C. Jayaram**	Non-Executive Director	Appointed on May 1, 2016, liable to retire by rotation	00012214	Satguru Simran, 7th Floor, 3rd Road, Almeida Park, Bandra West, Mumbai 400 050	Professional
5.	**Prakash Apte**	Independent, Non-Executive Director	Appointed up to March 17, 2019	00196106	803, Blossom Boulevard, Koregaon Park, Pune 411 001	Consultant
6.	**Amit Desai**	Independent, Non-Executive Director	Appointed up to March 17, 2019	00310510	7, Shivthirth No. 1, Bhulabhai Desai Road, Mumbai 400 026	Lawyer
7.	**S. Mahendra Dev**	Independent, Non-Executive Director	Appointed up to March 14, 2018	06519869	Directors Quarter, IGIDR Campus, Gen. A.K. Vaidya Marg, Goregaon (East), Mumbai 400 065	Professional
8.	**Farida Khambata**	Independent, Non-Executive Director	Appointed up to September 6, 2019	06954123	3224, R Street N.W., Washington D.C. 20 007	Professional

Sr. No.	Name	Designation	Term	DIN	Address	Occupation
9.	**Mark Newman**	Non-Executive Director	Appointed on June 29, 2015, liable to retire by rotation	03518417	36 Jalan Harom Setangkai, Singapore 258 82	Professional
10.	**Uday Khanna**	Additional Independent, Non-Executive Director	Appointed as an additional director on September 16, 2016 up to the ensuing Annual General Meeting of our Bank	00079129	Centrum Towers, Flat 182, 18th Floor, Barkat Ali Road, Wadala East, Mumbai 400 037	Professional

Biographies of our Directors

1. Dr. Shankar Acharya

Dr. Shankar Acharya is the Non-Executive Chairman on the Board of our Bank. He holds a bachelor's degree in Arts (Honors) from Oxford University and a Ph.D. (Economics) from Harvard University. He is an honorary professor at the Indian Council for Research on International Economic Relations. He was the Chief Economic Adviser of the Government of India, Member of the Securities and Exchange Board of India, Member of the National Security Advisory Board, and Member of the Twelfth Finance Commission. He has held several senior positions in the World Bank, including Director of World Development Report (1979) and Research Advisor.

2. Uday Kotak

Uday Kotak is the Executive Vice-Chairman and Managing Director on the Board of our Bank and its principal founder and Promoter. He holds a bachelor's degree in commerce and a master's degree in management studies from Jamnalal Bajaj Institute of Management Studies, Mumbai. He is a member of the High Level Committee on Financing Infrastructure established by the Government of India and the SEBI Primary Market Advisory Committee. He is a member of the Boards 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 a member of the Board of Directors of Mahindra United World College of India. He was recognised as 'Entrepreneur of the Year' at Forbes India Leadership Awards 2015. He was awarded the title 'Businessman of the Year 2016' by Business India. Uday Kotak has been awarded the Ernst & Young World Entrepreneur of the Year 2014.

3. Dipak Gupta

Dipak Gupta is the Joint Managing Director on the Board of our Bank. He holds a bachelor's degree in technology and engineering electronics from Benaras Hindu University and a post graduate diploma in management from the Indian Institute of Management, Ahmedabad. He has been with the Kotak Group for over 24 years. He is responsible for overseeing the wealth management business and alternative investments business which includes private equity funds and real estate funds, treasury and asset reconstruction business of our Bank. He has been responsible for leading the Kotak Group's initiatives into the banking arena. He was the Executive Director of Kotak Mahindra Prime Limited.

4. C. Jayaram

C. Jayaram is a Non-Executive Director on the Board of our Bank. He holds a bachelor's degree in Arts (Economics) and PGDM-IIM, Kolkata. He had been with the Kotak Group for 26 years and continues to be associated with the Kotak Group. Previously, he headed the wealth management business and international operations for the Kotak Group, and has been instrumental in building a number of new businesses at the Kotak Group.

5. Prakash Apte

Prakash Apte is an Independent, Non-Executive Director on the Board of our Bank. He holds a bachelor's degree in mechanical engineering. In a career spanning over 36 years, he has considerable experience in various areas of management and business leadership. In his experience of over 16 years he has gained leadership experience in agribusiness as Managing Director of Syngenta India Limited and thereafter its Non-Executive Chairman, and has 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 is also the Chairman of Syngenta India Limited, and has been instrumental in setting up the Syngenta Foundation India.

6. Amit Desai

Amit Desai is an Independent Non-Executive Director on the Board of our Bank. He holds a bachelor's degree in commerce and bachelor's degree in law. He is a designated senior advocate of the High Court of Judicature at Bombay.

7. S. Mahendra Dev

S. Mahendra Dev is an Independent, Non-Executive Director on the Board of our Bank. He holds a doctorate in philosophy from the University of Delhi and has completed his post-doctoral research at Yale University. He is currently the Director and Vice Chancellor of Indira Gandhi Institute of Development Research. Previously, he has been the Chairman of the Commission for Agricultural Costs and Prices, Government of India at Delhi and the Director of the Centre for Economic and Social Studies, Hyderabad (1999 – 2008). He has been a 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 is the Chairman of the Committee on Terms of Trade on Agriculture constituted by the Ministry of Agriculture, Government of India. He is also member of the Expert Group to Review the Methodology for Measurement of Poverty chaired by Dr. C. Rangarajan. He is a member of National Statistical Commission at the rank of Secretary to Government of India. He is on the Board of Trustees of International Food Policy Research Institute, Washington D.C.

8. Farida Khambata

Farida Khambata is an Independent, Non-Executive Director on the Board of our Bank. She holds bachelor’s and master’s degrees in arts from the University of Cambridge and a master’s degree of science in business studies from the London Graduate School of Business Studies of the University of London. She is a qualified Chartered Financial Analyst. She is currently the Global Strategist of Cartica Management, LLC and a member of its Investment Committee. Previously, she was the Regional Vice President in charge of operations in East Asia, the Pacific, South Asia, Latin America, the Caribbean and the Global Manufacturing Cluster. She was a member of International Finance Corporation’s management group, being a part of the senior leadership team at International Finance Corporation. Prior to joining IFC in 1986, she managed pension fund assets at the World Bank.

9. Mark Newman

Mark Newman is a Non-Executive Director on the Board of our Bank. He holds a bachelor’s degree of science from King’s College London. He is a certified Chartered Accountant. He is currently the Head of Retail Challengers and Growth Markets, Asia.

10. Uday Khanna

Uday Khanna is an Additional Independent, Non-Executive Director on the Board of our Bank. He is a qualified Chartered Accountant. He is currently the Non-Executive Chairman of Bata India Ltd. Previously, he was the Managing Director and Chief Executive Officer of Lafarge India and the Non-Executive Chairman of Lafarge India. He joined the Lafarge Group in Paris in 2003 as Senior Vice President for Group Strategy, after working with Hindustan Lever. Prior to joining Lafarge India, he was the Senior Vice President (Finance), Unilever (Asia). He has been on the Board of Hindustan Unilever as Director (Exports), after having served as its Financial Controller and Treasurer. He has worked as Vice Chairman of Lever Brothers in Nigeria and General Auditor for Unilever (North America).

Relationship with other Directors

None of the Directors are related to each other.

Borrowing Powers of our Board of Directors

Our Bank has resolved by way of its resolution dated May 5, 2015 and our shareholders have approved by way of a special resolution dated June 29, 2015, that our Board of Directors is authorized to borrow monies to the extent that the maximum amount of monies so borrowed and outstanding shall not exceed ₹ 500,000 million, at any time. Our borrowing limits may be changed from time to time, subject to approval of the Board and our Shareholders.

Interest of our Directors

All of our Non-Executive Directors may be deemed to be interested to the extent of (i) fees payable to them for attending meetings of the Board or a committee thereof; (ii) commission payable to them; and (iii) reimbursement of expenses payable to them. In addition, our Chairman receives remuneration in his capacity as the Chairman of our Board.

There are no existing or potential conflicts of interest between any duties owed to our Bank by our Directors and the private interests or external duties of our Directors.

Other than as disclosed in this Preliminary Placement Document, there were no outstanding transactions other than in the ordinary course of business undertaken by our Bank, such as some directors having wealth management advisory relationships with the Bank, in which our Directors were interested parties.

As part of their investment portfolio, certain of our Directors and Senior Management Personnel may from time to time hold direct or beneficial interests in securities of our Bank or other companies, with which our Bank has engaged or may engage in transactions, including those in the ordinary course of business. Our Bank does not believe that the holdings in such other companies create a conflict of interest because transactions typically engaged between the issuers of such securities and our Bank is not likely to have a material effect on the prices of such securities. Section 20 of the Banking Regulation Act imposes certain restrictions regarding the remittance of debts due to it by the Directors of our Bank.

All Directors may also be regarded as interested in the Equity Shares held by, or subscribed by and allotted to, the companies, firms and trust, in which they are interested as directors, members, partners or trustees.

Except as otherwise stated in this Preliminary Placement Document in this regard, our Bank has not entered into any contract, agreement or arrangement during the preceding two years from the date of this Preliminary Placement Document in which any of our Directors are interested, directly or indirectly, and no payments have been made to them in respect of any such contracts, agreements, arrangements which are proposed to be made with them.

Furthermore, our Directors have not taken any loans from our Bank.

Shareholding of our Directors

The shareholding of our Directors as of March 31, 2017, is set forth below:

S. No.	Name of the Director	Shareholding in our Bank	Percentage of Shareholding in our Bank (%)
1.	Shankar Acharya	-	-
2.	Uday Kotak*	584,927,100	31.77
3.	Dipak Gupta	1,343,592	0.07
4.	C. Jayaram	1,158,040	0.06
5.	Prakash Apte	-	-
6.	Amit Desai	1,554,750	0.08
7.	S. Mahendra Dev	-	-
8.	Farida Khambata	36,000	0.00
9.	Mark Newman	-	-
10.	Uday Khanna	-	-

* *Kotak Trustee Company Private Limited holds 624,556 equity shares of our Bank representing 0.03% of the paid up capital of our Bank (as on March 31, 2017), as a trustee for USK Benefit Trust – II, of which, Uday Kotak is the sole beneficiary.*

Options held by our Directors

The following ESOPs are outstanding under our ESOP 2007 and ESOP 2015 schemes, the details of which are set out below:

Name of the Director to whom employee stock options have been granted	Number of stock options outstanding as on March 31, 2017	Number of stock options vested and unexercised as on March 31, 2017	Total number of Equity Shares that would be issued as a result of full exercise of options already vested
ESOP 2007			
Dipak Gupta	126,308	30,000	30,000
ESOP 2015			
Dipak Gupta	71,430	-	-

Remuneration of our Directors

Executive Directors

The following tables set forth the compensation paid by our Bank to the Executive Directors during the current Financial Year (to the extent applicable) and Financial Years 2017, 2016 and 2015:

(in ₹ million)

Financial Year	Salary	Perquisites and Allowances	Others	Total
2018	2.90	0.84	NIL	3.74
2017	36.12	10.46	18.00	64.58
2016	48.51	13.87	18.00	80.38
2015	45.48	13.13	15.00	73.61

Non-Executive Directors

Shankar Acharya, C. Jayaram and Mark Newman are the Non-Executive Directors of our Bank and are liable to retire by rotation.

The following tables set forth all compensation paid by our Bank to the Non-Executive Directors during the current Financial Year (to the extent applicable) and the Financial Years 2017, 2016 and 2015:

(in ₹ million)

Financial Year 2018				
Name of the Directors	**Commission**	**Remuneration**	**Sitting Fees**	**Total**
Shankar Acharya	-	0.25	0.10	0.35
C. Jayaram	-	-	0.14	0.14
Prakash Apte	-	-	0.16	0.16
Amit Desai	-	-	0.10	0.10
S. Mahendra Dev	-	-	0.20	0.20
Farida Khambata	-	-	-	-
Mark Newman*	-	-	-	-
Uday Khanna	-	-	0.16	0.16

* *Mark Newman has not been remunerated for the services offered by him in the capacity as a director of our Bank in accordance with the mutual understanding between Mark Newman and our Bank.*

(in ₹ million)

Financial Year 2017				
Name of the Directors	**Commission****	**Remuneration**	**Sitting Fees**	**Total**
Shankar Acharya	-	3.00	0.61	3.61
Prakash Apte	1.00	-	1.39	2.39
Amit Desai	0.80	-	0.61	1.41
N. P. Sarda^	0.50	-	0.33	0.83
Asim Ghosh##	0.20	-	-	0.20
S. Mahendra Dev	1.00	-	1.15	2.15
Farida Khambata	1.00	-	0.39	1.39
Mark Newman*	-	-	-	-
C. Jayaram#	1.00	-	0.49	1.49
Uday Khanna	0.75	-	0.56	1.31

** *Commission paid in Financial Year 2018*

* *Mark Newman has not been remunerated fro the services offered by him in the capacity as a director of our Bank in accordance with the mutual understanding between Mark Newman and our Bank.*

^ *N. P. Sarda has retired as a director of our Bank with effect from July 22, 2016.*

Asim Ghosh has retired as a director of our Bank with effect from May 9, 2016.

C. Jayaram continues as the Non-Executive Director of our Bank with effect from May 1, 2016, upon achieving the age of superannuation.

(in ₹ million)

Financial Year 2016				
Name of the Directors	**Commission****	**Remuneration**	**Sitting Fees**	**Total**
Shankar Acharya	-	2.70	0.58	3.28
Prakash Apte	0.60	-	1.15	1.75
Amit Desai	0.50	-	0.49	0.99
N. P. Sarda	0.60	-	0.79	1.39
S. Mahendra Dev	0.60	-	1.09	1.69
Farida Khambata	0.60	-	0.33	0.93
Mark Newman*	-	-	-	-
Asim Ghosh	0.50	-	0.20	0.70

* *Mark Newman has not been remunerated fro the services offered by him in the capacity as a director of our Bank in accordance with the mutual understanding between Mark Newman and our Bank.*

** *Commission paid in Financial Year 2017*

(in ₹ million)

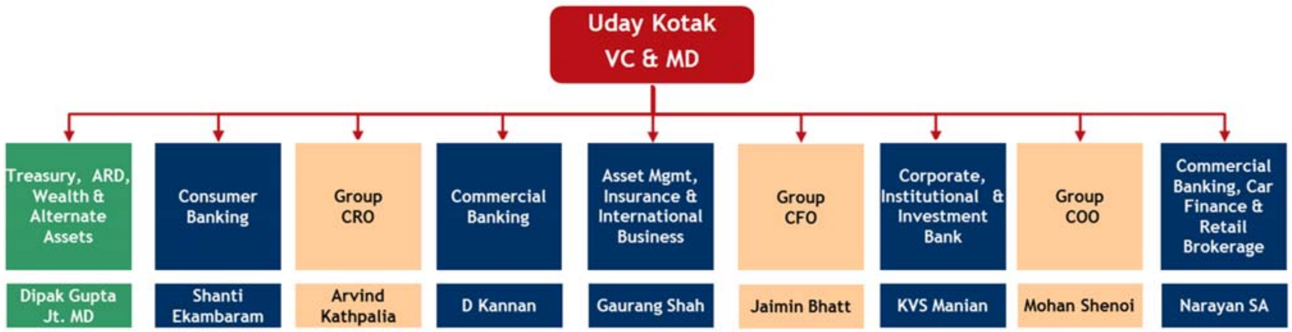
Financial Year 2015				
Name of the Directors	**Commission**	**Remuneration**	**Sitting Fees**	**Total**
Shankar Acharya	-	2.40	0.49	2.89
Prakash Apte	-	-	0.95	0.95
Amit Desai	-	-	0.48	0.48
N. P. Sarda	-	-	0.65	0.65
S. Mahendra Dev	-	-	0.77	0.77
Farida Khambata	-	-	0.20	0.20
Asim Ghosh	-	-	0.32	0.32

Changes in our Board of Directors during the last three years

Name of the Director	Date of Change	Reasons for change
Farida Khambata	September 7, 2014	Appointed as an Additional Director
Uday Kotak	January 1, 2015	Re-appointed as Executive Vice Chairman and Managing Director
Dipak Gupta	January 1, 2015	Re-appointed as Joint Managing Director
C. Jayaram	January 1, 2015	Appointed as Joint Managing Director
Mark Newman	May 5, 2015	Appointed as an Additional Director in accordance the eVIBL Scheme
Dr. Shankar Acharya	June 29, 2015	Re-appointment as Chairman
C. Jayaram	April 30, 2016	Retired as a Joint Managing Director
C. Jayaram	May 1, 2016	Appointed as a Non-Executive Director
Asim Ghosh	May 9, 2016	Retired as a Director on completion of eight year tenor
N. P. Sarda	July 22, 2016	Retired as a Director on completion of term and being above 70 years of age at that stage
Uday Khanna	September 16, 2016	Appointed as an Additional Director

Organizational Chart of our Bank

KOTAK MAHINDRA BANK LIMITED – ORGANIZATION CHART



Senior Management Personnel: Executive Board and Key Management Personnel

Executive Board

The Executive Board of our Bank comprises the following senior management personnel:

1. Uday Kotak

For details in relation to Uday Kotak, please see the section entitled "*Board of Directors and Senior Management – Biographies of our Directors*" on page 185.

2. **Dipak Gupta**

For details in relation to Dipak Gupta, please see the section entitled "*Board of Directors and Senior Management – Biographies of our Directors*" on page 185.

3. Shanti Ekambaram

Shanti Ekambaram is the President – Consumer Banking. She has over 26 years' experience, having joined the Kotak group on April 1, 1991. She joined the Kotak Group's bills discounting division. Previously, she has been associated with Kotak Mahindra Finance, Kotak Mahindra Capital Company and has handled the corporate banking division of our Bank.

4. Arvind Kathpalia

Arvind Kathpalia is the President and Group Chief Risk Officer. He has over 35 years' experience in banking and financial institutions. He joined the Kotak Group on July 14, 2003.

5. D. Kannan

D. Kannan is the Group Head of Commercial Banking at our Bank. He has over 25 years' experience with the Kotak Group. He was the Assistant Manager at Kotak Mahindra Finance and a part of the start up team, which was responsible for setting up of the Karnataka operations, eventually becoming the State Head. After joining Kotak Securities, he launched Kotak Securities.com, the internet broking platform and was responsible for setting up the retail brokerage business. Prior to joining our Bank in 2014, he was the Managing Director of Kotak Securities since 2010.

6. Gaurang Shah

Gaurang Shah is the President - Asset Management, Insurance and International Business. He has over 21 years' experience, having joined the Kotak Group on July 27, 1996 as a part of the car finance business. Previously, he has been an Executive Director of the car finance business, the head of retail assets and the life insurance business.

7. Jaimin Bhatt

Jaimin Bhatt is the President and the Group Chief Financial Officer of our Bank. He has over 21 years' experience, having joined the Kotak Group on July 3, 1995. He is responsible for the centre and support division. He joined Kotak Mahindra Finance in 1995 in the proprietary investments section. Subsequently, he joined the investment banking division and was responsible for mergers and acquisitions. He was also responsible for primary dealership activity.

8. K.V.S. Manian

K.V.S. Manian is the President – Corporate, Institutional and Investment Banking at our Bank since April 2014. He has over 30 years of experience including the last 22 years with the Kotak Mahindra Group. Manian began his career with the Kotak Group in the Investment Banking business in 1995 in the Compliance function and then moved on to businesses like Corporate Finance and Retail Loans. Manian played a key role in Kotak's journey from a NBFC to a bank and was involved in the end to end execution of the project within the defined timeframe. Prior to his current role, Manian was the Group Head of the Consumer Banking business and also oversaw the retail brokerage business of Kotak Securities.

9. Mohan Shenoi

Mohan Shenoi is the President and Chief Operating Officer of our Bank. He has over 14 years' experience, having joined the Kotak Group on June 28, 2002. He was instrumental in setting up and managing the treasury of our Bank.

10. Narayan S.A.

Narayan S.A. is the President – Commercial banking. He has over 25 years' experience, having joined the Kotak Group on September 1, 1991. He joined the Kotak Group's finance operations. Previously, he has been a part of Kotak Securities.

Key Management Personnel

The key management personnel of our Bank in accordance with the Companies Act, are as follows:

1. Uday Kotak

For details in relation to Uday Kotak, please see the section entitled "*Board of Directors and Senior Management – Biographies of our Directors*" on page 185.

2. Dipak Gupta

For details in relation to Dipak Gupta, please see the section entitled "*Board of Directors and Senior Management – Biographies of our Directors*" on page 185.

3. Jaimin Bhatt

For details in relation to Jaimin Bhatt, please see the section entitled "*Board of Directors and Senior Management – Senior Management Personnel – Executive Board*" on page 191.

4. Bina Chandarana

Bina Chandarana is the Company Secretary and Senior Vice President of our Bank. She is a qualified Company Secretary. She joined the Kotak Group on April 23, 2003 and has been the Company Secretary of our Bank since June 2, 2003. She has over 31 years' experience in secretarial functions and has worked in companies such as Voltas, Mahindra & Mahindra, IDFC, and Tata AIG Life Insurance.

Shareholding of the Executive Board and Key Management Personnel

As of March 31, 2017, except as stated below, none of the Executive Board and Key Management Personnel hold Equity Shares in our Bank:

Name	Number of Equity Shares	Percentage of total number of outstanding Equity Shares (%)
Uday Kotak*	584,927,100	31.77
Dipak Gupta	1,343,592	0.07
Shanti Ekambaram	1,490,362	0.08
Arvind Kathpalia	405,838	0.02
D. Kannan	756,546	0.04
Gaurang Shah	863,298	0.05
Jaimin Bhatt	1,296,942	0.07
K.V.S. Manian	557,379	0.03
Mohan Shenoi	540,840	0.03
Narayan S.A.**	1,295,770	0.07
Bina Chandarana	47,867	0.00

* *Kotak Trustee Company Private Limited holds 624,556 equity shares of our Bank representing 0.03% of the paid up capital of our Bank (as on March 31, 2017), as a trustee for USK Benefit Trust – II, of which, Uday Kotak is the sole beneficiary.*

** *445,000 equity shares of our Bank representing 0.02% of the paid up capital of our Bank (as on March 31, 2017), as a trustee for Narayan Family Trust, of which, Narayan S.A. is a beneficiary.*

Additionally, our Senior Management Personnel may hold options which may be converted into Equity Shares of our Bank.

Changes in the Key Management Personnel during the last three years

Name of the Director	Date of Change	Reasons for change
Dipak Gupta	January 1, 2015	Re-appointed as Joint Managing Director
Uday Kotak	January 1, 2015	Re-appointed as Executive Vice Chairman and

Name of the Director	Date of Change	Reasons for change
		Managing Director
C. Jayaram	January 1, 2015	Re-appointed as Joint Managing Director
	April 30, 2016	Superannuated as an Executive Director

Interest of the Senior Management Personnel

The Senior Management Personnel of our Bank do not have any interest in our Bank other than to the extent of (i) the remuneration or benefits to which they are entitled to as per their terms of appointment; (ii) the Equity Shares held by them or their dependents in our Bank; and (iii) number of options granted to them under the various ESOP Schemes.

Other than as disclosed in this Preliminary Placement Document, as of March 31, 2017, there were no outstanding transactions other than in the ordinary course of business undertaken by our Bank in which the Senior Management Personnel were interested parties.

None of our Directors are related to any of the Senior Management Personnel of our Bank.

Corporate Governance

Our Bank has been complying with the requirements of all applicable corporate governance norms, including the SEBI Listing Regulations in relation to the constitution of our Board of Directors and committees thereof. The corporate governance framework is based on an effective independent Board, separation of the supervisory role of our Board of Directors from the executive management team and proper constitution of committees of our Board. Our Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas.

As the Chairman of our Bank is a Non-Executive Director of our Bank, at least one-third of the Board of Directors is required to consist of independent directors in accordance with Regulation 17(1)(b) of SEBI Listing Regulations. Our Bank is compliant with Regulation 17 of the SEBI Listing Regulations, with five of our Directors are eligible to be considered as independent directors under the SEBI Listing Regulations. The SEBI Listing Regulations requires every company to appoint one woman director on its Board. Our Bank has appointed Farida Khambata as a woman director with effect from September 7, 2014.

Our Board of Directors has held seven meetings during the Financial Year 2017 and has met once during the Financial Year 2018.

Committees of our Board of Directors

In accordance with the SEBI Listing Regulations, RBI regulations and the Companies Act including the rules made thereunder, our Bank has constituted the following committees of our Directors:

1. Audit Committee;
2. Committee on Frauds;
3. Committee on Promoter Dilution;
4. Corporate Social Responsibility Committee;
5. Customer Service Committee;
6. ESOP Allotment Committee;
7. Nomination and Remuneration Committee;
8. Review Committee for classification and declaration of borrowers as willful defaulters;
9. Securities Issuance Committee;
10. Share Transfer and Other Matters Committee; and
11. Stakeholders’ Relationship Committee.

Other Confirmations

None of the Directors, Promoter or Senior Management Personnel of our Bank have any financial or other material interest in this Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

None of the Directors or Promoter or the Bank have ever been identified as willful defaulters by any bank or financial institution or consortium thereof, in accordance with the guidelines on willful defaulters issued by the RBI.

Related Party Transactions

For details in relation to the related party transactions entered by our Bank during the last three Financial Years under AS 18, immediately preceding the year of circulation of this Preliminary Placement Document, please see the section entitled "*Financial Statements*" on page 242.

PRINCIPAL SHAREHOLDERS

The shareholding pattern of our Bank as of March 31, 2017 is detailed in the table below:

Category of Shareholder	Number of Shareholders	Number of fully paid-up Equity Shares held	Total Number of Equity Shares held	Shareholding as a % of Total Number of Equity Shares (calculated as per SCRR) As a % of (A+B+C)	Number of Equity Shares held in Dematerialised Form
Promoter and Promoter Group (A)[(1)]	10	590,592,684	590,592,684	32.08	590,592,684
Public (B)	160,316	1,250,305,193	1,250,305,193	67.92	1,238,055,273
Non Promoter-Non Public (C)	NIL	NIL	NIL	NIL	NIL
Total	**160,318**	**1,840,897,877**	**18,409,897,877**	**100**	**1,828,647,957**

(1) As a result of issue of Equity Shares pursuant to this Issue, this shareholding will be reduced to [•]%.

Statement showing shareholding of persons belonging to the "Promoter and Promoter Group" category as of March 31, 2017 is set out below:

Category of Shareholder	Number of Shareholders	Number of fully paid-up Equity Shares held	Total Number of Equity Shares held	Shareholding as a % of Total Number of Equity Shares (calculated as per SCRR) As a % of (A+B+C)	Number of Equity Shares held in Dematerialised Form
Indian (A1)	10	590,592,684	590,592,684	32.08	590,592,684
Foreign (A2)	NIL	NIL	NIL	NIL	NIL
Any Other (specify)	NIL	NIL	NIL	NIL	NIL
Sub Total A2	NIL	NIL	NIL	NIL	NIL
A=A1+A2	**10**	**590,592,684**	**590,592,684**	**32.08**	**590,592,684**

Statement showing shareholding of persons belonging to the "Public" category and holding more than 1% and less than 5% of the total shareholding as of March 31, 2017 is set out below:

Category and Name of Shareholder	Number of Shareholders	Number of fully paid-up Equity Shares held	Total Number of Equity Shares held	Shareholding as a % of Total Number of Equity Shares (calculated as per SCRR) As a % of (A+B+C)	Number of Voting Rights	Total as a % of the Total Voting Right	Number of Equity Shares held in Dematerialised Form
Caisse De Depot Et Placement DU Quebec	1	20,491,354	20,491,354	1.11	20,491,354	1.11	20,491,354
Capital World Growth and Income Fund	1	21,998,776	21,998,776	1.20	21,998,776	1.20	21,998,776
Caladium Investment Pte Ltd	1	25,966,992	25,966,992	1.41	25,966,992	1.41	25,966,992
Europacific Growth Fund	1	91,595,214	91,595,214	4.98	91,595,214	4.98	91,595,214
First State Investments ICVC – Stewart Investors Asia Pacific Leaders Fund	1	37,673,139	37,673,139	2.05	37,673,139	2.05	37,673,139
ING Mauritius	1	71,199,178	71,199,178	3.87	71,199,178	3.87	71,199,178

Category and Name of Shareholder	Number of Shareholders	Number of fully paid-up Equity Shares held	Total Number of Equity Shares held	Shareholding as a % of Total Number of Equity Shares (calculated as per SCRR) As a % of (A+B+C)	Number of Voting Rights	Total as a % of the Total Voting Right	Number of Equity Shares held in Dematerialised Form
Investments I							
Oppenheimer Developing Markets Fund	1	27,179,627	27,179,627	1.48	27,179,627	1.48	27,179,627
SBI Mutual Fund	1	20,106,441	20,106,441	1.09	20,106,441	1.09	20,106,441
Smallcap World Fund, Inc	1	18,697,040	18,697,040	1.02	18,697,040	1.02	18,697,040
Sumitomo Mitsui Banking Corporation	1	32,800,000	32,800,000	1.78	32,800,000	1.78	32,800,000

Statement showing shareholding of persons belonging to the "Public" category who hold more than 5% of the total shareholding as of March 31, 2017 is set out below:

Category and Name of Shareholder	Number of Shareholders	Number of fully paid-up Equity Shares held	Total Number of Equity Shares held	Shareholding as a % of Total Number of Equity Shares (calculated as per SCRR) As a % of (A+B+C)	Number of Voting Rights	Total as a % of the Total Voting Right	Number of Equity Shares held in Dematerialised Form
Canada Pension Plan Investment Board – Managed by IM2*	1	115,163,850	115,163,850	6.26	115,163,850	6.26	115,163,850

**In terms of the Banking Regulation Act and guidelines issued by the RBI, RBI has approved by its letter dated August 29, 2016, acquisition of Equity Shares by Canada Pension Plan Investment Board – Managed by IM2 in excess of 5% and below 10% of the paid-up Equity Share capital of our Bank. Such approval is valid for a period of one year from August 29, 2016 subject to compliance with the guidelines issued by RBI.*

As on March 31, 2008		
Particulars	**No. of Equity Shares held of ₹ 10 each**	**Percentage Shareholding (%)**
Promoter Group	181,140,319	52.6
MF	14,182,365	4.1
FII	87,554,429	25.4
Others	61,795,729	17.9
TOTAL	**344,672,842**	**100.0**
As on March 31, 2003		
Particulars	**No. of Equity Shares held of ₹ 10 each**	**Percentage Shareholding (%)**
Promoter Group	36,419,227	61.5
Mutual Funds	1,397,986	2.4
FII	6,095,989	10.3
Others	14,432,936	24.3
Persons Acting in Concert	866,612	1.5
TOTAL	**59,212,750**	**100.0**

ISSUE PROCEDURE

Below is a summary, intended to provide a general outline of the procedures for the Bidding, application, payment, Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below, and Bidders are presumed to have apprised themselves of the same from our Bank or the GCBRLMs.

Bidders are advised to inform themselves of any restrictions or limitations that may be applicable to them and are required to consult their respective advisers in this regard. Bidders that apply in the Issue will be required to confirm and will be deemed to have represented to our Bank, the GCBRLMs and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Bank and the GCBRLMs and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any Bidder on whether such Bidder is eligible to acquire the Equity Shares. Please see the section entitled, "Selling Restrictions" and "Transfer Restrictions and Purchaser Representations" on pages 208 and 214.

Qualified Institutions Placement

The Issue is being made to QIBs in accordance with Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013, through a qualified institutions placement. Under Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013, a listed issuer in India may issue equity shares, non-convertible debt instruments along with warrants and convertible securities (other than warrants) to QIBs, provided, *inter alia*, that:

- a special resolution approving the qualified institutions placement has been passed by its shareholders. Such special resolution must specify (i) that the allotment of the Equity Shares is proposed to be made pursuant to the qualified institutions placement; and (ii) the relevant date;

- equity shares of the same class of such issuer, which are proposed to be allotted through the qualified institutions placement or pursuant to conversion or exchange of eligible securities, are listed on a recognized stock exchange in India that has nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the above-mentioned special resolution;

- such issuer complies with the minimum public shareholding requirements as set out in the SCRR; and

- such issuer should have completed allotments with respect to any offer or invitation made, or should have withdrawn, or abandoned any invitation or offer made by the issuer.

At least 10% of the Equity Shares issued to QIBs must be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other QIBs. A QIB has been specifically defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations.

Bidders are not allowed to withdraw their Bids after the closure of the Issue.

Bidders will be required to make certain certifications in order to participate in the Issue including that they are either (A) outside the U.S. and purchasing the Equity Shares in an offshore transaction (as defined in Regulation S) or (B) a "qualified institutional buyer" as defined in Rule 144A.

Additionally, there is a minimum pricing requirement under the SEBI ICDR Regulations. The issue price of the equity shares issued pursuant to the QIP shall not be less than the average of the weekly high and low of the closing prices of the issuer's equity shares of the same class quoted on the stock exchange during the two weeks preceding the relevant date. However, a discount of up to 5% of the floor price is permitted in accordance with the provisions of the SEBI ICDR Regulations.

The "relevant date" refers to the date of the meeting in which the board of directors or the committee of directors duly authorised by the board of the issuer decides to open the proposed issue and the "stock exchange" means any of the recognised stock exchanges in India in which the equity shares of the same class of the issuer are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

Securities must be allotted within 12 months from the date of the shareholders' resolution approving the QIP and also within the period of 60 days from the date of receipt of subscription money from the relevant QIBs. The securities issued pursuant to a QIP must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the SEBI ICDR Regulations and Form PAS-4, as prescribed under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended. The preliminary placement document and the placement document are private documents provided to select investors through serially numbered copies and are required to be placed on the website of the concerned stock exchange and of the issuer with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors.

This Issue was authorised and approved by our Board of Directors and our Shareholders on March 30, 2017 and May 9, 2017, respectively. Further, this Issue has general permission of the RBI in terms of Clause 4(ii)(b) and Clause 5 of the Reserve Bank of

India (Issue and Pricing of Shares by Private Sector Banks) Directions, 2016 dated April 21, 2016, subject to compliance with certain conditions.

Our Bank has received the in-principle approval of BSE and NSE in accordance with the provisions of Regulation 28(1) of the SEBI Listing Regulations, for the listing of the Equity Shares on BSE and NSE. Our Bank has filed a copy of this Preliminary Placement Document and will file a copy of the Placement Document with the Stock Exchanges.

The minimum number of Allottees for each qualified institutions placement shall not be less than:

- two, where the issue size is less than or equal to ₹ 2.5 billion; and
- five, where the issue size is greater than ₹ 2.5 billion.

No single Allottee shall be Allotted more than 50% of the Issue Size. QIBs that belong to the same group or that are under common control shall be deemed to be a single Allottee.

In terms of Regulation 89 of the SEBI ICDR Regulations, the aggregate of the proposed qualified institutions placement and all previous qualified institutions placements made in the same financial year shall not exceed five times the net worth of our Bank as per its audited balance sheet of the previous Financial Year.

Equity Shares allotted to a QIB pursuant to the Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

The Equity Shares offered hereby have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be Qualified Institutional Buyers (as defined in Rule 144A under the Securities Act) pursuant to Section 4(a)(2) of the Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. For a description of certain restrictions on transfer of the Equity Shares, see the "*Transfer Restrictions and Purchaser Representations*" on page 214.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Issue Procedure

1. Our Bank and the GCBRLMs shall circulate serially numbered copies of this Preliminary Placement Document and the Application Form, either in electronic or physical form, to QIBs and the Application Form will be specifically addressed to such QIBs. In terms of Section 42(7) of the Companies Act, 2013, our Bank shall maintain complete records of QIBs to whom this Preliminary Placement Document and the serially numbered Application Form have been dispatched. Our Bank will make the requisite filings with RoC and SEBI within the stipulated time period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

2. The list of QIBs to whom the Application Form is delivered shall be determined by the GCBRLMs in consultation with our Bank. **Unless a serially numbered Preliminary Placement Document along with the Application Form is addressed to a particular QIB, no invitation to make an offer to subscribe the Equity Shares shall be deemed to have been made to such a QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.

3. QIBs shall submit Bids for, and our Bank shall issue and Allot to each Allottee at least such number of Equity Shares in the Issue which would aggregate to ₹ 20,000 calculated at the face value of the Equity Shares.

4. QIBs may submit an Application Form, including any revisions thereof, during the Bid/Issue Period to the GCBRLMs.

5. QIBs will be required to indicate the following in the Application Form:

    a. a representation that it is either (i) outside the United States acquiring the Equity Shares in an offshore transaction under Regulation S, or (ii) a "qualified institutional buyer" as defined in Rule 144A, and it has agreed to certain other representations set forth in the Application Form;

    b. name of the QIB to whom the Equity Shares are to be Allotted;

    c. number of Equity Shares Bid for;

d. price at which they are agreeable to subscribe for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit an Application Form at "Cut-off Price", which shall be any price as may be determined by our Bank in consultation with the GCBRLMs at or above the Floor Price. Our Bank may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations; and

e. details of the depository accounts to which the Equity Shares should be credited.

Note: Each sub-account of an FII, other than a sub-account which is a foreign corporate or a foreign individual, will be considered as an individual QIB and separate Application Forms would be required from each such sub-account for submitting the Application Forms. FIIs or sub-accounts of FIIs are required to indicate the SEBI FII or sub-account registration number in the Application Form. The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.

6. Once a duly completed Application Form is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid/Issue Closing Date. The Bid/Issue Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

7. Upon receipt of the duly completed Application Form, our Bank, after closure of the Issue, shall determine the final terms, including the Issue Price and the number of the Equity Shares to be issued pursuant to the Issue in consultation with the GCBRLMs. Upon determination of the Issue Price and the QIBs to whom Allocation shall be made, the GCBRLMs, on behalf of our Bank, will send the CANs, along with serially numbered Placement Document, to the QIBs who have been Allocated Equity Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the QIB to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details such as the number of the Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-in Date as applicable to the respective QIB. **Please note that the Allocation will be at the absolute discretion of our Bank and will be based on the recommendation of the** GCBRLMs**.**

8. Pursuant to receiving a CAN, each QIB shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to our Bank's designated bank account by the Pay-in Date as specified in the CAN sent to the respective QIBs.

9. No payment shall be made by QIBs in cash. Please note that any payment of application money for the Equity Shares shall be made from the bank accounts of the relevant QIBs applying for the Equity Shares and our Bank shall keep a record of the bank account from where such payment for subscriptions have been received. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by our Bank in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013.

10. Upon receipt of the application monies from the QIBs, our Bank shall Allot the Equity Shares as per the details in the CAN sent to the QIBs. Our Bank will intimate to the Stock Exchanges the details of the Allotment and apply for approvals of the Equity Shares for listing on the Stock Exchanges prior to crediting the Equity Shares into the Depository Participant accounts of the QIBs.

11. Upon receipt of the listing approval from the Stock Exchanges, our Bank shall credit the Equity Shares into the Depository Participant accounts of the respective QIBs.

12. Our Bank shall then apply for the final listing and trading permissions from the Stock Exchanges.

13. The Equity Shares that have been credited to the Depository Participant accounts of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final listing and trading approvals from the Stock Exchanges. Upon receipt of the final listing and trading approval from the Stock Exchanges, our Bank shall inform the QIBs who have received an Allotment of the receipt of such approval. Our Bank and the GCBRLMs shall not be responsible for any delay or non-receipt of the communication of the final listing and trading permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on their respective websites. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Bank.

Qualified Institutional Buyers

Only QIBs as defined in Regulation 2(1)(zd) of the SEBI ICDR Regulations, and not otherwise excluded pursuant to Regulation 86(1)(b) of the SEBI ICDR Regulations are eligible to invest in the Issue. Under Regulation 86(1)(b) of the SEBI ICDR Regulations, no Allotment shall be made, either directly or indirectly, to any QIB who is a promoter or any person related to the Promoter. Currently, the definition of a QIB includes:

1. Mutual funds, venture capital funds, alternate investment funds and foreign venture capital investors registered with SEBI;
2. Foreign Portfolio Investors other than Category III Foreign Portfolio Investors;
3. Public financial institutions as defined in Section 2 (72) of the Companies Act, 2013;
4. Scheduled commercial banks;
5. Multilateral and bilateral development financial institutions;
6. State industrial development corporations;
7. Insurance companies registered with IRDAI;
8. Provident funds with minimum corpus of ₹ 2.5 billion;
9. Pension funds with minimum corpus of ₹ 2.5 billion;
10. National Investment Fund set up by Government of India, set up by resolution no. F. No. 2/3/2005-DDII, dated November 23, 2005;
11. Insurance funds set up and managed by army, navy or air force of the Union of India; and
12. Insurance funds set up and managed by the Department of Posts, India.

Foreign Portfolio Investors are permitted to participate in the Issue subject to compliance with applicable law and such that the shareholding of the Foreign Portfolio Investors does not exceed specified limits as prescribed under applicable law in this regard. In terms of the SEBI FPI Regulations, purchase of equity shares of each company by a single FPI or an investor group shall be below 10% of the total issued capital of such company.

Non-resident QIBs can participate in the Issue under Schedule 1 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. Under the current Consolidated FDI Policy, the total foreign ownership in a private sector bank cannot exceed 74% of the paid-up capital (49% of the paid-up capital under the automatic route and above 49% of the paid-up capital and up to 74% of the paid-up capital under the approval route). Our Bank has received the approval of the Foreign Investment Promotion Board for total foreign investment limit of 55% of its paid-up capital. The Shareholders in Bank's EGM on May 9 2017 have authorised Board of Directors of the Bank to increase the limits up to which FII/FPIs can invest in the Bank from 42% to 49%. The Board of Directors will decide the limit up to which the FII/FPIs can invest into the Bank subject to such limit not exceeding 49%.

Under Regulation 86(1)(b) of the SEBI ICDR Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being our Bank's promoter or any person related to our Bank's promoter. QIBs which have all or any of the following rights shall be deemed to be persons related to our Bank's promoter:

1. rights under a shareholders' agreement or voting agreement entered into with our Bank's promoter or persons related to our Bank's promoter;
2. veto rights; or
3. a right to appoint any nominee director on the Board.

Provided, however, that a QIB which does not hold any of the Equity Shares and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to a promoter.

Our Bank and the GCBRLMs are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, QIBs are

required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Regulations.

A minimum of 10% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other QIBs.

Note: *Affiliates or associates of the GCBRLMs who are QIBs may participate in the Issue in compliance with applicable laws.*

Application Process

Application Form

QIBs shall only use the serially numbered Application Forms supplied by the GCBRLMs in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of this Preliminary Placement Document.

By making a Bid (including the revision thereof) for the Equity Shares through Application Forms, the QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under the sections entitled "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on pages 3, 208 and 214 respectively:

1. The QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the SEBI ICDR Regulations and not excluded under Regulation 86 of the SEBI ICDR Regulations, has a valid and existing registration under applicable laws of India and is eligible to participate in the Issue;

2. The QIB confirms that it is not a Promoter and is not a person related to the Promoter, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter or Promoter Group or person related to the Promoter;

3. The QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to the Promoter, no veto rights or right to appoint any nominee director on the Board other than that acquired in the capacity of a lender not holding any Equity Shares, which shall not be deemed to be a person related to the Promoter;

4. The QIB acknowledges that it has no right to withdraw its Bid after the Bid /Issue Closing Date;

5. The QIB confirms that if the Equity Shares are Allotted through the Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the floor of the Stock Exchanges;

6. The QIB confirms that the QIB is eligible to apply and hold the Equity Shares so Allotted and together with any Equity Shares held by the QIB prior to the Issue. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;

7. The QIB confirms that the Application would not result in triggering a tender offer under the Takeover Regulations;

8. The QIB confirms that to the best of its knowledge and belief, together with other QIBs in the Issue that belong to the same group or are under common control, the Allotment to the QIB shall not exceed 50.00% of the Issue Size. For the purposes of this statement:

   a. The expression "belongs to the same group" shall derive meaning from the concept of "companies under the same group" as provided in Section 372(11) of the Companies Act, 1956;

   b. "Control" shall have the same meaning as is assigned to it under Regulation 2(1)(e) of the Takeover Regulations.

9. The QIB confirms that it shall not undertake any trade in the Equity Shares credited into the beneficiary account maintained with the Depository Participant by the QIBs until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

10. The QIB acknowledges, represents and agrees that in the event its total interest in the paid-up share capital of our Bank or voting rights in our Bank, whether direct or indirect, beneficial or otherwise (any such interest, your "**Holding**"), when aggregated together with any existing Holding and/or Holding of any of the persons acting in concert, results in Holding of 5% or more of the total paid-up share capital of, or voting rights in, our Bank a disclosure of the aggregate shareholding and voting rights will have to be made under the Takeover Regulations. In case such QIB is an existing shareholder who, together with persons acting in concert, holds 5% or more of the underlying paid up share capital of, or voting rights in our Bank a disclosure will have to be made under the Takeover Regulations in the event of a change of 2% or more in the existing Holding of the QIB and persons acting in concert.

11. You are aware that in accordance with Section 12B of the Banking Regulation Act, 1949 read with the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, dated November 19, 2015, no person (along with his relatives, associate enterprises or persons acting in concert with you) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, you hereby represent that your (direct or indirect) aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise:

    (i). after subscription to the Equity Shares in the Issue by you, your relatives, your associate enterprises or persons acting in concert with you, aggregated with any pre-Issue shareholding in the Bank of you, your relatives, your associate enterprises or persons acting in concert; or

    (ii). after subscription to the Equity Shares in the Issue by you aggregated with any pre-Issue shareholding in our Bank of you, your relatives, your associate enterprises or persons acting in concert:

    shall not amount to 5% or more of the total paid-up share capital of our Bank or would not entitle you to exercise 5% or more of the total voting rights of our Bank, except with the prior approval of the RBI.

12. The QIB confirms that:

    a. If it is within the United States, it is a U.S. QIB who is, or are acquiring the Equity Shares for its own account or for the account of an institutional investor who also meets the definition of a U.S. QIB, for investment purposes only and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part and are not our affiliate or a person acting on behalf of such an affiliate;

    b. If it is outside the United States, it is purchasing the Equity Shares in an offshore transaction in reliance on Regulation S, and is not our affiliate or a person acting on behalf of such an affiliate;

It has read and understood, and by making a Bid for the Equity Shares through the Application Forms and pursuant to the terms of this Preliminary Placement Document, will be deemed to have made the representations, warranties and agreements made under the sections entitled "*Notice to Investors*", "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on page 1, 3, 208 and 214, respectively.

QIBS MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. FOR THIS PURPOSE, ELIGIBLE SUB ACCOUNTS OF AN FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

IF SO REQUIRED BY THE GCBRLMs, THE QIB SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO THE GCBRLMs TO EVIDENCE THEIR STATUS AS A QIB.

IF SO REQUIRED BY THE GCBRLMs, THE ESCROW AGENT OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER ISSUE CLOSURE, THE QIB SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE KNOW YOUR CUSTOMER (KYC) NORMS.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by a QIB shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for its share of the Allotment (as indicated by the CAN) and becomes a binding contract on the QIB upon issuance of the CAN by us in favour of the QIB.

Submission of Application Form

All Application Forms must be duly completed with information including the name of the QIB, the price and the number of the Equity Shares applied for. The Application Form shall be submitted to the GCBRLMs either through electronic form or through physical delivery at the following address:

Name of the GCBRLM	Address	Contact Person	Email	Phone (Telephone and Fax)
DSP Merrill Lynch Limited	Ground Floor, A Wing, One BKC, G Block Bandra Kurla Complex	Ranjan Sharma	ranjan.sharma@baml.com	Tel: +91 22 6632 8056 Fax: +91 22 6776 2343

Name of the GCBRLM	Address	Contact Person	Email	Phone (Telephone and Fax)
	Bandra (East)			
Kotak Mahindra Capital Company Limited	1st Floor, 27 BKC, Plot No. 27, G Block Bandra Kurla Complex Bandra (East)	Karl Sahukar	kmbl.qip@kotak.com	Tel: +91 22 4336 0000 Fax: +91 22 6713 2447
Morgan Stanley India Company Private Limited	18F, Tower 2 One Indiabulls Centre 841, Senapati Bapat Marg Mumbai 400 013	Satyam Singhal	kotakqip2017@morganstanley.com	Tel: +91 22 6118 1000 Fax: +91 22 6118 1040

The GCBRLMs shall not be required to provide any written acknowledgement of the same.

Permanent Account Number or PAN

Each QIB must mention its Permanent Account Number ("PAN") allotted under the IT Act in the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. QIBs should not provide the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Pricing and Allocation

Build up of the book

The QIBs shall submit their Bids (including the revision of bids) for the Equity Shares within the Bid / Issue Period to GCBRLMs and cannot be withdrawn after the Bid/Issue Closing Date. The book shall be maintained by the GCBRLMs.

Price discovery, terms and allocation

Our Bank, in consultation with the GCBRLMs, shall determine the Issue Price which shall be at or above the Floor Price. Our Bank may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations.

After finalisation of the Issue Price, our Bank will update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

Our Bank shall determine the Allocation in consultation with the GCBRLMs on a discretionary basis and in compliance with Chapter VIII of the SEBI ICDR Regulations.

Bids received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF OUR BANK IN CONSULTATION WITH THE GCBRLMs IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF THE EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR BANK IN CONSULTATION WITH THE GCBRLMs AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER OUR BANK NOR THE GCBRLMs ARE OBLIGED TO ASSIGN ANY REASON FOR ANY SUCH NON-ALLOCATION.

Confirmation of Allotment Notice or CAN

Based on the Application Forms received, our Bank, in consultation with the GCBRLMs, in their sole and absolute discretion, decide the QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of such Equity Shares by the Pay-in Date in their respective names shall be notified to such QIBs. Additionally, the CAN will include details of the relevant Escrow Account for transfer of funds if done electronically, address where the application money needs to be sent, Pay-in Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective QIB's account, as applicable to the respective QIBs ("**Designated Date**").

The QIBs, who have been allotted Equity Shares, would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the CAN to the QIBs shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the GCBRLMs and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

Bank Account for Payment of Application Money

Our Bank has opened the Escrow Account with Kotak Mahindra Bank Limited, acting as the Escrow Agent in terms of the arrangement among our Bank, the GCBRLMs and the Escrow Agent. The QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-in Date as mentioned in the respective CAN.

If the payment is not made favouring the Escrow Account within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

In case of cancellations or default by the QIBs, our Bank and the GCBRLMs have the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion, subject to the compliance with the requirement of ensuring that the Application Forms are sent to QIBs.

Payment Instructions

The payment of application money shall be made by the QIBs in the name of the Escrow Account as per the payment instructions provided in the CAN.

Payments are to be made only through electronic fund transfer.

Note: Payments through cheques are liable to be rejected.

Closing Date and Allotment of the Equity Shares

Our Bank will endeavor to complete the Allotment of Equity Shares by the probable Closing Date for those QIBs who have paid subscription money as stipulated in the respective CANs. The Equity Shares will not be Allotted unless the QIBs pay the Issue Price to the Escrow Account as stated above.

In accordance with the SEBI ICDR Regulations, the Equity Shares will be issued and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act, 2013 and the Depositories Act.

Our Bank, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment of the Equity Shares, our Bank will apply for final listing and trading approvals from the Stock Exchanges. In the event of any delay in the receipt of listing or trading approvals or cancellation of the Issue, no interest or penalty would be payable by us or the GCBRLMs.

In the case of QIBs who have been Allotted more than 5% of the Equity Shares in the Issue, our Bank shall disclose the name and the number of the Equity Shares Allotted to such QIB to the Stock Exchanges and the Stock Exchanges will make the same available on their website. Our Bank shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014. If a QIB is Allotted any Equity Shares, our Bank is required to disclose details such as your name, address and the number of Equity Shares Allotted to the RoC and the SEBI. Additionally, in accordance with Section 12B of the Banking Regulation Act, 1949 read with the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, dated November 19, 2015, no person (along with his relatives, associate enterprises or persons acting in concert with) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, a Bidder's aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise: after subscription to the Equity Shares in the Issue by such Bidder, his or her relatives, associate enterprises or persons acting in concert with such Bidder, aggregated with any pre-Issue shareholding in the Bank of such Bidder, his or her relatives, associate enterprises or persons acting in concert; or after subscription to the Equity Shares in the Issue aggregated with any pre-Issue shareholding in our Bank of such Bidder, his or her relatives, associate enterprises or persons acting in concert; shall not amount to 5% or more of the total paid-up share capital of our Bank or would not entitle such Bidder to exercise 5% or more of the total voting rights of our Bank, except with the prior approval of the RBI.

In the event that our Bank is unable to issue and Allot the Equity Shares offered in this Issue or on cancellation of this Issue, within 60 days from the date of receipt of application money, our Bank shall repay the application money within 15 days from expiry of 60 days, failing which our Bank shall repay that money with interest at the rate of 12% per annum from expiry of the sixtieth day. The application money to be refunded by our Bank shall be refunded to the same bank account from which application money was remitted by the QIBs.

Other Instructions

Right to Reject Applications

Our Bank, in consultation with the GCBRLMs, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Bank and the GCBRLMs in relation to the rejection of Bids shall be final and binding.

Equity Shares in Dematerialised form with the Depositories

The Allotment of the Equity Shares shall be only in dematerialised form (i.e., not in physical certificates but represented by the statement issued through the electronic mode).

A QIB applying for the Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either of the Depositories prior to making the Bid. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with the Depositories. The Stock Exchanges have electronic connectivity with the Depositories.

The trading of the Equity Shares would be in dematerialised form only for all QIBs in the respective demat segment of the Stock Exchanges.

Our Bank will not be responsible or liable for the delay in the credit of the Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on part of the QIBs.

PLACEMENT

Placement Agreement

The GCBRLMs have entered into a placement agreement with our Bank (the "**Placement Agreement**"), pursuant to which the GCBRLMs have agreed to manage the Issue and to act as placement agents in connection with the proposed Issue and procure subscription for Equity Shares to be placed with the QIBs, pursuant to Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013.

The Placement Agreement contains customary representations, warranties and indemnities from our Bank and the GCBRLMs, and it is subject to termination in accordance with the terms contained therein.

This Preliminary Placement Document has not been, and will not be, registered as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than QIBs. No assurance can be given on liquidity or sustainability of trading market for the Equity Shares (including the Equity Shares) post the Issue.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on BSE and NSE. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

In connection with the Issue, the GCBRLMs (or their affiliates) may, for their own accounts, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the GCBRLMs may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions.

The GCBRLMs and their affiliates may engage in transactions with and perform services for our Bank in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with our Bank, for which they have received compensation and may in the future receive compensation.

Kotak Mahindra Capital Company Limited was one of the book running lead managers for our Bank's qualified institutions placement undertaken in 2007. Additionally, Kotak Mahindra Capital Company Limited is one of the subsidiaries of our Bank.

Lock-up

The RBI has required the Bank to reduce its Promoters' shareholding. The next milestone is 30% by June 30, 2017. For further details, please refer to the section entitled "*Risk Factors*" on page 41.

Subject to any transactions to assist the Bank in complying with the RBI's direction to reduce the Promoter's shareholding in the Bank to 30.0% by June 30, 2017, our Promoter, Uday Kotak, has confirmed to the Bank that, between the date of the Placement Agreement and the date that is 60 days from the Closing Date ("**Lock-up Period**"), he will not, without the prior written consent (which consent shall not be unreasonably withheld) of the GCBRLMs:

(a) offer, lend, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, including but not limited to any options or warrants to purchase any Equity Shares, global depositary receipts or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, Equity Shares or global depositary receipts regardless of whether any such transaction is to be settled by delivery of Equity Shares or Equity Shares represented by global depository receipts or other such securities convertible into Equity Shares, in cash or otherwise;

(b) enter into any swap or other agreement or transaction that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares or any securities convertible into or exercisable or exchangeable for any of the Equity Shares or global depositary receipts regardless of whether any such transaction is to be settled by delivery of Equity Shares or Equity Shares represented by global depository receipts or other such securities convertible into Equity Shares, in cash or otherwise;

(c) deposit any of the Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or which carry the rights to subscribe for or purchase the Equity Shares, with any depositary in connection with a depositary receipt facility; or

(d) publicly announce any intention to enter into any transaction described in (a) to (c) above, or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of the Promoter's Equity Shares in any depositary receipt facility regardless of whether any such transaction described in (a) to (c) above is to be settled by delivery of Equity Shares, global depositary receipts or such other securities convertible into Equity Shares, in cash or otherwise.

The Bank agrees that it shall not, without the prior written consent of the GCBRLMs, from the date of the Placement Agreement and for a period of up to 60 days from the Closing Date, directly or indirectly: (a) issue, offer, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for the Equity Shares; (c) deposit Equity Shares, or any securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe for or purchase Equity Shares or which carry the right to subscribe for or purchase Equity Shares in depository receipt facilities or enter into any such transactions (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares in any depository receipt facility; or (d) announce any intention to enter into any transaction whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of the Equity Shares, or such other securities, in cash or otherwise. Provided however, that the foregoing restrictions shall not apply to any issue or allotment of Equity Shares or options by the Bank to the extent such issue or allotment (i) is required for compliance with any provision of applicable laws, or (ii) pursuant to any employee stock option plan of the Bank.

It is further clarified, that the above restrictions on the Promoter and the Bank during the Lock-up Period will not restrict or apply to transactions that may achieve progress towards the RBI's requirement to reduce the current Promoter shareholding in the Bank to 30% by June 30, 2017.

SELLING RESTRICTIONS

The distribution of this Preliminary Placement Document or any Offer material and the offering, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Preliminary Placement Document or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Preliminary Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized. No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction other than India, or the possession, circulation or distribution of this Preliminary Placement Document or any other material relating to our Bank or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Australia

The offer of Equity Shares in the Bank is only made in circumstances under which no disclosure is required under Chapter 6D of the Corporations Act 2001 (Cth) ("**Corporations Act**"). Nothing in this Preliminary Placement Document is, or purports to be, an offer to a person to whom disclosure would be required under Chapter 6D of the Corporations Act.

If the Equity Shares in the Bank are to be on-sold to investors in Australia within 12 months of the issue of the shares in the Bank, they may only be on-sold to investors in Australia in circumstances where disclosure is not required under Chapter 6D of the Corporations Act.

This Preliminary Placement Document is not a disclosure document for the purposes of the Corporations Act. This Offer Document has not been and will not be lodged with the Australian Securities and Investments Commission ("**ASIC**") and does not contain all the information that a disclosure document is required to contain. The distribution of this Preliminary Placement Document in Australia has not been authorised by ASIC or any other regulatory authority in Australia.

This Preliminary Placement Document is provided for general information purposes only and is not intended to constitute, and does not constitute, the provision of any financial product advice or recommendation and must not be relied upon as such. This Preliminary Placement Document is not intended to influence a person in making a decision in relation to a particular financial product or class of financial products, or an interest in a particular financial product or class of financial products.

This Preliminary Placement Document has been prepared without taking account of your objectives, financial situation or needs and you should obtain independent professional financial advice that considers your circumstances before making any financial or investment decisions.

There is no cooling-off regime that applies in relation to the acquisition of any Equity Shares in the Bank in Australia.

Bahrain

This Preliminary Placement Document has been prepared for private information purposes of intended investors only. This Preliminary Placement Document is intended to be read by the addressee only. No invitation has been made in or from the Kingdom of Bahrain and there will be no marketing or offering of the Rights Entitlements or the Equity Shares to any potential investor in Bahrain. All marketing and offering is made and will be made outside of the Kingdom of Bahrain. The Central Bank of Bahrain or any other regulatory authority in Bahrain has not reviewed, nor has it approved, this offering document or the marketing of the Equity Shares and takes no responsibility for the accuracy of the statements and information contained in this Preliminary Placement Document, nor shall it have any liability to any person for any loss or damage resulting from reliance on any statements or information contained herein.

Canada

The Equity Shares may only be offered or sold, directly or indirectly, in the provinces of Alberta, British Columbia, Ontario and Quebec (the "**Private Placement Provinces**") or to residents thereof and not in, or to the residents of, any other province or territory of Canada. Such offers or sales will be made pursuant to an exemption from the requirement to file a prospectus with the regulatory authorities in the Private Placement Provinces and will be made only by a dealer duly registered under the applicable securities laws of such provinces, as the case may be, or in accordance with an exemption from the applicable registered dealer requirements.

Cayman Islands

This Preliminary Placement Document does not constitute an invitation or offer to the public in the Cayman Islands of the Equity Shares, whether by way of sale or subscription. The Equity Shares are not offered or sold, and will not be offered or sold, directly or indirectly, to the public in the Cayman Islands.

Dubai International Financial Centre

This Preliminary Placement Document relates to an "exempt offer" in accordance with the Dubai Financial Services Authority ("**DFSA**") Rulebook Markets Module, and which is not subject to any form of regulation or approval by the DFSA.

The DFSA has no responsibility for reviewing or verifying this Preliminary Placement Document or any other documents in connection with this offer. Accordingly, the DFSA has not approved this Preliminary Placement Document or any other associated documents nor taken any steps to verify the information set out in this Preliminary Placement Document, and has no responsibility for it. The shares to which this Preliminary Placement Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the shares.

If you do not understand the contents of this document you should consult an authorised financial adviser.

This Preliminary Placement Document may only be provided to Professional Clients as defined in the DFSA Rulebook Conduct of Business Module ("**COB Module**"). This offer is not directed at Retail Clients as defined in the COB Module.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), an offer to the public of any Equity Shares may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Equity Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are qualified investors as defined under the Prospectus Directive;

(b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the GCBRLMs for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Equity Shares shall result in a requirement for our Bank or the GCBRLMs to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Equity Shares to be offered so as to enable an investor to decide to purchase any Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Hong Kong

This Preliminary Placement Document has not been delivered for registration to the Registrar of Companies in Hong Kong and its contents have not been reviewed by any regulatory authority in Hong Kong. Accordingly: (i) the Equity Shares have not been and will not be offered or sold in Hong Kong, by means of any document, other than to persons who are "professional investors" within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) of Hong Kong and any rules made thereunder, or in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) of Hong Kong or which do not constitute an offer to the public within the meaning hereof; and (ii) no invitation, advertisement or other document relating to the Equity Shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) of Hong Kong and any rules made thereunder.

WARNING: The contents of this Preliminary Placement Document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Japan

The Equity Shares have not been and will not be registered under the Financial Instrument and Exchange Law of Japan (the "**FIEL**"). The Equity Shares have not been offered or sold and will not be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term shall mean any person resident in Japan or any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and other applicable laws, regulations and governmental guidelines in Japan.

Jordan

The Equity Shares are being offered in Jordan on a cross border basis based on one-on-one contacts to no more than thirty potential investors and accordingly the Equity Shares will not be registered with the Jordanian Securities Commission and a local prospectus is not required.

Kuwait

This Preliminary Placement Document is not for general circulation to the public in Kuwait. The Equity Shares have not been licensed for offering in Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of the Equity Shares in Kuwait on the basis a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the Equity Shares is being made in Kuwait, and no agreement relating to the sale of the Equity Shares will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Equity Shares in Kuwait.

Mauritius

The Equity Shares are not being offered to the public in Mauritius and nothing in the Preliminary Placement Document or any information contained herein may be treated as a prospectus for the purposes of the Securities Act 2005 of Mauritius. The Mauritius Financial Services Commission (FSC) has neither reviewed nor approved the Preliminary Placement Document and the Bank does not hold any licence issued by the FSC. Accordingly, the Preliminary Placement Document has not been registered with the FSC. Equity Shares are being offered by way of private placement only to the person to whom such offer has been made.

Only persons licensed by the FSC as, investment dealers, investment advisers or investment bankers conducting activities as an investment dealer or investment adviser may market and carry out any form of solicitation in Mauritius in respect to the offer, distribution or sale of the Equity Shares. Where solicitation does not exist, a licensee as distributors of financial products may distribute the Equity Shares. The Equity Shares may not be offered, distributed or sold, directly or indirectly, in Mauritius, except as permitted by applicable Mauritius law, including but not limited to Securities Act 2005 of Mauritius.

The Bank has not been authorized (or recognized) and does not intend to seek authorization (or recognition) with the FSC, and the FSC expresses no opinion as to the matters contained in the Preliminary Placement Document and as to the merits of an investment in the Bank. There is no statutory compensation scheme in Mauritius in the event of the Bank's failure.

New Zealand

This Preliminary Placement Document is not a prospectus. It has not been prepared or registered in accordance with the Securities Act 1978 of New Zealand (the "**New Zealand Securities Act**"). This Preliminary Placement Document is being distributed in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, within the meaning of section 3(2)(a)(ii) of the New Zealand Securities Act ("**Habitual Investors**"). By accepting this Preliminary Placement Document, each investor represents and warrants that if they receive this Preliminary Placement Document in New Zealand they are a Habitual Investor and you will not disclose this Preliminary Placement Document to any person who is not also a Habitual Investor.

Oman

By receiving this Preliminary Placement Document, the person or entity to whom it has been issued understands, acknowledges and agrees that this Preliminary Placement Document has not been approved by the Capital Market Authority of Oman (the "**CMA**") or any other regulatory body or authority in the Sultanate of Oman ("**Oman**"), nor have the GCBRLMs or any placement agent acting on their behalf received authorisation, licensing or approval from the CMA or any other regulatory authority in Oman, to market, offer, sell, or distribute interests in the Equity Shares within Oman.

No marketing, offering, selling or distribution of any interests in the Equity Shares has been or will be made from within Oman and no subscription for any interests in the Equity Shares may or will be consummated within Oman. Neither the GCBRLMs nor any placement agent acting on their behalf is a company licensed by the CMA to provide investment advisory, brokerage, or portfolio management services in Oman, nor a bank licensed by the Central Bank of Oman to provide investment banking services in Oman. Neither the GCBRLM nor any placement agent acting on their behalf advise persons or entities resident or based in Oman as to the appropriateness of investing in or purchasing or selling securities or other financial products.

Nothing contained in this Preliminary Placement Document is intended to constitute Omani investment, legal, tax, accounting or other professional advice. This Preliminary Placement Document is for your information only, and nothing herein is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice on the basis of your situation.

State of Qatar (including the Qatar Financial Centre)

This Preliminary Placement Document is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of the State of Qatar (including the Qatar Financial Centre) ("**Qatar**"). The Equity Shares have not been and will not be registered with the Qatar Stock Exchange, the Qatar Financial Markets Authority, the Qatar Financial Centre, the Qatar Central Bank or with any other authority pursuant to any laws, regulations and rules in Qatar.

The Equity Shares have not been offered, sold or delivered and will not be offered, sold or delivered, directly or indirectly, in Qatar, except: (a) in compliance with all applicable laws and regulations of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign debt financing instruments in Qatar.

Republic of Korea

The Equity Shares have not been and will not be registered under the Financial Investment Business and Capital Markets Act of Korea and none of the Equity Shares may be offered or sold, directly or indirectly, in Korea or to any resident of Korea or to any persons for reoffering or resale, directly or indirectly, in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Act of Korea and its Enforcement Decree) except pursuant to an exemption from the registration requirements of the Financial Investment Business and Capital Markets Act of Korea available thereunder and/or in compliance with applicable laws and regulations of Korea.

Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Equity Shares. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires any Equity Shares pursuant to an offering should note that the offer of Equity Shares is a private placement under Article 10 or Article 11 of the “**Offers of Securities Regulations**” as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated October 4, 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated August 18, 2008 (the “**KSA Regulations**”), through a person authorized by the Capital Market Authority (“**CMA**”) to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Equity Shares may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to “sophisticated investors” under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. The International Selling Agents or the Joint Domestic Lead Managing Underwriters represents and agrees, that any offer of Equity Shares to a Saudi Investor will be made in compliance with the KSA Regulations.

Investors are informed that Article 17 of the KSA Regulations places restrictions on secondary market activity with respect to the Equity Shares, including as follows:

(i) a Saudi Investor (referred to as a “**transferor**”) who has acquired Equity Shares pursuant to a private placement may not offer or sell Equity Shares to any person (referred to as a “**transferee**”) unless the offer or sale is made through an authorized person where one of the following requirements is met:

  (a) the price to be paid for the Equity Shares in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;

  (b) the Equity Shares are offered or sold to a sophisticated investor; or

  (c) the Equity Shares are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;

(ii) if the requirement of paragraph (i)(a) above cannot be fulfilled because the price of the Equity Shares being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Equity Shares to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;

(iii) if the requirement in paragraph (ii) above cannot be fulfilled, the transferor may offer or sell Equity Shares if he/she sells his entire holding of Equity Shares to one transferee; and

(iv) the provisions of paragraphs (i), (ii) and (iii) above shall apply to all subsequent transferees of the Equity Shares.

Singapore

This Preliminary Placement Document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Preliminary Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Equity Shares may not be circulated or distributed, nor may the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

South Africa

In the Republic South Africa ("South Africa"), the invitations for subscription of Equity Shares to be issued pursuant to this Issue shall only be made pursuant to this Preliminary Placement Document together with the Application Form and will only be made by way of private placement to, and be capable of acceptance only by, persons falling within one of the specified categories set out in section 96(1)(a) or (b) of the South African Companies Act 71 of 2008 (as amended or re-enacted) (the "South African Companies Act") and to whom the Issue will be specifically addressed (the "South African Qualifying Investors") and this Preliminary Placement Document is only being made available to and capable of acceptance by such South African Qualifying Investors. The Issue does not constitute an offer for the sale of or subscription for, or the solicitation of an offer to buy and/or to subscribe for, Equity Shares to the public as defined in the South African Companies Act and will not be distributed to any person in South Africa in any manner which could be construed as an offer to the public in terms of the Companies Act.

Should any person who is not a South African Qualifying Investors receive this Preliminary Placement Document, they should not and will not be entitled to acquire any Equity Shares or otherwise act thereon. This Preliminary Placement Document does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act. Accordingly, this Preliminary Placement Document does not comply with the substance and form requirements for prospectuses set out in the South African Companies Act and the South African Companies Act Regulations of 2011 and has not been approved by, and/or registered with, the South African Companies and Intellectual Property Commission, or any other South African authority.

The information contained in this Preliminary Placement Document constitutes factual information as contemplated in section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act, No. 37 of 2002 (as amended or re-enacted) and should not be construed as an express or implied recommendation, guidance or proposal that any particular transaction in respect of the Equity Shares is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing in this Preliminary Placement Document should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa.

Switzerland

The Equity Shares may not be publicly offered in Switzerland. The Preliminary Placement Document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the listing rules of the SIX Swiss Exchange or of any other stock exchange or regulated trading facility in Switzerland. Neither the Preliminary Placement Document nor any other offering or marketing material relating to the Equity Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland. Neither the Preliminary Placement Document nor any other offering or marketing material relating to the offering, the Issuer or the Equity Shares have been or will be filed with or approved by any Swiss regulatory authority.

United Arab Emirates (outside the Dubai International Financial Centre)

In the United Arab Emirates (the "**UAE**") (outside of the financial free zones established pursuant to UAE Federal Law No. 8 of 2004 (the "**Financial Free Zones**")), the Interests are not subject to regulation under the laws or regulations of the UAE relating to the issue, offering and sale of shares. Neither the securities nor this Preliminary Placement Document have been approved by the Securities and Commodities Authority of the UAE (the "**SCA**"), the Central Bank of the UAE or any other regulatory authority in the UAE (outside of the Financial Free Zones). In particular, this Preliminary Placement Document has not been approved pursuant to Board Resolution No. 11 of 2016 on the Regulation of the Offering and Issuance of Stocks of Public Joint Stock Companies issued by the SCA (as amended) (the "**Offer of Securities Regulation**"). In addition, this Preliminary Placement Document does not constitute or contain an offer of shares to the general public in the UAE and the shares will not be registered under UAE Federal Law No. 4 of 2000 concerning the SCA and will not be admitted to trading on a securities exchange in the UAE (outside of the Financial Free Zones). Accordingly, this Preliminary Placement Document is not intended for circulation or distribution in or into the UAE (outside of the Financial Free Zones), other than to persons in the UAE to whom such circulation or distribution is permitted by, or is exempt from the requirements of, the Offer of Securities Regulation, the SCA's Board of Directors Decision No. 3 of 2017 Concerning the Organization of Promotion and Introduction, and other applicable UAE laws and regulations.

It should not be assumed that the placement agent, if any, is a licensed broker, dealer or investment advisor under the laws applicable in the United Arab Emirates and the SCA regulations, or that it advises individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling the securities or other financial products. Nothing contained in this Preliminary Placement Document is intended to constitute investment, legal, tax, accounting or other professional advice. This Preliminary Placement Document is for your information only and nothing in this Preliminary Placement Document is intended to endorse or recommend a particular course of action. Any person considering acquiring the shares should consult with an appropriate professional for specific advice rendered based on their personal situation.

United Kingdom

In the United Kingdom, this Preliminary Placement Document is only addressed to and directed to Qualified Investors who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FP Order**"), (ii) high net worth companies and other persons falling within Article 49(2)(a) to (d) of the FP Order or (iii) other persons who fall within an exemption in the FP Order can lawfully be communicated. The persons specified in (i), (ii) and (iii) above are collectively referred to as "**Relevant Persons**". The securities described herein are only available in the United Kingdom to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities in the United Kingdom will be engaged in only with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

United States

The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons who are qualified institutional buyers (as defined in Rule 144A under the Securities Act and referred to in this Placement Document as “U.S. QIBs”), and (b) outside the United States only in an “offshore transaction” in reliance on Regulation S.

TRANSFER RESTRICTIONS AND PURCHASER REPRESENTATIONS

Bidders are advised to consult with legal counsel prior to purchasing any Equity Shares or making any resale, pledge or transfer of such Equity Shares.

The Equity Shares Allotted in the Issue are not permitted to be sold for a period of one year from the date of Allotment, except on the Stock Exchanges. Due to the following restrictions, investors are advised to consult legal counsel prior to making any resale, pledge or transfer of the Equity Shares, except if the resale of the Equity Shares is by way of a regular sale on the Stock Exchanges.

The Equity Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of all states and other jurisdictions of the United States.

Each purchaser of the Equity Shares in the United States is deemed to have represented, agreed and acknowledged as follows:

1. You confirm that:

   a. you are a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act);

   b. you are not a broker-dealer which owns and invests on a discretionary basis less than US$25 million in securities of unaffiliated companies;

   c. you are not a participant-directed employee plan, such as a plan (including a 401(k) plan) described in subsection (a)(1)(i)(D), (E) or (F) of Rule 144A;

   d. you were not formed for the purpose of investing in our Bank; and

   e. you are not an affiliate of our Bank or a person acting on behalf of an affiliate of our Bank.

2. You are an institution that, in the normal course of business, invests in or purchases securities similar to the Equity Shares, you are not purchasing the Equity Shares with a view to distribution, and you, and any accounts for which you are acting, (a) are a sophisticated investor that has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of its investment in the Equity Shares and (b) are able to bear the economic risk, and sustain a complete loss, of such investment in the Equity Shares. If you are acquiring the Equity Shares as a fiduciary or agent for one or more investor accounts,

   a. each such account is a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act);

   b. you have sole investment discretion with respect to each account; and

   c. you have full power and authority to make, and do make, the representations, warranties, agreements, undertakings and acknowledgements contained herein on behalf of each such account.

3. You will base your investment decision on a copy of this Preliminary Placement Document, as amended or supplemented from time to time. You acknowledge that neither our Bank nor any of its affiliates nor any other person (including the BRLMs) or any of their respective affiliates have made or will make any representations, express or implied, to you with respect to our Bank, the Issue, the Equity Shares or the accuracy, completeness or adequacy of any financial or other information concerning our Bank, the Issue or the Equity Shares, other than (in the case of our Bank and its affiliates only) the information contained in this Preliminary Placement Document. You acknowledge that you have not relied on and will not rely on any investigation by, or on any information contained in any research reports prepared by, the GCBRLMs or any of their respective affiliates.

4. You understand that our Bank, for U.S. federal income tax purposes, may be considered a "passive foreign investment company" for the current taxable year and that there will be certain consequences under U.S. tax laws resulting from an investment in the Equity Shares, and you will make such investigation and consult such tax and other advisors with respect thereto as you deem appropriate. You will satisfy yourself concerning, without limitation, the effects of U.S. federal, state and local income tax laws and foreign tax laws on your investment in the Equity Shares.

5. Any Equity Shares you acquire will be for your own account (or for the account of an investor who is a "qualified institutional buyer" as to which you exercise sole investment discretion and have authority to make, and do make, the statements contained in this document) for investment purposes, and not with a view to the resale or distribution within the meaning of the U.S. federal securities laws, subject to the understanding that the disposition of its property shall at all times be and remain within its control.

6. You understand that the Equity Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Equity Shares have not been and will not be registered under the U.S. Securities Act or under the securities laws of any state or other jurisdiction of the United States.

7. You acknowledge and agree that you are not purchasing the Equity Shares as a result of any general solicitation or general advertising (as defined in Regulation D) or directed selling efforts (as defined in Regulation S).

8. You understand that the Equity Shares will be "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, and you agree that such securities may not be deposited into any unrestricted depository facility established or maintained by any depository bank.

9. You agree, on your own behalf and on behalf of any accounts for which you are acting, that you will not reoffer, resell, pledge or otherwise transfer the Equity Shares, except in an offshore transaction on a recognized Indian stock exchange in compliance with Regulation S, or pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act.

10. You agree that, prior to any sale of the Equity Shares, you shall notify the purchaser of such Equity Shares or the executing broker, as applicable, (a) of any transfer restrictions that are applicable to the Equity Shares being sold, and (b) that the Equity Shares have not been and will not be registered under the U.S. Securities Act.

11. You acknowledge that neither our Bank nor any of its affiliates nor any other person (including the GCBRLMs) or any of their respective affiliates have made or will make any representations as to the availability of the exemption provided by Rule 144 and Rule 144A for the resale of the Equity Shares, nor the availability of any other exemptions from the registration requirements of the U.S. Securities Act for the resale of the Equity Shares.

12. You understand and acknowledge that our Bank shall have no obligation to recognize any offer, sale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth and described herein and that our Bank may make notation on its records or give instructions to any transfer agent of the Equity Shares.

13. You understand that the foregoing representations, warranties, agreements, undertakings and acknowledgements are required in connection with United States and other securities laws and that our Bank and its respective affiliates, and others are entitled to rely upon the truth and accuracy of the representations, warranties, agreements, undertakings or acknowledgements contained herein. You agree that if any of the representations, warranties, agreements, undertakings and acknowledgements made herein are no longer accurate, you shall promptly notify our Bank and the GCBRLMs in writing. All representations, warranties, agreements, undertakings and acknowledgements you have made in this document shall survive the execution and delivery hereof.

Each other purchaser of the Equity Shares is deemed to have represented, agreed and acknowledged as follows:

1. You are outside the United States and are purchasing the Equity Shares in an "offshore transaction" as defined in Regulation S.

2. You are not an affiliate of our Bank or a person acting on behalf of an affiliate of our Bank.

3. You are not purchasing the Equity Shares as a result of any directed selling efforts (as defined in Regulation S), or any general solicitation or general advertising (as defined in Regulation D).

4. You will base your investment decision on a copy of this Preliminary Placement Document. You acknowledge that neither our Bank nor any of its affiliates nor any other person (including the GCBRLMs) or any of their respective affiliates have made or will make any representations, express or implied, to you with respect to our Bank, the Issue, the Equity Shares or the accuracy, completeness or adequacy of any financial or other information concerning our Bank, the Issue or the Equity Shares, other than (in the case of our Bank and its affiliates only) the information contained in this Preliminary Placement Document. You acknowledge that you have not relied on and will not rely on any investigation by, or on any information contained in any research reports prepared by, the GCBRLMs or any of their respective affiliates.

5. You understand that our Bank, for U.S. federal income tax purposes, may be considered a "passive foreign investment company" for the current taxable year and that there will be certain consequences under U.S. tax laws resulting from an investment in the Equity Shares, and you will make such investigation and consult such tax and other advisors with respect thereto as you deem appropriate. You will satisfy yourself concerning, without limitation, the effects of U.S. federal, state and local income tax laws and foreign tax laws on your investment in the Equity Shares.

6. You acknowledge (or if acting for the account of another person, such person has confirmed that they acknowledge) that the Equity Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States.

7. You agree, on your own behalf and on behalf of any accounts for which you are acting, that you will not reoffer, resell, pledge or otherwise transfer the Equity Shares, except in an offshore transaction on a recognized Indian stock exchange in compliance with Regulation S.

8. None of you, any of your affiliates nor any person acting on behalf of you or any of your affiliates, has made or shall make any directed selling efforts (as defined in Regulation S), or any general solicitation or general advertising (as defined in Regulation D), with respect to the Equity Shares.

9. You agree that, prior to any sale of the Equity Shares, you shall notify the purchaser of such Equity Shares or the executing broker, as applicable, (a) of any transfer restrictions that are applicable to the Equity Shares being sold, and (b) that the Equity Shares have not been and will not be registered under the U.S. Securities Act.

10. You understand and acknowledge that our Bank shall have no obligation to recognize any offer, sale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth and described herein and that our Bank may make notation on its records or give instructions to any transfer agent of the Equity Shares.

11. You understand that the foregoing representations, warranties, agreements, undertakings and acknowledgements are required in connection with United States and other securities laws and that our Bank, the GCBRLMs and their respective affiliates, and others are entitled to rely upon the truth and accuracy of the representations, warranties, agreements, undertakings or acknowledgements contained herein. You agree that if any of the representations, warranties, agreements, undertakings and acknowledgements made herein are no longer accurate, you shall promptly notify our Bank and the GCBRLMs in writing. All representations, warranties, agreements, undertakings and acknowledgements you have made in this document shall survive the execution and delivery hereof.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Bank or the GCBRLMs or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulation

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the SCRA and the SCRR. SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the SCR (SECC) Regulations on June 20, 2012, which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Regulations along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

Listing and Delisting of Securities

The listing of securities on a recognised Indian stock exchange is regulated by applicable Indian law including the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by the SEBI, the listing agreements entered into by our Bank with the Stock Exchanges and the SEBI Listing Regulations. The SCRA empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in a listed security for breach of or non compliance with any conditions or breach of company's obligations under the Listing Regulations or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend the bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognised stock exchange.

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Minimum Level of Public Shareholding

Pursuant to an amendment of the SCRR in June 2010, all listed companies (except public sector undertakings) were required to maintain a minimum public shareholding of 25%. However, pursuant to a subsequent amendment to the SCRR, a public company, including public sector undertakings, seeking to get a particular class or kind of securities listed shall offer and allot to the public (i) at least 25% of such class or kind of securities issued by the company, if the post issue capital is less than or equal to ₹ 1,600,00,00,000, (ii) at least such percentage of such class or kind of securities issued by the company equivalent to ₹ 4,00,00,00,000, if the post issue capital of the company is more than ₹ 16,000,000,000 but less than or equal to ₹ 40,00,00,00,000 or (iii) at least 10% of such class or kind of securities issued by the company, if the post issue capital of the company is above ₹ 40,00,00,00,000. In case of (ii) and (iii) above, the public shareholding is required to be increased to 25% within a period of three years from the date of listing of the securities. In this regard, SEBI has provided several mechanisms to comply with this requirement. Where the public shareholding in a listed company falls below 25% at any time, such company shall bring the public shareholding to 25% within a maximum period of 12 months from the date of such the public shareholding having fallen below the 25% threshold.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of BSE or the CNX NIFTY of NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

BSE

Established in 1875, it is the oldest stock exchange in India. The BSE became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. It has evolved over the years into its present status as one of the premier stock exchanges of India.

NSE

NSE was established by financial institutions and banks to provide nationwide online, satellite-linked, screen-based trading facilities with market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. It has evolved over the years into its present status as one of the premier stock exchanges of India. NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000.

Internet-based Securities Trading and Services

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI. NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of NSE.

Trading Hours

Trading on both NSE and BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m.). BSE and NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9:00 a.m. and 5:00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, BSE replaced its open outcry system with BSE On-line Trading facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called National Exchange for Automated Trading ("**NEAT**"), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies are governed by the Takeover Regulations which provide specific regulations in relation to substantial acquisition of shares and takeover. Since we are an Indian listed company, the provisions of the Takeover Regulations apply to us.

Insider Trading Regulations

The Insider Trading Regulations have been notified to prohibit and penalise insider trading in India.

An insider is, *inter alia*, prohibited from trading in securities of a listed or proposed to be listed company when in possession of unpublished price sensitive information ("**UPSI**") and to provide access to any person including other insiders to the above referred UPSI except where such communication is for legitimate purposes, performance of duties or discharge of legal obligations. UPSI shall include any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities.

The Insider Trading Regulations also provide disclosure obligations for promoters, directors, key management personnel and employees, with respect to their shareholding in a company, and the changes therein. The definition of "insider" means any person who is a connected person or is in possession of or having access to unpublished price sensitive information. The terms “connected person” means any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.

The board of directors of all listed companies are required to formulate and publish on the company’s website a code of procedure for fair disclosure of UPSI along with a code of conduct for its employees for compliances with the Insider Trading Regulations.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to the registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term “securities”, as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI.

DESCRIPTION OF THE EQUITY SHARES

The following is information relating to the Equity Shares including a brief summary of the Memorandum and Articles of Association, the Companies Act, 1956 and the Companies Act, 2013. Bidders are urged to read the Memorandum of Association and Articles of Association carefully, and consult with their advisers, as the Memorandum of Association and Articles of Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

Authorised Capital

The authorised share capital of our Bank is ₹ 15,000,000,000 divided into 3,000,000,000 Equity Shares of ₹ 5 each.

Dividends

Subject to the provisions of the Banking Regulation Act and other applicable law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of its shareholders at the AGM of shareholders. Dividends are declared on per share basis and distributed and paid to shareholders. The Companies Act provides that shares of a company of the same class must receive equal dividend treatment. These distributions and payments are required to be deposited into a separate bank account within five days of the declaration of such dividend and paid to shareholders within 30 days of the AGM where the resolution for declaration of dividends is approved.

The Companies Act states that any dividends that remain unpaid or unclaimed after that period is to be transferred to a special bank account called the dividend unpaid account. Any money that remains unclaimed for seven years from the date of the transfer is to be transferred by our Bank to a fund, called the Investor Education and Protection Fund, created by the Government of India. The Articles authorise our Board of Directors to declare interim dividends, which may be declared at any time and shall be set off against the final dividend for the relevant period. Further, the Bank shall, before declaring any dividend for each year, transfer to the reserve fund, an amount in accordance with the Articles of Association of the Bank and subject to the provisions of the Companies Act and the Banking Regulation Act.

Bonus Shares and Sweat Equity Shares

In addition to permitting dividends to be paid out of current or retained earnings calculated under Indian GAAP, the Companies Act permits our Board of Directors, subject to the approval of our Shareholders, to distribute to our Shareholders, in the form of fully paid-up bonus shares or sweat equity shares, an amount transferred from our Bank's profits or reserves in accordance with the Articles of Association, the Companies Act and the Banking Regulation Act.

Bonus shares can only be issued if our Bank has not defaulted in payments of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus or principal or interest payments on fixed deposits or debt securities issued by it. Bonus shares may not be issued in lieu of dividend. Further, listed companies are also required to follow the SEBI ICDR Regulations for issuance of bonus shares.

Pre-Emptive Rights and Issue of Additional Shares

Subject to the provisions of the Companies Act, the Banking Regulations Act and other guidelines as may be issued by RBI, our Bank may increase its share capital by issuing new shares on such terms and with such rights as it may determine. According to Section 62 of the Companies Act, 2013, such new shares shall be offered to existing shareholders in proportion to the amount paid up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days and not exceeding 30 days from the date of the offer) within which the offer, if not accepted, will be deemed to have been declined. After such date our Board of Directors may dispose of the shares offered in respect of which no acceptance has been received which shall not be disadvantageous to our Shareholders. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person subject to the provisions of FEMA 20, if applicable.

Under the provisions of Section 62(1)(c) of the Companies Act, 2013, new shares may be offered to any persons whether or not those persons include existing shareholders, either for cash of for a consideration other than cash, in the event a special resolution to that effect is passed by our shareholders in a general meeting. In addition, our Bank will also be required to comply with the SEBI ICDR Regulations.

General Meetings of our Shareholders

There are two types of General Meetings of our Shareholders:

- AGM and;
- EGM.

Our Bank must hold its AGM within six months after the expiry of each financial year provided that not more than 15 months shall elapse between the AGM and next one, unless extended by the Registrar of Companies at its request for any special reason for a period not exceeding three months. Our Board of Directors may convene an EGM when necessary and is required to call an EGM at the request of shareholder(s) holding in the aggregate not less than one tenth of our Bank's paid-up share capital (carrying a right to vote in respect of the relevant matter on the date of receipt of the requisition).

Notices, either in writing or through electronic mode, convening a meeting setting out the date, day, hour, place and agenda of the meeting must be given to members at least 21 clear days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received, in writing or electronic mode, from not less than 95.00% of the shareholders entitled to vote. Unless the Articles of Association provide for a larger number, (i) five shareholders present in person, if the number of shareholders as on the date of meeting is not more than 1,000; (ii) 15 shareholders present in person, if the number of shareholders as on the date of the meeting is more than 1,000 but up to 5,000; and (iii) 30 shareholders present in person, if the number of shareholders as on the date of meeting exceeds 5,000, shall constitute a quorum for a general meeting of our Bank, whether AGM or EGM. The quorum requirements applicable to shareholder meetings under the Companies Act have to be physically complied with.

A company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the memorandum of association, the issuing of shares with different voting or dividend rights, a variation of the rights attached to a class of shares or debentures or other securities, buy-back of shares, giving loans or extending guarantees in excess of limits prescribed, is required to obtain the resolution passed by means of a postal ballot instead of transacting the business in the company's general meeting. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter. Postal ballot includes voting by electronic mode.

Voting Rights

Section 108 of the Companies Act and Rule 20 of the Companies (Management and Administration) Rules, 2014 deal with the exercise of right to vote by members by electronic means. In terms of Rule 20, every listed company (other than a company referred to in Chapters XB or XC of the SEBI ICDR Regulations) is required to provide to its members facility to exercise their right to vote at general meetings by electronic means. The Ministry of Corporate Affairs, has clarified that voting by show of hands would not be allowable in cases where Rule 20 is applicable. Section 12 of the Banking Regulation Act provides that no shareholder shall exercise voting rights in excess of such percentage of the total voting rights of all the shareholders.

Transfer of shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. Our Bank has entered into an agreement for such depository services with the NSDL and CDSL. SEBI requires that the shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. Our Bank shall keep an electronic book in which every transfer or transmission of shares will be maintained.

Our Bank may, however, decline to register a transfer if not approved by RBI, wherever such approval is required in accordance with the Banking Regulation Act and any guidelines that may be issued by RBI.

CERTAIN TAX CONSIDERATIONS

The information provided below sets out the possible tax benefits available to the shareholders of an Indian company in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of equity shares, under the current tax laws presently in force in India.

Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on business imperatives a shareholder faces, may or may not choose to fulfill. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX CONSULTANT WITH RESPECT TO TAX IMPLICATIONS IN INDIA AS WELL AS IN THE RESPECTIVE COUNTRY OF RESIDENCE CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO OUR SHAREHOLDERS UNDER THE INCOME TAX ACT, 1961, ("IT ACT") AND OTHER DIRECT TAX LAWS PRESENTLY IN FORCE IN INDIA

1. This statement sets out below the possible tax benefits available to our shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on such shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of our shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the shareholders may or may not choose to fulfill;

2. This statement sets out below the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of Shares. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for a professional tax advice. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his or her or their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.;

3. In respect of non-residents, the tax rates and the consequent taxation, mentioned in this section shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile; and

The law stated below is as per the Income-tax Act, 1961 as amended by time to time.

I. RESIDENT SHAREHOLDERS:

1. We are required to pay a Dividend Distribution Tax currently at the rate of 20.358% (computed in accordance with the provisions of section 115-O of the IT Act) on the total amount distributed or declared or paid as dividend. Under Section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O of IT Act received on our shares is exempt from income tax in the hands of shareholders.

   However, as per Section 115BBDA of the IT Act, if the aggregate of dividend income during the year is in excess of 1 million rupees, then such excess dividend shall be chargeable to tax at the rate of 10% (plus applicable surcharge and education cess). Provisions of section 115BBDA are not applicable to a domestic company, a fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub clause(vi) or sub-clause (via) of section 10(23C) or a trust/institution registered under section 12A or section 12AA of the IT Act.

   Further, it is pertinent to note that Section 14A of the IT Act restricts claims for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred to earn the dividend income may not be an allowable expenditure.

   As per section 94(7) of the IT Act, losses arising from sale/transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

2. The characterization of gains/losses, arising from sale of shares, as Capital Gains or Business Income would depend on the nature of holding in the hands of the shareholder and various other factors including clarifications/instructions, if any, issued by the Government in this regard. .

3. Section 48 of the IT Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of Long Term Capital Gains,

("LTCG") i.e. gains from our shares being transfer of shares of Indian company held for a period exceeding twelve months immediately preceding the date of transfer, the second proviso to Section 48 of the IT Act, permits substitution of cost of acquisition/ improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index, as prescribed from time to time.

4. Under Section 10(38) of the IT Act, LTCG arising to a shareholder on transfer of equity shares would be exempt from tax where the sale transaction has been entered into on a recognised stock exchange of India and is chargeable to Securities Transaction Tax ("STT"). As per the third proviso to section 10(38) of the IT Act inserted by the Finance Act, 2017, the exemption under section 10(38) would not be available to the cases of purchases after October 1, 2004 which are not subject to STT unless such cases are notified by the Government. The rationale for the aforesaid amendment is to avoid the said section being misused by certain persons for declaring their unaccounted income as exempt long-term capital gains by entering into sham transactions. However, to protect the exemption for genuine cases where STT could not have been paid like acquisition of share in Initial Public Offering (IPO), Follow-on Public Offer (FPO), bonus or right issue by a listed company acquisition by non-resident in accordance with Foreign Direct Investment (FDI) policy of the Government etc., the Central Board of Direct Taxes (CBDT) has vide Press Release dated 3 April 2017 released a draft of the notification for public comments. The final notification is yet to be released in this regard.

5. Under Section 112 of the IT Act and other relevant provisions of the IT Act, LTCG, (other than those exempt under Section 10(38) of the IT Act) arising on transfer of our shares would be subject to tax at the rate of 20% (plus applicable surcharge and education cess) after indexation. However, where the tax payable on capital gains exceeds 10% of the amount of capital gains before giving benefit of indexation, the excess shall be ignored.

6. Under Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under Section 10(38) of the IT Act) arising on the transfer of our shares would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:

   i. National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;

   ii. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

   iii. any other bond notified by the Central Government

   The investment in the long term specified assets is eligible for such deduction to the extent of Rs.5 million whether invested during the financial year in which the asset is transferred or subsequent financial year. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount of capital gains so exempted shall be chargeable to tax as LTCG during the year of such transfer or conversion. For this purpose, if any loans or advance is taken as against such specified securities, then such person shall be deemed to have converted such specified securities into money. The cost of the long term specified assets, which has been considered under Section 54EC for calculating capital gain, shall not be allowed as a deduction from the income under Section 80C of the IT Act.

7. As per Section 111A of the IT Act, Short Term Capital Gains ("STCG"), i.e., gains from shares held for a period not exceeding twelve months immediately preceding the date of transfer) arising on transfer of our equity share would be taxable at a rate of 15% (plus applicable surcharge and education cess) where such transaction of sale is entered into on a recognised stock exchange in India and is liable to STT. STCG arising from transfer of our shares, other than those covered by Section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.

8. As per Section 74 of the IT Act, Short Term Capital Loss computed for the given year is allowed to be set off against Short Term as well as Long Term Gains computed for the said year. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off against subsequent years' Short Term as well as Long Term Gains. However, the Long Term capital Loss computed for a given year is allowed to be set off only against the LTCG. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off only against subsequent years' LTCG.

9. In terms of Section 36(1)(xv) of the IT Act, the STT paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business of transactions/trading in shares would be eligible for deduction from the amount of income chargeable under the head "Profit and gains of business or profession" " if the income arising from taxable securities transaction is included in such income. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains of such amount paid on account of STT.

II. NON-RESIDENT SHAREHOLDERS OTHER THAN FOREIGN PORTFOLIO INVESTOR ("FPI"S):

1. We are required to pay a Dividend Distribution Tax currently at the rate of 20.358% (computed in accordance with the provisions of section 115-O of the IT Act) on the total amount distributed or declared or paid as dividend. Under Section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O of IT Act received on our shares is exempt from income tax in the hands of shareholders.

2. Further, it is pertinent to note that Section 14A of the IT Act restricts claims for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred to earn the dividend income is not allowable expenditure.

   As per section 94(7) of the IT Act, losses arising from sale/transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

3. The characterisation of gains/losses, arising from sale of shares, as Capital Gains or Business Income would depend on the nature of holding in the hands of the shareholder and various other factors including clarifications/instructions, if any, issued by the Government in this regard. .

4. Under the first proviso to Section 48 of the IT Act, in case of a non-resident shareholder, in computing the capital gains arising from transfer of shares of our company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided for fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilised in the purchase of the shares and reconverting the gains so arrived into Indian currency.

5. Under Section 10(38) of the IT Act, LTCG arising to a shareholder on transfer of equity shares would be exempt from tax where the sale transaction has been entered into on a recognised stock exchange of India and is chargeable to Securities Transaction Tax ("STT"). As per the third proviso to section 10(38) of the IT Act inserted by the Finance Act, 2017, the exemption available under section 10(38) would not be available to the cases of purchases after October 1, 2004 which are not subject to STT unless such cases are notified by the Government. The rationale for the aforesaid amendment is to avoid the said section being misused by certain persons for declaring their unaccounted income as exempt long-term capital gains by entering into sham transactions. However, to protect the exemption for genuine cases where STT could not have been paid like acquisition of share in Initial Public Offering (IPO), Follow-on Public Offer (FPO), bonus or right issue by a listed company acquisition by non-resident in accordance with Foreign Direct Investment (FDI) policy of the Government etc., the Central Board of Direct Taxes (CBDT) has vide Press Release dated 3 April 2017 released a draft of the notification for public comments. The final notification is yet to be released in this regard.

6. Under Section 112 of the IT Act and other relevant provisions of the IT Act, LTCG, (other than those exempt under Section 10(38) of the IT Act) arising on transfer of our shares not being subject to STT, would be subject to tax at a rate of 20% (plus applicable surcharge and education cess).

7. As per section 115JB of the Act, income received by way of dividend (whether interim of final) which is exempt u/s. 10(34) of the IT Act, by a foreign company to which section 115JB is applicable, will be reduced while computing book profits. Further, any LTCG exempt u/s. 10(38) will be subject to book profits

   However, the provisions of section 115JB of the Act shall not apply to a foreign company if it is a resident of a country with which India has entered into a Double Tax Avoidance Agreement ("DTAA") u/s 90 of the Act and the assessee does not have a Permanent Establishment in India or such company is a resident of a country with which India does not have such agreement and the assessee is not required to seek registration under any law for the time being in force, relating to companies.

8. Under Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under Section 10(38) of the IT Act) arising on the transfer of our shares would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:

   i. National Highway Authority of India constituted under Section 3 of the National Highway Authority of India Act, 1988;

   ii. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

   iii. any other bond notified by the Central Government

The investment in the long term specified assets is eligible for such deduction to the extent of Rs. 5 million whether invested during the financial year in which the asset is transferred or subsequent financial year. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. For this purpose, if any loans or advance is taken as against such specified securities, then such person shall be deemed to have converted such specified securities into money. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income under Section 80C of the IT Act.

9. Under Section 111A of the IT Act and other relevant provisions of the IT Act, STCG (i.e., if shares are held for a period not exceeding 12 months immediately preceding the date of transfer) arising on transfer of our equity share would be taxable at a rate of 15% (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT. STCG arising from transfer of our shares, other than those covered by Section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.

10. As per Section 74 of the IT Act, Short Term Capital Loss computed for the given year is allowed to be set off against Short Term as well as Long Term Capital Gains computed for the said year. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off against subsequent years' Short Term as well as Long Term Gains. However, the Long Term capital Loss computed for a given year is allowed to be set off only against the LTCG. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off only against subsequent years' LTCG.

11. In terms of Section 36(1)(xv) of the IT Act, the STT paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business of transactions/trading in shares would be eligible for deduction from the amount of income chargeable under the head "Profit and gains of business or profession" if income arising from taxable securities transaction.is included in such income. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of STT.

12. As per section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the Double Tax Avoidance Agreement ("DTAA") entered between India and the country of fiscal domicile of the non-resident, if any, to the extent they are more beneficial to the nonresident. Thus, a non-resident (including NRIs) can opt to be governed by the provisions of the IT Act or the applicable tax treaty, whichever are more beneficial. However, the non-resident investor will have to furnish a certificate (containing the prescribed particulars) of his being a resident in a country outside India, to get the benefit of the applicable DTAA and such other document as may be prescribed as per the provision of section 90(4) of IT Act.

13. With effect from April 1, 2017, the benefit of the DTAA will not be available to a non-resident investor if the Tax department declares any arrangement to be an impermissible avoidance arrangement under Chapter X-A of the IT Act.

III. NON-RESIDENT SHAREHOLDERS – FPI'S:

1. We are required to pay a Dividend Distribution Tax currently at the rate of 20.358% (computed in accordance with the provisions of section 115-O of the IT Act) on the total amount distributed or declared or paid as dividend. Under Section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O of IT Act received on our shares is exempt from income tax in the hands of shareholders.

   Further, it is pertinent to note that Section 14A of the IT Act restricts claims for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred to earn the dividend income is not allowable expenditure.

   As per section 94(7) of the IT Act, losses arising from sale/transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

2. Section 2(14) of IT Act defining capital asset, specifically includes any securities (which would also cover our shares) held by an FPI which has invested in such securities in accordance with the SEBI Regulations.

3. Under Section 10(38) of the IT Act, LTCG arising to a shareholder on transfer of equity shares would be exempt from tax where the sale transaction has been entered into on a recognised stock exchange of India and is chargeable to Securities Transaction Tax ("STT"). As per the third proviso to section 10(38) of the IT Act inserted by the Finance Act, 2017, the exemption available under section 10(38) would not be available to the cases of purchases after October 1, 2004 which are not subject to STT unless such cases are notified by the Government. The rationale for the aforesaid amendment is to avoid the said section being misused by certain persons for declaring their unaccounted income as exempt long-term capital gains by entering into sham transactions. However, to protect the exemption for genuine cases where STT could not have been paid like acquisition of share in Initial Public Offering (IPO), Follow-on Public Offer (FPO), bonus or right issue by a listed company acquisition by non-resident in accordance with Foreign Direct Investment (FDI) policy of the Government etc., the Central Board of Direct Taxes (CBDT) has vide Press Release dated 3 April 2017 released a draft of the notification for public comments. The final notification is yet to be released in this regard.

4. The provisions of section 115JB of the Act do not apply to a foreign company if it is a resident of a country with which India has entered into a Double Tax Avoidance Agreement u/s 90 of the Act and the assessee does not have a Permanent Establishment in India or such company is a resident of a country with which India does not have such agreement and the assessee is not required to seek registration under any law for the time being in force, relating to companies.

5. Under Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, LTCG (other than those exempt under Section 10(38) of the IT Act) arising on the transfer of our shares would be exempt from tax if such capital gain is invested within six months after the date of such transfer in the bonds (long term specified assets) issued by:

   i. National Highway Authority of India constituted under Section 3 of the National Highway Authority of India Act, 1988;

   ii. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

   iii. any other bond notified by the Central Government

   The investment in the long term specified assets is eligible for such deduction to the extent of Rs. 5 million whether invested during the financial year in which the asset is transferred or subsequent financial year.

   If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount of LTCG so exempted shall be chargeable to tax during the year such transfer or conversion. For this purpose, if any loans or advance is taken as against such specified securities, than such person shall be deemed to have converted such specified securities into money.

6. Under Section 115AD (1)(ii) of the IT Act STCG arising to an FPI on transfer of shares shall be chargeable at a rate of 30%, where such transactions are not subjected to STT, and at the rate of 15% if such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT. The above rates are to be increased by applicable surcharge and education cess.

   Under Section 115AD (1)(iii) of the IT Act income by way of LTCG arising from the transfer of shares (in cases not covered under Section 10(38) of the IT Act) held in the company will be taxable at the rate of 10% (plus applicable surcharge and education cess). The benefits of indexation of cost and of foreign currency fluctuations are not available to FPIs.

7. As per section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the Double Tax Avoidance Agreement ("DTAA") entered between India and the country of fiscal domicile of the non-resident, if any, to the extent they are more beneficial to the nonresident. Thus, a non-resident (including NRIs) can opt to be governed by the provisions of the IT Act or the applicable tax treaty, whichever are more beneficial. However, the non-resident investor will have to furnish a certificate (containing the prescribed particulars) of his being a resident in a country outside India, to get the benefit of the applicable DTAA and such other document as may be prescribed as per the provision of section 90(4) of IT Act.

8. With effect from April 1, 2017, the benefit of the DTAA will not be available to a non-resident investor if the Tax department declares any arrangement to be an impermissible avoidance arrangement.

9. As per Section 196D of IT Act, no tax is to be deducted from any income, by way of Capital Gains arising to an FPI from the transfer of securities referred to in section 115AD of the IT Act.

IV. INVESTMENT FUNDS:

1. Under section 10(23FBA) of the IT Act, any income of an Investment Fund, other than the income chargeable under the head "Profits and gains of business or profession" would be exempt from income tax. For this purpose, an "Investment Fund" means a fund registered as Category I or Category II Alternative Investment Fund under the Securities and Exchange Board of India (Alternate Investment Fund) Regulations, 2012.

2. As per Section 115UB(1) of the IT Act, any income accruing/arising/received by a person from his investment in Investment Fund would be taxable in the hands of the person making an investment in the same manner as if it were the income accruing/arising/received by such person had the investments been made directly in the investment fund.

3. Under section 115UB(4), the taxable income of an Investment Fund would be charged at the rate or rates as specified in the Finance Act of the relevant year where the Investment Fund is a company or a firm or at maximum marginal rate in any other case.

4. Further, as per Section 115UB(6) of the IT Act, the income accruing or arising to or received by the Investment Fund if not paid or credited to a person (who has made investments in an Investment Fund) shall be deemed to have been credited to the account of the said person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income had it been paid in the previous year.

V. MUTUAL FUNDS:

Under Section 10(23D) of the IT Act, any income of mutual funds registered under SEBI or Regulations made thereunder or mutual funds set up by public sector banks or public financial institutions or mutual funds authorised by the RBI and subject to the conditions specified therein, is exempt from tax subject to such conditions as the Central Government may by notification in the Official Gazette, specify in this behalf.

VI. PROVIDENT FUND AND PENSION FUND:

Under section 10(25) of the IT Act, any income received by trustees on behalf of a recognized provident fund and a recognized superannuation fund is exempt from tax.

VII. MULTI-LATERAL AND BILATERAL DEVELOPMENT FINANCIAL INSTITUTIONS:

Generally, Multilateral and bilateral development financial institutions may be exempt from taxation in India on the capital gains arising on the sale of shares of the bank depending on the applicable Statute and Acts passed in India. For e.g., World Bank, IBRD, IFC, etc. In case they are not specifically exempt from tax then the provisions as applicable for capital gains to a non-resident FPI, as they should be registered as FPI, should apply to these institutions.

VIII. BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957:

Wealth tax is not leviable in respect of any Assessment Year on or after April 1, 2016.

IX. BENEFITS AVAILABLE UNDER THE GIFT TAX ACT, 1958:

Gift tax is not leviable in respect of any gift made on or after October 1, 1998. Therefore any gift of share of a company will not attract gift tax.

X. INCOME TAX ON GIFTS

Under Section 56(2)(x) of the IT Act and subject to exception provided therein, where an any person receives from any person any property, including, inter alia, shares of a company without consideration or for a consideration lower than the fair market value, and the value of such benefit exceeds Rs.50,000, such benefit is taxable in the hands of the recipient as deemed income includible in computing his taxable income. Such fair market value is to be computed as per the prescribed rules.

XI. TAX DEDUCTION AT SOURCE:

No income tax is deductible at source from income by way of capital gains arising to a resident shareholder under the present provisions of the IT Act. However, as per the provisions of Section 195 of the IT Act, any income by way of capital gains payable to non-residents (other than LTCG exempt u/s 10(38)) may be subject to withholding of tax at the rate under the domestic tax laws or under the tax laws or under the DTAA, whichever is beneficial to the assessee unless a lower withholding tax certificate is obtained from the tax authorities. However, the non-resident investor will have to furnish a certificate of his being a resident in a country outside India, to get the benefit of the applicable DTAA and such other document as may be prescribed as per the provision of section 90(4) of IT Act. The withholding tax rates are subject to the recipients of income obtaining and furnishing a permanent account number (PAN) to the payer, in the absence of which the applicable withholding tax rate would be the higher of the applicable rates or 20%, under section 206AA of the IT Act. The provisions of section 206AA will not apply if the non- resident shareholder furnishes the prescribed documents to the payer. Additionally, as per the provisions of section 196D of the IT Act, no tax is to be withheld in respect of gains earned by an FPI.

Notes:

1. The above benefits are as per the current tax law as amended by time to time as applicable to the financial year 2017-18.

2. For the Financial Year 2017-18, surcharge is to be levied as under –

Investor	Rate of Surcharge
Individual or Hindu Undivided Family (HUF) or Associated of Persons (AOP) or body of individuals or artificial juridical person	
- Total income exceeds Rs.5 million	10%
- Total income exceeds Rs. 10 million	15%
Firm or Co-operative society or local authority	
- Total income exceeds Rs. 10 million	12%
Domestic Company	
- Total income exceeds Rs. 10 million	7%
- Total income exceeds Rs. 100 million	12%
Foreign Company	
- Total income exceeds Rs. 10 million	2%
- Total income exceeds Rs. 100 million	5%

3. A 2% education cess and 1% secondary and higher education cess on the total income is payable by all categories of taxpayers for the Financial year 2017-18.

4. The above statement of possible direct tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of Shares.

5. In respect of Non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the DTAA, if any, between India and the country in which the Non-resident has fiscal domicile.

6. This statement is intended only to provide general information to the investors and is neither designed nor intended to be substituted for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

7. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

8. The above statement of possible Direct-tax Benefits sets out the possible tax benefits available to the company and its shareholders under the current tax laws presently in force in India. Several of these benefits available are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws.

CERTAIN U.S. FEDERAL TAX CONSIDERATIONS

The following discussion describes certain U.S. federal income tax consequences of the investment in shares, and is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), the U.S. Treasury regulations promulgated thereunder, judicial decisions, revenue rulings and revenue procedures of the Internal Revenue Service ("**IRS**"), and other administrative pronouncements of the IRS, all available as of the date hereof. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below. No ruling will be sought from the IRS with respect to any statement in this discussion and there can be no assurance that the IRS will not challenge such statements, or, if challenged, that a court will uphold such statement. This discussion is applicable to U.S. Holders (as defined below) that hold the Equity Shares as capital assets for U.S. federal income tax purposes (generally property held for investment). This discussion does not address any U.S. federal estate or gift tax consequences, the alternative minimum tax, the Medicare tax on net investment income or any state, local, or non-U.S. tax consequences.

For purposes of this discussion a "U.S. Holder" is a beneficial owner of an ordinary share that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust.

This discussion does not address all U.S. federal income tax consequences applicable to any particular investor, and does address the tax consequences applicable to persons subject to special treatment under the U.S. federal income tax laws, including a person who is:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding the Equity Shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting;
- a person liable for alternative minimum tax;
- a U.S. expatriate or former U.S. citizen or long-term resident;
- an investor that holds shares through a financial account at a foreign financial institution that does not meet the requirements to be exempt from withholding with respect to certain payments under Section 1471 of the Code;
- persons who acquired shares pursuant to the exercise of any employee share option or otherwise as compensation;
- partnerships or other pass-through entities, or persons holding shares through such partnerships or other pass-through entities;
- a person who actually or constructively owns 10% or more of the total combined value of all classes of our voting stock; or
- a person whose functional currency is not the U.S. dollar.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds shares, the tax treatment of a partner will depend upon the status of the partner and the activities of the partnership. Partnerships considering an investment in the Equity Shares should consult their own tax advisors as to the particular U.S. federal income tax consequences of acquiring, holding and disposing of the Equity Shares.

Investors are urged to consult their tax advisors about the application of the U.S. federal tax rules to their particular circumstances as well as the state, local, non-U.S. and other tax consequences to them of the purchase, ownership, and disposition of offer shares.

We expect, and this summary assumes, that we will not be a passive foreign investment company for U.S. federal income tax purposes. See the discussion under "—Passive Foreign Investment Company."

Distributions on Shares

Distributions will be includible in a U.S. Holder's income as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, as determined under U.S. federal income tax principles, the distribution will first be treated as a tax free return of capital, and the balance in excess of a U.S. Holder's adjusted tax basis in the Equity Shares will be taxed as capital gain recognized on a sale or exchange. However, we do not expect to calculate our earnings and profits in accordance with U.S. federal income tax principles, and, accordingly, U.S. Holders should expect that a distribution will generally be reported as a dividendeven if that distribution (or a portion thereof) would otherwise be treated as a tax-free return of capital or as capital gain. Such dividends will not be eligible for the dividends received deduction allowed to U.S. corporations for dividends received from other U.S. corporations.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, dividends may be taxed at the lower capital gain rates applicable to “qualified dividend income”, provided (1) we are eligible for the benefits of the income tax treaty between the United States and India (the “**Treaty**”), (2) we are neither a PFIC nor treated as such with respect to a U.S. Holder (as discussed above) for either the taxable year in which the dividend was paid or the preceding taxable year, (3) certain holding period requirements are met and (4) U.S Holders are not under an obligation to make related payments with respect to positions in substantially similar or related property. We expect to be eligible for Treaty benefits as long as there is substantial and regular trading of the Equity Shares on the BSE and NSE. U.S. Holders should consult their tax advisors regarding the availability of the lower capital gain rates applicable to qualified dividend income for dividends paid with respect to the Equity Shares.

U.S. Holders should consult their own tax advisors regarding how to account for dividends that are paid in a currency other than the U.S. dollar.

Sale or Other Taxable Disposition of Shares

A U.S. Holder will recognize U.S. source capital gain or loss upon the sale or other taxable disposition of shares in an amount equal to the difference between the U.S. dollar value of the amount realized upon the disposition and the U.S. Holder's adjusted tax basis in such shares. Any capital gain or loss will be long-term if the Equity Shares have been held for more than one year at the time of the sale or other taxable disposition. Certain non-corporate U.S. Holders, including individuals, are eligible for reduced rates of taxation on long-term capital gains. The deductibility of capital losses is subject to limitations.

U.S. Holders should consult their own tax advisors regarding how to account for sale or other disposition proceeds that are paid in a currency other than the U.S. dollar.

Treatment of Non-U.S. Taxes

U.S. tax rules relating to foreign tax credits and deductions for non-U.S. taxes paid are complex. U.S. Holders should consult their own advisors about the applicability of these rules to their particular circumstances.

Passive Foreign Investment Company

In general, a non-U.S. corporation will be classified as a PFIC for any taxable year if at least (i) 75 per cent. of its gross income is classified as “passive income” or (ii) 50 per cent. of the average quarterly value of its assets produce or are held for the production of passive income. For this purpose, passive income generally includes, among other items, dividends, interest, gains from certain commodities transactions, certain rents, royalties and gains from the disposition of passive assets. However, under the proposed Treasury regulations discussed below, interest or other income derived from the active conduct of banking business of a non-U.S. corporation that meets certain conditions will not be considered passive income.

We do not believe we were a PFIC for our most recent taxable year and we do not expect to be a PFIC for the current taxable year or in the foreseeable future, although there can be no assurance in this regard because our status as a PFIC depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Our belief is based in part on proposed Treasury regulations, which are proposed to be effective for taxable years beginning after 31 December 1994, and on estimates of our income and assets. Because the proposed Treasury regulations may not be finalized in their current form, the application of the proposed regulations is not entirely clear and the composition of our income and assets will vary over time, there can be no assurance that we were not or will not become a PFIC for any particular taxable year.

A non-U.S. corporation is classified as a PFIC in any year in which it meets either the income or asset test discussed above, which depends on the actual financial results for each year in question. Accordingly, it is possible that we may become a PFIC in the current or any future taxable year due to changes in our asset or income composition.

If we are a PFIC for any taxable year during which a U.S. Holder holds the Equity Shares, such U.S. Holder will be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition, including a pledge, of shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or a U.S. Holder's holding period for the Equity Shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over a U.S. Holder's holding period for the Equity Shares;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and
- the amount allocated to each other taxable year will be subject to tax at the highest tax rate in effect for that year and the interest charge applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution in which we were a PFIC cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale or other disposition of the Equity Shares cannot be treated as capital, even if a U.S. Holder holds the Equity Shares as capital assets. In addition, non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. A U.S. Holder will be required to additional information with its U.S. federal income tax return if such U.S. Holder holds the Equity Shares in any year in which we are a PFIC.

If we are a PFIC and if any of our subsidiaries or other entities in which we, directly or indirectly, own equity are PFICs (collectively, "**Lower-tier PFICs**"), a U.S. Holder will be deemed to own its proportionate share of any Lower-tier PFICs and will be subject to U.S. federal income tax according to the PFIC rules described in the paragraph above on (i) certain distributions by a Lower-tier PFIC and (ii) a disposition of shares of a Lower-tier PFIC, in each case as if the U.S. Holder owned such shares directly, even though it has not received the proceeds of those distributions or dispositions directly. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, a U.S. Holder may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is "regularly traded" on a "qualified exchange." In general, the Equity Shares will be treated as "regularly traded" for a given calendar year if more than a *de minimis* quantity of the Equity Shares is traded on a qualified exchange on at least 15 days during each calendar quarter of such calendar year. A non-U.S. securities exchange on which the Equity Shares are will be a "qualified exchange" if it is (i) regulated or supervised by a governmental authority of the country in which the market is located; (ii) has trading volume, listing, financial disclosure, surveillance, and other requirements designed to prevent fraudulent and manipulative acts and practices, to remove impediments to and perfect the mechanism of a free and open, fair and orderly, market, and to protect investors; and the laws of the country in which the exchange is located and the rules of the exchange ensure that such requirements are actually enforced; and (iii) the rules of the exchange effectively promote active trading of listed stocks. The Equity SharesNo assurance can be given that the Equity Shares will be regularly traded on a qualified exchange for purposes of the mark-to-market election.

If a U.S. Holder makes an effective mark-to-market election, such U.S. Holder will include in each year as ordinary income the excess of the fair market value of the Equity Shares at the end of the year over the adjusted tax basis in the Equity Shares. Such U.S. Holder will be entitled to deduct as an ordinary loss each year the excess of the adjusted tax basis in the Equity Shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's adjusted tax basis in the Equity Shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. Any distributions that we make would generally be subject to the rules discussed below under "—Distributions," except that the lower rate applicable to qualified dividend income would not apply. If a U.S. Holder makes a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years (provided that, for any subsequent taxable year in which we are not a PFIC, a U.S. Holder will not include in income mark-to-market gain or loss) unless the Equity Shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. Because a mark-to-market election generally cannot be made for equity interests in Lower-tier PFICs, U.S. Holders generally will continue to be subject to the PFIC rules with respect to their indirect interest in any Lower-tier PFICs. As a result, distributions from, and dispositions of, Lower-tier PFICs, as well as certain other transactions, generally will be treated as distributions or dispositions subject to the rules above regarding excess distributions, even if a mark-to-market election is made. U.S. Holders are urged to consult their tax advisors about the availability and advisability of the mark-to-market election in their particular circumstances, as well as the impact of such election on interests in any Lower-tier PFICs.

Investors in certain PFICs can elect to be taxed on their share of the PFIC's ordinary income and net capital gain by making a qualified electing fund election (a "QEF election"), which, if made, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above under the excess distribution regime. We do not expect that a U.S. Holder will be eligible to make a QEF election with respect to the Equity Shares.

Each U.S. Holder is urged to consult its own tax advisor concerning the U.S. federal income tax consequences of holding shares if we are a PFIC in any taxable year during its holding period.

Information Reporting and Backup Withholding

A U.S. Holder may be subject to information reporting on amounts received by such U.S. Holder from a distribution on, or disposition of shares, unless such U.S. Holder establishes that it is exempt from these rules. If a U.S. Holder does not establish that it is exempt from these rules, it may be subject to backup withholding on the amounts received unless it provides a taxpayer identification number and otherwise complies with the requirements of the backup withholding rules. Backup withholding is not an additional tax and the amount of any backup withholding from a payment that is received will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

In addition, U.S. Holders should consult their tax advisors about any reporting obligations that may apply as a result of the acquisition, holding or disposition of the Equity Shares. Failure to comply with applicable reporting obligations could result in the imposition of substantial penalties.

INFORMATION REPORTING AND BACKUP WITHHOLDING

A U.S. Holder may be subject to information reporting on amounts received by such U.S. Holder from a distribution on, or disposition of shares, unless such U.S. Holder establishes that it is exempt from these rules. If a U.S. Holder does not establish that it is exempt from these rules, it may be subject to backup withholding on the amounts received unless it provides a taxpayer identification number and otherwise complies with the requirements of the backup withholding rules. Backup withholding is not an additional tax and the amount of any backup withholding from a payment that is received will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

In addition, U.S. Holders should consult their tax advisors about any reporting obligations that may apply as a result of the acquisition, holding or disposition of the Shares. Failure to comply with applicable reporting obligations could result in the imposition of substantial penalties.

LEGAL PROCEEDINGS

Our Bank and its Subsidiaries are, subject to various legal proceedings from time to time, mostly arising in the ordinary course of their business including criminal proceedings, civil proceedings, tax proceedings, environmental proceedings, labour, land related disputes and notices received from various regulators such as SEBI, RBI and IRDAI. Our Bank believes that the number of proceedings and disputes in which our Bank and our Subsidiaries are involved is not unusual for a Bank of our size in the context of doing business in India and in international markets. These proceedings involving our Bank, its Subsidiaries, its respective directors and its employees are primarily in the nature of recovery proceedings initiated by us in respect of advances made, pending before civil courts or the debts recovery tribunal(s), as the case may be, criminal cases filed by us in cases of dishonor of cheques or fraud cases, claims against our Bank in relation to erroneous or unauthorized debit from customer accounts, wrongful credit or dishonor of cheques, criminal and labour-related proceedings against our Bank, claims in relation to repossession of assets by the Bank, proceedings initiated under the SARFAESI Act, claims for refund of business losses and damages, consumer claims for deficiency in service, claims involving forgery of documents, alleged frauds, claim for increased rent, suits claiming compensation, damages for termination from service, claims alleging breach of regulatory and statutory provisions, directions, administrative lapses and suits for setting aside recovery proceedings initiated by our Bank and tax matters.

Please note, for the purposes of this Preliminary Placement Document, KSL, KLI, KMIL, and KMPL are collectively referred to as Material Subsidiaries. Except as disclosed below, our Bank and Material Subsidiaries are not involved in any pending legal proceedings: (i) which are quantifiable and exceed ₹490.00 million (being 1% of the consolidated profit after tax for Financial Year 2017); or (ii) which our Bank believes could have a material adverse effect on the business, financial condition, profitability or results of operations of our Bank on a consolidated basis. Further, all notices involving the Material Subsidiaries, which are subsisting or in respect of which fines or penalties have been paid have been disclosed. Accordingly, we have not disclosed any legal proceedings involving our Bank and Material Subsidiaries: (i) which are quantifiable and are below ₹490.00 million (being 1% of the consolidated profit after tax for Financial Year 2017); or (ii) which our Bank believes does not have a material adverse effect on the business, financial condition, profitability or results of operations of our Bank on a consolidated basis. In addition, please note that we have included certain litigations involving our international Subsidiaries that we believe are material.

I. Litigation involving our Bank

Civil cases

1. National Fertilisers Limited ("**NFL**") entered into a turnkey contract with Tecnimont S.P.A., Italy ("**Tecnimont**"), for which our Bank issued a performance based bank guarantee ("**Guarantee**") of ₹ 1,200 million against the counter guarantee issued by ING Bank N.V., Milan branch ("**ING Italy**"). The counter guarantee was to be paid in terms of the Guarantee, since it was on a reimbursement basis. NFL invoked the Guarantee against Tecnimont. Upon the invocation of this Guarantee, Tecnimont filed a civil suit before the civil court in Milan, Italy (the "**Court**"). The suit in Italy has now been disposed off and the Court has vacated its orders. Simultaneously, Tecnimont and its subsidiary in India, Tecnimont Private Limited filed a petition before the Delhi High Court under Section 9 of the Arbitration and Conciliation Act, 1996 against *inter alia*, NFL (as Respondent No. 1) and the Bank (as Respondent No. 2). Subsequently, after various hearings, the Delhi High Court, by its interim order dated February 15, 2016, directed the parties to maintain status quo till March 9, 2016. The Delhi High Court, by its order dated April 29, 2016 directed that the Guarantee be kept alive till August 31, 2016 and that subject to this, the status quo between the parties continue. The Delhi High Court on January 9, 2017, disposed off the petitioner's arbitration petition and interim application, directing that the Guarantee and the counter guarantee be kept alive until such time that the arbitral tribunal which is to be constituted, passes an order modifying, varying or vacating the order of the Delhi High Court dated February 15, 2016 (continued in terms of the Delhi High Court's order dated December 6, 2016 and amended by the order dated January 9, 2017). The matter is currently pending.

2. Our Bank has filed a suit dated September 23, 2010 against Dena Bank and others seeking, inter alia, damages towards frivolous litigation by Dena Bank from the year 2006 to 2009 causing impediments to our Bank from enjoyment of the property, "Apple Tower" as it stood sub-judice, being part of the terms of the settlement which was challenged by Dena Bank. Our Bank has sought a money decree for ₹ 4,429.60 million towards loss of lease rentals and loss of reputation and goodwill, being sole creditors after acquisition of debentures from various banks, including Dena Bank and financial institutions by our Bank and KMPL. Subsequently, Dena Bank has filed a counter claim for ₹ 10,000.00 million together with interest along with its written statement, contending that it has a bona fide claim against the disputed property and therefore, could not be held liable in respect of any loss in terms of potential rental income or alleged loss of the goodwill or reputation. Our Bank has filed a notice of motion seeking various reliefs pending disposal of the suit. The matter is currently pending.

Notices in the last three years:

1. Our Bank has received notices dated April 26, 2011, August 31, 2015 and September 1, 2015, from various offices of the RBI for payment of penalties, including in relation to (i) discrepancy in soiled notes remittances and examination conducted by RBI; (ii) violation of the currency verification and processing system; (iii) counterfeit notes; forged, mutilated and short found in soiled notes; (iv) discrepancy in final receipts; (v) finding of forged currency; (vi) detection

of mutilated notes; and (vii) shortage in soiled notes remittances. An amount of approximately ₹ 0.13 million was levied as penalty on our Bank during the last three years.

2. Our Bank received a show cause notice dated March 2, 2014 and letters from RBI dated April 7, 2014 and July 17, 2014 for violation of guidelines issued by the RBI in relation to irregularities observed in respect of the loans availed and current accounts held by Deccan Chronicle Holding Limited with our Bank and non-compliance on part of our Bank with the RBI prescribed requirements of exchange of information with other banks and obtaining a no-objection certificate from other banks. An amount of ₹ 1.00 million was levied as penalty on our Bank on July 25, 2014.

3. Our Bank received a notice dated April 21, 2016 from RBI for our subsidiary general ledger account holders, for not maintaining correct record of the security sold. An amount of ₹ 0.50 million was levied as penalty on our Bank on May 12, 2016.

4. Our Bank has received various show cause notices and notices of warning from the RBI in relation to scrutiny of certain accounts for various reasons, including, delay in reporting of credit card frauds, scrutiny of the books of accounts of our Bank, lapses in compliance with KYC requirements and complaints made by other entities.

5. Our Bank has received letters dated October 28, 2015 and November 20, 2015 and a show cause notice dated April 18, 2016 from the RBI upon inspection of our Bank's books of accounts, irregularities in advance import remittances and violation of statutory provisions and directions issued by the RBI. Our Bank has replied to the said show cause notice. Upon providing us with a personal hearing, the RBI considered that our Bank had put in place effective controls and has a system to file STRs in a timely manner. The RBI, by its letter dated July 19, 2016, has advised our Bank to strengthen the controls over customer identification and monitoring process.

6. The RBI imposed a penalty of ₹ 0.01 million on our Bank on February 8, 2017 for not complying with requirements concerning filing of returns for netted-off transactions on a gross basis in relation to Jas Forwarding Worldwide Private Limited. The RBI issued a show cause notice and issued an order dated April 13, 2017 for imposition of a penalty of ₹ 0.01 million on our Bank in relation to non-compliance with its directions in respect of reporting transactions, as required under FEMA. Our Bank, by its letter dated April 21, 2017, replied to the said notice and paid the penalty imposed.

Material frauds committed against our Bank in the last three years, and the action taken by our Bank

S. No.	Fraud Committed By	Nature of Fraud	Action Taken
1.	"X"	Diversion of Funds	Various banks including our Bank, extended facilities to "X". Subsequently, "X" failed to pay ₹ 1,104.39 million owed to various lenders, including our Bank. Owing to financial difficulties and the death of the main promoter, the case was referred to the Corporate Debt and Restructuring Cell, which approved the Corporate Debt Restructuring Scheme ("**CDR**"), pursuant to which a master restructuring agreement ("**MRA**") was executed with our Bank. However, due to defaults in the payment of the restructured dues, the joint lender forum decided to treat the CDR as failed and to initiate recovery, including invocation of the guarantees issued, in their favour for the grant of the facilities. It was found that the promoter of "X" had unlawfully diverted funds from the facilities to purchase real estate for his personal benefit ("**Assets**"). Subsequently, our Bank has filed an application before the Debt Recovery Tribunal, Mumbai to direct the Indian Overseas Bank ("**IOB**") relating to the operation of the trust and retention account created pursuant to the terms of the MRA, which was subsequently allowed. IOB obtained a stay on this order. The workers and employees of "X" filed an interim application as interveners before the Debt Recovery

S. No.	Fraud Committed By	Nature of Fraud	Action Taken
			Tribunal, Mumbai alleging the non-payment of waged for the period October, 2016 to March, 2017.The matter is currently pending.
2.	"Y"	Non-payment of debts due in breach of security agreements for loan availed	Our Bank has filed an application under Section 19 of the Recovery of Debts due to Banks and Financial Institutions Act against "Y" and others alleging non-payment of the monies due to our Bank in breach of the facility agreements and seeking inter alia, recovery of ₹ 518.20 million. The security provided for the loan availed by "Y" had been offered as security to private lenders and receivables from this security had been diverted into other accounts and not deposited in the escrow account, thereby, breaching the loan agreements and security documents. Our Bank has filed a complaint with the Additional Director General of Police, CID and Railways, Gujarat, in respect of the same. This matter is currently pending.

In addition, our Bank reports on an individual basis all material frauds above ₹10.00 million to RBI. There are 11 material frauds in the last three years above ₹10.00 million committed against our Bank involving an aggregate amount of ₹ 512.30 million. Our Bank has initiated various actions against these frauds including, filing first information reports, filing reports with SFIO, filing complaints with crime branches, filing complaints with the Bureau of Economic Offences and filings matters before various judicial authorities.

Details of default in repayment of (i) statutory dues; (ii) debentures and interest thereon; (iii) deposits and interest thereon; (iv) loan from any bank or financial institution and interest thereon

There is no default in repayment of (i) statutory dues; (ii) debentures and interest thereon; (iii) deposits and interest thereon; (iv) loan from any bank or financial institution and interest thereon.

II. Litigations involving KLI:

Civil cases:

The Directorate General of Central Excise Intelligence, Central Board of Excise and Customs, Department of Revenue. Mumbai, (the "**Authority**") issued a show cause cum demand notice dated November 11, 2013 (the "**SCN**") alleging evasion in payment of service tax, particularly in respect of service tax liability for expenses, such as, pre-recruitment training expenses, advertising and publicity and sales promotion expenses by KLI and KLI was directed to show cause including in relation to recovery of the service tax collected by KLI and interest and imposition of penalties. KLI, through its reply dated April 14, 2014, denied all allegations and submitted, amongst other things that, the SCN is barred by limitation. Subsequently, the Commissioner, Service Tax – VI, Mumbai, through its order dated March 19, 2015 (the "**Order**"), directed the recovery of ₹ 733.33 million along with other sums due including interest payable and penalty levied. KLI appealed before CESTAT, Mumbai alleging that the Order is in violation of law. The matter is currently pending.

Notices:

1. IRDAI has issued a show cause notice dated January 22, 2016 to KLI alleging violation of certain provisions of the Insurance Act, 1938, IRDA (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002, IRDA (Assets, Liabilities and Solvency Margin of Insurer) Regulations, 2002, IRDA Circular dated November 23, 2010, IRDA Circular dated March 27, 2003, IRDA (Insurance Brokers) Regulations, 2002, Guidelines on Outsourcing of Activities by Insurance Companies dated February 1, 2011, Guidelines for Unit Linked Insurance Products dated December 21, 2005, Guidelines on Group Insurance Policies dated July 14, 2005, and IRDA (Protection of Policyholders' Interests) Regulations, 2002. After personal hearing and written submissions made by KLI in respect of 14 charges, IRDAI has issued an order dated May 6, 2016 in which (i) penalty of 0.50 million was levied on KLI in respect of the charge of repudiation of claims under the Group Master Policy on grounds of non-disclosure in the health declaration; (ii) KLI was warned in respect of five charges; and (iii) no charges were pressed in respect of eight charges.

III. Litigations involving KSL:

Notices:

SEBI, the Stock Exchanges and the Depositories have issued advice/ administrative warning/deficiency letter, levied penalty or imposed charges for certain operational deviations and non-compliances observed in relation to, inter alia, client registration documentation, anti money laundering compliance, contract notes, client margin details and statement of accounts, failure to provide authenticated documents and reports, during inspections, assessment of audit reports or in the normal course of business of KSL as a Stock Broker/ Depository Participant/ Portfolio Manager. Such penalties have involved either payment of monetary sum or submission of compliance certificate to the authority issuing the advice/warning/deficiency letter.

IV. Litigations involving KMPL:

KMPL received a notice on June 21, 2016 from SEBI for the alleged violation of the Depositories Act, 1996 ("**Depositories Act**") and Regulation 58 of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 ("**Depositories Rules**") by creating a pledge on the securities held through a depository, in violation of applicable law, through a transfer of securities to KMPL in an off-market transaction and deriving margin positions by such trade. Subsequently, the parties, including KMPL, are required to show cause as to why an inquiry should not be held against them under Rule 4 of the Depositories (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 2005, Depositories Act and the Depositories Rules.

V. Litigations involving KMIL:

Nil.

Other than as disclosed in this Preliminary Placement Document, there are no legal proceedings exceeding ₹ 490 million against the Bank and its Material Subsidiaries.

VI. Litigations involving other subsidiaries

1. Sandeep Arora had purchased global depository receipts ("**GDRs**") of Hindustan Development Corporation Limited ("**HDCL**") through Kotak Mahindra (UK) Limited ("**KMUK**") and pursuant to a scheme of arrangement (effective August 24, 2001) undertaken by HDCL, was entitled to receive GDRs of Hindustan Engineering and Industries Limited ("**HEIL**") or the sale proceeds thereof. Sandeep Arora has alleged that it did not receive any HEIL GDRs or shares that it was entitled to pursuant to the scheme of arrangement. KMUK has responded, stating, *inter alia*, that KMUK has not received any HEIL GDRs or the proceeds thereof. On March 5, 2017, a complaint was lodged with the Financial Ombudsman Service, United Kingdom, pursuant to which Sandeep Arora has demanded $0.35 million along with compensation for mental agony and harassment and the interest cost for previous years (the "**Complaint**"). KMUK has, on March 23, 2017, replied to the Compliant through the Financial Ombudsman Service, United Kingdom. The matter is currently pending.

2. Certain investors filed class action law suits and individual action law suits under the Securities Act, before the federal and state courts against, *inter alia*, TerraForm Global, Inc. ("**TerraForm**"), SunEdison, Inc., several individual officers and directors of TerraForm, Kotak Mahindra Inc., and other underwriters to the $ 675 million initial public offering by TerraForm Global, Inc. ("**TerraForm IPO**"), alleging that the offering documents in relation to the TerraForm IPO were false and misleading because they failed to disclose problems undermining TerraForm's business and prospects such as lack of clarity regarding the financial difficulties faced by the sponsor of the TerraForm IPO, thereby causing loss to investors. An amended complaint in relation to combined class actions suits was filed before the multi-district litigation of the U.S. District Court for the Southern District of New York ("**MDL**"). These suits were subsequently stayed, to enable global mediation in the said matter. The mediation has now failed and the suits will continue. The matter is currently pending.

VII. Inquiry, inspections, investigations, prosecutions, fines imposed or compounding of offences under the Companies Act, 2013 or any previous company law in the last three years in the case of our Bank and our Subsidiaries

The Office of the Registrar of Companies, Ministry of Corporate Affairs, Mumbai ("**ROC**") issued a show cause notice dated February 14, 2017 (the "**SCN**") to KSL alleging that KSL had failed to comply with Sections 134 and 135 of the Companies Act, 2013 along with the rules made thereunder and the circulars issued in respect of corporate social responsibility expenditure ("**CSR Expenditure**"). The ROC, through this SCN, inquired why action should not be taken against the Directors or the officers in default of KSL for not complying with the CSR Expenditure related requirements and failure to disclose such non-compliance in the Board of Directors' Report for the Fiscal Year 2015. KSL, by its reply dated February 27, 2017 ("**Reply**"), denied any non-compliance with the provisions of the Companies Act, 2013 and the rules made thereunder regarding CSR Expenditure. KSL further stated that in its response dated June 2, 2016 to the ROC letter dated May 25, 2016, it has specified that the Board of Directors have specified that they are in the process of undertaking activities related to CSR Expenditure and are not in violation of applicable law, further specifying that ₹ 4.50 million had been spent and ₹ 34.97 million remained unspent.

VIII. Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against the Promoter during the last three years immediately preceding the year of the circulation of this Preliminary Placement Document and directions issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action.

There is no litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against the Promoter during the last three years immediately preceding the year of circulation of this Preliminary Placement Document.

STATUTORY AUDITORS

Our Bank's current statutory auditors are S. R. Batliboi & Co. LLP, Chartered Accountants, have audited the consolidated financial statements and standalone financial statements as at and for the financial years ended March 31, 2017 and March 31, 2016, included in this Preliminary Placement Document, and are the statutory auditors of our Bank as required by the Companies Act, 2013, the Banking Regulation Act, 1949 and in accordance with the guidelines issued by the ICAI.

Our Bank's previous statutory auditors were M/s S.B. Billimoria & Co., Chartered Accountants, who have audited the consolidated financial statements and standalone financial statements as at and for the financial year ended March 31, 2015, included in this Preliminary Placement Document, and were the statutory auditors of our Bank as required by the Companies Act, 2013 and the Banking Regulation Act, 1949 and in accordance with the guidelines issued by the ICAI.

LEGAL MATTERS

Certain legal matters in connection with the Issue will be passed upon for us by Cyril Amarchand Mangaldas with respect to matters of Indian law.

Certain legal matters in connection with the Issue will be passed upon for the GCBRLMs by S&R Associates with respect to matters of Indian law and by Clifford Chance Pte Ltd with respect to matters of U.S. federal securities laws.

Each of Cyril Amarchand Mangaldas, S&R Associates and Clifford Chance Pte Ltd does not make, or purport to make, any statement in this document and is not aware of any statement in this document which purports to be based on a statement made by it and each of them makes no representation, express or implied, regarding, and takes no responsibility for, any statement in or omission from this document.

GENERAL INFORMATION

1. Our Bank was incorporated as Kotak Capital Management Finance Limited on November 21, 1985 under the Companies Act, 1956, as a public limited company. The name of our Bank was changed to Kotak Mahindra Finance Limited on April 8, 1986 and a fresh certificate of incorporation was issued. Subsequently, the name of our Bank was changed to Kotak Mahindra Bank Limited with effect from March 21, 2003 pursuant to conversion into a Bank and a fresh certificate of incorporation was issued. The CIN of our Bank is L65110MH1985PLC038137. The registered office of our Bank is at 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

2. We commenced operations in 1985 as an NBFC and subsequently, our Bank received license bearing number 73 from the RBI dated February 6, 2003 to carry on banking business in India.

3. Our Board of Directors, through the resolution passed at its meeting on March 30, 2017 and our Shareholders, through special resolution passed at the Extraordinary General Meeting held on May 9, 2017], approved the Issue.

4. Our Bank has received in-principle approvals in terms of Regulation 28 of the SEBI Listing Regulations from each of BSE and NSE on May 10, 2017, to list the Equity Shares on the Stock Exchanges.

5. Copies of the Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday between 10.00 a.m. to 1.00 p.m. (except public holidays), at the Registered Office during the Bid/Issue Period.

6. Except as disclosed in this Preliminary Placement Document, our Bank has obtained necessary consents, approvals and authorizations required in connection with the Issue.

7. Except as disclosed in this Preliminary Placement Document, there has been no material adverse change in our Bank's financial condition since March 31, 2017, the date of the latest financial statements, prepared in accordance with Indian GAAP, included herein.

8. Except as disclosed in this Preliminary Placement Document, there are no legal or arbitration proceedings against or affecting our Bank or its assets or revenues, nor is our Bank aware of any pending or threatened legal or arbitration proceedings, which are, or might be, material in the context of the Issue.

9. Our Bank's statutory auditors, S.R. Batliboi & Co. LLP, Chartered Accountants, have audited the consolidated and standalone financial statements for the financial years ended March 31, 2017 and 2016 included in this Preliminary Placement Document. Our previous auditors M/s. S.B. Billimoria & Co., Chartered Accountants, have audited the consolidated and standalone financial statements for the financial year ended March 31, 2015 included in this Preliminary Placement Document.

10. Our Bank confirms that it is in compliance with the minimum public shareholding requirements as required under Securities (Contracts) Regulation Rules, 1957.

11. The Floor Price for the Equity Shares under the Issue is ₹913.24 which has been calculated in accordance with Chapter VIII of the SEBI ICDR Regulations. Our Board may consider offering a discount of not more than 5% on the Floor Price in accordance with the approval of our Shareholders accorded on May 9, 2017 and Regulation 85(1) of the SEBI ICDR Regulations.

FINANCIAL STATEMENTS

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 Rs.660,751,573 (thousands) as at March 31, 2017, and total revenues and net cash inflows of Rs.130,238,299 (thousands) and Rs.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 Rs 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 Rs.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 Registration Number: 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 Registration Number: 301003E/E300005

per **Viren H. Mehta**
Partner
Membership Number: 301003E/E300005

Place of Signature: Mumbai
Date: 27 April 2017

KOTAK MAHINDRA BANK LIMITED

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 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

Jaimin Bhatt
President and Group
Chief Financial Officer

Bina Chandarana
Company Secretary

Mumbai
27th April, 2017

KOTAK MAHINDRA BANK LIMITED

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

		Schedule	(₹ in thousands) For the year ended 31st March, 2017	For the 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 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 MAHINDRA BANK LIMITED

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)**
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 (Refer Note below)	**115,994,084**	**69,034,415**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Refer Note below)	**255,885,490**	**115,994,084**

KOTAK MAHINDRA BANK LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

	(₹ in thousands)	
	Year Ended 31st March, 2017	**Year Ended 31st March, 2016**
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 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 MAHINDRA BANK LIMITED

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 1 - CAPITAL		
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		
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**

KOTAK MAHINDRA BANK LIMITED

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**
XIII.	**Balance in the Profit and Loss Account**	201,525,609	162,238,798
	Total	**375,703,944**	**324,434,499**

KOTAK MAHINDRA BANK LIMITED

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			
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			
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**
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
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**

KOTAK MAHINDRA BANK LIMITED

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 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA			
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			
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**
SCHEDULE 8 - INVESTMENTS			
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**

KOTAK MAHINDRA BANK LIMITED

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 9 - ADVANCES			
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
	(ii) Unsecured	329,797,608	291,747,485
	Total	**1,671,249,109**	**1,447,928,152**
	* including advances secured against book debts		
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
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			
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**

KOTAK MAHINDRA BANK LIMITED

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 11 - OTHER ASSETS			
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			
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**

KOTAK MAHINDRA BANK LIMITED

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

(₹ in thousands)

		For the year ended 31st March, 2017	For the year ended 31st March, 2016
SCHEDULE 13 - INTEREST EARNED			
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			
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			
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**
SCHEDULE 16 - OPERATING EXPENSES			
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.

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

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

Name of the Subsidiary	Country of Origin	% Shareholding of group (31st March, 2017)	% Shareholding of group (31st March, 2016)
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. Ltd.	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").*

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.

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

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.

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.

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

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.

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

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 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.

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

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

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 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.

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.

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

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.

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

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.

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.

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

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.

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

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.

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.

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

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 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 April 4, 2016 such reserves are calculated on a pro-rata basis under 1/365 basis subject to 100% for marine hull business, on all unexpired policies at Balance Sheet date.

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

Segment	Principal activity
	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.

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.

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.

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

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.

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	-

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"	**16.71**	**(8.23)**	(25.55)	(7.49)

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

	As on 31st March, 2017		As on 31st March, 2016	
	Funded	**Unfunded**	Funded	Unfunded
under "Other Assets" or "Other Liabilities"				
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 recognized	**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.

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	**5.5% (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 liabilities	**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

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

	As on 31st March, 2017 Funded	As on 31st March, 2016 Funded
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

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

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

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.

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	**5.5% (IBA) and 7.00% (others) p.a.**	5.5% (IBA) and 8.50% (others) p.a.

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

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.

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	**681.61**	752.42

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

Year ended 31st March,	**2017**	2016
Contingencies (including write-offs and net of recoveries)		
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
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

Sr. No.	Contingent Liability*	Brief Description
		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.

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 – 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

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

	Year ended 31st March, 2017		Year ended 31st March, 2016	
	Number of Shares	**Weighted Average Exercise Price(`)**	Number of Shares	Weighted Average Exercise Price(`)
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		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

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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).

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

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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:

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%

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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 ` 348.28crore (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”.

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

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31st March,	**2017**	2016
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
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.

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

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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 March 31, 2015 are considered as market value as at the March 31, 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.

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,	**2017**	2016	Purpose
Particulars of Derivatives	**Quantity**	Quantity	
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

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

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)** **0.03 (GBP 3,300)**	1.62 (USD 244,672) 0.53 (JPY 9,039,474) 0.00 (GBP 100) 0.01 (EUR 1,060)
Amount Payable in foreign currency	**0.46 (USD 70,248)**	1.13 (USD 170,130)

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	0.80%	309.24	0.00%	(0.05)	0.07%	3.38	(0.00%)	(0.10)

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

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
Brokerage Limited)								
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. Ltd	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)
Associate:								
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*

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

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
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

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

Particulars	Year ended 31st March, 2017	Year ended 31st March, 2016
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

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

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

Nature of relationship	Name of Related Party
	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 30 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 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) Ms. Anita Gupta Ms. Urmila Gupta Mr. Arnav Gupta Mr. Parthav Gupta Mr. Prabhat Gupta Ms. Jyoti Banga

Details of related party transactions:

(` in crore)

Items/Related Party	Associates/ Others	Investing Party of the subsidiaries	Enterprises over which KMP /relatives of KMP have control /significant influence	Key Management Personnel	Relatives of Key Management Personnel
I. Liabilities					
Other Liabilities	0.21	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)	(-)

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

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
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)	(-)	(-)

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				0.60
		(0.52)				(0.52)
Aero Agencies Limited			0.01			0.01
			(0.02)			(0.02)
Kotak Commodity Services Private Limited			0.03			0.03
			(0.14)			(0.14)
Infina Finance Private Limited	0.08					0.08
	(0.78)					(0.78)
Matrix Business	0.12					0.12

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

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**
Services India P Ltd.						
	(0.01)					(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		#			3.42
	(2.43)		(0.00)			(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			0.28
			(0.15)			(0.15)
ACE Derivatives and Commodity Exchange Limited	0.02					0.02
	(0.02)					(0.02)
Infina Finance Private Limited	0.01					0.01
	(0.04)					(0.04)
Others	#		#			#
	(0.07)		(0.19)			(0.26)
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

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

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
			(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
			(#)	(#)		(#)
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						

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

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
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
		(-)				(-)
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	-					-

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

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
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

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

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 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

INDEPENDENT AUDITOR'S REPORT

To the Members of Kotak Mahindra Bank Limited

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph (a) of the Other Matters below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

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

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

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

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

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

Other Matter

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

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

(c) The auditors of a subsidiary of the Bank, Kotak Mahindra Old Mutual Life Insurance Limited ("the Company") have reported in their audit opinion "The actuarial valuation of liabilities for life policies in force is the responsibility of the Company's Appointed Actuary (the "Appointed Actuary"). The actuarial valuation of these liabilities for life policies in force and for policies in respect of which the premium has been discontinued but liability exists as at March 31, 2016 has been duly certified by the Appointed Actuary and in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India ("IRDAI"/"Authority") and the Institute of Actuaries of India in concurrence with the Authority. We have relied upon the Appointed Actuary's certificate in this regard for forming our opinion on the valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists on standalone financial statements of the Company".

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

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

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

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

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

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

To the Members of Kotak Mahindra Bank Limited

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

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

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

Other Matters

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

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

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

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

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

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2016

(₹ in thousands)

	Schedule	**As at 31st March, 2016**	As at 31st March, 2015
CAPITAL AND LIABILITIES			
Capital	1	9,171,911	3,861,763
Reserves and Surplus	2	324,434,499	217,671,387
Minority Interest	2A	3,955,985	3,356,912
Employees' Stock Options (Grants) Outstanding		34,136	29,969
Deposits	3	1,359,487,601	728,434,592
Borrowings	4	437,297,936	314,148,793
Policyholders' Funds		151,482,783	137,926,095
Other Liabilities and Provisions	5	122,170,908	80,328,109
Total		**2,408,035,759**	**1,485,757,620**
ASSETS			
Cash and Balances with Reserve Bank of India	6	69,249,004	39,451,165
Balances with Banks and Money at Call and Short Notice	7	46,745,080	29,583,250
Investments	8	702,738,989	455,888,861
Advances	9	1,447,928,152	886,322,146
Fixed Assets	10	17,575,969	13,815,528
Other Assets	11	123,764,371	60,662,476
Goodwill on Consolidation		34,194	34,194
Total		**2,408,035,759**	**1,485,757,620**
Contingent Liabilities	12	2,447,118,640	664,470,942
Bills for Collection		149,640,490	44,199,924
Significant Accounting Policies and Notes to the Consolidated Financial Statements	17		

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

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

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai, 11th May, 2016

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman
and Managing Director

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and Group Chief Financial Officer

Bina Chandarana
Company Secretary

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

(₹ in thousands)

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

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

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

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai, 11th May, 2016

For and on behalf of the Board of Directors
Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman
and Managing Director

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and Group Chief Financial Officer

Bina Chandarana
Company Secretary

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

(₹ in thousands)

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

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

(₹ in thousands)

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

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

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai, 11th May, 2016

For and on behalf of the Board of Directors
Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman
and Managing Director

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and Group Chief Financial Officer

Bina Chandarana
Company Secretary

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

SCHEDULE 1 - CAPITAL

(₹ in thousands)

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

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)

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

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

(₹ in thousands)

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

SCHEDULES

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

SCHEDULE 2A - Minority Interest

(₹ in thousands)

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

SCHEDULE 3 - DEPOSITS

(₹ in thousands)

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

SCHEDULE 4 - BORROWINGS

(₹ in thousands)

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

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

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in thousands)

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

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in thousands)

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

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

(₹ in thousands)

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

SCHEDULES

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

SCHEDULE 8 - INVESTMENTS

(₹ in thousands)

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

SCHEDULE 9 - ADVANCES

(₹ in thousands)

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

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

SCHEDULE 10 - FIXED ASSETS

(₹ in thousands)

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

SCHEDULES

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

SCHEDULE 11 - OTHER ASSETS

(₹ in thousands)

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

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in thousands)

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

SCHEDULES

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

SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)

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

SCHEDULE 14 - OTHER INCOME

(₹ in thousands)

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

SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)

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

SCHEDULE 16 - OPERATING EXPENSES

(₹ in thousands)

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

SCHEDULES

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

(₹ in thousands)

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

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

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

1. BASIS OF CONSOLIDATION:

a. The consolidated financial statements comprising of the financial statements of Kotak Mahindra Bank ("the Bank" or "KMBL", its subsidiaries, which constitute "the Group") and its associates are prepared in accordance with Accounting Standard 21 (AS-21), "Consolidated Financial Statements" and Accounting Standard 23 (AS-23), "Accounting for Investments in Associates in Consolidated Financial Statements" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. The Bank consolidates entities in which it holds, directly or indirectly through subsidiaries, more than 50% of the voting rights or where it exercises control, on a line by line basis by adding together like items of assets, liabilities, income and expenses in accordance with AS-21. The Goodwill or Capital Reserve on consolidation represents the difference between the Group's share in the networth of the subsidiary and the cost of acquisition at the time of making investment in the subsidiary. Intragroup balances, intragroup transactions and resulting unrealised profits / losses, if any, are eliminated in full. Minority interest representing the part of net results of operations and of the net assets of subsidiary attributable to interests not owned directly or indirectly through subsidiaries is presented separately from liabilities and the equity. Further, the Group accounts for investments in entities where it holds 20% to 50% of the voting rights or exercises significant influence by the equity method of accounting in accordance with AS-23. The financial statements of the subsidiaries, jointly controlled entities and associates used in consolidation are drawn up to the same reporting date as that of the holding Company i.e. 31st March, 2016.

b. The list of subsidiaries is as under:

Name of the Subsidiary	**Country of Origin**	**% Shareholding of group (31st March, 2016)**	% Shareholding of group (31st March, 2015)
Kotak Mahindra Prime Limited	India	100.00	100.00
Kotak Securities Limited	India	100.00	100.00
Kotak Mahindra Capital Company Limited	India	100.00	100.00
Kotak Mahindra Old Mutual Life Insurance Limited	India	74.00	74.00
Kotak Mahindra Investments Limited	India	100.00	100.00
Kotak Mahindra Asset Management Company Limited	India	100.00	100.00
Kotak Mahindra Trustee Company Limited	India	100.00	100.00
Kotak Mahindra (International) Limited	Mauritius	100.00	100.00
Kotak Mahindra (UK) Limited	U.K	100.00	100.00
Kotak Mahindra, Inc.	USA	100.00	100.00
Kotak Investment Advisors Limited	India	100.00	100.00
Kotak Mahindra Trusteeship Services Limited	India	100.00	100.00
Kotak Forex Brokerage Limited	India	100.00	100.00
Kotak Mahindra Pension Fund Limited	India	100.00	100.00
Kotak Mahindra Financial Services Limited	U.A.E	100.00	100.00
Kotak Mahindra Asset Management (Singapore) PTE. Ltd. $	Singapore	100.00	100.00
Kotak Mahindra General Insurance Company Limited # (Incorporated on 20th December, 2014)	India	100.00	100.00
IVY Product Intermediaries Limited (formerly known as 'ING Vysya Financial Services Limited')*	India	100.00	–

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

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

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

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

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

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

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

$ *Significant influence exercised through Board representation.*

2. SIGNIFICANT ACCOUNTING POLICIES:

A. ACCOUNTING METHODOLOGY

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

B. USE OF ESTIMATES

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

C. REVENUE RECOGNITION

a. Banking / Investing:

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

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

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

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

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

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

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

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

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

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

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

b. Investment Banking:

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

c. Life Insurance:

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

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

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

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

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

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

d. General Insurance :

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

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

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

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

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

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

e. Broking:

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

ii. Brokerage Income (net of service tax):

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

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

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

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

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

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

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

f. Asset Management:

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

ii. Management fee from venture funds, private equity funds and other similar funds is recognised on accrual basis at the rates specified in the investment management agreement from the date of initial closing of funds under management.

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

D. FIXED ASSETS (TANGIBLE AND INTANGIBLE)

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

DEPRECIATION / AMORTISATION:

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

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

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

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

E. EMPLOYEE BENEFITS

i Defined Benefit Plans:

Gratuity –

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

Pension -

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

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

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

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

ii Defined Contribution Plans:

Provident Fund–

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

Superannuation Fund -

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

New Pension Scheme -

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

iii Compensated Absences - Other Long-Term Employee Benefits:

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

iv Other Employee Benefits:

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

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

F. INVESTMENTS

For the Bank

1. Classification:

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

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

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

Basis of classification:

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

2. Acquisition Cost:

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

3. Disposal of investments:

- **Investments classified as HFT or AFS** - Profit or loss on sale or redemption is recognised in the Profit and Loss Account.

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

4. Valuation:

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

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

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

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

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

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

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

- In case of unquoted bonds, debentures and preference shares where interest / dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to maturity for Government Securities as published by FIMMDA / PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA is adopted for this purpose;

- In case of bonds and debentures (including PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by the RBI. Interest on such securities is not recognised in the Profit and Loss Account until received;

- Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the Company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹ 1 per investee company;

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- Units of Venture Capital Funds ("VCF") held under AFS category where current quotations are not available are marked to market based on the Net Asset Value ("NAV") shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF. Investment in unquoted VCF after 23rd August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines;

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

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

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

For the Life insurance company:

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

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

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

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

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

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

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

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

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

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

Valuation – Unit linked Business

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

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

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

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

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

For General Insurance Company

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

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

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

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

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

For other entities:

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

Securities lending and borrowing

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

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

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

G. FOREIGN CURRENCY AND DERIVATIVE TRANSACTIONS

For the Bank:

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

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

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

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

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

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

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

For other entities:

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

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

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

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

Interest rate / Currency swaps:

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

Currency options:

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

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

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

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

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

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

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

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

H. ADVANCES

Classification:

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

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

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

Provisioning:

For Bank:

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

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

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

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

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

For other entities:

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

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

I. STRUCTURED LIABILITIES

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

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

J. LIABILITY FOR POLICIES

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

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

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

K. ACTUARIAL METHOD – LIFE INSURANCE

i Actuarial method and assumptions: The actuarial liabilities have been calculated in accordance with generally accepted actuarial principles, the requirements of the Insurance Act 1938, IRDAI regulations and the prescribed guidance notes of the Institute of Actuaries of India by the appointed actuary. In respect of unit linked policies, a unit reserve equal to the value of units as on the Balance Sheet date and an additional non-unit reserve calculated on gross premium prospective valuation method is created. The method adopted for par policies (accumulation contracts) is the value of the accumulated fund and an additional non-unit reserve calculated on gross premium prospective valuation method. In respect of individual conventional business / Group where premiums are guaranteed for more than one year, gross premium prospective method is used. Additional reserve on lapsed unit-linked policies is created and shown as 'Policyholders' Funds'.

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

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

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

L. Reserve for Unexpired Risk – General Insurance

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

M. DISCOUNTED INSTRUMENTS

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

N. ACQUISITION COSTS

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

O. BULLION

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

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

P. TAXES ON INCOME

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

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

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

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

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

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

Q. SEGMENT REPORTING

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

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

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

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

Segment results are net of segment revenue and segment expenses.

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

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

R. EMPLOYEE SHARE BASED PAYMENTS

Equity-settled:

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

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

Cash-settled:

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

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

S. CLAIMS / BENEFITS

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

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

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

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

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T. LOSS ON SALE OF ADVANCES TO ASSET RECONSTRUCTION COMPANY

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

U. SECURITISATION

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

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

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

V. LEASES

As Lessee

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

As Lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

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

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

W. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

X. SCHEME EXPENSES

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

Y. CONTRIBUTION TO SOLATIUM FUND

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

Z. SHARE ISSUE EXPENSES

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

AA. EARNINGS PER SHARE

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

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

AB. IMPAIRMENT

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

AC. CASH AND CASH EQUIVALENTS

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

NOTES TO ACCOUNTS

3. Merger of ING Vysya Bank Limited

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

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

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

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

The assets, liabilities and reserves and surplus of eIVBL were recorded by Bank at their carrying amounts as on 1st April, 2015 except for adjustments which were made to bring uniformity of accounting policies as required under AS-14. The impact of these adjustments was ₹ 189.95 crore which has been adjusted in the balance of Profit and Loss Account. Timing differences, if any, arising on these adjustments have been accounted with corresponding adjustment to Deferred Tax Asset. Further, with respect to revaluation of fixed assets, the revaluation

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reserve amounting to ₹ 101.37 crore held by eIVBL was reversed and the Gross Block of Fixed Assets were credited back with ₹ 101.37 crore. The accumulated depreciation on such reserve amounting to ₹ 11.15 crore was also reversed in Gross Block of Fixed Assets. Certain other reclassifications of items were carried out to ensure consistency in presentation.

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

4. EMPLOYEE BENEFITS

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

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

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

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

(₹ in crore)

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

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

(₹ in crore)

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

Reconciliation of the Liability recognised in the Balance Sheet

(₹ in crore)

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

Investment details of plan assets

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

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

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

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Actuarial assumptions used

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

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

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

Experience adjustments

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

(₹ in crore)

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

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

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

Pension

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

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

(₹ in crore)

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

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

(₹ in crore)

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

Reconciliation of the Liability recognised in the Balance Sheet

(₹ in crore)

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

Investment details of plan assets

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

Actuarial assumptions used

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

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

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

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Experience adjustments

Amounts for the current year are as follows:

(₹ in crore)

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

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

Compensated absences

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

(₹ in crore)

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

Long Service Award

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

(₹ in crore)

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

5. **DEPOSIT UNDER LIEN:**

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

6. **SECURITIES PLEDGED AND ENCUMBERED:**

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

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

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

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

Provision for Contingencies: -

(₹ in crore)

Description	Balance as on 1st April, 2015	Addition during the year	Reversed / paid during the year	**Balance as on 31st March, 2016**
Stamp duty on Trades	3.21	-	-	3.21
Total	**3.21**	**-**	**-**	**3.21**
Previous year	3.21	-	-	3.21

8. PROVISIONS AND CONTINGENCIES:

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

(₹ in crore)

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

9. PROVISION MADE FOR TAXES DURING THE YEAR:

(₹ in crore)

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

10. DESCRIPTION OF CONTINGENT LIABILITIES:

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

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Sr. No.	Contingent Liability*	Brief Description
3.	Guarantees on behalf of constituents in and outside India	As a part of its banking activities, the Group issues guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Group will make payments in the event of customer failing to fulfill its financial or performance obligations.
4.	Acceptances, endorsements and other obligations	These include: • Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Group • Bills re-discounted by the Group and cash collateral provided by the Group on assets which have been securitised. • Underwriting commitments in respect of Debt Syndication.
5.	Other items for which the Group is contingently liable	These include: • Liabilities in respect of interest rate swaps, currency swaps, forward rate agreements, futures and options contracts. The Group enters into these transactions on its own account and for customers. Currency Swaps are commitments to exchange cash flows by way of interest or principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are amounts used as a benchmark for the calculation of interest component of the contracts. • Liability in respect of Capital commitments relating to fixed assets and undrawn commitments in respect of investments.

* Also refer Schedule 12 – Contingent Liabilities.

11. EARNINGS PER EQUITY SHARE:

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

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

12. EMPLOYEE SHARE BASED PAYMENTS:

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

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

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

(c) Kotak Mahindra Equity Option Scheme 2005;

(d) Kotak Mahindra Equity Option Scheme 2007; and

(e) Kotak Mahindra Equity Option Scheme 2015

Consequent to the above, the Bank has granted stock options to the employees of the Group. The Bank under its various plan / schemes, has granted in aggregate 140,327,654 options (including options issued in exchange on amalgamation) as on 31st March, 2016 (Previous year 124,798,000). In aggregate 8,757,098 options are outstanding as on 31st March, 2016 under the aforesaid schemes.

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

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

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

Equity-settled options

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31st March, 2016

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

31st March, 2015

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

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Stock appreciation rights

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

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

Detail of activity under SARs is summarised below:

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

Fair value of Employee stock options

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

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

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

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

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

(₹ in crore)

Year ended 31st March,	2016	2015
Total Employee compensation cost pertaining to share-based payment plans	105.07	141.46
Compensation cost pertaining to equity-settled employee share-based payment plan included above	2.95	2.26
Liability for employee stock options outstanding as at year end	4.82	4.75
Deferred Compensation Cost	1.41	1.76
Closing balance of liability for cash-settled options	76.08	71.51
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	34.08	55.33

Had the Group recorded the compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been higher by ₹ 103.70 crore (previous year ₹ 31.35 crore) and the profit after tax would have been lower by ₹ 67.81 crore (previous year ₹ 20.69 crore). Consequently, the basic and diluted EPS would have been ₹ 18.54 (previous year ₹ 19.61) and ₹ 18.50 (previous year ₹ 19.57) respectively.

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

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

13. Tier II Bonds

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

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

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

15. The Group charges off to the Profit and Loss Account all expenses related to acquisition costs of advances in the year in which they are incurred. KMPL, a subsidiary of the Bank, charges off such costs based on the Internal Rate of Return of a contract. On account of this difference in accounting policy, unamortised brokerage amounting to ₹ 115.12 crore (previous year ₹ 113.05 crore) is carried forward in the Balance Sheet under "Other Assets".

16. Segment reporting

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

(₹ in crore)

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

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(₹ in crore)

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

(₹ in crore)

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

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

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17. Assets taken on lease

(i) The Group has taken various premises and equipment under operating lease. The lease payments recognised in the Profit and Loss Account are ₹ 444.01 crore (previous year ₹ 302.92 crore).

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

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

18. Assets given on lease

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

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

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

(₹ in crore)

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

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

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

Derivative instrument outstanding as on 31st March, 2016

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

Unhedged forex exposure outstanding as on the Balance Sheet date

(₹ in crore)

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

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

(₹ in crore)

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

* Total assets minus total liabilities

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

(₹ in crore)

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

23. Fixed Assets

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

(₹ in crore)

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

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(₹ in crore)

Particulars	**Year Ended 31st March, 2016**	Year Ended 31st March, 2015
GOODWILL		
Gross Block		
At cost on 31st March of the preceding year	1.88	1.88
Total	**1.88**	**1.88**
Amortisation		
As on 31st March of the preceding year	1.88	1.88
Charge for the year	-	-
Amortisation to date	**1.88**	**1.88**
Net Block	**-**	**-**
FOREX BROKING BUSINESS RIGHTS		
Gross Block		
At cost on 31st March of the preceding year	3.83	3.83
Total	**3.83**	**3.83**
Amortisation		
As on 31st March of the preceding year	3.83	3.83
Charge for the year	-	-
Amortisation to date	**3.83**	**3.83**
Net Block	**-**	**-**
ASSET MANAGEMENT RIGHTS		
Gross Block		
At cost on 31st March of the preceding year	15.90	-
Additions during the year	-	15.90
Deductions during the year	-	-
Total	**15.90**	**15.90**
Amortisation		
As on 31st March of the preceding year	0.52	-
Charge for the year	3.18	0.52
Deductions during the year	-	-
Amortisation to date	**3.70**	**0.52**
Net Block	**12.20**	**15.38**

24. Related Party Disclosures:

	Nature of relationship	Name of Related Party
A	**Individual having significant influence over the enterprise**	Mr. Uday S. Kotak along with his relatives and enterprises in which he has beneficial interest holds 33.64% of the equity share capital of Kotak Mahindra Bank Limited as on 31st March, 2016.
B	**Other Related Parties:**	
	Associates / Others	ACE Derivatives and Commodity Exchange Limited Infina Finance Private Limited Phoenix ARC Private Limited Matrix Business Services India Private Limited Kotak Education Foundation ING Vysya Foundation
	Investing Party of the subsidiaries	Old Mutual Plc. Old Mutual Life Assurance Company (South Africa) Limited
	Enterprises over which KMP / relatives of KMP have control / significant influence	Aero Agencies Limited Allied Auto Accessories Private Limited Business Standard Private Limited Business Standard Online Limited (From 27th March, 2015) Kotak and Company Private Limited Kotak Commodity Services Limited Komaf Financial Services Limited Asian Machinery & Equipment Private Limited Cumulus Trading Company Private Limited Palko Properties Private Limited Harisiddha Trading and Finance Private Limited Kotak Trustee Company Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Limited Insurekot Sports Private Limited Puma Properties Private Limited USK Benefit Trust II Uday S Kotak HUF Suresh A Kotak HUF
	Key Management Personnel	Mr. Uday S. Kotak – Executive Vice Chairman and Managing Director - KMBL Mr. C. Jayaram - Joint Managing Director - KMBL Mr. Dipak Gupta - Joint Managing Director - KMBL
	Relatives of Key Management Personnel	Ms. Pallavi Kotak Mr. Suresh Kotak Ms. Indira Kotak Mr. Jay Kotak Mr. Dhawal Kotak Ms. Aarti Chandaria Ms. Usha Jayaram Mr. K. Madhavan Kutty Mr. Vivek Menon Ms. Nayantara Menon Mehta Ms. Anita Gupta Ms. Urmila Gupta Mr. Arnav Gupta Mr. Parthav Gupta Mr. Prabhat Gupta Ms. Jyoti Banga

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

Details of related party transactions:

(₹ in crore)

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

Material transactions with related parties:

(₹ in crore)

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

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

(₹ in crore)

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

(₹ in crore)

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

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

(₹ in crore)

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

(₹ in crore)

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

*includes incentive paid during the year

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

Maximum balance outstanding

(₹ in crore)

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

Note: Figures of previous year are given in bracket.

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

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman
and Managing Director

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and Group Chief Financial Officer

Bina Chandarana
Company Secretary

Mumbai, 11th May, 2016

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** ("the Bank"), its Subsidiaries (the Bank and its subsidiaries together referred to as "the Group") and Associates comprising of the Consolidated Balance Sheet as at 31st March, 2015, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Bank's Management and Board of Directors are responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 controls, 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 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 consolidated 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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Bank has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. 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 sub-paragraph (a) of the Other Matters paragraph 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 aforesaid 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 31st March, 2015, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

a) We did not audit the financial statements of thirteen subsidiaries whose financial statements reflect total assets of ₹ 70,707,366 (thousands) as at 31st March, 2015, total revenues of ₹ 15,511,639 (thousands) and net cash inflows amounting to ₹ 224,891 (thousands) for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of ₹ 372,392 (thousands) for the year ended 31st March, 2015 as considered in the consolidated financial statements, in respect of one associate whose financial statements have not been audited by us. These financial statements have been audited by other auditors, whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, and our report in terms of sub-sections (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries and associates, is based solely on the reports of the other auditors.

b) The consolidated financial statements also include the Group's share of net loss of ₹ 66,142 (thousands) for the year ended 31st March, 2015, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these associates, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid associates, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements 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 and for policies in respect of which premium has been discontinued but liability exists as at 31st March, 2015 is the responsibility of the Company's Appointed Actuary ("the Appointed Actuary"). The actuarial valuation of these liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists as at 31st March, 2015 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 ("the IRDA"/"Authority") and the Institute of Actuaries of India in concurrence with the Authority." The auditors of the Company have relied upon the Appointed Actuary's certificate in this regard for forming their opinion on the valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists on financial statements of the Company.

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

Report on Other Legal and Regulatory Requirements

As required by Section143(3) of the Act, we report, to the extent applicable, that :

a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

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

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

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

e. On the basis of the written representations received from the directors of the Bank as on 31st March, 2015 taken on record by the Board of Directors of the Bank and the reports of the statutory auditors of its subsidiary companies and associate companies incorporated in India, none of the directors of the Group companies and its associate companies incorporated in India is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.

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

   i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates – Refer Schedule 12, Schedule 17-Note 2V and Schedule 17-Note 8 to the consolidated financial statements.

   ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Schedule 17-Note 2V and Schedule 17-Note 6 to the consolidated financial statements in respect of such items as it relates to the Group, and its associates.

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

For S. B. Billimoria & Co.
Chartered Accountants
(Firm's Registration No. 101496W)

Kalpesh J. Mehta
Partner
(Membership No.48791)

Mumbai, 5th May, 2015
KJM/RND

Consolidated Balance Sheet as at 31st March, 2015

(₹ in thousands)

	Schedule	As at 31st March, 2015	As at 31st March, 2014
CAPITAL AND LIABILITIES			
Capital	1	3,861,763	3,851,555
Reserves and Surplus	2	217,671,387	186,908,479
Minority Interest	2A	3,356,912	2,708,921
Employees' Stock Options (Grants) Outstanding		29,969	85,315
Deposits	3	728,434,592	569,297,535
Borrowings	4	314,148,793	290,071,364
Policyholders' Funds		137,926,095	110,145,582
Other Liabilities and Provisions	5	80,328,109	59,297,587
Total		**1,485,757,620**	**1,222,366,338**
ASSETS			
Cash and Balances with Reserve Bank of India	6	39,451,165	29,605,075
Balances with Banks and Money at Call and Short Notice	7	29,583,250	36,825,986
Investments	8	473,508,682	387,910,461
Advances	9	886,322,146	716,925,240
Fixed Assets	10	13,815,528	12,606,700
Other Assets	11	43,042,655	38,458,682
Goodwill on Consolidation		34,194	34,194
Total		**1,485,757,620**	**1,222,366,338**
Contingent Liabilities	12	664,470,942	458,067,267
Bills for Collection		44,199,924	30,155,988
Significant Accounting Policies and Notes to the Consolidated Financial Statements	17		

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

As per our report of even date.

For S. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 5th May, 2015

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Uday Kotak
Executive Vice Chairman
and Managing Director

Bina Chandarana
Company Secretary

Consolidated Profit And Loss Account for the year ended 31st March, 2015

(₹ in thousands)

		Schedule	For the year ended 31st March, 2015	For the year ended 31st March, 2014
I.	**INCOME**			
	Interest earned	13	133,188,886	119,859,041
	Other Income	14	81,521,957	52,823,853
	Total		**214,710,843**	**172,682,894**
II.	**EXPENDITURE**			
	Interest expended	15	69,661,022	63,121,199
	Operating expenses	16	97,492,643	69,516,988
	Provisions and Contingencies (Refer Note 6 - Schedule 17)		16,906,389	14,929,307
	Total		**184,060,054**	**147,567,494**
III.	**PROFIT**			
	Net Profit for the year		30,650,789	25,115,400
	Less : Share of Minority Interest		595,122	621,747
	Add : Share in profit / (loss) of Associates		398,835	156,243
	Consolidated Profit for the year attributable to the Group		**30,454,502**	**24,649,896**
	Add : Balance in Profit and Loss Account brought forward from previous year		97,191,920	78,820,658
	Total		**127,646,422**	**103,470,554**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		4,665,000	3,756,300
	Transfer to Special Reserve u/s 45 IC of RBI Act, 1934		1,227,800	1,066,600
	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		280,000	320,000
	Transfer to General Reserve		940,500	791,700
	Transfer to Capital Reserve		59,100	4,000
	Transfer (from) / to Investment Reserve Account		866,500	(411,014)
	Proposed Dividend		820,654	630,789
	Corporate Dividend Tax		145,559	120,259
	Balance carried over to Balance Sheet		118,641,309	97,191,920
	Total		**127,646,422**	**103,470,554**
V.	**EARNINGS PER SHARE [Refer Note 9 - Schedule 17]**			
	Basic (₹)		39.49	32.19
	Diluted (₹)		39.40	32.14
	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. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 5th May, 2015

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, 2015

(₹ in thousands)

	Year ended 31st March, 2015	Year ended 31st March, 2014
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit for the year	30,650,789	25,115,400
Add : Provision for tax	14,849,035	11,839,645
Net Profit before taxes	**45,499,824**	**36,955,045**
Adjustments for :-		
Employee Stock Options expense	22,594	46,858
Depreciation on Group's property	2,368,933	2,078,572
Amortisation of Premium on Investments	838,179	882,834
Diminution / (write back) in the value of investments	(1,165,700)	1,460,685
Profit on revaluation of investments (net)	(6,771,482)	(3,305,082)
Profit on sale of Investments (net)	(17,620,174)	(2,865,374)
Provision for Non Performing Assets, Standard Assets and Other Provisions	3,223,054	1,628,977
Profit on sale of fixed assets	(150,781)	(21,385)
Increase in Foreign Currency Translation Reserve [Refer Note 2 (G) (xi) - Schedule 17]	192,957	376,174
	26,437,404	**37,237,304**
Adjustments for :-		
(Increase) / Decrease in investments [other than HTM and Long Term investment]	(11,704,181)	32,108,489
Increase in Advances	(171,827,971)	(56,001,435)
Increase in Other Assets	(6,146,634)	(7,502,008)
Increase in Deposits	159,137,057	75,406,128
Increase in Policyholders' Funds	27,780,513	9,372,865
Increase in Other Liabilities and Provisions	20,111,436	11,797,665
	17,350,220	**65,181,704**
Direct Taxes Paid (net of refunds)	**(14,183,023)**	**(11,738,636)**
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**29,604,601**	**90,680,372**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(2,919,067)	(4,423,281)
Proceeds from sale of Fixed assets	240,625	91,011
Proceeds from sale of investment in Associates	26,580	2,099
Investments in Associates	(485,339)	(32,358)
Increase in HTM and Long Term Investments	(48,120,975)	(6,933,124)
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	**(51,258,176)**	**(11,295,653)**

Consolidated Cash Flow Statement for the year ended 31st March, 2015 (Contd.)

(₹ in thousands)

	Year ended 31st March, 2015	Year ended 31st March, 2014
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid including corporate dividend tax	(699,288)	(641,513)
Money received on issue of shares / exercise of stock options	878,788	14,155,019
Share issue expenses	-	(1,355)
Increase / (Decrease) in borrowings	24,077,429	(71,648,271)
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES (C)	**24,256,929**	**(58,136,120)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	**2,603,354**	**21,248,599**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Refer Note below)	**66,431,061**	**45,182,462**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Refer Note below)	**69,034,415**	**66,431,061**
Note :		
Balance with banks in India in Fixed Deposit (As per Schedule 7 I (i) (b))	3,569,367	3,431,278
Balance with banks in India in Current Account (As per Schedule 7 I (i) (a))	1,683,476	1,471,361
Money at call and short notice in India (As per Schedule 7 I (ii))	17,639,173	7,516,907
Cash in hand (As per Schedule 6 I)	5,431,071	4,484,204
Balance with RBI in Current Account (As per Schedule 6 II)	34,020,094	25,120,871
Balance with banks Outside India :		
(i) In Current Account (As per Schedule 7 II (i))	1,429,759	1,655,652
(ii) In Other Deposit Accounts (As per Schedule 7 II (ii))	5,261,475	22,750,788
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**69,034,415**	**66,431,061**

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 "Cash Flow Statements" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies(Accounts) Rules, 2014.

2. The corresponding amounts of previous year have re-grouped, wherever necessary.

As per our report of even date.

For S. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 5th May, 2015

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Uday Kotak
Executive Vice Chairman
and Managing Director

Bina Chandarana
Company Secretary

Schedules forming part of Consolidated Balance Sheet as at 31st March, 2015

(₹ in thousands)

	As at 31st March, 2015	As at 31st March, 2014
SCHEDULE 1 - CAPITAL		
Authorised Capital		
1,400,000,000 Equity Shares of ₹ 5/- each (31st March, 2014 : 1,000,000,000 Equity Shares of ₹ 5 each)	**7,000,000**	**5,000,000**
Issued, Subscribed and Paid-up Capital		
772,352,664 Equity Shares of ₹ 5/- each (31st March, 2014 : 770,311,001 Equity Shares of ₹ 5 each) fully paid-up (Refer Note 22 - Schedule 17)	3,861,763	3,851,555
Total	**3,861,763**	**3,851,555**
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	16,387,000	12,630,700
Add : Transfer from Profit and Loss Account	4,665,000	3,756,300
Total	**21,052,000**	**16,387,000**
II. Capital Reserve		
Opening Balance	293,303	289,303
Add : Transfer from Profit and Loss Account	59,100	4,000
Total	**352,403**	**293,303**
III. General Reserve		
Opening Balance	5,238,804	4,758,904
Add : Transfer from Profit and Loss Account	940,500	791,700
Add : Transfer on ESOPs lapsed	751	-
Less : Utilised for creation of Deferred tax liability on Special Reserve (Refer Note 19 - Schedule 17)	-	311,800
Total	**6,180,055**	**5,238,804**
IV. Securities Premium Account		
Opening Balance	58,987,381	44,815,352
Add : Received during the year	945,767	14,173,384
Less : Utilised for Share Issue Expenses	-	1,355
Less : Adjustment for Associate's Share issue expenses	7,051	-
Total	**59,926,097**	**58,987,381**
V. Special Reserve under Section 45IC of the RBI Act, 1934		
Opening Balance	4,742,756	3,676,156
Add : Transfer from Profit and Loss Account	1,227,800	1,066,600
Total	**5,970,556**	**4,742,756**
VI. Debenture Redemption Reserve		
Opening Balance	250	250
Add : Transfer from Profit and Loss Account	-	-
Total	**250**	**250**
VII. Capital Reserve on Consolidation		
Opening Balance	1,474,546	1,474,546
Additions during the year	-	-
Total	**1,474,546**	**1,474,546**
VIII. Foreign Currency Translation Reserve		
(Refer Note 2(G)(xi) - Schedule 17)		
Opening Balance	1,040,719	656,259
Increase during the year	184,677	384,460
Total	**1,225,396**	**1,040,719**

(₹ in thousands)

		As at 31st March, 2015	As at 31st March, 2014
IX.	**Investment Reserve Account**		
	Opening Balance	-	411,014
	Add : Transfer from / (to) Profit and Loss Account	866,500	(411,014)
	Total	**866,500**	**-**
X.	**Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961**		
	Opening Balance	1,545,000	1,225,000
	Add : Transfer from Profit and Loss Account	280,000	320,000
	Total	**1,825,000**	**1,545,000**
XI.	**Capital Redemption Reserve**		
	Opening Balance	6,800	6,800
	Add : Transfer from Profit and Loss Account	-	-
	Total	**6,800**	**6,800**
XII.	**Revaluation Reserve - Investment Property**		
	(Refer Note 16 - Schedule 17)		
	Opening Balance	-	-
	Additions during the year	203,344	-
	Less : Transfer to Minority interest	52,869	-
	Total	**150,475**	**-**
XIII.	**Balance in the Profit and Loss Account**	**118,641,309**	**97,191,920**
	Total	**217,671,387**	**186,908,479**
SCHEDULE 2A - Minority Interest			
	Minority Interest at the date on which parent subsidiary relationship came into existence	396,700	396,700
	Subsequent Increase	2,960,212	2,312,221
	Total	**3,356,912**	**2,708,921**
SCHEDULE 3 - DEPOSITS			
A.			
I.	**Demand Deposits**		
	i. From Banks	2,551,379	1,709,993
	ii. From Others	127,562,598	82,570,463
	Total	**130,113,977**	**84,280,456**
II.	**Savings Bank Deposits**	140,361,089	100,870,498
III.	**Term Deposits**		
	i. From Banks	10,575,512	6,103,554
	ii. From Others	447,384,014	378,043,027
	Total	**457,959,526**	**384,146,581**
	Total Deposits (I + II + III)	**728,434,592**	**569,297,535**
B.			
	i. Deposits of Branches in India	728,434,592	569,297,535
	ii. Deposits of Branches Outside India	-	-
	Total Deposits (I + II)	**728,434,592**	**569,297,535**
SCHEDULE 4 - BORROWINGS			
I.	**Borrowings in India**		
	(i) Reserve Bank of India	17,634,500	41,533,200
	(ii) Other Banks	98,641,382	76,573,409
	(iii) Institutions, Agencies and others (Refer Note 11 - Schedule 17)	150,278,583	147,363,244
	Total	**266,554,465**	**265,469,853**

Schedules forming part of Consolidated Balance Sheet as at 31st March, 2015

(₹ in thousands)

		As at 31st March, 2015	As at 31st March, 2014
II.	**Borrowings outside India**		
	Banks, Institutions, Agencies and others (Refer Note 11 - Schedule 17)	47,594,328	24,601,511
	Total	**47,594,328**	**24,601,511**
	Total Borrowings (I + II)	**314,148,793**	**290,071,364**
	Secured Borrowings included in I & II above	**141,107,333**	**134,440,213**
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I.	Bills Payable	9,716,565	7,105,404
II.	Interest Accrued	10,532,468	7,964,627
III.	Others (including provisions) (Refer Note 5 and 19 - Schedule 17)	59,089,772	43,505,177
IV.	Proposed Dividend (includes tax on dividend)	989,304	722,379
	Total	**80,328,109**	**59,297,587**
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I.	Cash in hand (including foreign currency notes)	5,431,071	4,484,204
II.	Balances with RBI in current account	34,020,094	25,120,871
	Total	**39,451,165**	**29,605,075**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I.	**In India**		
	(i) Balances with Banks [Refer Note 4(a) - Schedule 17]		
	(a) In Current Accounts	1,683,476	1,471,361
	(b) In Other Deposit Accounts	3,569,367	3,431,278
	Total	**5,252,843**	**4,902,639**
	(ii) Money at Call and Short Notice		
	(a) With Banks	17,639,173	7,516,907
	Total	**17,639,173**	**7,516,907**
	Total (i + ii)	**22,892,016**	**12,419,546**
II.	**Outside India**		
	(i) In Current Accounts	1,429,759	1,655,652
	(ii) In Other Deposit Accounts	5,261,475	22,750,788
	Total	**6,691,234**	**24,406,440**
	Total (I + II)	**29,583,250**	**36,825,986**
SCHEDULE 8 - INVESTMENTS			
I.	**Investments in India in [Refer Note 4(b), (c) and (d) - Schedule 17]**		
i.	Government Securities	278,689,801	211,052,231
ii.	Other approved Securities	-	-
iii.	Shares	69,557,572	42,090,863
iv.	Debentures and Bonds	79,700,479	89,769,710
v.	Associates *	7,347,037	6,507,207
vi.	Others [Units, Certificate of Deposits, Commercial Paper (CP), Security Receipts, RIDF Deposit and Pass Through Certificates (PTC)]	37,004,808	38,268,628
	Total	**472,299,697**	**387,688,639**
II.	**Investments Outside India in**		
i.	Shares	6,789	3,332
ii.	Others [Venture, Private Equity and other similar funds]	1,202,196	218,490
	Total	**1,208,985**	**221,822**
	Total Investments (I + II)	**473,508,682**	**387,910,461**

(₹ in thousands)

		As at 31st March, 2015	As at 31st March, 2014
*	**Investment in Associates**		
	Equity Investment in Associates	1,470,555	992,324
	Add : Goodwill on acquisition of Associates	20,856	27,210
	(Share of pre-acquisition losses)		
	Less : Adjustment for Group's share in Associate's Share issue expenses	7,051	-
	Less : Capital reserve on Consolidation (Share of pre-acquisition profits)	3,447	3,447
	Cost of Investment in Associates	**1,480,913**	**1,016,087**
	Add : Post-acquisition profit / loss of Associates (Equity method)	5,866,124	5,491,120
	Total	**7,347,037**	**6,507,207**
SCHEDULE 9 - ADVANCES			
A.	(i) Bills purchased and discounted #	19,723,762	11,753,149
	(ii) Cash Credits, Overdrafts and Loans repayable on demand	150,328,609	123,913,952
	(iii) Term Loans @	716,269,775	581,258,139
	# Bills purchased and discounted is net of Bills Rediscounted ₹ 1,258.05 crore		
	(previous year ₹ 1,681.10 crore)		
	@ net of borrowings under Inter Bank Participatory certificates of Nil (previous year ₹ 600.00 crore)		
	Total	**886,322,146**	**716,925,240**
B.	(i) Secured by tangible assets *	726,542,833	596,242,718
	(ii) Unsecured	159,779,313	120,682,522
	Total	**886,322,146**	**716,925,240**
	* including advances secured against book debts		
C.	Advances in India		
	(i) Priority Sector	204,959,648	179,578,057
	(ii) Public Sector	7,149,036	1,481,457
	(iii) Banks	-	-
	(iv) Others	674,213,462	535,865,726
	Total	**886,322,146**	**716,925,240**
SCHEDULE 10 - FIXED ASSETS			
A.	**Premises (Including Land)**		
	Gross Block		
	At cost on 31st March of the preceding year	7,829,943	3,186,399
	Additions during the year	943,927	4,643,544
	Deductions during the year	13,415	-
	Total	**8,760,455**	**7,829,943**
	Depreciation		
	As at 31st March of the preceding year	642,936	545,465
	Charge for the year	133,110	97,471
	Deductions during the year	9,493	-
	Depreciation to date	**766,553**	**642,936**
	Net Block	**7,993,902**	**7,187,007**
B.	**Other Fixed Assets (including furniture and fixtures)**		
	Gross Block		
	At cost on 31st March of the preceding year	16,021,727	12,524,809
	Additions during the year	2,723,678	3,946,588
	Deductions during the year	790,023	449,670
	Total	**17,955,382**	**16,021,727**

Schedules forming part of Consolidated Balance Sheet as at 31st March, 2015

(₹ in thousands)

		As at 31st March, 2015	As at 31st March, 2014
	Depreciation		
	As at 31st March of the preceding year	10,602,034	9,000,977
	Charge for the year	2,235,823	1,981,101
	Deductions during the year	704,101	380,044
	Depreciation to date	**12,133,756**	**10,602,034**
	Net Block (Refer Note 20 - Schedule 17)	**5,821,626**	**5,419,693**
	Total (A) + (B)	**13,815,528**	**12,606,700**
SCHEDULE 11 - OTHER ASSETS			
I.	Interest accrued	14,856,467	14,056,915
II.	Advance tax (net of provision for tax)	537,951	588,792
III.	Stationery and Stamps	12,558	16,991
IV.	Cheques in course of collection	224,787	156,105
V.	Non Banking assets acquired in satisfaction of claims	67,824	67,824
VI.	Others (Refer Note 19 - Schedule 17)	27,343,068	23,572,055
	Total	**43,042,655**	**38,458,682**
SCHEDULE 12 - CONTINGENT LIABILITIES			
I.	Claims not acknowledged as debts	14,282,519	12,613,552
II.	Liability on account of outstanding forward exchange contracts	298,744,982	179,720,927
III.	Guarantees on behalf of constituents in India	121,100,798	83,879,086
IV.	Guarantees on behalf of constituents outside India	91,256	95,459
V.	Acceptances, Endorsements and Other Obligations	63,711,640	42,559,956
VI.	Other items for which the Group is contingently liable :		
	Liability in respect of interest rate, currency swaps and forward rate agreements	129,284,088	110,574,482
	Liability in respect of other Derivative contracts	32,082,653	27,051,035
	Unclaimed Customer balances transferred to RBI DEAF Scheme	24,199	-
	Capital commitments not provided	5,148,807	1,572,770
	Total	**664,470,942**	**458,067,267**

(₹ in thousands)

		For the year ended 31st March, 2015	For the year ended 31st March, 2014
SCHEDULE 13 - INTEREST EARNED			
I.	Interest / discount on advances / bills	101,211,916	90,295,696
II.	Income from investments	30,505,510	28,417,655
III.	Interest on balances with RBI and other Inter-Bank funds	610,184	685,469
IV.	Others	861,276	460,221
	Total	**133,188,886**	**119,859,041**
SCHEDULE 14 - OTHER INCOME			
I.	Commission, exchange and brokerage	22,902,910	16,958,918
II.	Profit on sale of Investments (net)	17,620,174	2,865,374
III.	Profit on revaluation of investments of Insurance business	6,771,482	3,305,082
IV.	Profit on sale of building and other assets (net)	150,781	21,385
V.	Profit on exchange on transactions (net) (including derivatives)	2,050,975	2,238,730
VI.	Premium on Insurance business	29,750,560	26,495,651
VII.	Profit on recoveries of non-performing assets acquired	1,356,477	256,317
VIII.	Miscellaneous Income	918,598	682,396
	Total	**81,521,957**	**52,823,853**
SCHEDULE 15 - INTEREST EXPENDED			
I.	Interest on Deposits	43,998,499	36,420,246
II.	Interest on RBI / Inter-Bank Borrowings	10,187,691	13,563,455
III.	Others (Refer Note 12 - Schedule 17)	15,474,832	13,137,498
	Total	**69,661,022**	**63,121,199**
SCHEDULE 16 - OPERATING EXPENSES			
I.	Payments to and provision for employees [Refer Note 3 and 10 - Schedule 17]	23,754,643	19,151,155
II.	Rent, taxes and lighting [Refer Note 15A - Schedule 17]	3,994,215	3,315,312
III.	Printing and Stationery	674,783	602,008
IV.	Advertisement, Publicity and Promotion	2,181,713	1,647,841
V.	Depreciation on Group's property	2,368,933	2,078,572
VI.	Directors' fees, allowances and expenses	9,315	6,870
VII.	Auditors' fees and expenses	54,252	51,810
VIII.	Law Charges	230,429	189,559
IX.	Postage, telephones etc.	1,172,465	1,144,130

Schedules forming part of Consolidated Profit and Loss Account for the year ended 31st March, 2015

(₹ in thousands)

		For the year ended 31st March, 2015	For the year ended 31st March, 2014
X.	Repairs and maintenance	2,532,050	2,027,593
XI.	Insurance	644,403	518,610
XII.	Travel and Conveyance	1,107,702	1,032,729
XIII.	Professional Charges	3,723,686	2,906,859
XIV.	Brokerage	4,382,999	2,925,804
XV.	Stamping Expenses	417,731	303,045
XVI.	Policyholders' Reserves	27,869,901	9,432,353
XVII.	Insurance Business Expenses (Claims and benefits paid)	17,852,154	18,542,229
XVIII.	Other Expenditure	4,521,269	3,640,509
	Total	**97,492,643**	**69,516,988**

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

1. BASIS OF CONSOLIDATION :

a. The consolidated financial statements comprising of the financial statements of Kotak Mahindra Bank ("the Bank" or "KMBL", its subsidiaries, which constitute "the Group") and its associates are prepared in accordance with Accounting Standard 21 (AS-21), "Consolidated Financial Statements" and Accounting Standard 23 (AS-23), "Accounting for Investments in Associates in Consolidated Financial Statements" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. The Bank consolidates entities in which it holds, directly or indirectly through subsidiaries, more than 50% of the voting rights or where it exercises control, on a line by line basis by adding together like items of assets, liabilities, income and expenses in accordance with AS-21. The Goodwill or Capital Reserve on consolidation represents the difference between the Group's share in the networth of the subsidiary and the cost of acquisition at the time of making investment in the subsidiary. Intragroup balances, intragroup transactions and resulting unrealised profits / losses, if any, are eliminated in full. Minority interest representing the part of net results of operations and of the net assets of subsidiary attributable to interests not owned directly or indirectly through subsidiaries is presented separately from liabilities and the equity. Further, the Group accounts for investments in entities where it holds 20% to 50% of the voting rights or exercises significant influence by the equity method of accounting in accordance with AS-23. The financial statements of the subsidiaries, jointly controlled entities and associates used in consolidation are drawn up to the same reporting date as that of the holding company i.e. 31st March, 2015.

b. The list of subsidiaries is as under :

Name of the Subsidiary	Country of Origin	% Shareholding of group (31st March, 2015)	% Shareholding of group (31st March, 2014)
Kotak Mahindra Prime Limited	India	100.00	100.00
Kotak Securities Limited	India	100.00	100.00
Kotak Mahindra Capital Company Limited	India	100.00	100.00
Kotak Mahindra Old Mutual Life Insurance Limited	India	74.00	74.00
Kotak Mahindra Investments Limited	India	100.00	100.00
Kotak Mahindra Asset Management Company Limited	India	100.00	100.00
Kotak Mahindra Trustee Company Limited	India	100.00	100.00
Kotak Mahindra (International) Limited	Mauritius	100.00	100.00
Kotak Mahindra (UK) Limited	U.K	100.00	100.00
Kotak Mahindra, Inc.	USA	100.00	100.00
Global Investments Opportunities Fund Limited (GIOFL) * (till 12th May, 2014)	Mauritius	-	100.00
Kotak Investment Advisors Limited	India	100.00	100.00
Kotak Mahindra Trusteeship Services Limited	India	100.00	100.00
Kotak Forex Brokerage Limited	India	100.00	100.00
Kotak Mahindra Pension Fund Limited	India	100.00	100.00
Kotak Mahindra Financial Services Limited	U.A.E	100.00	100.00
Kotak Mahindra Asset Management (Singapore) PTE. Ltd. $	Singapore	100.00	100.00
Kotak Mahindra General Insurance Limited # (Incorporated on 20th December, 2014)	India	100.00	-

* *During the year, the Group divested its entire stake in Global Investments Opportunities Fund Limited. Accordingly it ceases to be a subsidiary.*

$ *The Company is awaiting license approval from Monetary Authority of Singapore and is yet to commence operations.*

The Company is awaiting license approval from Insurance Regulatory and Development Authority of India (IRDAI) and is yet to commence operations.

Schedules forming part of 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, 2015)	% Shareholding of group (31st March, 2014)
Infina Finance Private Limited	India	49.99	49.99
Phoenix ARC Private Limited	India	49.00	49.00
ACE Derivatives & Commodity Exchange Limited (ACE) (Unaudited)	India	40.00	40.00
Matrix Business Services India Private Limited (Unaudited) *	India	19.77	31.26

** During the year, the Group partially divested its stake in Matrix Business Services India Private Limited. However, the Group continues to account for the investment in accordance with AS-23.*

2. SIGNIFICANT ACCOUNTING POLICIES :

A. ACCOUNTING METHODOLOGY

The Financial Statements have been prepared on historical cost basis of accounting. The Group adopts the accrual method of accounting and historical cost convention. The Financial Statements comply in all material aspects with the Accounting Standards specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act, 2013 ("the 2013 act") / Companies Act, 1956 ("the 1956 act"), in so far as they apply, guidelines issued by the Reserve Bank of India ("RBI"), Insurance Regulatory and Development Authority of India ("IRDAI") from time to time as applicable to relevant companies and the generally accepted accounting principles prevailing in India. In case the accounting policies followed by consolidating entities are different from those followed by Bank, the same have been disclosed separately.

B. USE OF ESTIMATES

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

C. REVENUE RECOGNITION

a. Banking / Investing Activity :

i. Interest income (other than in respect of retail advances) is recognised on accrual basis except in case of non-performing assets (NPAs) where the income accrued gets reversed, and then recognised, only upon realisation, as per RBI guidelines. Penal interest is recognised as income on realisation.

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

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

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

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

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

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

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

b. Investment Banking Activity :

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

c. Insurance Activity :

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

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

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

iv. Income from linked policies, which include 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. Re-insurance premium ceded is accounted on due basis at the time when related premium income is accounted for. Commission on re-insurance ceded is accounted in accordance with the terms and conditions of the re-insurance treaties in the year in which re-insurance is ceded. Profit commission on re-insurance ceded is accounted as income in the year of final determination of profit.

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

d. Broking Activity :

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

ii. Brokerage Income (net of service tax) :

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

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

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.

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

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

b. In case of fees based on the returns of the portfolio, income is accounted on the termination of the portfolio agreement / on each anniversary as per the agreement, whichever is earlier.

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

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

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

e. Asset Management :

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

ii. Management fee from venture funds, private equity funds and other similar funds is recognised on accrual basis at the rates specified in the investment management agreement from the date of initial closing of funds under management.

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

D. FIXED ASSETS AND INTANGIBLE ASSETS

Fixed assets / Intangible assets have been stated at cost less accumulated depreciation / amortisation. Cost includes cost of purchase inclusive of freight, duties and other incidental expenses and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to put to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets. A rebuttable presumption that the useful life of an Intangible asset will not exceed 10 years from the date the asset is available for use is considered by the Management. Gain or losses arising from the retirement or disposal of a Fixed asset / 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 transferred to Capital Reserve as per the RBI guidelines.

DEPRECIATION / AMORTISATION :

Deprecation 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 estimates of useful lives of the assets are based on a technical evaluation, taking into account the nature of the asset, the estimated usage of the asset, and the operating conditions surrounding the use of the asset, etc. Based on the above, the useful life of the assets have not under gone a change on account of transition to the Companies Act, 2013. Estimated useful lives over which assets are depreciated / amortised are as follows :

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

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

For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Group.

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

E. EMPLOYEE BENEFITS

i Provident Fund – Defined Contribution Plan :

Contribution as required by the Statute made to the Government Provident Fund is debited to the Profit and Loss Account when incurred. The Group has no further obligations.

ii Gratuity – Defined Benefit Plan :

The Group provides for Gratuity, a defined benefit plan covering employees in accordance with the Payment of Gratuity Act, 1972. 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 a life insurance company. In other subsidiaries gratuity obligation is wholly unfunded. The contribution made to the trusts 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.

iii Actuarial gains / losses are recognised immediately in the Profit and Loss Account in the year they are incurred.

iv Superannuation Fund – Defined Contribution Plan :

The Group contributes a sum equivalent to 15% of eligible employees' salary subject to a maximum of ₹ 0.01 crore per eligible employee per annum, to the Superannuation Funds administered by trustees and managed by a Life Insurance Company. The Group recognises such contributions as an expense in the year they are incurred.

v New Pension Scheme - Defined Contribution Plan :

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

vi Compensated Absences - Other Long-Term Employee Benefits :

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

vii Other Employee Benefits :

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

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

F. INVESTMENTS

For the Bank

1. Classification :

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

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

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.

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 charged to Profit and Loss Account.

3. **Disposal of investments :**

- **Investments classified as HFT or AFS** - Profit or loss on sale / redemption is included in the Profit and Loss Account.
- **Investments classified as HTM** - Profit on sale / redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale / redemption is charged to 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 are amortised over the balance maturity of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided.

b. **Investments classified as HFT or AFS** – Investments in this category 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 diminution other than temporary is made for, at the individual security level. Except in cases where provision for diminution other than temporary is created, the book value of the individual securities is not changed as a result of periodic valuations.

c. The market / 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 / 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 repurchase price / net asset value declared by the mutual fund.

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

- In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the YTM for Government Securities as published by FIMMDA / PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA is adopted for this purpose;
- 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 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 Reconstruction Company / Securitisation Company.

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

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

For the insurance company :

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

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

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

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

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

f. Investments in mutual funds are valued at the previous day's Net Asset Value (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 by the company. Such Investment property is initially valued at cost including any direct attributable cost. Investment

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

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

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

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

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

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

For other entities :

As required by Accounting Standard 13 (AS-13) "Accounting for Investments" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies(Accounts) Rules, 2014, 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 / fair value whichever is lower. In case of investments in units of a mutual fund, the NAV of units is considered as market / fair value. The Securities acquired with the intention to trade are considered as Stock-in-Trade. Investments classified as "Stock-in-Trade" by some of the subsidiaries are valued at cost (calculated by applying weighted average cost method) or market price, whichever is lower. Brokerage, stamping and additional charges paid are included in the cost of investments. The profit or loss on sale of securities is recognised on trade date in the statement of 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 stock which are released on final settlement / squaring – up of the underlying contracts, are disclosed under Other Assets.

b) The marked to market on securities lending and borrowing instrument is determined on a portfolio basis with net unrealised losses being recognised in the Profit and Loss Account. Net unrealised gains are not recognised in the Profit and Loss Account on grounds of prudence as enunciated in Accounting Standard – 1 (AS-1) Disclosure of Accounting Policies specified under Section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014.

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

d) The Lending and borrowing fees are recognised on pro-rata basis on the tenure of the contract.

G. FOREIGN CURRENCY AND DERIVATIVE TRANSACTIONS

For the Bank :

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

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

iii. Outstanding forward exchange contracts (other than deposit and placement swaps) and spot contracts outstanding at the Balance Sheet date are revalued at rates notified by FEDAI for specified maturities and at 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 included 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 / 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 on account of outstanding foreign exchange contracts are restated 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 dates. 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 / received is accounted for in the Profit and Loss Account on expiry of the option. Option contracts are marked to market on every reporting date.

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 restated at the closing rate of exchange as on the Balance Sheet date.

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

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

Interest rate / Currency swaps :

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

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

cost / income of the underlying liability / asset. The foreign currency balances on account of principal of currency swaps outstanding as at the Balance Sheet date are revalued using the closing rate.

Currency options :

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

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

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

xv. The marked to market on derivative contracts is determined on a portfolio basis with net unrealised losses being recognised in the Profit and Loss Account. Net unrealised gains are not recognised in the Profit and Loss Account on grounds of prudence as enunciated in Accounting Standard – 1 (AS-1) Disclosure of Accounting Policies specified under Section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014.

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 / (Loss) on exchange transactions (net).

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

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

H. ADVANCES

Classification :

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

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

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

Provisioning :

For Bank :

iv. Provision for non-performing assets comprising sub-standard, doubtful and loss assets is made in accordance with the RBI guidelines. In addition, the Group 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.

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. Restructuring of an account is done at a borrower level.

vi. In accordance with RBI guidelines the Bank has provided general provision on standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, and gold at levels stipulated by RBI from time to time - direct advances to sectors agricultural & SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5%, teaser rate housing loans at 2.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.

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 Ltd. ('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. Provision for Unhedged Foreign Currency Exposure of borrowers are made as per the RBI guidelines.

For other entities :

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

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

I. STRUCTURED LIABILITIES

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

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

J. LIABILITY FOR POLICIES

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

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

iii Linked liabilities comprise of unit liability representing the fund value of policies.

K. ACTUARIAL METHOD – LIFE INSURANCE

i Actuarial method and assumptions : The actuarial liabilities have been calculated in accordance with generally accepted actuarial principles, the requirements of the Insurance Act 1938, IRDAI regulations and the prescribed guidance notes of the Institute of

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

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

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

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

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

L. 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.

M. 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.

N. BULLION

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

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

O. TAXES ON INCOME

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

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

Deferred tax 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.

P. 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" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies(Accounts) Rules, 2014, the Group's business has been segregated into the following segments whose principal activities are as under :

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

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

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

Segment results are net of segment revenue and segment expenses.

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

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

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

Q. EMPLOYEE SHARE BASED PAYMENTS

Equity-settled :

The Bank has formulated Employee Stock Option Schemes (ESOSs) in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Schemes provide for grant of options to employees of the Group to acquire the equity shares of the Bank that vest in cliff vesting or in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share-based payments" issued by The Institute of Chartered Accountants of India, the excess, if any, of the fair market price of the share preceding the date of grant of the option under ESOSs over the exercise price of the option is recognised as deferred employee compensation with a credit to Employee's Stock Option (Grant) Outstanding account. The deferred employee compensation cost is amortised on a straight-line basis over the vesting period of the option. The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation equal to the unamortised portion. In respect of the options which expire unexercised the balance standing to the credit of Employee's Stock Option (Grant) Outstanding account is transferred to General Reserve. The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed.

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

Cash-settled :

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

R. CLAIMS / BENEFITS

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

S. LOSS ON SALE OF ADVANCES TO ASSET RECONSTRUCTION COMPANY

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

T. SECURITISATION

The Group enters into arrangements for sale of loans through Special Purpose Vehicles (SPVs). In most cases, post securitisation, the Group continues to service the loans transferred to the SPV. The Group also provides credit enhancement in the form of cash collaterals and / or by subordination of cash flows to Senior Pass Through Certificate (PTC) holders. In respect of credit enhancements provided or recourse obligations (projected delinquencies, future servicing etc.) accepted by the Group, appropriate provision / disclosure is made at the time of sale in accordance with Accounting Standard 29, (AS-29) "Provisions, Contingent Liabilities and Contingent Assets" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies(Accounts) Rules, 2014.

In accordance with the RBI guidelines, the profit / premium on account of securitisation of assets at the time of sale is computed as the difference between the sale consideration and the book value of the securitised asset 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.

U. LEASES

As Lessee

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

As Lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

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

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

V. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provision is recognised when there is a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are 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.

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

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.

W. SCHEME EXPENSES

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

X. SHARE ISSUE EXPENSES

Share issue expenses are adjusted from Securities Premium Account in terms of Section 52 of the Companies Act, 2013.

Y. EARNINGS PER SHARE

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

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

Z. IMPAIRMENT

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

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

AA. 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	₹ 85.91 crore (Previous Year ₹ 75.38 crore)
Superannuation Fund	₹ 0.75 crore (Previous Year ₹ 0.75 crore)
New Pension Fund	₹ 3.03 crore (Previous Year ₹ 1.94 crore)

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

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

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

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

(₹ in crore)

	As on 31st March, 2015		As on 31st March, 2014	
	Funded	**Others**	Funded	Others
Change in benefit obligations				
Liability at the beginning of the year	96.10	6.36	91.67	5.87
Transfer of liabilities funded during the year	-	-	-	-
Current Service cost	17.32	0.63	18.91	0.74
Interest cost	9.97	0.62	8.66	0.51
Actuarial (gain) / loss on obligations	16.71	1.64	(10.97)	(0.12)
Past Service cost	-	-	-	-
Liability assumed on transfer of employees	(0.13)	0.04	(0.49)	0.52
Benefits paid	(16.12)	(1.64)	(11.68)	(1.16)
Liability at the end of the year	**123.85**	**7.65**	**96.10**	**6.36**
Change in plan assets				
Fair value of plan assets at the beginning of the year	101.27	-	88.87	-
Expected return on plan assets	7.47	-	6.68	-
Actuarial Gain / (loss)	20.30	-	4.04	-
Benefits paid	(16.12)	(1.64)	(11.68)	(1.16)
Employer contributions	7.64	1.64	13.36	1.16
Fair value of plan assets as at the end of the year	**120.56**	**-**	**101.27**	**-**

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

(₹ in crore)

	As on 31st March, 2015		As on 31st March, 2014	
	Funded	Others	Funded	Others
Fair value of plan assets as at the end of the year	120.56	-	101.27	-
Liability at the end of the year	123.85	7.65	96.10	6.36
Net Asset / (Liabilities) included in "Others" under "Other Assets" and "Other Liabilities"	**(3.29)**	**(7.65)**	**5.17**	**(6.36)**
Expenses recognised for the year				
Current service cost	17.32	0.63	18.91	0.74
Interest cost	9.97	0.62	8.66	0.51
Expected return on plan assets	7.47	-	(6.68)	-
Actuarial (gain) / loss	(3.59)	1.64	(15.01)	(0.12)
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]	**16.23**	**2.89**	**5.88**	**1.13**
Actual return on plan assets	**27.78**	**-**	**10.72**	**-**

(₹ in crore)

	As on 31st March, 2015		As on 31st March, 2014	
	Funded	Others	Funded	Others
Reconciliation of the Liability recognised in the Balance Sheet				
Net (Asset) / Liability at the beginning of the year	(5.17)	6.36	2.80	5.87
Transfer of liabilities funded during the year	-	-	-	-
Expense recognised	16.23	2.89	5.88	1.13
Liability assumed on transfer of employees	(0.13)	0.04	(0.49)	0.52
Employer contributions / Transfers	(7.64)	(1.64)	(13.36)	(1.16)
Effect of the limit in Para 59(b)	-	-	-	-
Net (Asset) / Liability is included in "Others" under "Other Assets" and "Other Liabilities"	**3.29**	**7.65**	**(5.17)**	**6.36**

Investment details of plan assets

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

	31st March, 2015 %	31st March, 2014 %
Government securities	27.66	29.60
Bonds, debentures and other fixed income instruments	14.68	12.19
Money market instruments	8.85	11.29
Equity shares	48.81	46.92
Total	**100.00**	**100.00**

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

Actuarial assumptions used

	As on 31st March, 2015	As on 31st March, 2014
Discount rate	7.98% p.a.	9.34% p.a.
Salary escalation rate	8.50% p.a.	8.50% p.a.
Expected rate of return on plan assets	7.50% p.a.	7.50% p.a.

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

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Experience adjustments

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

(₹ in crore)

Gratuity	Year ended 31st March				
	2015	2014	2013	2012	2011
Defined benefit obligation	131.50	102.46	97.54	76.94	66.65
Plan assets	120.56	101.27	88.87	56.54	34.66
Surplus / (deficit)	(10.94)	(1.19)	(8.67)	(20.40)	(31.99)
Experience adjustments on plan liabilities	4.25	1.84	(4.72)	(0.30)	2.11
Experience adjustments on plan assets	20.30	4.04	1.66	(2.61)	0.64

The Group expects to contribute ₹ 10.10 crore to gratuity fund in financial year 2015-2016

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

Compensated absences

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

(₹ in crore)

	31st March, 2015	31st March, 2014
Total actuarial liability	86.14	70.26
Assumptions :		
Discount rate	7.98% p.a.	9.34% p.a.
Salary escalation rate	8.50% p.a.	8.50% p.a.

Long Service Award

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

(₹ in crore)

	31st March, 2015	31st March, 2014
Total actuarial liability	6.70	0.75
Assumptions :		
Discount rate	7.98% p.a.	9.34% p.a.

4. LIEN AND ENCUMBRANCES :

(a) Balance with Banks in other deposit accounts include ₹ 66.90 crore (previous year ₹ 107.02 crore) which are under lien.

(b) Investments include Government Securities with face Value of ₹ 1,905.24 crore (previous year ₹ 3,971.48 crore) pledged and encumbered for availment of fund transfer facility, clearing facility, margin requirements and RBI for liquidity adjustment facility (LAF).

(c) Stock in Trade pledged with National Securities Clearing Corporation Limited towards Exposure in Derivatives Segment as on 31st March, 2015 is ₹ 230.00 crore (previous year NIL).

(d) In order to meet the requirement of IRDAI, the Life insurance subsidiary has earmarked securities relating to 7.17% Government of India, 2015 having face value of ₹ 150,000 in constituent SGL Account with its Bankers (2014 – 7.17% Government of India, 2015 having face value of ₹ 150,000)

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

Provision for Contingencies :

(₹ in crore)

Description	Balance as on 1st April, 2014	Addition during the year	Reversed/ paid during the year	Balance as on 31st March, 2015
Stamp duty on Trades	3.21	-	-	3.21
Total	**3.21**	**-**	**-**	**3.21**
Previous year	3.21	-	-	3.21

6. PROVISIONS AND CONTINGENCIES :

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

(₹ in crore)

Year ended 31st March,	2015	2014
Provision for taxation (Refer Note 7 below)	1,484.90	1,183.96
Provision for Non-performing Assets and Contingencies (including write-offs and net of recoveries)	225.29	165.21
Provision for Standard Assets	73.77	16.77
Provision for UFC Exposure	17.82	-
Provision for Diminution in value of Investments	(116.57)	146.07
Provision Others	5.43	(19.08)
Total	**1,690.64**	**1,492.93**

7. PROVISION MADE FOR TAXES DURING THE YEAR :

(₹ in crore)

Year ended 31st March,	2015	2014
Current tax	1,414.51	1,153.00
Deferred tax	70.18	30.78
Wealth Tax	0.21	0.18
Total	**1,484.90**	**1,183.96**

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

8. DESCRIPTION OF CONTINGENT LIABILITIES :

Sr. No.	Contingent Liability*	Brief Description
1.	Claims not acknowledged as debts	This includes liability on account of income tax, interest tax, sales tax, lease tax demands, property tax demands and legal cases filed against the Group. The Group is a party to various legal proceedings in the normal course of business. The Group does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, result of operations or cash flows. 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 includes Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Group, contingent liabilities on account of bills re-discounted by the Group and cash collateral provided by the Group on assets which have been securitised.
5.	Other items for which the Group is contingently liable	These include liabilities in respect of interest rate swaps, currency swaps, forward rate agreements, futures and options contracts. The Group enters into these transactions on its own account and for customers. Currency Swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are amounts used as a benchmark for the calculation of interest component of the contracts. This also includes liability in respect of Capital commitments relating to fixed assets and undrawn commitments in respect of investments.

** Also refer Schedule 12 – Contingent Liabilities*

9. EARNINGS PER EQUITY SHARE :

Particulars	As on 31st March, 2015	As on 31st March, 2014
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	771,140,159	765,821,581
Effect of potential equity shares for stock options outstanding	1,854,016	1,251,038
Weighted average number of equity shares used in computation of diluted earnings per share	772,994,175	767,072,619
Following is the reconciliation between basic and diluted earnings per share :		
Nominal value per share (₹)	5.00	5.00
Basic earnings per share (₹)	39.49	32.19
Effect of potential equity shares for stock options (₹)	0.09	0.05
Diluted earnings per share (₹)	39.40	32.14
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	3,045.45	2,464.99

10. EMPLOYEE SHARE BASED PAYMENTS :

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

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

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

(c) Kotak Mahindra Equity Option Scheme 2005; and

(d) Kotak Mahindra Equity Option Scheme 2007.

Consequent to the above, the Bank has granted stock options to the employees of the Group. The Bank under its various plan / schemes, has granted in aggregate 62,399,000 options as on 31st March, 2015 (previous year 61,348,520).

Stock appreciation rights

The Management has approved the grant of stock appreciation rights (SARs) to eligible employees as and when deemed fit. The SARs are settled in cash and vest on the respective due dates in a graded manner as per the terms and conditions of grant. The contractual life of the SARs outstanding range from 1.14 to 3.65 years.

Details of activity under SARs is summarised below :

	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Outstanding at the beginning of the year	1,342,810	1,523,706
Granted during the year	991,765	812,948
Settled during the year	1,268,614	854,962
Lapsed during the year	102,834	138,882
Outstanding at the end of the year	963,127	1,342,810

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, 2015, the following schemes were in operation :

	Plan 2007
Date of grant	Various Dates
Date of Board Approval	Various Dates
Date of Shareholders' approval	5th July, 2007 as amended on 21st August, 2007
Number of options granted	32,508,800
Method of Settlement (Cash / Equity)	Equity
Vesting Period	1 – 4.14 years
Exercise Period	0.30 – 1.08 years
Vesting Conditions	Graded / Cliff vesting

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

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

	Year ended 31st March, 2015		Year ended 31st March, 2014	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	5,353,670	544.55	8,419,532	419.49
Granted during the year	1,077,480	800.99	1,141,160	711.19
Forfeited during the year	231,311	597.02	479,724	467.19
Exercised during the year	2,041,663	430.43	3,701,975	322.81
Expired during the year	7,217	324.68	25,323	357.56
Outstanding at the end of the year	4,150,959	664.70	5,353,670	544.55
Out of the above exercisable at the end of the year	248,090	407.72	308,891	295.25
Weighted average remaining contractual life (in years)	1.55		1.77	
Weighted average fair value of options granted	247.36		215.96	

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 1,126.03 (previous year ₹ 710.33).

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

31st March, 2015

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
101-200	-	-	-
201-300	1,038	-	250.00
301-400	72,430	0.65	332.14
401-500	217,652	0.25	421.00
501-600	667,705	1.14	549.96
601-700	1,440,000	1.59	640.00
701-800	799,804	1.64	726.57
801-900	952,330	2.05	812.00

31st March, 2014

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
101-200	64,849	0.28	173.00
201-300	163,220	0.99	250.00
301-400	441,993	0.92	316.73
401-500	1,197,204	1.00	421.00
501-600	1,006,264	1.55	545.42
601-700	1,490,000	2.59	640.00
701-800	990,140	2.31	724.00

Stock Options granted

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

Year ended 31st March,	2015		2014	
	Equity-settled	**Cash-settled**	Equity-settled	Cash-settled
Exercise Price ₹	600-812	5-812	550-724	5-724
Weighted Average Share Price ₹	818.51	874.36	729.33	730.45
Expected Volatility	28.13%-31.11%	24.19%-29.62%	27.68%- 31.56%	26.05%- 34.00%
Historical Volatility	28.13%-31.11%	24.19%-29.62%	27.68%- 31.56%	26.05%- 34.00%
Life of the options granted (Vesting and exercise period) in years				
- At the grant date	1.41-3.90		1.31-4.15	
- As at 31st March		0.08-3.08		0.08-2.76
Risk-free interest rate	8.31%-8.89%	7.97%-8.28%	7.47%-8.97%	8.61%-8.72%
Expected dividend rate	0.09%-0.10%	0.06%	0.10%	0.09%

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

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

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

(₹ in crore)

Year ended 31st March,	**2015**	2014
Total Employee compensation cost pertaining to share-based payment plans	141.46	72.13
Compensation cost pertaining to equity-settled employee share-based payment plan included above	2.26	4.69
Liability for employee stock options outstanding as at year end	4.75	11.15
Deferred Compensation Cost	1.76	2.62
Closing balance of liability for cash-settled options	71.51	61.94
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	55.33	7.89

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 ₹ 31.35 crore (previous year ₹ 33.83 crore) and the profit after tax would have been lower by ₹ 20.69 crore (previous year ₹ 22.33 crore). Consequently the basic and diluted EPS would have been ₹ 39.22 (previous year ₹ 31.90) and ₹ 39.13 (previous year ₹ 31.84) respectively.

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

11. TIER II BONDS

a. Lower Tier II Bonds outstanding as on 31st March, 2015 ₹ 664.80 crore (previous year ₹ 664.80 crore).

b. Upper Tier II Bonds outstanding as on 31st March, 2015 ₹ 417.25 crore (previous year ₹ 405.62 crore) of which bonds issued outside India ₹ 281.25 crore (previous year ₹ 269.62 crore).

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

12. Interest Expended-Others {Schedule 15.III} includes interest on subordinated debt (Lower and Upper Tier II) ₹ 81.89 crore (previous year ₹ 82.61 crore).

13. The Group charges off to the Profit and Loss Account all expenses related to acquisition costs of advances in the year in which they are incurred. KMPL, a subsidiary of the Bank, charges off such costs based on the Internal Rate of Return of a contract. On account of this difference in accounting policy, unamortised brokerage amounting to ₹ 113.05 crore (previous year ₹ 93.86 crore) is carried forward in the Balance Sheet under "Other Assets".

14. Segment reporting

The Summary of the operating segments of the Group for the year ended 31st March, 2015 are as given below :

(₹ in crore)

31st March,	2015	2014
Segment Revenues :		
Treasury, Investments and BMU	2,958.43	2,855.82
Retail Banking	8,193.53	6,115.13
Corporate Banking	4,438.80	3,646.86
Vehicle Financing	1,887.70	1,768.69
Other Lending Activities	1,101.81	886.74
Broking	820.41	492.94
Advisory and Transactional Services	100.11	74.77
Asset Management	384.36	375.38
Insurance	5,708.04	3,776.76
Sub-total	**25,593.19**	**19,993.09**
Add : Unallocated Income	13.62	6.26
Less : inter-segment revenues	(4,135.72)	(2,731.06)
Total Income	**21,471.09**	**17,268.29**
Segment Results :		
Treasury, Investments and BMU	675.62	352.38
Retail Banking	957.01	793.35
Corporate Banking	1,402.11	1,300.65
Vehicle Financing	426.62	428.73
Other Lending Activities	473.43	362.30
Broking	278.81	92.74
Advisory and Transactional Services	13.17	(1.79)
Asset Management	52.43	100.00
Insurance	257.59	261.43
Sub-total	**4,536.79**	**3,689.79**
Add : Unallocated Income / (Expense)	13.20	5.71
Total Profit before tax, minority interest and associates	**4,549.99**	**3,695.50**
Segment Assets		
Treasury, Investments and BMU	39,803.12	32,231.19
Retail Banking	79,499.41	61,655.43
Corporate Banking	38,386.95	32,025.82
Vehicle Financing	15,436.91	14,349.34
Other Lending Activities	8,418.03	6,312.55
Broking	1,675.66	1,150.19
Advisory and Transactional Services	35.81	32.40
Asset Management	1,360.73	1,433.72
Insurance	15,527.08	12,365.76
Sub-total	**200,143.70**	**161,556.40**
Less : inter-segment assets	(51,749.64)	(39,576.40)
Total	**148,394.06**	**121,980.00**
Add : Unallocated Assets	181.70	256.63
Total Assets as per Balance Sheet	**148,575.76**	**122,236.63**

(₹ in crore)

31st March,	2015	2014
Segment Liabilities		
Treasury, Investments and BMU	37,559.14	30,044.63
Retail Banking	73,859.51	56,373.88
Corporate Banking	33,458.01	27,508.31
Vehicle Financing	12,327.16	11,189.01
Other Lending Activities	4,131.82	3,981.68
Broking	1,368.06	893.93
Advisory and Transactional Services	21.62	23.13
Asset Management	566.48	706.35
Insurance	14,319.53	11,515.63
Sub-total	**177,611.33**	**142,236.55**
Less : inter-segment liabilities	(51,749.64)	(39,576.40)
Total	**125,861.69**	**102,660.15**
Add : Unallocated liabilities	225.06	229.59
Add : Share Capital, Reserves and Surplus and Minority Interest	22,489.01	19,346.89
Total Capital and Liabilities as per Balance Sheet	**148,575.76**	**122,236.63**
Capital Expenditure		
Treasury, Investments and BMU	157.89	664.85
Retail Banking	124.64	129.46
Corporate Banking	16.69	14.06
Vehicle Financing	1.77	1.66
Other Lending Activities	0.71	0.44
Broking	16.74	18.16
Advisory and Transactional Services	2.07	2.58
Asset Management	21.67	6.12
Insurance	24.58	21.68
Total	**366.76**	**859.01**
Depreciation / Amortisation		
Treasury, Investments and BMU	77.86	60.81
Retail Banking	105.85	96.17
Corporate Banking	10.48	9.51
Vehicle Financing	2.25	2.56
Other Lending Activities	0.40	0.38
Broking	12.84	10.93
Advisory and Transactional Services	1.70	1.77
Asset Management	5.23	5.35
Insurance	20.28	20.38
Total	**236.89**	**207.86**

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 Consolidated Balance Sheet and Profit and Loss Account

15. Leased Assets :

A - 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 ₹ 302.92 crore (previous year ₹ 247.26 crore).

(ii) The future minimum lease payments under non-cancelable operating lease not later than one year is ₹ 275.51 crore (previous year ₹ 224.72 crore), later than one year but not later than five years is ₹ 784.97 crore (previous year ₹ 878.79 crore) and later than five years ₹ 687.99 crore (previous year ₹ 454.18 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.

B - Assets given on lease

The lease income recognised in the Profit and Loss Account in respect of premises and equipment under operating lease is ₹ 0.03 crore (previous year ₹ 0.04 crore).

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

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

(₹ in crore)

As on 31st March,	2015	2014
Gross Investments :		
(i) Not later than 1 year	87.52	91.85
(ii) Between 1-5 years	136.30	146.87
Total	**223.82**	**238.72**
Unearned Finance Income :		
(i) Not later than 1 year	20.12	21.74
(ii) Between 1-5 years	19.43	20.52
Total	**39.55**	**42.26**
Present Value of Rentals :		
(i) Not later than 1 year	67.41	70.11
(ii) Between 1-5 years	116.85	126.35
Total	**184.26**	**196.46**
Accumulated provision on the Gross Investments	**1.65**	**1.60**

16. In accordance with the IRDAI Regulations, 2002 (Preparation of Financial Statements and Auditors' Report of Insurance Companies), the Life Insurance subsidiary's investment property has revalued at the market value of the property being the lower of valuation performed by two independent valuers as at 31st March, 2015. The real estate investment property is accordingly valued at ₹ 69.8 crore at 31st March, 2015 (previous year ₹ 49.1 crore). The historical cost of the property is ₹ 49.5 crore (previous year ₹ 49.1 crore).

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

Derivative instrument outstanding as on 31st March, 2015

As on 31st March,	2015	2014	Purpose
Particulars of Derivatives	**Quantity**	Quantity	
Futures			
S&P CNX Nifty Futures	85,375	20,950	Trading
S&P CNX Nifty Futures	400	1,000	Hedging
Bank Nifty Futures	3,600	6,925	Trading
Stock Futures	10,606,890	5,740,625	Trading
Stock Futures	-	24,000	Hedging
Commodity Futures	200	900	Hedging
Options			
S&P CNX Nifty Options Long	470,275	594,900	Trading
S&P CNX Nifty Options Long	-	150,000	Hedging
S&P CNX Nifty Options Short	713,600	825,200	Trading
S&P CNX Nifty Options Short	-	185,000	Hedging
Stock Options Long	148,750	746,000	Trading
Stock Options Short	20,750	620,250	Trading
Bank Nifty Options Long	15,150	12,000	Trading
Bank Nifty Options Short	11,200	20,700	Trading
Credit Default Swaps	**USD 35,000,000**	**USD 16,000,000**	**Trading**
Forward Exchange Contracts			
USD-INR Long	USD 13,500,000	USD 11,531,509	Hedging
USD-INR Short	USD 1,500,000	-	Hedging
USD-INR Short	-	USD 1,239,000	Trading
USD-INR Short	-	USD 3,006,000	Trading
USD-SGD Long	-	USD 1,590,457	Hedging
USD-SGD Short	-	USD 1,590,457	Hedging
Interest Rate Swap	**USD 37,000,000**	**USD 35,000,000**	**Hedging**
Total Return Swap	**USD 8,003,978**	**USD 8,003,978**	**Trading**

Unhedged forex exposure outstanding as on the Balance Sheet date

(₹ in crore)

Particulars	**As on 31st March, 2015**	As on 31st March, 2014
Amount Receivable in foreign currency	8.76 (USD 1,401,598)	0.91 (USD 152,507) 8.58 (JPY 147,853,846)
Amount Payable in foreign currency	0.00 (GBP 100)	0.60 (GBP 60,000)

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

18. Additional information to consolidated accounts at 31st March, 2015, (Pursuant to Schedule III of the Companies Act, 2013)

(₹ in crore)

Name of the Entity	Net Assets (i.e. Total Assets minus Total Liabilities)		Share in the Consolidated Profit or Loss	
	As % of Consolidated Net Assets	Amount	As % of Consolidated Profit or Loss	Amount
Kotak Mahindra Bank Limited	63.83%	14,141.09	61.27%	1,865.98
Indian Subsidiaries :				
Kotak Mahindra Prime Limited	15.12%	3,349.72	16.66%	507.36
Kotak Securities Limited	10.76%	2,384.02	9.51%	289.58
Kotak Mahindra Capital Company Limited	1.87%	415.22	0.41%	12.42
Kotak Mahindra Old Mutual Life Insurance Limited	5.83%	1,291.03	7.52%	228.89
Kotak Mahindra Investments Limited	2.79%	617.22	3.49%	106.35
Kotak Mahindra Asset Management Company Limited	0.23%	51.13	(1.19%)	(36.18)
Kotak Mahindra Trustee Company Limited	0.23%	50.55	0.23%	7.14
Kotak Investment Advisors Limited	1.20%	266.27	0.85%	26.03
Kotak Mahindra Trusteeship Services Limited	0.03%	6.31	0.01%	0.28
Kotak Forex Brokerage Limited	0.00%	0.05	(0.01%)	(0.28)
Kotak Mahindra Pension Fund Limited	0.11%	25.26	(0.01%)	(0.25)
Kotak Mahindra General Insurance Limited	0.00%	0.78	(0.01%)	(0.27)
Foreign Subsidiaries :				
Kotak Mahindra (International) Limited	1.59%	353.10	1.16%	35.34
Kotak Mahindra (UK) Limited	0.47%	104.82	0.38%	11.63
Kotak Mahindra, Inc.	0.07%	14.92	(0.06%)	(1.87)
Kotak Mahindra Financial Services Limited	0.03%	7.01	0.20%	6.17
Minority Interests in subsidiary	**(1.52%)**	**(335.69)**	**(1.95%)**	**(59.51)**
Associate :				
Infina Finance Private Limited			1.22%	37.24
Phoenix ARC Private Limited			0.30%	9.26
ACE Derivatives & Commodity Exchange Limited (ACE)			(0.27%)	(8.13)
Matrix Business Services India Private Limited			0.05%	1.51
Inter-company and Other adjustments	(2.64%)	(589.49)	0.24%	6.76
Total	**100.00%**	**22,153.32**	**100.00%**	**3,045.45**

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

(₹ in crore)

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
Deferred Tax Assets		
Provision for non-performing and doubtful debts, standard advances and contingencies	117.70	176.16
Depreciation on assets	32.71	23.74
Unabsorbed capital losses / business losses / provision for investments	2.72	2.64
Unamortised Income	0.18	0.42
Expenditure allowed on payment basis and others	82.85	30.74
Total Deferred Tax Assets	**236.16**	**233.70**
Deferred Tax Liabilities		
Deferred expenses	39.12	31.90
Depreciation on assets	9.46	1.47
Others	63.43	6.00
Total Deferred Tax Liabilities	**112.01**	**39.37**
Net Deferred Tax Assets / (Liabilities)	**124.15**	**194.33**

For the previous year ended 31st March 2014, in accordance with RBI communication RBI/2013-14/412 DBOD. No.BP.BC.77/21.04.018/2013-14 dated 20th December, 2013 on Deferred Tax Liability (DTL) on Special Reserve created under Section 36(1) (viii) of the Income Tax Act, 1961, the Bank had reduced ₹ 31.18 crore from general reserves of the previous year towards DTL on special reserves created till year ended 31st March, 2013.

20. Fixed Assets

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

(₹ in crore)

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
PURCHASED SOFTWARE		
Gross Block		
At cost on 31st March of the preceding year	307.97	261.57
Additions during the year	32.41	46.58
Deductions during the year	14.04	0.18
Total	**326.34**	**307.97**
Amortisation		
As on 31st March of the preceding year	251.81	214.41
Charge for the year	38.82	37.41
Deductions during the year	14.04	0.01
Amortisation to date	**276.59**	**251.81**
Net Block	**49.75**	**56.16**

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

(₹ in crore)

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
MEMBERSHIP CARDS OF STOCK EXCHANGE		
Gross Block		
At cost on 31st March of the preceding year	4.66	4.66
Total	**4.66**	**4.66**
Amortisation		
As on 31st March of the preceding year	3.82	3.62
Charge for the year	0.21	0.20
Amortisation to date	**4.03**	**3.82**
Net Block	**0.63**	**0.84**
GOODWILL		
Gross Block		
At cost on 31st March of the preceding year	1.88	1.88
Total	**1.88**	**1.88**
Amortisation		
As on 31st March of the preceding year	1.88	1.88
Charge for the year	-	-
Amortisation to date	**1.88**	**1.88**
Net Block	**-**	**-**
FOREX BROKING BUSINESS RIGHTS		
Gross Block		
At cost on 31st March of the preceding year	3.83	3.83
Total	**3.83**	**3.83**
Amortisation		
As on 31st March of the preceding year	3.83	3.83
Charge for the year	-	-
Amortisation to date	**3.83**	**3.83**
Net Block	**-**	**-**
ASSET MANAGEMENT RIGHTS		
Gross Block		
At cost on 31st March of the preceding year	-	-
Additions during the year	15.90	-
Deductions during the year	-	-
Total	**15.90**	**-**
Amortisation		
As on 31st March of the preceding year	-	-
Charge for the year	0.52	-
Deductions during the year	-	-
Amortisation to date	**0.52**	**-**
Net Block	**15.38**	**-**

21. 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 39.95% of the equity share capital of Kotak Mahindra Bank Limited as on 31st March, 2015.
B	Other Related Parties :	
	Associates	ACE Derivatives and Commodity Exchange Limited Infina Finance Private Limited Phoenix ARC Private Limited Matrix Business Services India Private Limited
	Investing Party of the subsidiaries	Old Mutual Plc. Old Mutual Life Assurance Company (South Africa) Limited
	Enterprises over which relatives of Key Management Personnel have control / significant influence	Aero Agencies Limited Allied Auto Accessories Private Limited Business Standard Private Limited (earlier Business Standard Limited) Business Standard Online Limited (From 27th March, 2015) Kotak and Company Limited Kotak Commodity Services Limited Komaf Financial Services Limited Asian Machinery & Equipment Private Limited Cumulus Trading Company Private Limited Palko Properties Private Limited Harisiddha Trading and Finance Private Limited Kotak Trustee Company Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Limited Insurekot Sports Private Limited (earlier Insurekot Investments Private Limited) Puma Properties Private Limited
	Key Management Personnel	Mr. Uday S. Kotak – Executive Vice Chairman and Managing Director - KMBL Mr. C. Jayaram - Joint Managing Director - KMBL Mr. Dipak Gupta - Joint Managing Director - KMBL
	Relatives of Key Management Personnel	Ms. Pallavi Kotak Mr. Suresh Kotak Ms. Indira Kotak Mr. Jay Kotak Mr. Dhawal Kotak Ms. Aarti Chandaria Ms. Usha Jayaram Ms. Anita Gupta Ms. Urmila Gupta

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

C. **Details of related party transactions :**

(₹ in crore)

Items/Related Party	Associates	Investing Party of the subsidiaries	Enterprises over which relatives of Key Management Personnel have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel
I. Liabilities					
Other Liabilities	**0.03**	**0.62**	**0.16**	**0.01**	
	(0.25)	(0.69)	(0.11)	(0.01)	
Deposits	**231.23**		**110.02**	**26.17**	**10.44**
	(253.65)		(70.11)	(1.47)	(1.59)
Interest Payable	**1.78**		**0.59**	**0.42**	**0.18**
	(1.97)		(0.58)	(0.02)	(0.01)
II. Assets					
Investments -Gross	**149.95**		**0.03**		
	(102.76)		(#)		
Diminution on Investments			**#**		
			(-)		
Others	**0.58**		**-**		
	(3.49)		(0.53)		
III. Expenses					
Salaries / fees (Include ESOP cost)*				**9.48**	
				(9.81)	
Others	**0.90**		**4.32**	**0.08**	
	(1.93)		(3.56)	(0.08)	
Interest Paid	**27.81**		**5.72**	**1.70**	**0.47**
	(37.81)		(8.68)	(0.35)	(0.07)
IV. Income					
Others	**2.43**		**2.19**	**0.02**	**0.06**
	(2.16)		(2.32)	(0.02)	(-)
V. Other Transactions					
Dividend paid				**24.60**	**0.16**
				(23.40)	(0.14)
Reimbursement to companies	**0.30**		**0.87**		
	(0.24)		(1.25)		
Reimbursement from companies	**0.73**		**1.54**		
	(0.74)		(1.99)		
Purchase of Investments	**48.54**				
	(-)				

(₹ in crore)

Items/Related Party	Associates	Investing Party of the subsidiaries	Enterprises over which relatives of Key Management Personnel have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel
Loan disbursed during the year	**31.00** (-)				
Loan repaid during the year	**30.00** (-)				
Purchase of Fixed Assets	**-** (0.16)		**0.01** (-)		
Sale of Fixed Assets	**0.20** (-)		**0.02** (-)		
Deposits taken during the year			**0.02** (0.02)		
Deposits given during the year	**0.02** (-)				
Deposits repaid during the year			**#** (0.32)		
Guarantees / Lines of credit	**2.13** (2.13)				

D. **Material transactions with related parties :**

(₹ in crore)

Items / Related Party	Associates	Investing Party of the subsidiary	Enterprises over which relatives of Key Management Personnel have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
I. Liabilities : **Other liabilities**						
Old Mutual Life Assurance Company (South Africa) Limited		**0.62** (0.69)				**0.62** (0.69)
Aero Agencies Limited			**0.10** (0.05)			**0.10** (0.05)
Kotak Commodity Services Limited			**0.06** (0.05)			**0.06** (0.05)
Infina Finance Private Limited	**-** (#)					**-** (#)
Others	**0.03** (0.25)		**-** (0.01)	**0.01** (0.01)		**0.04** (0.27)

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

(₹ in crore)

Items / Related Party	Associates	Investing Party of the subsidiary	Enterprises over which relatives of Key Management Personnel have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
II. Assets :						
Investments						
ACE Derivatives and Commodity Exchange Limited	**47.62** (45.39)					**47.62** (45.39)
Phoenix ARC Private Limited	**98.91** (52.61)					**98.91** (52.61)
Others	**3.42** (4.76)		**0.03** (#)			**3.45** (4.77)
Diminution on investments			**#** (-)			**#** (-)
Others						
Kotak Commodity Services Limited			**-** (0.53)			**-** (0.53)
ACE Derivatives and Commodity Exchange Limited	**0.02** (3.38)					**0.02** (3.38)
Infina Finance Private Limited	**0.48** (0.11)					**0.48** (0.11)
Others	**0.08** (#)					**0.08** (#)
III. Expenses :						
Salaries (Includes ESOP cost)						
Mr. Uday Kotak*				**2.47** (2.38)		**2.47** (2.38)
Mr. C. Jayaram*				**3.00** (3.45)		**3.00** (3.45)
Mr. Dipak Gupta*				**4.01** (3.98)		**4.01** (3.98)
Interest Paid						
Infina Finance Private Limited	**25.38** (28.76)					**25.38** (28.76)
Phoenix ARC Private Limited	**1.44** (7.92)					**1.44** (7.92)
Kotak Commodity Services Limited			**5.35** (7.89)			**5.35** (7.89)
Others	**0.99** (1.12)		**0.37** (0.80)	**1.70** (0.35)	**0.47** (0.07)	**3.53** (2.34)

(₹ in crore)

Items / Related Party	Associates	Investing Party of the subsidiary	Enterprises over which relatives of Key Management Personnel have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
Others						
Aero Agencies Limited			**4.30** (3.18)			**4.30** (3.18)
Kotak and Company Limited			**0.01** (0.39)			**0.01** (0.39)
Matrix Business Services India Private Limited	**0.90** (1.93)					**0.90** (1.93)
Others			**0.01** (-)	**0.08** (0.08)		**0.09** (0.08)
IV. Income :						
Others						
Fee Income						
Phoenix ARC Private Limited	**0.52** (-)					**0.52** (-)
ACE Derivatives and Commodity Exchange Limited	**0.22** (0.31)					**0.22** (0.31)
Infina Finance Private Limited	**0.01** (-)					**0.01** (-)
Kotak Commodity Services Limited			**2.16** (2.32)			**2.16** (2.32)
Others	**#** (-)		**#** (#)			**#** (#)
Premium Income						
Phoenix ARC Private Limited	**#** (#)					**#** (#)
Kotak Commodity Services Limited			**0.02** (#)			**0.02** (#)
Others				**0.01** (0.01)	**0.06** (-)	**0.07** (0.01)
Brokerage Income						
Infina Finance Private Limited	**1.68** (1.85)					**1.68** (1.85)
Others			**#** (-)	**0.01** (0.01)		**0.01** (0.01)

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

(₹ in crore)

Items / Related Party	Associates	Investing Party of the subsidiary	Enterprises over which relatives of Key Management Personnel have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
V. Other Transactions :						
Dividend Paid						
Mr. Uday Kotak				**24.50** (23.32)		**24.50** (23.32)
Mr. C Jayaram				**0.05** (0.04)		**0.05** (0.04)
Mr. Dipak Gupta				**0.05** (0.04)		**0.05** (0.04)
Ms. Pallavi Kotak					**0.04** (0.04)	**0.04** (0.04)
Ms. Indira Kotak					**0.10** (0.08)	**0.10** (0.08)
Others					**0.02** (0.01)	**0.02** (0.01)
Reimbursements made						
Infina Finance Private Limited	**0.21** (0.02)					**0.21** (0.02)
Kotak Commodity Services Limited			**0.48** (1.25)			**0.48** (1.25)
Others	**0.09** (0.21)		**0.39** (-)			**0.48** (0.21)
Reimbursements received						
Kotak Commodity Services Limited			**1.54** (1.99)			**1.54** (1.99)
ACE Derivatives and Commodity Exchange Limited	**0.51** (0.57)					**0.51** (0.57)
Others	**0.22** (0.17)					**0.22** (0.17)
Purchase of Investments						
Phoenix ARC Private Limited	**46.31** (-)					**46.31** (-)
ACE Derivatives and Commodity Exchange Limited	**2.23** (-)					**2.23** (-)
Loan Disbursed during the year						
Phoenix ARC Private Limited	**30.00** (-)					**30.00** (-)

(₹ in crore)

Items / Related Party	Associates	Investing Party of the subsidiary	Enterprises over which relatives of Key Management Personnel have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
ACE Derivatives and Commodity Exchange Limited	**1.00** (-)					**1.00** (-)
Loan Repaid during the year						
Phoenix ARC Private Limited	**30.00** (-)					**30.00** (-)
Purchase of Fixed Assets						
Kotak Commodity Services Limited			**0.01** (-)			**0.01** (-)
ACE Derivatives and Commodity Exchange Limited	**-** (0.16)					**-** (0.16)
Sale of Fixed Assets						
Phoenix ARC Private Limited	**0.20** (-)		**0.02** (-)			**0.22** (-)
Deposits taken during the year						
Kotak Commodity Services Limited			**0.02** (0.02)			**0.02** (0.02)
Deposits given during the year						
ACE Derivatives and Commodity Exchange Limited	**0.02** (-)					**0.02** (-)
Deposits repaid during the year						
Kotak Commodity Services Limited			**#** (0.32)			**#** (0.32)
Guarantees/Lines of credit	**2.13** (2.13)					**2.13** (2.13)

** includes incentive paid during the year*

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

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

E. **Maximum balance outstanding**

(₹ in crore)

Items/Related Party	Associates	Investing Party of the Subsidiary	Enterprise over which relative of Key Management Personnel have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel
I. Liabilities					
Deposits	**2,771.59**		**161.93**	**34.25**	**17.65**
	(648.61)		(167.54)	(20.62)	(9.99)
Other Liabilities	**0.25**	**0.69**	**0.16**	**0.01**	
	(0.25)	(0.72)	(2.36)	(0.01)	
II. Assets					
Investments-Gross	**149.95**				
	(114.80)				
Advances	**30.00**				
	(-)				
Others	**0.57**		**0.53**		
	(1.32)		(0.55)		

Note : Figures of previous year are given in bracket.

22. The Board of Directors of Kotak Mahindra Bank Ltd ("Kotak") and the Board of Directors of ING Vysya Bank Ltd ("ING Vysya") at their respective meetings held on 20th November, 2014 have approved an amalgamation of ING Vysya with Kotak in the ratio of 725 shares of Kotak for every 1,000 shares of ING Vysya. Subsequently, the shareholders of Kotak and ING Vysya have approved the scheme of amalgamation at their respective Extra Ordinary General Meetings held on 7th January, 2015. The amalgamation is approved by the Reserve Bank of India (the "RBI") under the Banking Regulation Act and the Competition Commission of India. The amalgamation is effective from 1st April, 2015.

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

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman
and Managing Director

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Bina Chandarana
Company Secretary

Mumbai, 5th May, 2015

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
ICAI Firm Registration Number: E300005

per Viren H. Mehta
Partner
Membership Number: 301003E/E300005
Place of Signature: Mumbai
Date: 27 April 2017

KOTAK MAHINDRA BANK LIMITED
BALANCE SHEET AS AT 31st MARCH, 2017

(Rupees 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 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 MAHINDRA BANK LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2017

(Rupees 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 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

Jaimin Bhatt
President and Group Chief
Financial Officer

Bina Chandarana
Company Secretary

Mumbai
27th April, 2017

KOTAK MAHINDRA BANK LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2017

	(Rupees in thousands)	
	As at 31st March, 2017	As at 31st March, 2016
SCHEDULE 1 - CAPITAL		
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**

KOTAK MAHINDRA BANK LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2017

		(Rupees in thousands)	
		As at 31st March, 2017	As at 31st March, 2016
SCHEDULE 2 - RESERVES AND SURPLUS			
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**
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**

KOTAK MAHINDRA BANK LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2017

		(Rupees in thousands)	
		As at 31st March, 2017	As at 31st March, 2016
SCHEDULE 3 - DEPOSITS			
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**
SCHEDULE 4 - BORROWINGS			
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
		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			
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**

KOTAK MAHINDRA BANK LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2017

		(Rupees in thousands)	
		As at 31st March, 2017	As at 31st March, 2016
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA			
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**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
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			
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**

KOTAK MAHINDRA BANK LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2017

		(Rupees in thousands) As at 31st March, 2017	As at 31st March, 2016
SCHEDULE 9 - ADVANCES			
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**

KOTAK MAHINDRA BANK LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2017

		(Rupees in thousands) As at 31st March, 2017	As at 31st March, 2016
SCHEDULE 10 - FIXED ASSETS			
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**
	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**

KOTAK MAHINDRA BANK LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2017

		(Rupees in thousands) As at 31st March, 2017	As at 31st March, 2016
SCHEDULE 11 - OTHER ASSETS			
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			
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**

KOTAK MAHINDRA BANK LIMITED
SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH, 2017

		(Rupees in thousands)	
		Year ended 31st March, 2017	Year ended 31st March, 2016
SCHEDULE 13 - INTEREST EARNED			
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			
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			
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**

KOTAK MAHINDRA BANK LIMITED
SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH, 2017

(Rupees in thousands)

		Year ended 31st March, 2017	Year ended 31st March, 2016
SCHEDULE 16 - OPERATING EXPENSES			
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**

KOTAK MAHINDRA BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2017 **(Rupees 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 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 Sub-ordinated debt]	(2,514,180)	(5,138,793)

KOTAK MAHINDRA BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2017 (contd.)

	Year Ended 31st March 2017	Year Ended 31st March 2016
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 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

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.

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.

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.

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.

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.

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 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.

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.

Kotak Mahindra Bank Ltd.
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**

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	-	-	-	-

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.

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	2247.58
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.

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	1,25,609.15	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.*

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	1,69,351.40	29,976.83
2	**Marked to Market Positions ****		
	a) Asset (+)	3,349.59	103.20
	b) Liability (-)	3,100.69	180.37
3	**Credit Exposure**	6,455.92	397.29
4	**Likely impact of one percentage change in interest rate (100*PV01) #**		
	a) On hedging derivatives	12.84	0.00
	b) On trading derivatives	3.63	121.14
5	**Maximum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	23.65	0.00
	b) On trading derivatives	37.27	133.84

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
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**		

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

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)	**1,37,980.76**	**3,578.61**	**2.59%**	**1,20,281.19**	**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)

S. 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)

S. 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	-

S. 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
		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)*

Kotak Mahindra Bank Ltd.
Schedules forming part of the Balance Sheet and Profit and Loss Account
Schedule 18 – Notes to Accounts

As at 31st March, 2016

(₹ in crore)

S. 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	-

S. 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																	
		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

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).		
(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	1,36,082.13
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	1,18,665.30
Investments *	11,913.34	3,801.75	1,104.64	3,209.76	5,790.74	5,078.52	5,887.70	9,193.24	2,110.65	2,844.06	50,934.40
Deposits	1,030.04	8,483.69	8,618.23	5,347.96	18,202.25	25,360.66	20,603.44	41,146.45	9,281.71	568.59	1,38,643.02
Borrowings	231.58	2,337.73	395.41	61.29	7,086.81	2,518.67	3,049.24	3,286.16	156.30	1,852.15	20,975.34
Foreign Currency Assets	719.02	1,188.41	216.70	464.45	2,894.90	1,357.40	372.31	1,388.40	298.67	39.79	8,940.05
Foreign Currency Liabilities	217.29	582.19	993.92	70.88	4,965.34	2,459.17	1,577.12	2,694.24	267.02	318.73	14,145.90

* *Listed equity investments in AFS have been considered at 50% (*₹ 325.82 crore*) haircut as per RBI directions*

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

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	-	-

(₹ in crore)

Particulars	31st March, 2017	31st March, 2016
shares / bonds / debentures or other securities or on clean basis for meeting promoter"s contribution to the equity of new companies in anticipation of raising resources;		
vii. Bridge loans to companies against expected equity flows / issues;	-	-
viii. Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix. Financing to stockbrokers for margin trading;	-	-
x. All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	0.03	0.03
xi. Others (Financial Guarantees)	0.24	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.

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

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.

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.
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)

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

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	11,512	11,512	7,752	7,752	5,852	5,852	5,856	5,856

(₹ 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)
		exposures and other collateral requirements								
	(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 2012-17 are monthly averages.*

										(₹ 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 Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted 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	8,325	8,325	7,811	7,811	7,717	7,717	11,561	11,561

										(₹ 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 Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)
		requirements								
	(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%

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.

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

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)

		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**

(₹ in crore)

		31st March, 2017	31st March, 2016
	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**
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.*

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)

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

Nature of Relationship	Related Party
	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)

₹ 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

₹ in crore

Items/Related Party	Subsidiary Companies	Associates / Others	Key Manage-ment Personnel (KMP)	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of KMP	Total
	(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
	(-)	(-)	(-)	(-)	(-)	(-)
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	411.80	-	-	-	-	411.80

						₹ in crore
Items/Related Party	**Subsidiary Companies**	**Associates / Others**	**Key Manage-ment Personnel (KMP)**	**Enterprise over which KMP/Relative of KMP have control / significant influence**	**Relatives of KMP**	**Total**
Limited						
	(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)
						-
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						

						₹ in crore
Items/Related Party	**Subsidiary Companies**	**Associates / Others**	**Key Manage-ment Personnel (KMP)**	**Enterprise over which KMP/Relative of KMP have control / significant influence**	**Relatives of KMP**	**Total**
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)
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 Limited	0.03	-	-	-	-	0.03
	(-)	(-)	(-)	(-)	(-)	(-)
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 Limited	4.39	-	-	-	-	4.39
	(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	-	-	-	-	-	-

						₹ 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**
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 Insurance Limited	165.10	-	-	-	-	165.10
	(140.98)	(-)	(-)	(-)	(-)	(140.98)
Kotak Mahindra General Insurance Limited	5.52	-	-	-	-	5.52
	(1.11)	(-)	(-)	(-)	(-)	(1.11)
Kotak Securities Limited	22.72	-	-	-	-	22.72
	(18.96)	(-)	(-)	(-)	(-)	(18.96)
Kotak Mahindra Capital Company Limited	9.96	-	-	-	-	9.96
	(12.33)	(-)	(-)	(-)	(-)	(12.33)
Kotak Mahindra Asset Management Company Limited	38.70	-	-	-	-	38.70
	(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)
V. Other Transactions:						
Sale of Investment						
Kotak Mahindra Old Mutual Life Insurance Ltd.	117.90	-	-	-	-	117.90
	(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 Insurance Ltd.	21.15	-	-	-	-	21.15
	(135.19)	(-)	(-)	(-)	(-)	(135.19)
Kotak Mahindra Prime Limited	350.00	-	-	-	-	350.00
	(313.95)	(-)	(-)	(-)	(-)	(313.95)
Kotak Infrastructure Debt Fund Limited	88.90	-	-	-	-	88.90
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Investments Limited	92.69	-	-	-	-	92.69

						₹ in crore
Items/Related Party	**Subsidiary Companies**	**Associates / Others**	**Key Manage-ment Personnel (KMP)**	**Enterprise over which KMP/Relative of KMP have control / significant influence**	**Relatives of KMP**	**Total**
	(806.71)	(-)	(-)	(-)	(-)	(806.71)
Kotak Mahindra Trusteeship Services Limited	-	-	-	-	-	-
	(5.00)	(-)	(-)	(-)	(-)	(5.00)
Kotak Mahindra General Insurance Limited	10.33	-	-	-	-	10.33
	(133.95)	(-)	(-)	(-)	(-)	(133.95)
Loan Disbursed during the year						
Kotak Mahindra Prime Limited	60.00	-	-	-	-	60.00
	(60.00)	(-)	(-)	(-)	(-)	(60.00)
Kotak Mahindra (International) Limited	1,134.78	-	-	-	-	1,134.78
	(-)	(-)	(-)	(-)	(-)	(-)
Loan Repaid during the year						
Kotak Mahindra (International) Limited	1,134.78	-	-	-	-	1,134.78
	(-)	(-)	(-)	(-)	(-)	(-)
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)
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 Limited	2.53	-	-	-	-	2.53
	(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 Insurance Limited	0.43	-	-	-	-	0.43

						₹ in crore
Items/Related Party	**Subsidiary Companies**	**Associates / Others**	**Key Manage-ment Personnel (KMP)**	**Enterprise over which KMP/Relative of KMP have control / significant influence**	**Relatives of KMP**	**Total**
	(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 Limited	6.84	-	-	-	-	6.84
	(3.84)	(-)	(-)	(-)	(-)	(3.84)
Kotak Mahindra Prime Limited	18.16	-	-	-	-	18.16
	(15.57)	(-)	(-)	(-)	(-)	(15.57)
Kotak Mahindra Old Mutual Life Insurance Limited	18.92	-	-	-	-	18.92
	(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 Insurance Limited	0.14	-	-	-	-	0.14
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Asset Management Company Limited	0.14	-	-	-	-	0.14
	(-)	(-)	(-)	(-)	(-)	(-)
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
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Asset Management Company Limited	0.06	-	-	-	-	0.06
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra, Inc	-	-	-	-	-	-
	(#)	(-)	(-)	(-)	(-)	(#)
Kotak Mahindra	-	-	-	-	-	-

						₹ in crore
Items/Related Party	**Subsidiary Companies**	**Associates / Others**	**Key Manage-ment Personnel (KMP)**	**Enterprise over which KMP/Relative of KMP have control / significant influence**	**Relatives of KMP**	**Total**
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 14,42,10,124 options (including options issued in exchange on amalgamation) as on 31st March, 2017 (Previous year 14,03,27,654).

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 86,63,925 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	6,88,73,000	38,96,470
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)	12,45,010	57,73,046	46,42,198
Method of Settlement (Cash / Equity)	Equity	Equity	Equity

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

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

	Year ended 31st March, 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	87,43,098	467.54	83,01,918	332.35
Granted during the year	-	-	38,01,400	661.73
Forfeited during the year	4,17,350	587.02	6,51,752	552.38
Exercised during the year	50,86,246	391.04	27,08,204	305.30
Expired during the year	11,266	632.12	264	371.00
Outstanding at the end of the year	32,28,236	572.03	87,43,098	467.54
Out of the above exercisable at the end of the year	3,30,038	397.83	15,01,046	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	38,82,470	720.94	14,000	690.00
Forfeited during the year	1,14,740	712.88	-	-
Exercised during the year	3,500	690.00	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	37,78,230	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	4,07,684	395.25
Addition on amalgamation	-	-
Forfeited during the year	-	-
Exercised during the year	2,51,662	386.84
Expired during the year	-	-
Outstanding at the end of the year	1,56,022	408.82
Out of the above exercisable at the end of the year	1,56,022	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	12,45,010	328.76
Forfeited during the year	-	-
Exercised during the year	8,37,324	296.39
Expired during the year	2	151.50
Outstanding at the end of the year	4,07,684	395.25
Out of the above exercisable at the end of the year	4,07,684	395.25
Weighted average remaining contractual life (in years)		3.46

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

	Year ended 31st March, 2017	
	Number of Shares	Weighted Average Exercise Price(₹)
Outstanding at the beginning of the year	13,92,986	275.34
Addition on amalgamation	-	-
Forfeited during the year	6	416.00
Exercised during the year	6,76,002	269.82
Expired during the year	-	-
Outstanding at the end of the year	7,16,978	280.53
Out of the above exercisable at the end of the year	7,16,978	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	57,73,046	283.17
Forfeited during the year	2	252.00
Exercised during the year	43,80,058	285.67
Expired during the year	-	-
Outstanding at the end of the year	13,92,986	275.34
Out of the above exercisable at the end of the year	13,92,986	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	12,82,136	387.44
Addition on amalgamation	-	-
Forfeited during the year	28	379.50
Exercised during the year	4,97,649	387.01
Expired during the year	-	-
Outstanding at the end of the year	7,84,459	387.72
Out of the above exercisable at the end of the year	7,84,459	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	46,42,198	389.87
Forfeited during the year	536	379.50
Exercised during the year	33,59,526	390.80
Expired during the year	-	-
Outstanding at the end of the year	12,82,136	387.44
Out of the above exercisable at the end of the year	12,82,136	387.44
Weighted average remaining contractual life (in years)	4.02	

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 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	6,49,724	1.89	250.50
301-400	8,83,365	2.26	375.32
401-500	12,26,430	1.66	413.82
501-600	71,430	2.00	550.00
601-700	21,36,676	1.47	665.12
701-800	36,96,300	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	16,29,369	2.08	252.22
301-400	45,72,955	1.47	343.46
401-500	22,98,360	2.34	413.08
601-700	33,13,420	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	13,91,816	13,06,020
Granted during the year	6,93,108	11,52,360
Additions / (Reduction) due to transfer of employees	(7,572)	614
Settled during the year	6,10,270	9,43,268
Lapsed during the year	1,11,440	1,23,910
Outstanding at the end of the year	13,55,642	13,91,816

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:

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	-	-

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.

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	**As at 31st March, 2016**
	Funded	**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**	**As at 31st March, 2016**
	Funded	**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)

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
b) Amount spent during the year ending on 31st March, 2016:	**Paid**	**Yet to be paid**	**Total**
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	16.41	-	16.41

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).

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.	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*

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
Mumbai, 27th April, 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Kotak Mahindra Bank Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Kotak Mahindra Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2016, the Profit and Loss Account and the Cash Flow statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements.

Management's Responsibility for the Standalone Financial Statements

2. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and the guidelines issued by the Reserve Bank of India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

5. In our opinion and to the best of our information and according to the explanations given to us, the standalone financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Bank as at March 31, 2016, its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

6. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

7. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated 2 July 2015, we report that:

(a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

(c) The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches; we have visited 103 branches for the purpose of our audit.

8. Further, as required by section 143(3) of the Companies Act, 2013, we further report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

(c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

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

(e) On the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report; and

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

   i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 12.I, Schedule 17-Note 13, and Schedule 18C- Note 15 to the financial statements;

   ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses on long-term contracts including derivative contracts – Refer Schedule 17-Note 13 and Schedule 18C-Note 11 to the financial statements; and

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

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

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

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF KOTAK MAHINDRA BANK 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, 2016 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

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

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

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

KOTAK MAHINDRA BANK LIMITED
BALANCE SHEET AS AT 31st MARCH, 2016

(Rupees in thousands)

	Schedule	As at 31st March, 2016	As at 31st March, 2015
CAPITAL AND LIABILITIES			
Capital	1	9,171,911	3,861,763
Employee's Stock Options (Grants) Outstanding		34,136	29,969
Reserves and Surplus	2	230,418,691	137,549,099
Deposits	3	1,386,430,224	748,603,088
Borrowings	4	209,753,382	121,497,132
Other Liabilities and Provisions	5	86,789,561	48,579,696
Total		**1,922,597,905**	**1,060,120,747**
ASSETS			
Cash and Balances with Reserve Bank of India	6	69,034,348	39,282,964
Balances with Banks and Money at Call and Short Notice	7	39,762,806	23,340,613
Investments	8	512,602,202	286,591,051
Advances	9	1,186,652,952	661,607,126
Fixed Assets	10	15,515,922	12,067,051
Other Assets	11	99,029,675	37,231,942
Total		**1,922,597,905**	**1,060,120,747**
Contingent Liabilities	12	2,426,102,845	636,721,604
Bills for Collection		149,640,490	44,199,924
Significant accounting policies and notes to accounts forming part of financial statements	17 & 18		

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

The Balance Sheet has been prepared in conformity with Form 'A' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date attached.

For and on behalf of the Board of Directors

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

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
11th May, 2016

Jaimin Bhatt
President and Group Chief
Financial Officer

Bina Chandarana
Company Secretary

KOTAK MAHINDRA BANK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2016

(Rupees in thousands)

		Schedule	Year ended 31st March, 2016	Year ended 31st March, 2015
I.	**INCOME**			
	Interest Earned	13	163,841,838	97,198,670
	Other Income	14	26,122,341	20,284,539
	Total		**189,964,179**	**117,483,209**
II.	**EXPENDITURE**			
	Interest Expended	15	94,838,100	54,961,348
	Operating Expenses	16	54,715,197	32,547,314
	Provisions and Contingencies (Refer Note 11 - schedule 18 C)		19,513,092	11,314,761
	Total		**169,066,389**	**98,823,423**
III.	**PROFIT**			
	Net Profit for the year (I - II)		**20,897,790**	**18,659,786**
	Add: Balance in Profit and Loss Account brought forward from previous year		50,952,636	40,052,917
	Add: Additions on Amalgamation		18,000,896	-
	Less: Adjustments on Amalgamation		1,253,799	-
	Total		**88,597,523**	**58,712,703**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		5,224,500	4,665,000
	Transfer to General Reserve		-	933,000
	Transfer to Capital Reserve		91,700	59,100
	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		450,000	280,000
	Transfer to/(from) Investment Reserve Account (Refer Note 31 - Schedule 18 B)		(415,180)	866,500
	Proposed Dividend		918,355	820,654
	Corporate Dividend Tax		186,955	135,813
	Balance carried over to Balance Sheet		82,141,193	50,952,636
	Total		**88,597,523**	**58,712,703**
V.	**EARNINGS PER SHARE (Face value of Rs. 5/-)**			
	Basic		11.42	12.10
	Diluted		11.40	12.07
	(Refer Note 1 - Schedule 18 C)			
Significant accounting policies and notes to accounts forming part of financial statements		17 & 18		

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

The Profit and Loss Account has been prepared in conformity with Form 'B' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date attached.

For and on behalf of the Board of Directors

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

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

Jaimin Bhatt
President and Group Chief
Financial Officer

Bina Chandarana
Company Secretary

Mumbai
11th May, 2016

KOTAK MAHINDRA BANK LIMITED

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

		(Rupees in thousands)	
		As at 31st March, 2016	As at 31st March, 2015
SCHEDULE 1 - CAPITAL			
	Authorised Capital		
	300,00,00,000 Equity Shares of Rs.5/- each		
	(31st March, 2015: 140,00,00,000 Equity Shares of Rs.5/- each)	**15,000,000**	**7,000,000**
	Issued, Subscribed and Paid-up Capital (Refer Schedule 18A)		
	183,43,82,158 (31st March, 2015: 77,23,52,664) Equity		
	Shares of Rs.5/- each fully paid-up	9,171,911	3,861,763
	(During the year, 91,28,41,920 Equity Shares have been		
	issued as bonus shares by capitalisation of Reserves)		
	Total	**9,171,911**	**3,861,763**
SCHEDULE 2 - RESERVES AND SURPLUS			
I.	**Statutory Reserve**		
	Opening Balance	21,052,000	16,387,000
	Add: Additions on Amalgamation	10,078,283	-
	Add: Transfer from Profit and Loss Account	5,224,500	4,665,000
	Total	**36,354,783**	**21,052,000**
II.	**Capital Reserve**		
	Opening balance	352,403	293,303
	Add: Additions on Amalgamation	1,274,383	-
	Add: Transfer from Profit and Loss Account	91,700	59,100
	Total	**1,718,486**	**352,403**
III.	**General Reserve**		
	Opening Balance	6,103,303	5,169,552
	Add: Additions on Amalgamation	300,946	-
	Add: Transfer on ESOPs expired unexercised	-	751
	Add: Transfer from Profit and Loss Account	-	933,000
	Total	**6,404,249**	**6,103,303**
IV.	**Investment Reserve Account**		
	Opening Balance	866,500	-
	Add: Additions on Amalgamation	33,582	-
	Add: Transfer from/(to) Profit and Loss Account (Refer Note 31 - Schedule 18 B)	(415,180)	866,500
	Total	**484,902**	**866,500**
V.	**Special Reserve Account u/s 36(1)(viii) of Income Tax Act, 1961**		
	Opening Balance	1,825,000	1,545,000
	Add: Additions on Amalgamation	1,167,000	-
	Add: Transfer from Profit and Loss Account	450,000	280,000
	Total	**3,442,000**	**1,825,000**
VI.	**Securities Premium Account**		
	Opening Balance	56,397,257	55,451,490
	Add: Additions on Amalgamation	43,206,510	-
	Add: Received during the year	3,614,553	945,767
	Less: Utilised for Bonus Shares	4,564,210	-
	Less: Share Issue Expenses	5,578	-
	Total	**98,648,532**	**56,397,257**
VII.	**Amalgamation Reserve**		
	Opening Balance	-	-
	Add: Additions on Amalgamation	1,224,046	-
	Total	**1,224,046**	**-**
VIII.	**Investment Allowance (Utilised) Reserve**		
	Opening Balance	-	-
	Add: Additions on Amalgamation	500	-
	Total	**500**	**-**
IX.	**Balance in the Profit and Loss Account**		
	Balance in the Profit and Loss Account	82,141,193	50,952,636
	Total	**82,141,193**	**50,952,636**
	Total (I to IX)	**230,418,691**	**137,549,099**

KOTAK MAHINDRA BANK LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2016

		(Rupees in thousands) As at 31st March, 2016	As at 31st March, 2015
SCHEDULE 3 - DEPOSITS			
A I.	**Demand Deposits**		
	i. From Banks	3,951,425	2,551,379
	ii. From Others	228,865,346	129,262,006
	Total	**232,816,771**	**131,813,385**
II.	**Savings Bank Deposits**	294,947,214	140,361,089
III.	**Term Deposits**		
	i. From Banks	7,476,262	10,575,512
	ii. From Others	851,189,977	465,853,102
	Total	**858,666,239**	**476,428,614**
Total Deposits (I to III)		**1,386,430,224**	**748,603,088**
B.	(i) Deposits of branches in India	**1,386,430,224**	**748,603,088**
	(ii) Deposits of branches outside India	**-**	**-**
	Total	**1,386,430,224**	**748,603,088**
SCHEDULE 4 - BORROWINGS			
I.	**Borrowings in India**		
	(i) Reserve Bank of India	15,670,000	17,634,500
	(ii) Other Banks	22,448,948	21,737,352
	(iii) Other Institutions and Agencies (Refer Note 13 - Schedule 18 C)	92,018,430	38,700,671
	Total	**130,137,378**	**78,072,523**
II.	**Borrowings outside India**		
	Banks & Other Institutions (Refer Note 13 - Schedule 18 C)	79,616,004	43,424,609
		79,616,004	**43,424,609**
Total Borrowings (I and II)		**209,753,382**	**121,497,132**
Secured Borrowings under CBLO included in I (iii) above		-	-
Tier II Bonds included in I (iii) above		11,057,000	6,180,000
Tier II Bonds included in II above		6,703,120	2,812,500
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I.	Bills Payable	10,475,636	9,716,565
II.	Interest Accrued	8,168,143	5,361,892
III.	Provision for tax (net of advance tax and tax deducted at source)	-	988,134
IV.	Standard Asset provision (Refer Note 18 - Schedule 18 B)	5,720,717	3,160,232
V.	Others (including provisions)	61,321,152	28,373,315
VI.	Proposed Dividend (includes tax on dividend)	1,103,913	979,558
	Total	**86,789,561**	**48,579,696**

KOTAK MAHINDRA BANK LIMITED

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

		(Rupees in thousands)	
		As at 31st March, 2016	As at 31st March, 2015
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I.	Cash in hand (including foreign currency notes)	9,471,930	5,262,870
II.	Balances with RBI in Current Account	59,562,418	34,020,094
	Total	**69,034,348**	**39,282,964**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I.	**In India**		
	(i) Balances with Banks		
	(a) In Current Accounts	2,632,342	1,031,149
	(b) In Other Deposit Accounts	410,425	412,425
	Total	**3,042,767**	**1,443,574**
	(ii) Money at Call and Short Notice		
	(a) With Banks	17,108,900	17,224,272
	(b). With Other Agencies	3,000,000	-
	Total	**20,108,900**	**17,224,272**
	Total (i and ii)	**23,151,667**	**18,667,846**
II.	**Outside India**		
	(i) In Current Accounts	7,004,164	610,267
	(ii) In other Deposit Accounts	9,606,975	4,062,500
	Total	**16,611,139**	**4,672,767**
Total (I and II)		**39,762,806**	**23,340,613**
SCHEDULE 8 - INVESTMENTS			
I.	**Investments in India in**		
i.	Government Securities	407,609,720	228,817,200
ii.	Other Approved Securities	-	-
iii.	Shares	6,713,066	6,019,858
iv.	Debentures and Bonds	51,863,054	42,104,607
v.	Subsidiaries and Joint Ventures	7,470,096	5,381,450
vi.	Others [Units, Certificate of Deposits (CD), Commercial Paper (CP), Security Receipts,Pass Through Certificates(PTC)]	38,705,913	4,123,508
	Total	**512,361,849**	**286,446,623**
II.	**Investments outside India in**		
i.	Shares	8,744	6,789
ii.	Subsidiaries and Joint Ventures	231,609	137,639
	Total	**240,353**	**144,428**
Total Investments (I and II)		**512,602,202**	**286,591,051**

KOTAK MAHINDRA BANK LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2016

		(Rupees in thousands)	
		As at 31st March, 2016	As at 31st March, 2015
SCHEDULE 9 - ADVANCES			
A.	(i) Bills purchased and discounted#	38,324,103	19,723,762
	(ii) Cash Credits, Overdrafts and loans repayable on demand	404,120,100	150,454,628
	(iii) Term Loans	744,208,749	491,428,736
	Total	**1,186,652,952**	**661,607,126**
	# Bills purchased and discounted is net of Bills Rediscounted Rs.835.58 crore (Previous Year Rs. 1,258.05 crore)		
B.	(i) Secured by tangible assets *	911,757,916	516,705,189
	(ii) Covered by Bank/Government guarantees	342,386	-
	(iii) Unsecured	274,552,650	144,901,937
	Total	**1,186,652,952**	**661,607,126**
	* including advances against book debts		
C.	Advances in India		
	(i) Priority Sector	413,449,029	204,959,181
	(ii) Public Sector	1,747,083	7,149,036
	(iii) Banks	-	-
	(iv) Others	771,456,840	449,498,909
	Total	**1,186,652,952**	**661,607,126**
SCHEDULE 10 - FIXED ASSETS			
A.	**Premises (Including Land)**		
	Gross Block		
	At cost on 31st March of the preceding year	7,836,195	6,905,684
	Additions during the year (including on amalgamation)	4,098,678	943,926
	Less: Deductions during the year (including on amalgamation)	1,194,863	13,415
	Total	**10,740,010**	**7,836,195**
	Depreciation		
	As at 31st March of the preceding year	662,324	554,599
	Add: Charge for the year (including on amalgamation)	703,883	117,217
	Less: Deductions during the year (including on amalgamation)	118,233	9,492
	Depreciation to date	**1,247,974**	**662,324**
	Net Block	**9,492,036**	**7,173,871**
B.	**Other Fixed Assets (including furniture and fixtures)**		
	Gross Block		
	At cost on 31st March of the preceding year	13,621,940	11,869,410
	Additions during the year (including on amalgamation)	9,135,428	2,047,044
	Less: Deductions during the year	479,469	294,514
	Total	**22,277,899**	**13,621,940**
	Depreciation		
	As at 31st March of the preceding year	8,728,760	7,151,059
	Add: Charge for the year (including on amalgamation)	8,078,504	1,812,786
	Less: Deductions during the year	396,267	235,085
	Depreciation to date	**16,410,997**	**8,728,760**
	Net Block (Refer Note 6 - Schedule 18 C)	**5,866,902**	**4,893,180**
C.	**Leased Fixed Assets**		
	Gross Block		
	At cost on 31st March of the preceding year	-	-
	Additions during the year (including on amalgamation)	1,540,585	-
	Less: Deductions during the year	-	-
	Total	**1,540,585**	**-**
	Depreciation		
	As at 31st March of the preceding year	-	-
	Add: Charge for the year (including on amalgamation)	1,383,601	-
	Less: Deductions during the year	-	-
	Depreciation to date	**1,383,601**	**-**
	Net Block	**156,984**	**-**
Total (A) +(B)+(C)		**15,515,922**	**12,067,051**

KOTAK MAHINDRA BANK LIMITED

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

		(Rupees in thousands)	
		As at 31st March, 2016	As at 31st March, 2015
SCHEDULE 11 - OTHER ASSETS			
I.	Interest accrued	17,801,175	11,123,101
II.	Advance tax (net of provision for tax)	3,472,550	-
III.	Stationery and Stamps	19,177	8,028
IV.	Cheques in course of collection	86,667	224,787
V.	Non banking assets acquired in satisfaction of claims	67,824	67,824
VI.	Others (Refer Note 4 - Schedule 18 C)*	77,582,282	25,808,202
	Total	**99,029,675**	**37,231,942**
	* Includes Deferred Tax Asset Rs.183.85 crore (Previous year Rs.69.28 crore)		
SCHEDULE 12 - CONTINGENT LIABILITIES			
I.	Claims not acknowledged as debts	13,040,884	11,467,170
II.	Liability on account of Outstanding Forward Exchange Contracts	1,657,248,872	297,807,482
III.	Guarantees on behalf of Constituents	240,135,682	121,099,848
IV.	Acceptances, Endorsements and other obligations	106,140,681	63,711,640
V.	Other Items for which the Bank is contingently liable :		
	a. Liability in respect of interest rate and currency swaps and forward rate agreements	378,440,694	126,971,588
	b. Liability in respect of Options Contracts	29,075,596	14,940,972
	c. Capital commitments not provided	880,000	698,705
	d. Unclaimed Customer balances transferred to RBI DEAF Scheme	1,140,436	24,199
	Total	**2,426,102,845**	**636,721,604**

KOTAK MAHINDRA BANK LIMITED
SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH, 2016

		(Rupees in thousands) Year ended 31st March, 2016	Year ended 31st March, 2015
SCHEDULE 13 - INTEREST EARNED			
I.	Interest / discount on Advances/Bills	124,703,723	74,686,674
II.	Income on Investments	34,560,091	21,335,414
III.	Interest on balances with RBI and other inter-bank funds	929,061	240,606
IV.	Others	3,648,963	935,976
	Total	**163,841,838**	**97,198,670**
SCHEDULE 14 - OTHER INCOME			
I.	Commission, exchange and brokerage	17,643,647	12,262,894
II.	Profit/(Loss) on sale of Investments (net)	2,131,974	3,147,720
III.	Profit/(Loss) on sale of building and other assets (net)	30,112	135,168
IV.	Profit on exchange transactions (net) (including derivatives)	4,219,121	2,064,213
V.	Income earned from Subsidiaries/ Joint Ventures	807,946	771,787
VI.	Profit on recoveries of non-performing assets acquired	1,130,265	1,346,195
VII.	Miscellaneous Income	159,276	556,562
	Total	**26,122,341**	**20,284,539**
SCHEDULE 15 - INTEREST EXPENDED			
I.	Interest on Deposits	78,637,579	45,794,864
II.	Interest on RBI / Inter-Bank Borrowings	8,082,491	4,995,974
III.	Others (Refer Note 13(c) - Schedule 18 C)	8,118,030	4,170,510
	Total	**94,838,100**	**54,961,348**

KOTAK MAHINDRA BANK LIMITED

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st MARCH, 2016

		(Rupees in thousands)	
		Year ended 31st March, 2016	Year ended 31st March, 2015
SCHEDULE 16 - OPERATING EXPENSES			
I.	Payments to and provision for employees (Refer Note 10 - Schedule 18 C)	28,169,697	14,666,844
II.	Rent, taxes and lighting (Refer Note 3 - Schedule 18 C)	5,220,139	3,381,560
III.	Printing and Stationery	707,614	496,117
IV.	Advertisement, Publicity and Promotion	996,258	842,235
V.	Depreciation on Bank's property	2,873,758	1,930,003
VI.	Directors' fees, allowances and expenses	11,207	6,275
VII.	Auditors' fees and expenses (Refer Note 14 - Schedule 18 C)	21,117	15,321
VIII.	Law Charges	246,355	179,557
IX.	Postage, telephone etc.	1,111,288	701,276
X.	Repairs and maintenance	2,874,977	1,858,174
XI.	Insurance	1,218,721	625,867
XII.	Travel and Conveyance	1,030,718	673,640
XIII.	Professional Charges	4,155,886	3,077,415
XIV.	Brokerage	1,548,241	1,551,728
XV.	Stamping Expenses	137,771	127,039
XVI.	Other Expenditure (Refer Note 12 - Schedule 18 C)	5,012,144	2,957,536
		55,335,891	**33,090,587**
Less: Reimbursement of Costs from Group Companies		620,694	543,273
Total		**54,715,197**	**32,547,314**

KOTAK MAHINDRA BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2016 **(Rupees in thousands)**

	Year Ended 31st March 2016	Year Ended 31st March 2015
CASH FLOW FROM OPERATING ACTIVITIES		
Profit after tax	**20,897,790**	**18,659,786**
Add: Provision for tax	10,339,364	9,669,788
Net Profit Before Taxes	**31,237,154**	**28,329,574**
Adjustments for :-		
Employee Stock Options Expense	29,450	21,627
Depreciation on Bank's Property	2,873,758	1,930,003
Diminution in the value of Investments written off/(back)	1,363,187	(1,113,328)
Dividend from Subsidiaries/ Joint Ventures	(38,622)	(49,500)
Amortization of Premium on HTM Investments	1,419,994	719,084
Provision for Non Performing Assets, Standard Assets and Other Provisions	7,810,541	2,758,301
Profit on sale of Fixed Assets	(30,112)	(135,168)
	44,665,350	**32,460,593**
Adjustments for :-		
Increase in Investments (other than Subsidiaries, Joint Ventures and Other HTM Investments)	(36,527,896)	(9,827,824)
Increase in Advances	(128,892,835)	(133,266,217)
Increase in Other Assets	(3,043,940)	(7,806,638)
Increase in Deposits	180,981,291	157,879,794
Increase in Other Liabilities and Provisions	16,723,038	14,322,415
	29,239,658	**21,301,530**
Direct Taxes Paid	**(12,567,792)**	**(9,130,189)**
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**61,337,216**	**44,631,934**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,490,475)	(2,230,032)
Sale of Fixed Assets	113,441	198,520
Proceeds from sale of Investment in Associates	-	-
Investments in Subsidiaries/ Joint Ventures	(2,183,469)	(876,136)
Investments in HTM securities	(59,108,169)	(31,679,796)
Dividend from Subsidiaries/ Joint Ventures	38,622	49,500
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	**(63,630,050)**	**(34,537,944)**
CASH FLOW FROM/ (USED IN) FINANCING ACTIVITIES		
Increase/(Decrease) in Subordinated Debt	(1,437,663)	116,325
Decrease in Refinance	(10,715,154)	(15,883,087)
Increase/(Decrease) in Borrowings [other than Refinance and Sub-ordinated debt]	(5,138,793)	8,308,138

KOTAK MAHINDRA BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2016 (contd.)

	Year Ended 31st March 2016	Year Ended 31st March 2015
Money received on exercise of Stock Options/Issue of Shares	3,639,074	878,788
Share Issue Expenses	(5,578)	-
Dividend paid including Corporate Dividend Tax	(980,955)	(689,477)
NET CASH FLOW FROM/ (USED IN) FINANCING ACTIVITIES (C)	**(14,639,069)**	**(7,269,313)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	**(16,931,903)**	**2,824,677**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Refer Note below)	**62,623,577**	**59,798,900**
ADDITIONS ON AMALGAMATION	**63,105,480**	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Refer Note below)	**108,797,154**	**62,623,577**
Note:		
Balance with Banks in India in Fixed Deposit (As per Sch 7 I (i) (b))	410,425	412,425
Balance with Banks in India in Current Account (As per Sch 7 I (i) (a))	2,632,342	1,031,149
Money at Call and Short Notice in India (as per Sch 7 I (ii))	20,108,900	17,224,272
Cash in hand (including foreign currency notes) (As per Sch 6 I.)	9,471,930	5,262,870
Balance with RBI in Current Accounts (As per Sch 6 II.)	59,562,418	34,020,094
Balance with Banks Outside India:		
(i) In Current Account (As per Sch 7 II (i))	7,004,164	610,267
(ii) In other Deposit Accounts (As per Sch 7 II (ii))	9,606,975	4,062,500
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**108,797,154**	**62,623,577**

As per our report of even date attached.

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

per Viren H. Mehta
Partner
Membership No. 048749

Mumbai
11th May, 2016

For and on behalf of 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

A BACKGROUND

In February 2003, Kotak Mahindra Finance Limited was given a license to carry out banking business by the Reserve Bank of India (“RBI”). It was the first NBFC Company in India to be converted into a Bank. Kotak Mahindra Bank Limited (“Kotak Mahindra Bank” “Kotak” or “the Bank”) provides a full suite of banking services to its customers encompassing Retail Banking, Treasury and Corporate Banking in India and also has a representative office in Dubai.

B BASIS OF PREPARATION

The financial statements have been prepared in accordance with statutory requirements prescribed under the Banking Regulation Act, 1949. The accounting and reporting policies of Kotak Mahindra Bank used in the preparation of these financial statements is the accrual method of accounting and historical cost convention and it conforms with Generally Accepted Accounting Principles in India (“Indian GAAP”), the Accounting Standards specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act, 2013 (“the 2013 act”), in so far as they apply to banks and the guidelines issued by the Reserve Bank of India (“RBI”). The Ministry of Corporate Affairs (“MCA”) has notified the Companies (Accounting Standards) Amendment Rules, 2016 vide its notification dated 30 March 2016. As per clarification of MCA dated 27th April, 2016, the said rules are applicable to accounting period commencing on or after the date of notification i.e. 1st April, 2016.

Use of estimates

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

C SIGNIFICANT ACCOUNTING POLICIES

1 Investments

Classification:

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

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

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

Basis of classification:

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

Acquisition Cost:

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

Disposal of investments:

- **Investments classified as HFT or AFS** - Profit or loss on sale or redemption is recognised in the Profit and Loss Account.

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

Valuation:

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

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

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

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

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

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

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

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

- In case of unquoted bonds, debentures and preference shares where interest / dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity for Government Securities as published by FIMMDA / PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit rating along with residual maturity issued by FIMMDA is adopted for this purpose;

- In case of bonds and debentures (including Pass Through Certificates) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by the RBI. Interest on such securities is not recognised in the Profit and Loss Account until received;

- Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the Company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹ 1 per investee company;

- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF. Investment in unquoted VCF after 23rd August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines;

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

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

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

2 Advances

Classification:

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

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

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

Provisioning:

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

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

In accordance with RBI guidelines the Bank has provided general provision on standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, and gold at levels stipulated by RBI from time to time - direct advances to sectors agricultural and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5%, teaser rate housing loans at 2.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.

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

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

3 Loss on Sale of Advances to Asset Reconstruction Company

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

4 Securitisation

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

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

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

5 Fixed assets (Tangible and Intangible) and depreciation/ amortisation

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

Depreciation / Amortisation - Depreciation is provided on a pro-rata basis on a Straight Line Method over the estimated useful life of the assets at rates which are higher than the rates derived from useful lives prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the assets. Estimated useful lives over which assets are depreciated / amortised are as follows:

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

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

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

6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks / institutions and money at Call and short Notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

7 Bullion

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

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

8 Revenue recognition

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

Interest income in respect of retail advances is accounted for by using the internal rate of return method to provide a constant periodic rate of return on the net investment outstanding on the contract.

Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.

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

Service charges, fees and commission income are recognised when due except for guarantee commission and letter of credit which is recognised over the period of the guarantee / letter of credit. Syndication / arranger fee is recognised as income as per the terms of engagement.
Upon an asset becoming NPA the income accrued gets reversed, and is recognised only on realisation, as per RBI guidelines. Penal interest is recognised as income on realisation.

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

Gain on account of securitisation of assets is amortised over the life of the securities issued in accordance with the guidelines issued by the RBI.

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

9 Employee benefits

Defined Contribution Plan

Provident Fund

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

Superannuation Fund

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

New Pension Scheme

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

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 Banking Association (“IBA”) structure, the Bank contributes 10% of basic salary to a pension fund and the balance amount is provided based on actuarial valuation conducted by an independent actuary as at the Balance Sheet date. The Pension Fund is administered by the board of trustees and managed by life insurance company. The present value of the Bank’s defined obligation is determined using the Projected Unit Credit Method as at the Balance Sheet date.

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

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

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

Compensated Absences – Other Long-Term Employee Benefits

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

Other Employee Benefits

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

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

Employee share based payments

Equity-settled scheme:

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

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

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

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

In respect of options granted to employees of subsidiaries, the Bank recovers the related compensation cost from the respective subsidiaries.

Cash-settled scheme:

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

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

10 Foreign currency transactions

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

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

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

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

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

11 Derivative transactions

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

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

12 Lease accounting

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

13 Accounting for provisions, contingent liabilities and contingent assets

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

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

14 Impairment

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

15 Taxes on income

The Income Tax expense comprises current tax and deferred tax. Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent period.

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

Deferred tax assets are reassessed at each reporting date, based upon the Management's judgement as to whether realisation is considered as reasonably certain.
Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date. Changes in deferred tax assets / liabilities on account of changes in enacted tax rates are given effect to in the Profit and Loss Account in the period of the change.

16 Earnings per share

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

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

17 Share issue expenses

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

18 Credit cards reward points

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

19 Segment reporting

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

Segment	Principal activity
Treasury, BMU and Corporate Centre	Money market, forex market, derivatives, investments and primary dealership of government securities and Balance Sheet Management Unit (BMU) responsible for Asset Liability Management and Corporate Centre which primarily comprises of support functions.
Corporate / Wholesale Banking	Wholesale borrowings and lendings and other related services to the corporate sector which are not included under retail banking.
Retail Banking	Includes: I Lending Commercial vehicle finance, personal loans, home loans, agriculture finance, other loans / services and exposures which fulfill the four criteria’ for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards : A Revised Framework" II Branch Banking Retail borrowings covering savings, current, term deposit accounts and Branch Banking network / services including distribution of financial products. III Credit Cards Receivables / loans relating to credit card business.
Other Banking business	Any other business not classified above.

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

Segment revenues consist of earnings from external customers and inter-segment revenues based on a transfer pricing mechanism. Segment expenses consist of interest expenses including allocated operating expenses and provisions.

Segment results are net of segment revenues and segment expenses.

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

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

A. Merger of ING Vysya Bank Limited

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

As per the Scheme, upon its coming into effect from the appointed date i.e. 1st April, 2015, the entire undertaking of eIVBL including all its assets, liabilities and reserves and surplus stood transferred/ deemed to be transferred to and vest in Kotak. Further, in consideration of the transfer of and vesting of the undertaking of eIVBL, 725 equity shares of Kotak of the face value of ₹ 5/- each fully paid-up was issued to shareholders of eIVBL for every 1,000 equity shares of the face value of ₹10/- each of eIVBL held by them on the record date i.e. 17th April, 2015. Accordingly 13,92,05,159 equity shares of ₹5/- each of Kotak were allotted at par to the shareholders of ING Vysya vide board resolution dated 21st April, 2015. The excess of the paid up value of equity shares of eIVBL over the paid up value of equity shares issued as consideration amounting to ₹122.40 crore has been transferred to Amalgamation Reserve as per the Scheme of Amalgamation.

The amalgamation has been accounted using the pooling of interest method under Accounting Standard 14 (AS14), "Accounting for amalgamation" and the principles laid down in Part VII – paragraph 19 of the approved Scheme of Amalgamation.

The assets, liabilities and reserves and surplus of eIVBL were recorded by Bank at their carrying amounts as on 1st April, 2015 except for adjustments which were made to bring uniformity of accounting policies as required under AS14. The impact of these adjustments was ₹189.95 crore which has been adjusted in the balance of Profit and Loss Account. Timing differences, if any, arising on these adjustments have been accounted with corresponding adjustment to Deferred Tax Asset. Further, with respect to revaluation of fixed assets, the revaluation reserve amounting to ₹101.37 crores held by eIVBL was reversed and the Gross Block of Fixed Assets were credited back with ₹101.37 crores. The accumulated depreciation on such reserve amounting to ₹ 11.15 crore was also reversed in Gross Block of Fixed Assets. Certain other reclassifications of items were carried out to ensure consistency in presentation.

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

B. DISCLOSURES AS LAID DOWN BY RBI CIRCULARS:

1. Capital Adequacy Ratio:

The Bank's Capital Adequacy Ratios as per Basel III guidelines are as follows:

(₹ in crore)

	31st March, 2016	31st March, 2015
Capital Ratios:		
(i) Common Equity Tier I Capital (%)	15.23%	16.18%
(ii) Tier I Capital (%)	15.28%	16.18%
(iii) Tier II Capital (%)	1.06%	0.99%
(iv) Total CRAR %	16.34%	17.17%
(v) Percentage of the shareholding of the Government of India	-	-
(vi) Amount raised by issue of Equity Shares	365.89	87.88
(vii) Amount of Additional Tier I capital raised of which		
PNCPS	-	-
PDI	-	-
(viii) Amount of Tier II Capital raised of which		
Debt capital instruments	-	-
Preference share capital instruments	-	-

2. Investments held under the 3 categories viz. "Held for Trading (HFT)","Available for Sale (AFS)" and "Held to Maturity (HTM)" are as under:

(₹ in crore)

	31st March, 2016				31st March, 2015			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government Securities *	2,119.72	14,070.48	24,570.77	40,760.97	1,777.52	10,280.27	10,823.93	22,881.72
Other Approved Securities	-	-	-	-	-	-	-	-
Shares	-	672.18	-	672.18	19.82	582.85	-	602.67
Debentures and Bonds	726.43	4,459.88	-	5,186.31	655.08	3,555.38	-	4,210.46
Subsidiaries, Associates and Joint Ventures	-	-	770.17	770.17	-	-	551.91	551.91
Units, Certificate of Deposits, CP,SRs PTCs etc.	-	3,870.59	-	3,870.59	92.22	320.13	-	412.35
Total	**2,846.15**	**23,073.13**	**25,340.94**	**51,260.22**	**2,544.64**	**14,738.63**	**11,375.84**	**28,659.11**

** Includes securities with face Value of ₹ 2,288.05 crore (previous year ₹ 1,905.24 crore) pledged and encumbered for availment of fund transfer facility, clearing facility, margin requirements and with RBI for LAF.*

- excludes RIDF deposits, as classified under other assets

3. The details of investments and the movement of provisions held towards depreciation of investments of the Bank as on 31st March, 2016 and 31st March, 2015 are given below:

(₹ in crore)

		31st March, 2016	31st March, 2015
1.	Value of Investments		
i.	Gross value of Investments		
	a. In India	51,438.79	28,674.72
	b. Outside India	24.04	14.44
ii.	Provision for Depreciation		
	a. In India	(202.61)	(30.05)
	b. Outside India	-	-
iii.	Net value of Investments		
	a. In India	51,236.18	*28,644.67
	b. Outside India	24.04	14.44
2.	Movement of provisions held towards depreciation on investments		
i.	Opening balance	30.05	196.41
ii.	Add: Provisions made during the year / on amalgamation	198.02	9.07
iii.	Less: Write-back of excess provisions during the year	25.46	175.43
iv.	Closing balance	202.61	30.05

excludes RIDF deposits, as classified under other assets

4. Details of Repo / Reverse Repo (excluding LAF and MSF transactions for the year) deals (in face value terms):

Year ended 31st March, 2016:

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	31st March, 2016
Securities sold under repos				
i. Government securities	-	7,589.75	1,192.69	-
ii. Corporate debt securities	-	210.00	5.16	-
Securities purchased under reverse repos				
i. Government securities	-	6,752.50	714.00	1,686.98
ii. Corporate debt securities	-	-	-	-

Year ended 31st March, 2015:

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	31st March, 2015
Securities sold under repos				
i. Government securities	-	4,110.00	1,010.81	30.60
ii. Corporate debt securities	-	25.00	0.07	-
Securities purchased under reverse repos				
i. Government securities	-	1,690.00	165.11	1,485.88
ii. Corporate debt securities	-	100.00	6.85	-

5. Disclosure in respect of Non-SLR investments:

(i) Issuer composition of Non-SLR investments as at 31st March, 2016:

(₹ in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	804.91	509.36	-	-	107.28
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	7,757.71	6,708.26	317.84	789.21	3,238.97
5	Subsidiaries, Associates and Joint Ventures	802.27	745.10	-	802.27	802.27
6	Others	1,336.97	1,325.73	924.46	49.25	1,336.97
7	Provision held towards depreciation	(202.61)	-	-	-	-
	Total	**10,499.25**	**9,288.45**	**1,242.30**	**1,640.73**	**5,485.49**

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive.

Issuer composition of Non-SLR investments as at 31st March, 2015:

(₹ in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	527.75	508.00	-	-	8.00
2	FIs	123.31	92.53	-	3.38	92.23
3	Banks	45.89	-	34.37	11.52	-
4	Private Corporates	4,256.32	2,787.97	740.12	579.86	48.54
5	Subsidiaries, Associates and Joint ventures	581.82	524.65	-	581.82	581.82
6	Others	272.35	261.10	165.94	89.59	272.35
7	Provision held towards depreciation	(30.05)	-	-	-	-
	Total	**5,777.39**	**4,174.25**	**940.43**	**1,266.17**	**1,002.94**

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive.

- *excludes RIDF deposits, as classified under other assets*

(ii) Non-performing Non-SLR investments:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Opening balance	0.04	0.04
Additions during the year since 1st April / on amalgamation	152.17	-
Reductions during the year	-	-
Closing balance	152.21	0.04
Total provisions held	**85.76**	**0.04**

6. During the year ended 31st March, 2016 and year ended 31st March, 2015, the value of sale / transfer of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) was within 5% of the book value of instruments in HTM category at the beginning of the year.

7. Derivatives:

A. Forward Rate Agreements/ Interest Rate Swaps:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
The notional principal of swap agreements	29,960.70	11,850.48
Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	118.90	53.98
Collateral required by the Bank upon entering into swaps	NA	NA
Concentration of credit risk arising from the swaps	92.78% (Banks)	90.52%(Banks)
The fair value of the swap book	(77.17)	(12.26)

B. Exchange Traded Interest Rate Derivatives:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Notional principal amount of exchange traded interest rate derivatives undertaken during the year	2,247.58	634.42
Notional principal amount of exchange traded interest rate derivatives outstanding	16.13	104.31
Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)*	NA	NA
Mark to market value of exchange traded interest rate derivatives outstanding and not "highly effective"*	NA	NA

** Being trading positions*

Disclosures on risk exposures in derivatives:

Qualitative disclosures:

a) Structure and organization for management of risk in derivatives trading:

The Board of Directors, the Asset Liability Management Committee (ALCO), the Risk Management Committee (RMC), the Senior Management Committee for Derivatives and the Market Risk Management Department are entrusted with the management of risks in derivatives.

The philosophy and framework for the derivative business is laid out in the Board approved Investment and Derivative policies. The ALCO of the Bank is empowered to set the limit-framework for derivatives. It also reviews the market risk exposures of derivatives against the limits. The Risk Management Committee reviews all risks on a consolidated basis and also reviews Stress Testing.

The Senior Management Committee for Derivatives is responsible for reviewing and approving any new derivative products (within the regulatory framework provided by the RBI). The Board approved 'Customer Suitability and Appropriateness Policy for

Derivatives' provides guidelines for the assessment of Customer Suitability and the Appropriateness of products offered to these customers.

The monitoring and measurement of risk in derivatives is carried out by the Market Risk Management Department. The Market Risk Management Department is independent of the Treasury Front-Office & Back-Office and directly reports into the Group Chief Risk Officer.

b) Scope and nature of risk measurement, risk reporting and risk monitoring systems:

All significant risks of the derivative portfolio are monitored and measured daily. The Market Risk Management Department measures and reports Market Risk metrics like VaR, PV01, Option Greeks like Delta, Gamma, Vega, Theta, Rho etc. The Credit Risk from the derivatives portfolio is also measured daily.

The Market Risk Management Department monitors these exposures against the set limits and also reviews profitability on a daily basis. MIS is sent to ALCO on a periodic basis. Exception reports are also sent so that emerging risks are reviewed and managed on a timely basis. Stress testing is also performed on the Derivative portfolio. The Bank continuously invests in technology to enhance the Risk Management architecture.

c) Policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants:

The Board Approved 'Hedging Policy' details the hedging strategies, hedging processes, accounting treatment, documentation requirements and effectiveness testing for hedges.

Hedges are monitored for effectiveness periodically, in accordance with the Board Approved Policy.

d) Accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation:

Derivative transactions are segregated into trading or hedge transactions. Trading transactions outstanding as at the Balance Sheet dates are marked to market and the resulting profits or losses, are recorded in the Profit and Loss Account.

Derivative transactions designated as "Hedges" are accounted in accordance with hedging instruments on an accrual basis over the life of the underlying instrument.

Option premium paid / received is accounted for in the Profit and Loss Account on expiry of the option.

Pursuant to the RBI guidelines, any receivables as well positive Mark to Market (MTM) in respect of future receivable under derivative contracts comprising of crystallised receivables which remain overdue for more than 90 days are reversed through the Profit and Loss Account. The derivative limit sanctioned to clients is part of the overall limit sanctioned post credit appraisal. Collateral is accepted on a case to case basis considering the volatility of the price of the collateral and any increase in operational, legal and liquidity risk.

Quantitative Disclosures:

31st March 2016:

(₹ in crore)

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**		
	a) For hedging	7,148.29	0.00
	b) For trading	169,351.40	29,976.83
2	**Marked to Market Positions ****		
	a) Asset (+)	3,349.59	103.20
	b) Liability (-)	3,100.69	180.37
3	**Credit Exposure**	6,455.92	397.29
4	**Likely impact of one percentage change in interest rate (100*PV01) #**		
	a) On hedging derivatives	12.84	0.00
	b) On trading derivatives	3.63	121.14
5	**Maximum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	23.65	0.00
	b) On trading derivatives	37.27	133.84
6	**Minimum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	0.17	0.00
	b) On trading derivatives	2.03	87.00

Currency interest rate swaps have been included under currency derivatives.

 # Excludes PV01 on options.

*** MTM has been considered at product level.*

The nature and terms of the Interest Rate Swaps (IRS) as on 31st March, 2016 are set out below:

(₹ in crore)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	77	4,350.45	LIBOR	Receive Fixed Vs. Pay Floating
Trading	105	7,380.57	LIBOR	Receive Floating Vs. Pay Fixed
Trading	1	33.13	LIBOR	Receive Floating Vs. Pay Floating
Trading	1	20.00	INBMK	Receive Floating Vs. Pay Fixed
Trading	123	5,930.00	MIFOR	Receive Fixed Vs. Pay Floating
Trading	80	3,981.00	MIFOR	Receive Floating Vs. Pay Fixed
Trading	58	1,961.58	MIBOR	Receive Fixed Vs. Pay Floating
Trading	168	6,303.97	MIBOR	Receive Floating Vs. Pay Fixed
Total	**613**	**29,960.70**		

The nature and terms of the Cross Currency Swaps (CCS) as on 31st March, 2016 are set out below:

(₹ in crore)

Nature	No.	Notional Principal	Benchmark	Terms
Hedging	2	132.51	FIXED	Pay Fixed
Hedging	7	709.90	LIBOR	Receive Floating Vs. Pay Fixed
Hedging	2	420.85	LIBOR	Receive Floating Vs. Pay Floating
Trading	1	5.13	EURIBOR	Receive Fixed Vs. Pay Floating
Trading	1	150.00	EURIBOR	Receive Floating Vs. Pay Fixed
Trading	1	163.47	EURIBOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Trading	2	67.05	FIXED	Pay Fixed
Trading	12	842.24	FIXED	Receive Fixed
Trading	69	2,645.22	FIXED	Receive Fixed Vs. Pay Fixed
Trading	50	1,413.88	LIBOR	Receive Fixed Vs. Pay Floating
Trading	7	982.86	LIBOR	Receive Floating Vs. Pay Fixed
Trading	1	268.82	LIBOR	Receive Floating Vs. Pay Floating
Trading	1	5.13	LIBOR Vs. EURIBOR	Receive Floating Vs. Pay Floating
Trading	1	60.19	MIFOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Total	**157**	**7,867.25**		

The overnight Net open position as at 31st March, 2016 is ₹ 109.52 crore (previous year ₹ 105.27 crore).

31st March 2015:

(₹ in crore)

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**		
	a) For hedging	5,269.80	-
	b) For trading	26,747.42	11,954.78
2	**Marked to Market Positions ****		
	a) Asset (+)	36.78	47.06
	b) Liability (-)	20.37	59.49
3	**Credit Exposure**	1,310.25	158.71
4	**Likely impact of one percentage change in interest rate (100*PV01) #**		
	a) On hedging derivatives	3.60	0.00
	b) On trading derivatives	0.30	81.71
5	**Maximum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	6.42	0.00
	b) On trading derivatives	2.89	84.11
6	**Minimum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	1.26	0.00
	b) On trading derivatives	0.17	54.27

Currency interest rate swaps have been included under currency derivatives.

 # Excludes PV01 on options.

*** MTM has been considered at product level.*

The nature and terms of the Interest Rate Swaps (IRS) as on 31st March, 2015 are set out below:

(₹ in crore)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	1	20.00	INBMK	Receive Floating Vs. Pay Fixed
Trading	28	1,100.00	MIFOR	Receive Fixed Vs. Pay Floating
Trading	5	225.00	MIFOR	Receive Floating Vs. Pay Fixed
Trading	48	2,358.53	MIBOR	Receive Fixed Vs. Pay Floating
Trading	116	5,460.24	MIBOR	Receive Floating Vs. Pay Fixed
Trading	21	725.53	LIBOR	Receive Fixed Vs. Pay Floating
Trading	44	1,887.43	LIBOR	Receive Floating Vs. Pay Fixed
Trading	1	73.75	LIBOR	Receive Floating Vs. Pay Floating
Total	**264**	**11,850.48**		

The nature and terms of the Cross Currency Swaps (CCS) as on 31st March, 2015 are set out below:

(₹ in crore)

Nature	No.	Notional Principal	Benchmark	Terms
Hedging	2	125.00	FIXED	Pay Fixed
Hedging	3	156.25	LIBOR	Receive Floating Vs. Pay Fixed
Trading	2	119.72	FIXED	Receive Fixed Vs. Pay Fixed
Trading	1	126.90	LIBOR	Receive Floating Vs. Pay Floating
Trading	2	76.15	LIBOR	Receive Floating Vs. Pay Fixed
Trading	8	138.35	LIBOR	Receive Fixed Vs. Pay Floating
Total	**18**	**742.37**		

8. Credit default swaps:

The Bank has not entered into any Credit Default Swap transactions.

9. Movements in Non Performing Advances (Funded):

(₹ in crore)

	Particulars	31st March, 2016	31st March, 2015
i.	Net NPAs to Net Advances %	1.06%	0.92%
ii.	Movement of Gross NPAs		
	Gross NPAs as on 1st April (opening balance)	1,237.23	1,059.44
	Additions (Fresh NPAs) during the year/on amalgamation	2,866.06	753.46
	Sub-total (A)	4,103.29	1,812.90
	Less:		
	(i) Upgradations	512.92	229.48
	(ii) Recoveries (excluding recoveries made from upgraded accounts)	463.14	247.41
	(iii) Technical / Prudential Write-offs	189.41	21.77
	(iv) Write-offs other than those under (iii) above	99.71	77.01
	Sub-total (B)	1,265.18	575.67
	Gross NPAs as on 31st March (closing balance) (A-B)	2,838.11	1,237.23
iii.	Movement of Net NPAs		
	a. Opening balance	609.08	573.56
	b. Additions during the year/on amalgamation	1,348.56	370.69
	c. Reductions during the year	(695.68)	(335.17)
	d. Closing balance	1,261.96	609.08
iv.	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a. Opening balance	628.15	485.88
	b. Provisions made during the year/on amalgamation	1,517.50	382.77
	c. Write-off / write-back of excess provisions	(569.50)	(240.50)
	d. Closing balance	1,576.15	628.15

10. Movement of Technical Write-offs and Recoveries:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Opening balance of Technical / Prudential written-off accounts as at 1st April	172.81	229.38
Add: Technical / Prudential write-offs during the year / on amalgamation	592.03	21.77
Sub-Total (A)	764.84	251.15
Less: Recoveries / Reductions made from previously Technical / Prudential written-off accounts during the year (B)	128.34	78.34
Closing Balance as at 31st March (A-B)	**636.50**	**172.81**

11. The Provision Coverage Ratio (PCR) of the Bank after considering technical write-off is 63.68% as at 31st March, 2016 (previous year: 56.80%).

12. Concentration of NPAs:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Total Exposure to top four NPA accounts	573.30	301.23

Above represents Gross NPA and NPI

13. Sector-wise Advances

(₹ in crore)

Sl. No	Sector	31st March, 2016			31st March, 2015		
		Outstanding Total Advances*	Gross NPAs	Percentage of Gross NPAs to Total Advances in that Sector	Outstanding Total Advances*	Gross NPAs	Percentage of Gross NPAs to Total Advances in that Sector
A	**Priority Sector**						
1	Agricultural and Allied Activities	15,693.14	284.01	1.81%	8,411.76	119.43	1.42%
2	Advances to Industries Sector eligible as Priority sector lending	11,242.34	178.24	1.59%	4,624.95	22.04	0.48%
3	Services	13,070.26	128.30	0.98%	7,130.09	124.43	1.75%
4	Personal Loans and others	1,645.70	13.39	0.81%	499.84	2.00	0.40%
	Sub-Total (A)	41,651.44	603.94	1.45%	20,666.64	267.90	1.30%
B	**Non Priority Sector**						
1	Agricultural and Allied Activities	1,395.53	11.76	0.84%	828.63	3.05	0.37%
2	Industry	33,269.02	1,651.96	4.97%	14,185.51	193.62	1.36%
3	Services	28,218.51	426.53	1.51%	26,948.05	712.25	2.64%
4	Personal loans and others	15,746.69	143.92	0.91%	4,166.05	60.41	1.45%
	Sub-Total (B)	78,629.75	2,234.17	2.84%	46,128.24	969.33	2.10%
	Total (A+B)	1,20,281.19	2,838.11	2.36%	66,794.88	1,237.23	1.85%

** Represents Gross Advances*
The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the Management) which has been relied upon by the auditors.

14. Details of Loan Assets subjected to Restructuring:

As at 31st March, 2016

(₹ in crore)

S.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

S.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
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)*

As at 31st March, 2015

(₹ in crore)

Sr. No.	Type of Restructuring		Others				
	Asset Classification		Standard	Sub-standard	Doubtful	Loss	Total
	Details						
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	42	2,007	738	-	2,787
		Amount outstanding	13.60	83.81	29.03	-	126.44
		Provision thereon	3.52	16.90	17.83	-	38.25
1A	Movement in Opening Balances (Recoveries)	No. of borrowers	(8)	(622)	(95)	-	(725)
		Amount outstanding	(5.82)	(6.87)	(4.23)	-	(16.92)
		Provision thereon	0.12	7.26	3.40	-	10.78
2	Fresh Restructuring during the year	No. of borrowers	8	2,564	192	-	2,764
		Amount outstanding	153.41	17.72	1.26	-	172.39
		Provision thereon	2.38	5.72	1.26	-	9.36
3	Upgradations to restructured standard category during the FY	No. of borrowers	11	(6)	(5)	-	-
		Amount outstanding	3.06	(1.34)	(1.72)	-	-
		Provision thereon	-	(0.41)	(1.38)	-	(1.79)
4	Restructured Standard Advances which cease to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	No. of borrowers	(3)	(464)	467	-	-
		Amount outstanding	(0.17)	(74.17)	74.34	-	-
		Provision thereon	-	(22.39)	22.39	-	-
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	(904)	(607)	-	(1,511)
		Amount outstanding	-	(1.25)	(0.95)	-	(2.20)
		Provision thereon	-	(1.25)	(0.95)	-	(2.20)
7	Restructured Accounts as on March 31 of the FY (closing figures*)	No. of borrowers	50	2,575	690	-	3,315
		Amount outstanding	164.08	17.90	97.73	-	279.71
		Provision thereon	6.02	5.83	42.55	-	54.40

* *Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)*

There are no cases restructured on account of CDR mechanism or SME debt restructuring in the previous year.

15. Overseas Assets, NPAs and Revenue:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Total Assets	Nil	Nil
Total NPAs	Nil	Nil
Total Revenue	Nil	Nil

Above does not include assets of overseas representative office.

16.

A. Details of non-performing financial assets purchased:

(₹ in crore)

Particulars		**31st March, 2016**	**31st March, 2015**
(a)	Number of accounts purchased during the year*	9	7
(b)	Aggregate outstanding in the Banks books**	216.36	147.99

* *Retail assets portfolio purchased by the Bank has been considered as single portfolio.*
** *Represents outstanding balance of total non-performing financial assets purchased by the Bank at the Balance Sheet date.*

None of the non-performing financial assets purchased have been restructured during the year (previous year Nil).

There were no non-performing financial assets sold by the Bank during the current year (previous year Nil).

The Bank has not sold any financial assets to Securitisation or Reconstruction Company for asset reconstruction (previous year Nil).

B. Net Book Value of Investments in Security Receipts:

Particulars	**31st March, 2016**	**31st March, 2015**
(i) Backed by NPAs sold by the bank as underlying	198.27	-
(ii) Backed by NPAs sold by other banks / financial institutions / nonbanking financial companies as underlying	202.52	218.08
Total	400.79	218.08

17. There are no unsecured advances for which intangible security such as charge over the rights, licenses, authority, etc. are accepted as collateral by the Bank.

18. Provisions on Standard Assets (including unhedged foreign currency exposure)

(₹ in crore)

Particulars	**31st March, 2016**	**31st March, 2015**
Provisions towards Standard Assets	572.07	316.02

19. Business ratios / information:

Particulars	**31st March, 2016**	**31st March, 2015**
Interest income as a percentage of working funds	9.36%	10.31%
Non interest income as a percentage of working funds	1.49%	2.15%
Operating profit as a percentage of working funds	2.31%	3.18%
Return on assets (average)	1.19%	1.98%
Business (deposit plus advance) per employee (₹ in crore)	7.51	7.05
Profit per employee (₹ in crore)	0.07	0.11
Definitions:		
(A) Working funds is the monthly average of total assets as reported by the Bank's Management to the RBI under Section 27 of the Banking Regulation Act, 1949.		
(B) Operating profit = (Interest Income + Other Income – Interest expenses – Operating expenses).		
(C) Business is monthly average of net advances and deposits as reported to the RBI under section 27 of the Banking Regulation Act, 1949. Interbank deposits are excluded for the purposes of computation of this ratio.		
(D) Productivity ratios are based on average number of employees.		

20. Maturity pattern of certain items of assets and liabilities:

31st March, 2016:

(₹ in crore)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months & upto 6 months	Over 6 months & upto 12 months	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Advances	682.14	3,259.08	3,519.17	3,104.18	12,403.62	7,065.33	9,633.61	51,348.06	11,675.10	15,975.01	1,18,665.30
Investments*	11,913.34	3,801.75	1,104.64	3,209.76	5,790.74	5,078.52	5,887.70	9,193.24	2,110.65	2,844.06	50,934.40
Deposits	1,030.04	8,483.69	8,618.23	5,347.96	18,202.25	25,360.66	20,603.44	41,146.45	9,281.71	568.59	1,38,643.02
Borrowings	231.58	2,337.73	395.41	61.29	7,086.81	2,518.67	3,049.24	3,286.16	156.30	1,852.15	20,975.34
Foreign Currency Assets	719.02	1,188.41	216.70	464.45	2,894.90	1,357.40	372.31	1,388.40	298.67	39.79	8,940.05
Foreign Currency Liabilities	217.29	582.19	993.92	70.88	4,965.34	2,459.17	1,577.12	2,694.24	267.02	318.73	14,145.90

* *Listed equity investments in AFS have been considered at 50% (* ₹ 325.82 crore) *haircut as per RBI directions*

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

31st March, 2015:

(₹ in crore)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 Months	Over 3 months & upto 6 months	Over 6 months & upto 12 months	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Advances	567.17	1,542.75	1,807.43	1,004.37	5,173.59	4,741.80	6,751.49	26,707.53	7,800.35	10,064.23	**66,160.71**
Investments *	5,151.61	2,779.67	849.64	1,072.88	3,316.99	3,308.77	3,535.98	7,764.87	571.99	1,781.61	**30,134.01**
Deposits	528.31	6,009.55	5,354.43	4,456.97	8,901.51	12,341.07	8,163.19	28,024.95	715.56	364.77	**74,860.31**
Borrowings	89.55	2,474.46	737.02	23.16	1,178.01	1,302.20	3,619.60	953.46	243.00	1,529.25	**12,149.71**
Foreign Currency Assets	130.65	403.13	42.79	80.36	612.58	811.00	109.77	522.89	403.73	100.15	**3,217.05**
Foreign Currency Liabilities	124.24	205.97	240.00	15.66	742.42	427.73	2,928.19	2,513.11	399.90	281.25	**7,878.47**

* *Listed equity investments in AFS have been considered at 50%* (₹ 287.08 crore) *haircut as per RBI directions*

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

21. Exposures:

(a) Exposure to Real Estate Sector*:

(₹ in crore)

Particulars			31st March, 2016	31st March, 2015
a)	Direct exposure		19,115.72	13,294.81
	i.	Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Includes Individual housing loans eligible for inclusion in priority sector advances as at 31st March, 2016 ₹ 469.31 crore and as at 31st March, 2015 ₹ 460.88 crore)	7,966.94	5,261.08
	ii.	Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure also includes non-fund based (NFB) limits	11,148.78	8,033.73
	iii	Investments in Mortgage Backed Securities (MBS) and other securitised exposures-	-	-
		- Residential,	-	-
		- Commercial Real Estate	-	-
b)	Indirect Exposure		2,563.44	1,539.85
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		2,563.44	1,539.85
Total Exposure to Real Estate Sector			**21,679.16**	**14,834.66**

* *On limit basis or outstanding basis whichever is higher*

(b) Exposure to Capital Market*:

(₹ in crore)

	Particulars	31st March, 2016	31st March, 2015
i.	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	722.86	628.65
ii.	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	269.48	112.36
iii.	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
iv.	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	353.58	137.46
v.	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	1,762.45	1,312.35
vi.	Loans sanctioned to corporates against the security of	-	-

(₹ in crore)

Particulars	31st March, 2016	31st March, 2016
shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;		
vii. Bridge loans to companies against expected equity flows / issues;	-	-
viii. Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix. Financing to stockbrokers for margin trading;	-	-
x. All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	0.03	0.03
xi. Others (Financial Guarantees)	225.85	70.00
Total Exposure to Capital Market*	**3,334.25**	**2,260.85**

* *On limit basis or outstanding basis whichever is higher*

(c) Risk category wise country exposure:

As per extant RBI guidelines, the country exposure of the Bank is categorised into various risk categories listed in following table. Since the country exposure (net) of the Bank in respect of any country does not exceed 1% of the total funded assets, no provision is required to be maintained on country exposure as on 31st March, 2016. (Nil provision for the year ended 31st March, 2015).

(₹ in crore)

Risk Category	Exposure (net) as at 31st March, 2016	Provision held as at 31st March, 2016	Exposure (net) as at 31st March, 2015	Provision held as at 31st March, 2015
Insignificant	2,261.03	-	1,478.22	-
Low	61.72	-	15.36	-
Moderate	0.02	-	3.82	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	**2,322.77**	**-**	**1,497.40**	**-**

22. Concentration of deposits:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Total deposits of twenty largest depositors	16,447.81	10,874.31
Percentage of deposits of twenty largest depositors to total deposits of the Bank	11.86%	14.53%

23. Concentration of advances*:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Total advances to twenty largest borrowers	21,013.54	17,758.50
Percentage of advances to twenty largest borrowers to total advances of the bank	10.56%	13.41%

* *Advances represents credit exposure including derivatives furnished in Master Circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated July 1, 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.

24. Concentration of exposures**:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Total exposure to twenty largest borrowers/customers	23,609.29	18,357.96
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	11.26%	13.28%

** *Exposures represents credit, derivatives and investment exposure as prescribed in Master Circular on Exposure Norms DBR.No.Dir.BC. 12/13.03.00/2015-16 dated July 1, 2015*

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management) which has been relied upon by the auditors.

25. During the year ended 31st March, 2016 and year ended 31st March, 2015 the Bank has not exceeded the prudential exposure limits as laid down by RBI guidelines for the Single Borrower Limit (SBL)/ Group Borrower Limit (GBL).

26. Provision made for taxes during the year:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Current tax	1,036.12	895.97
Deferred tax	(2.32)	70.95
Wealth Tax	0.14	0.06
Total	**1,033.94**	**966.98**

27. During the year Nil penalty (previous year ₹ 0.10 crore) had been imposed by the Reserve Bank of India in terms of the Section 47 A (1) read with Section 46(4)(i) of the Banking Regulation Act, 1949 for non-compliance of certain RBI instructions.

28. There are no Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms) (previous year Nil).

29. Bancassurance Business:

(₹ in crore)

Sr. No.	Nature of Income	31st March, 2016	31st March, 2015
1.	For selling life insurance policies	132.77	67.48
2.	For selling non life insurance policies	1.71	1.65
3.	For selling mutual fund products	159.29	258.20
4.	Others	-	-

This Income has been reflected under Commission, exchange and brokerage under Other Income

30. Floating Provisions:

(₹ in crore)

Particulars		31st March, 2016	31st March, 2015
(a)	Opening balance in the floating provisions account	Nil	Nil
(b)	The quantum of floating provisions made in the accounting year	Nil	Nil
(c)	Amount of draw down made during the accounting year	Nil	Nil
(d)	Closing Balance in floating provisions account	Nil	Nil

31. Draw Down from Reserves:

In accordance with the RBI requirement on creation and utilisation of Investment reserve in respect of HFT and AFS investments, reserve of ₹ 41.52 crore has been utilised during the year (previous year ₹ 86.65 crore had been created).

32. a) Status of Shareholder Complaints:

		31st March, 2016	31st March, 2015
(a)	No. of complaints pending at the beginning of the year	0	2
(b)	No. of complaints received during the year	35	32
(c)	No. of complaints redressed during the year	35	34
(d)	No. of complaints pending at the end of the year	0	0

b) **Status of Customer Complaints**:

		31st March, 2016	31st March, 2015
(a)	No. of complaints pending at the beginning of the year	53	91
(b)	No. of complaints received during the year/on amalgamation	6,678	2,763
(c)	No. of complaints redressed during the year	6,438	2,801
(d)	No. of complaints pending at the end of the year	293	53

c) **Status of Awards passed by the Banking Ombudsman:**

		31st March, 2016	31st March, 2015
(a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
(b)	No. of Awards passed by the Banking Ombudsman during the year	Nil	Nil
(c)	No. of Awards implemented during the year	Nil	Nil
(d)	No. of unimplemented Awards at the end of the year	Nil	Nil

The above details are as furnished by the Management and relied upon by the auditors.

33. There are no outstanding letter of awareness (previous year Nil).

34. DISCLOSURES ON REMUNERATION

A. Qualitative Disclosures:

a) Information relating to the composition and mandate of the Remuneration Committee:

The Nomination & Remuneration committee comprises of independent directors of the Bank. Key mandate of the Nomination & Remuneration committee is to oversee the overall design and operation of the compensation policy of the Bank and work in coordination with the Risk Management Committee to achieve alignment between risks and remuneration.

b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:

Objective of Banks' Compensation Policy is:

- To maintain fair, consistent and equitable compensation practices in alignment with Bank's core values and strategic business goals;
- To ensure effective governance of compensation and alignment of compensation practices with prudent risk taking;
- To have mechanisms in place for effective supervisory oversight and Board engagement in compensation

The remuneration process is aligned to the Bank's Compensation Policy objectives.

c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks:

In order to manage current and future risk and allow a fair amount of time to measure and review both quality and quantity of the delivered outcomes, a significant portion of senior and middle management compensation is variable. Further reasonable portion variable compensation is non- cash and deferred, over a period of 3 years or longer.

In addition, remuneration process provides for 'malus' and 'clawback' option to take care of any disciplinary issue or future drop in performance of individual/ business/ company.

d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:

Individual performances are assessed in line with business/ individual delivery of the Key Result Areas (KRAs), top priorities of business, budgets etc. KRAs of Line roles are linked to financials, people, service and process (Quality) parameters and KRAs of non-Line Roles have linkage to functional deliveries needed to achieve the top business priorities.

Further remuneration process is also linked to market salaries / job levels, business budgets and achievement of individual KRAs.

e) A discussion of the banks' policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:

A discussion on Policy on Deferral of Remuneration

Employees are classified into following three categories for the purpose of remuneration:

Category I: Whole Time Directors (WTD)/Chief Executive Officer (CEO)

Category II: Risk Control and Compliance Staff

Category III: Other Categories of Staff

Following principles are applied for deferral / vesting of variable remuneration in accordance with RBI guidelines and Bank's compensation policy:

Category I

a. Variable Pay will not exceed 70% of Fixed Pay.
b. The Cash component of the Variable Pay will not exceed 50% of the Fixed Pay.
c. If Variable Pay is higher than 50% of Fixed Pay, at least 40% of Variable Pay will be deferred over a period of 3 years, or longer, 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.
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, 2016 5 meetings of Nomination and Remuneration committee was held. Each Member of the Nomination and Remuneration committee is paid a sitting fee of ₹ 30,000 per meeting.

b) Number of employees having received a variable remuneration award during the financial year.

Quantitative disclosure restricted to CEO, two Whole Time Directors and six Operating Management committee members as risk takers.

c) Number and total amount of sign-on awards made during the financial year.

Nil (previous year Nil)

d) Details of guaranteed bonus, if any, paid as joining / sign on bonus.

Nil (previous year Nil)

e) Details of severance pay, in addition to accrued benefits, if any.

Nil (previous year Nil)

f) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms

Cash – Nil

Outstanding SARs as at 31st March, 2016 – 128,696 rights (previous year 100,614 rights)

Outstanding ESOPs as at 31st March, 2016 – 891,694 equity shares (previous year 644,816 equity shares)

g) Total amount of deferred remuneration paid out in the financial year.

Payment towards SARs during year ended 31st March, 2016 ₹ 6.29 crore (previous year ₹ 7.86 crore)

h) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.

Total fixed salary for the year ended 31st March, 2016 - ₹ 18.75 crore (previous year ₹ 17.12 crore)

Deferred Variable Pay*

SARs – 35,370 rights (previous year 44,290 rights)

ESOPs – 145,660 equity shares (previous year 207,850 equity shares)

Non Deferred variable pay* ₹ 4.02 crore (previous year ₹ 3.43 crore)

** Details relating to variable pay pertains to remuneration awards for the financial year 2014-15 awarded during current financial year. Remuneration award for the year ended 31st March, 2016 are yet to be reviewed and approved by the remuneration committee*

i) **Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments**. – Nil

j) **Total amount of reductions during the financial year due to ex- post explicit adjustments.** – Nil

k) **Total amount of reductions during the financial year due to ex- post implicit adjustments.** – Nil

35. Intra – Group Exposures

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
(a) Total amount of intra-group exposures	3,490.25	2,586.95
(b) Total amount of top-20 intra-group exposures	3,490.25	2,586.95
(c) Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	1.47%	1.87%
(d) Details of breach of limits on intra-group exposures and regulatory action thereon, if any.	NA	NA

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the Management) which has been relied upon by the auditors.

The intra-group exposure includes equity exposure towards insurance and other entities as per RBI guidelines.

36. Transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Opening balance of amounts transferred to DEAF	2.42	-
Add: Amounts transferred to DEAF during the year/on Amalgamation	111.62	2.44
Less: Amounts reimbursed by DEAF towards claim	-	0.02
Closing balance of amounts transferred to DEAF	114.04	2.42

37. Unhedged Foreign Currency Exposure of borrowers:

The bank recognises the importance of the risk of adverse fluctuation of foreign exchange rates on the profitability and financial position of borrowers who are exposed to currency risk. Currency induced credit risk refers to the risk of inability of borrowers to service their debt obligations due to adverse movement in the exchange rates and corresponding increase/decrease in their book values of trade payables, loan payables, trade receivables, etc. thereby exposing the Bank to risk of default by the borrower. In this regard, the Bank had put in place requisite policies & processes for monitoring and mitigation of currency induced credit risk of borrowers. These include the following:

(a) Currency risk of borrowers on account of un-hedged foreign currency exposures ("UFCE") is duly considered and analysed in credit appraisal notes.

(b) Periodic monitoring of un-hedged foreign currency exposures of borrowers.

(c) Risk classification of borrowers having un-hedged foreign currency exposures, into Low Medium / High, as per internal norms, based on likely loss / EBID ratio. Likely loss means the potential loss which can be caused over a one year horizon by adverse movement of exchange rates.

(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 31 March 2016 is ₹ 60.00 crore. (Previous year ₹ 17.82 crore). Incremental Risk weighted Assets value considered for the purpose of CRAR calculation in respect of currency induced credit risk as at 31 March 2016 is ₹ 1,863.65 crore (Previous year ₹ 357.17).

38. a) Liquidity Coverage Ratio

			Average Q4 2015-2016		**Average Q3 2015-2016**		**Average Q2 2015-2016**		**Average Q1 2015-2016**		**Average Q4 2014-2015**	
			Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets												
1		Total High Quality Liquid Assets (HQLA)		27,862		23,357		21,476		21,350		13,251
Cash Outflows												
2		Retail deposits and deposits from small business customers, of which:										
	(i)	Stable deposits	9,800	490	9,442	472	9,026	451	8,620	431	5,328	266
	(ii)	Less stable deposits	57,828	5,783	55,020	5,502	52,304	5,230	48,317	4,832	28,591	2,859
3		Unsecured wholesale funding, of which										
	(i)	Operational deposits (all counterparties)	0	0	0	0	4,059	1,008	2,603	646	13,463	3,364
	(ii)	Non-operational deposits (all counterparties)	48,883	28,301	42,004	24,036	37,244	22,739	37,240	21,654	16,241	9,252
	(iii)	Unsecured debt	2,838	2,838	5,364	5,364	4,576	4,576	5,544	5,544	3,353	3,353
4		Secured wholesale funding	0	0		0		0		0		0
5		Additional requirements, of which										
	(i)	Outflows related to derivative exposures and other collateral requirements	8,325	8,325	7,811	7,811	7,717	7,717	11,561	11,561	4,781	4,781
	(ii)	Outflows related to loss of funding on debt products										

			Average Q4 2015-2016		**Average Q3 2015-2016**		**Average Q2 2015-2016**		**Average Q1 2015-2016**		**Average Q4 2014-2015**	
			Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	(iii)	Credit and liquidity facilities	3,067	395	3,436	494	3,976	592	3,438	616	1,157	236
6	Other contractual funding obligations		2,612	2,612	2,328	2,328	2,269	2,269	1,641	1,641	2,169	2,169
7	Other contingent funding obligations		54,938	2,300	51,691	2,585	50,085	2,504	48,047	2,402	23,141	1,158
8	Total Cash Outflows			51,044		48,592		47,086		49,327		27,438
Cash Inflows												
9	Secured lending (e.g. reverse repos)		3,431		2,985	0	2,236	0	3,444	0	507	
10	Inflows from fully performing exposures		18,613	14,727	16,964	13,414	17,033	13,344	20,920	17,021	9,984	7,826
11	Other cash inflows		964	482	1,196	598	697	348	1,019	509	1,050	525
12	Total Cash Inflows		19,577	15,209	21,145	14,012	19,966	13,692	25,383	17,530	11,541	8,351
				Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
21	TOTAL HQLA			27,862		23,357		21,476		21,350		13,251
22	Total Net Cash Outflows			35,835		34,580		33,394		31,797		19,087
23	Liquidity Coverage Ratio (%)			77.75%		67.54%		64.31%		67.15%		69.42%

Note: LCR for the quarter end March 2015 had been computed based on the guidelines applicable at that point in time. Subsequently there have been amendments in RBI guidelines w.e.f. April 2015. Hence, the previous year end numbers are not comparable with current financial year.

38. b) Qualitative disclosure around LCR

The Reserve Bank of India has prescribed monitoring of sufficiency of Bank's liquid assets using Basel III – Liquidity Coverage Ratio (LCR). The LCR is aimed at measuring and promoting short-term resilience of Banks to potential liquidity disruptions by ensuring maintenance of sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days.

The LCR requirement has been introduced in a phased manner with banks required to maintain minimum LCR of 60% till Dec 2015 and 70% from Jan 2016 onwards. The requirement will be increasing by 10% annually to 100% by Jan 2019.

The ratio comprises of high quality liquid assets (HQLAs) as numerator and net cash outflows in 30 days as denominator. HQLA has been divided into two parts i.e. Level 1 HQLA which comprises primarily of cash, excess CRR, SLR securities in excess of minimum SLR requirement and a portion of mandatory SLR as permitted by RBI (under MSF and FALLCR) and Level 2 HQLA which comprises of investments in highly rated non-financial corporate bonds and listed equity investments considered at prescribed haircuts. Cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in.

The Bank has implemented the LCR framework and has consistently maintained LCR well above the regulatory threshold. The average LCR for the quarter ended 31st March, 2016 was 77.75% which is above the regulatory limit of 70%. For the quarter ended 31st March, 2016 Level 1 HQLA stood at 88.38% (24,625 crs) of the total HQLA.

LCR is expected to bring in more funding stability due to severe run-off factors on wholesale funding but at the same time it has increased the liquidity cost due to maintenance of high quality liquid assets. Apart from LCR, Bank uses various stock liquidity indicators to measure and monitor the liquidity risk in terms of funding stability, concentration risk, dependence on market borrowings, liquidity transformation, etc. The Bank maintains a diversified source of funding in terms of depositor concentration, lender concentration as well as instrument concentration. This is evident through low depositor and lender concentration with top 20 depositors contributing 11.9% of Bank's total deposits and top 10 lenders contributing 7.2% of Bank's total liabilities.

Asset Liability Committee (ALCO) of the Bank is the primary governing body for Liquidity Risk Management supported by Balance Sheet Management Unit (BMU), Risk Management Department (RMD), Finance and ALCO Support Group. BMU is the central repository of funds within the Bank and is vested with the responsibility of managing liquidity risk within the risk appetite of the Bank. Bank has incorporated Basel III Liquidity Standards - LCR and NSFR as part of its risk appetite statement for liquidity risk.

39. Frauds

The Bank has reported 114 cases of fraud during the financial year ended 31st March 2016 amounting to Rs. 44.94 crore. The Bank has recovered/expensed off/provided the entire amount where necessary.

C. OTHER DISCLOSURES:

1. Earnings per Equity Share:

Particulars	31st March, 2016	31st March, 2015
Reconciliation between weighted shares used in the computation of basic and diluted earnings per share		
Weighted average number of equity shares used in computation of basic earnings per share	1,829,184,376	1,542,280,318
Effect of potential equity shares for stock options outstanding	4,134,235	3,708,032
Weighted average number of equity shares used in computation of diluted earnings per share	1,833,318,611	1,545,988,350
Following is the reconciliation between basic and diluted earnings per share		
Nominal value per share	5.00	5.00
Basic earnings per share	11.42	12.10
Effect of potential equity shares for stock options	0.02	0.03
Diluted earnings per share	11.40	12.07
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	2,089.78	1,865.98

Following the approval of the shareholders at the annual general meeting on 29th June, 2015, a committee of the Board of Directors at the meeting held on 10th July, 2015, allotted bonus shares in the ratio of one equity share for every equity share held. In accordance with Accounting Standard 20 (AS20), Earnings Per Share issued by the Institute of Chartered Accountants of India (ICAI), the earnings per share for the previous year ended 31st March, 2015 have been reworked, as if the bonus shares were in existence during the said period.

2. Segment Reporting:

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

(₹ in crore)

		31st March, 2016	31st March, 2015
1.	**Segment Revenue**		
	a. Treasury, BMU and Corporate Centre	4,424.45	2,735.45
	b. Corporate / Wholesale Banking	6,825.36	4,438.80
	c. Retail Banking	9,345.42	8,193.53
	d. Other Banking business	-	-
	Sub-total	**20,595.23**	**15,367.78**
	Less : Inter-segmental revenue	1,598.81	3,625.55
	Add : Unallocated Income	-	6.09
	Total	**18,996.42**	**11,748.32**
2.	**Segment Results**		
	a. Treasury, BMU and Corporate Centre	176.75	467.75
	b. Corporate / Wholesale Banking	2,030.39	1,402.11
	c. Retail Banking	916.60	957.01
	d. Other Banking business	-	-
	Sub-total	**3,123.74**	**2,826.87**

(₹ in crore)

		31st March, 2016	31st March, 2015
	Add : Unallocated Income	(0.02)	6.09
	Total Profit Before Tax	**3,123.72**	**2,832.96**
	Provision for Tax	1,033.94	966.98
	Total Profit After Tax	**2,089.78**	**1,865.98**
3.	**Segment Assets**		
	a. Treasury, BMU and Corporate Centre	71,791.18	37,656.08
	b. Corporate / Wholesale Banking	66,331.50	38,386.95
	c. Retail Banking	119,417.46	79,499.40
	d. Other Banking business	-	-
	Sub-total	**257,540.14**	**155,542.43**
	Less : Inter-segmental Assets	65,811.46	49,599.62
	Total	**191,728.68**	**105,942.81**
	Add : Unallocated Assets	531.11	69.27
	Total Assets as per Balance Sheet	**192,259.79**	**106,012.08**
4.	**Segment Liabilities**		
	a. Treasury, BMU and Corporate Centre	68,635.96	33,953.33
	b. Corporate / Wholesale Banking	56,139.58	33,458.01
	c. Retail Banking	109,222.85	73,859.51
	d. Other Banking business	-	-
	Sub-total	**233,998.39**	**141,270.85**
	Less : Inter-segmental Liabilities	65,811.46	49,599.62
	Total	**168,186.93**	**91,671.23**
	Add : Unallocated liabilities	113.80	199.76
	Add : Share Capital & Reserves & surplus	23,959.06	14,141.09
	Total Liabilities as per Balance Sheet	**192,259.79**	**106,012.08**
5.	**Capital Expenditure**		
	a. Treasury, BMU and Corporate Centre	52.48	157.78
	b. Corporate / Wholesale Banking	12.53	16.69
	c. Retail Banking	169.88	124.63
	d. Other Banking business	-	-
	Total	**234.89**	**299.10**
6.	**Depreciation / Amortisation**		
	a. Treasury, BMU and Corporate Centre	129.69	76.58
	b. Corporate / Wholesale Banking	13.18	10.48
	c. Retail Banking	144.51	105.94
	d. Other Banking business	-	-
	Total	**287.38**	**193.00**

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

3. Lease Discloures:

a. The Bank has taken various premises and equipment under operating lease. The lease payments recognised in the Profit and Loss Account are ₹ 403.26 crore (previous year ₹ 266.41 crore). The sub-lease income recognised in the Profit and Loss Account is ₹ 7.13 crore (previous year ₹ 6.65 crore).

b. The future minimum lease payments under non-cancellable operating lease – not later than one year is ₹ 360.14 crore (previous year ₹ 242.99 crore), later than one year but not later than five years is ₹ 1,056.90 crore (previous year ₹ 722.54 crore) and later than five years ₹ 899.84 crore (previous year ₹ 674.31 crore).

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

4. Deferred Taxes:

"Others" in Other Assets (Schedule 11 (VI)) includes deferred tax asset (net) of ₹ 183.85 crore (previous year ₹ 69.28 crore). The components of the same are as follows:

(₹ in crore)

Particulars of Asset/ (Liability)	**31st March, 2016**	**31st March, 2015**
Provision for NPA and general provision on standard assets	277.79	67.91
Expenditure allowed on payment basis	32.03	65.35
Depreciation	(13.74)	(7.71)
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	(112.23)	(56.27)
Net Deferred Tax Asset	183.85	69.28

5. Credit card reward points:

The following table sets forth, for the periods indicated, movement in provision for credit card account reward points

(₹ in crore)

Particulars	**31st March, 2016**	**31st March, 2015**
Opening provision for reward points	2.64	1.59
Provision for reward points made during the year	9.25	4.39
Utilisation/write-back of provision for reward points	(6.91)	(3.34)
Closing provision for reward points*	4.98	2.64

** The closing provision is based on the actuarial valuation of accumulated credit card account reward points. This amount will be utilised towards redemption of the credit card accounts reward points.*

6. Fixed Assets as per Schedule 10 B include intangible assets relating to purchased software and system development expenditure which are as follows **:**

(₹ in crore)

Particulars	**31st March, 2016**	**31st March, 2015**
Gross Block		
At cost on 31st March of the preceding year	192.95	175.82
Additions during the year/on amalgamation	239.65	17.13
Deductions during the year	2.57	-
Total	**430.03**	**192.95**
Depreciation / Amortisation		
As at 31st March of the preceding year	162.31	137.03
Charge for the year/on amalgamation	202.24	25.28
Deductions during the year	0.89	-
Depreciation to date	**363.66**	**162.31**
Net Block	**66.37**	**30.64**

7. Related Party Disclosures :

A. Parties where control exists:

Nature of relationship	Related Party
Subsidiary Companies	Kotak Mahindra Prime Limited Kotak Securities Limited Kotak Mahindra Capital Company Limited Kotak Mahindra Old Mutual Life Insurance Limited Kotak Mahindra Investments Limited Kotak Mahindra Asset Management Company Limited Kotak Mahindra Trustee Company Limited Kotak Mahindra (International) Limited Kotak Mahindra (UK) Limited Kotak Mahindra Inc. Kotak Investment Advisors Limited Kotak Mahindra Trusteeship Services Limited Kotak Forex Brokerage Limited Kotak Mahindra Pension Fund Limited Kotak Mahindra Financial Services Limited Kotak Mahindra Asset Management (Singapore) Pte. Ltd. Kotak Mahindra General Insurance Limited (Incorporated on 20th Dec, 2014) IVY Product Intermediaries Limited (formerly known as ING Vysya Financial Services Limited)

B. Other Related Parties:

Nature of Relationship	Related Party
Individual having Significant Influence over the enterprise	Mr. Uday S. Kotak along with relatives and enterprises in which he has beneficial interest holds 33.64% of the equity share capital of Kotak Mahindra Bank Limited as on 31st March, 2016
Associates / Others	ACE Derivatives and Commodity Exchange Limited. Infina Finance Private Limited Matrix Business Services India Private Limited Phoenix ARC Private Limited Kotak Education Foundation ING Vysya Foundation
Key Management Personnel (KMP)	Mr. Uday S. Kotak, Executive Vice Chairman and Managing Director Mr. C Jayaram, Joint Managing Director Mr. Dipak Gupta, Joint Managing Director
Enterprises over which KMP / relatives of KMP have control / Significant Influence	Aero Agencies Limited Kotak & Company Private Limited Komaf Financial Services Limited Asian Machinery & Equipment Private Limited. Insurekot Sports Private Limited Kotak Trustee Company Private Limited Cumulus Trading Company Private Limited Palko Properties Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Limited Kotak Commodity Services Limited Harisiddha Trading and Finance Private Limited Puma Properties Private Limited Business Standard Private Limited Business Standard Online Limited (From 27th March, 2015) Allied Auto Accessories Private Limited Uday S Kotak HUF Suresh A Kotak HUF USK Benefit Trust II

Relatives of Key Management Personnel	Ms. Pallavi Kotak Mr. Suresh Kotak Ms. Indira Kotak Mr. Jay Kotak Mr. Dhawal Kotak Ms. Aarti Chandaria Ms. Anita Gupta Ms. Urmila Gupta Mr. Arnav Gupta Mr. Parthav Gupta Mr. Prabhat Gupta Ms. Jyoti Banga Ms. Usha Jayaram Mr. K. Madhavan Kutty Mr. Vivek Menon Ms. Nayantara Menon Mehta

₹ in crore

Items/Related Party	Subsidiary Companies	Associates / Others	Key Manage-ment Personnel	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of Key Manage-ment Personnel	Total
Liabilities						
Deposits	2,694.26	303.17	55.82	436.05	11.43	3,500.73
	(2,016.85)	(231.37)	(26.17)	(218.81)	(10.44)	(2,503.64)
Interest Payable	22.14	2.45	0.41	2.52	0.10	27.62
	(19.47)	(1.78)	(0.42)	(2.06)	(0.18)	(23.91)
Other Liabilities	7.49	#	-	0.01	-	7.50
	(2.23)	(-)	(-)	(-)	(-)	(2.23)
Assets						
Advances	60.00	-	-	-	-	60.00
	(12.60)	(-)	(-)	(-)	(-)	(12.60)
Investments-Gross	1,412.61	33.88	-	#	-	1,446.49
	(1,072.95)	(33.88)	(-)	(#)	(-)	(1,106.83)
Diminution on Investments	2.28	29.82	-	#	-	32.10
	(2.28)	(27.64)	(-)	(#)	(-)	(29.92)
Commission Receivable	24.14	-	-	-	-	24.14
	(15.12)	-	(-)	(-)	(-)	(15.12)
Others	45.95	0.12	-	0.19	-	46.26
	(30.55)	(0.10)	(-)	(-)	(-)	(30.65)
Expenses						
Salaries/fees (Include ESOP)	-	-	10.98	-	-	10.98
	(-)	(-)	(9.48)	(-)	(-)	(9.48)
Interest Paid	214.69	28.68	4.93	28.10	0.90	277.30
	(179.64)	(27.84)	(1.70)	(11.96)	(0.47)	(221.61)
Others	15.07	10.03	-	4.27	-	29.37
	(42.45)	(6.04)	-	(3.19)	(-)	(51.68)
Income						
Dividend	3.86	-	-	-	-	3.86
	(4.95)	(-)	(-)	(-)	(-)	(4.95)
Interest Received	52.24	-	-	-	-	52.24
	(50.79)	(-)	(-)	(-)	(-)	(50.79)
Others	241.16	0.76	-	0.89	-	242.81
	(156.89)	(0.75)	(-)	(0.84)	(-)	(158.48)
Other Transactions						
Sale of investment	1,431.17	-	-	-	-	1,431.17
	(1,469.48)	(-)	(-)	(-)	(-)	(1,469.48)

						₹ in crore
Items/Related Party	**Subsidiary Companies**	**Associates / Others**	**Key Manage -ment Person nel**	**Enterprise over which KMP/Relative of KMP have control / significant influence**	**Relatives of Key Manage- ment Personnel**	**Total**
Purchase of Investment	1,394.80	-	-	-	-	1,394.80
	(346.59)	(1.59)	(-)	(-)	(-)	(348.18)
Loan disbursed during the year	60.00	-	-	-	-	60.00
	(-)	(30.00)	(-)	(-)	(-)	(30.00)
Loan repaid during the year	-	-	-	-	-	-
	(-)	(30.00)	(-)	(-)	(-)	(30.00)
Dividend paid	-	-	27.69	#	0.17	27.86
	(-)	(-)	(24.60)	(-)	(0.16)	(24.76)
Reimbursement to companies	16.50	0.19	-	0.44	-	17.13
	(14.38)	(0.19)	(-)	(0.39)	(-)	(14.96)
Reimbursement from companies	100.02	0.33	-	-	-	100.35
	(91.55)	(0.71)	(-)	(-)	(-)	(92.26)
Purchase of Fixed assets	0.02	-	-	-	-	0.02
	(0.54)					(0.54)
Sale of Fixed assets	0.68	-	-	-	-	0.68
	(0.61)	(0.20)	(-)	(-)	(-)	(0.81)
Swaps/Forward/ options contracts	0.05	-	-	-	-	0.05
	(-)	(-)	(-)	(-)	(-)	(-)
Guarantees/Lines of credit	100.10	-	-	1.00	-	101.10
	(0.10)	(2.13)	(-)	(-)	(-)	(2.23)
I. Liabilities:						
Other liabilities						
Other Payable						
Kotak Mahindra Prime Limited	1.02	-	-	-	-	1.02
	(0.10)	(-)	(-)	(-)	(-)	(0.10)
Kotak Mahindra Investments Limited	0.04	-	-	-	-	0.04
	(0.38)	(-)	(-)	(-)	(-)	(0.38)
Kotak Securities Ltd	5.88	-	-	-	-	5.88
	(0.61)	(-)	(-)	(-)	(-)	(0.61)
Others	0.55	#	-	0.01	-	0.56
	(1.14)	-	(-)	-	(-)	(1.14)
II. Assets:						
Investments						
Kotak Mahindra Old Mutual Life Insurance Limited	260.25	-	-	-	-	260.25
	(260.25)	(-)	(-)	(-)	(-)	(260.25)
Kotak Mahindra Prime Limited	646.00	-	-	-	-	646.00
	(526.78)	(-)	(-)	(-)	(-)	(526.78)
Kotak Mahindra Capital Company Limited	65.14	-	-	-	-	65.14
	(65.14)	(-)	(-)	(-)	(-)	(65.14)
Kotak Mahindra Investments Limited	238.03	-	-	-	-	238.03
	(168.03)	(-)	(-)	(-)	(-)	(168.03)
Kotak Mahindra General	135.00	-	-	-	-	135.00

Kotak Mahindra Bank Ltd.
Schedules forming part of the Balance Sheet and Profit and Loss Account
Schedule 18 – Notes to Accounts

						₹ in crore
Items/Related Party	**Subsidiary Companies**	**Associates / Others**	**Key Manage-ment Person nel**	**Enterprise over which KMP/Relative of KMP have control / significant influence**	**Relatives of Key Manage-ment Personnel**	**Total**
Insurance Limited						
	(1.05)	(-)	(-)	(-)	(-)	(1.05)
Others	68.19	-	-	#	-	68.19
	(51.70)	(-)	(-)	(#)	(-)	(51.70)
ACE Derivatives and Commodity Exchange Limited	-	33.88	-	-	-	33.88
	(-)	(33.88)	(-)	(-)	(-)	(33.88)
						-
Diminution on Investments						
Kotak Forex Brokerage Limited	2.28	-	-	-	-	2.28
	(2.28)	(-)	(-)	(-)	(-)	(2.28)
ACE Derivatives and Commodity Exchange Limited		29.82	-	-	-	29.82
	(-)	(27.64)	(-)	(-)	(-)	(27.64)
Others	-	-	-	#	-	#
	(-)	(-)	(-)	(#)	(-)	(#)
Commission Receivable						
Kotak Mahindra Old Mutual Life Insurance Limited	24.05	-	-	-	-	24.05
	(15.12)	(-)	(-)	(-)	(-)	(15.12)
Kotak Mahindra General Insurance Limited	0.09	-	-	-	-	0.09
	(-)	(-)	(-)	(-)	(-)	(-)
Others Receivable						
Kotak Mahindra Prime Limited	21.28	-	-	-	-	21.28
	(26.36)	(-)	(-)	(-)	(-)	(26.36)
Kotak Securities Limited	1.28	-	-	-	-	1.28
	(0.93)	(-)	(-)	(-)	(-)	(0.93)
Kotak Investment Advisors Ltd	14.04	-	-	-	-	14.04
	(0.19)	(-)	(-)	(-)	(-)	(0.19)
Kotak Mahindra Old Mutual Life Insurance Limited	5.46	-	-	-	-	5.46
	(1.09)	(-)	(-)	(-)	(-)	(1.09)
Others	3.89	0.12	-	0.19	-	4.20
	(1.98)	(0.10)	(-)	(-)	(-)	(2.08)
III. Expenses:						
Salaries/fees(Include ESOP)						
Mr. Uday Kotak	-	-	2.70	-	-	2.70
	(-)	(-)	(2.47)	(-)	(-)	(2.47)
Mr. C Jayaram	-	-	4.14	-	-	4.14
	(-)	(-)	(3.00)	(-)	(-)	(3.00)
Mr. Dipak Gupta	-	-	4.14	-	-	4.14
	(-)	(-)	(4.01)	(-)	(-)	(4.01)

						₹ in crore
Items/Related Party	**Subsidiary Companies**	**Associates / Others**	**Key Manage-ment Person nel**	**Enterprise over which KMP/Relative of KMP have control / significant influence**	**Relatives of Key Manage-ment Personnel**	**Total**
Other Expenses						
Brokerage						
Kotak Securities Limited	0.25	-	-	-	-	0.25
	(0.64)	(-)	(-)	(-)	(-)	(0.64)
Kotak Mahindra Financial Services Limited	-	-	-	-	-	-
	(7.90)	(-)	(-)	(-)	(-)	(7.90)
Kotak Forex Brokerage Limited	0.08	-	-	-	-	0.08
	-	(-)	(-)	(-)	(-)	-
Premium						
Kotak Mahindra Old Mutual Life Insurance Limited	2.58	-	-	-	-	2.58
	(1.25)	(-)	(-)	(-)	(-)	(1.25)
Kotak Mahindra General Insurance Limited	0.07	-	-	-	-	0.07
	-	(-)	(-)	(-)	(-)	-
Donations						
Kotak Education Foundation	-	9.64	-	-	-	9.64
		(5.63)				(5.63)
Others						
Kotak Mahindra Prime Limited	1.25	-	-	-	-	1.25
	(1.10)	(-)	(-)	(-)	(-)	(1.10)
Kotak Mahindra Capital Company Limited	-	-	-	-	-	-
	(31.50)	(-)	(-)	(-)	(-)	(31.50)
Aero Agencies Limited	-	-	-	4.27	-	4.27
	(-)	(-)	(-)	(3.18)	(-)	(3.18)
Kotak & Company Limited	-	-	-	#	-	#
	(-)	(-)	(-)	(0.01)	(-)	(0.01)
Kotak Mahindra Trusteeship Services Limited	0.02	-	-	-	-	0.02
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Financial Services Limited	4.63	-	-	-	-	4.63
	(-)	(-)	(-)	(-)	(-)	(-)
IVY Product Intermediaries Limited	6.19	-	-	-	-	6.19
	NA	(-)	(-)	(-)	(-)	NA
Others	#	0.39	-	-	-	0.39
	(0.06)	(0.41)	(-)	(-)	(-)	(0.47)

						₹ in crore
Items/Related Party	**Subsidiary Companies**	**Associates / Others**	**Key Manage -ment Person nel**	**Enterprise over which KMP/Relative of KMP have control / significant influence**	**Relatives of Key Manage- ment Personnel**	**Total**
IV. Income:						
Dividend						
Kotak Mahindra Asset Management Company Limited	-	-	-	-	-	-
	(4.95)	(-)	(-)	(-)	(-)	(4.95)
Kotak Mahindra Trustee Co Ltd	3.75	-	-	-	-	3.75
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Prime Limited	0.11	-	-	-	-	0.11
	(-)	(-)	(-)	(-)	(-)	(-)
Other Income						
Kotak Mahindra Old Mutual Life Insurance Limited	**140.98**	-	-	-	-	140.98
	(81.73)	(-)	(-)	(-)	(-)	(81.73)
Kotak Mahindra General Insurance Limited	**1.11**	-	-	-	-	1.11
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Securities Limited	**18.96**	-	-	-	-	18.96
	(19.15)	(-)	(-)	(-)	(-)	(19.15)
Kotak Mahindra Capital Company Limited	**12.33**	-	-	-	-	12.33
	(10.48)	(-)	(-)	(-)	(-)	(10.48)
Kotak Mahindra Asset Management Company Limited	**20.08**	-	-	-	-	20.08
	(14.95)	(-)	(-)	(-)	(-)	(14.95)
Kotak Mahindra Prime Limited	**14.74**	-	-	-	-	14.74
	(12.87)	(-)	(-)	(-)	(-)	(12.87)
Kotak Investment Advisors Ltd	**22.13**	-	-	-	-	22.13
	(9.13)	(-)	(-)	(-)	(-)	(9.13)
Others	**10.83**	**0.76**	#	**0.89**	-	12.48
	(8.58)	(0.75)	(-)	(0.84)	(-)	(10.17)
V. Other Transactions:						
Sale of Investment						
Kotak Mahindra Old Mutual Life Insurance Ltd.	283.00	-	-	-	-	283.00
	(1,224.61)	(-)	(-)	(-)	(-)	(1,224.61)
Kotak Mahindra Prime Limited	150.11	-	-	-	-	150.11
	(225.00)	(-)	(-)	(-)	(-)	(225.00)
Kotak Mahindra Investments Limited	906.78	-	-	-	-	906.78
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Securities Limited	91.28	-	-	-	-	91.28
	(19.87)	(-)	(-)	(-)	(-)	(19.87)
Purchase of Investments						
Kotak Mahindra Old	135.19	-	-	-	-	135.19

₹ in crore

Items/Related Party	Subsidiary Companies	Associates / Others	Key Manage -ment Person nel	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of Key Manage- ment Personnel	Total
Mutual Life Insurance Ltd.						
	(46.61)	(-)	(-)	(-)	(-)	(46.61)
Kotak Mahindra Prime Limited	313.95	-	-	-	-	313.95
	(225.00)	(-)	(-)	(-)	(-)	(225.00)
Kotak Mahindra InvestmentsLimited	806.71	-	-	-	-	806.71
	(74.98)	(-)	(-)	(-)	(-)	(74.98)
Kotak Mahindra Trusteeship Services Limited	5.00	-	-	-	-	5.00
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra General Insurance Limited	133.95	-	-	-	-	133.95
	(-)	(-)	(-)	(-)	(-)	(-)
ACE Derivatives and Commodity Exchange Limited	-	-	-	-	-	-
	(-)	(1.59)	(-)	(-)	(-)	(1.59)
Loan Disbursed during the year	-	-	-	-	-	-
Kotak Mahindra Prime Limited	60.00	-	-	-	-	60.00
	(-)	(-)	(-)	(-)	(-)	(-)
Phoenix A R C Private Limited	-	-	-	-	-	-
	(-)	(30.00)	(-)	(-)	(-)	(30.00)
Loan Repaid during the year						
Phoenix A R C Private Limited	-	-	-	-	-	-
	(-)	(30.00)	(-)	(-)	(-)	(30.00)
Dividend paid						
Mr. Uday Kotak	-	-	27.56	-	-	27.56
	(-)	(-)	(24.50)	(-)	(-)	(24.50)
Mr. C.Jayaram	-	-	0.06	-	-	0.06
	(-)	(-)	(0.05)	(-)	(-)	(0.05)
Mr. Dipak Gupta	-	-	0.07	-	-	0.07
	(-)	(-)	(0.05)	(-)	(-)	(0.05)
Ms. Pallavi Kotak	-	-	-	-	0.05	0.05
	(-)	(-)	(-)	(-)	(0.04)	(0.04)
Ms. Indira Kotak	-	-	-	-	0.11	0.11
	(-)	(-)	(-)	(-)	(0.10)	(0.10)
Others	-	-	-	#	0.01	0.01
	(-)	(-)	(-)	(-)	(0.02)	(0.02)
Reimbursements to companies						
Kotak Mahindra Capital Company Limited	2.13	-	-	-	-	2.13
	(2.45)	(-)	(-)	(-)	(-)	(2.45)
Kotak Mahindra Prime Limited	6.47	-	-	-	-	6.47

Kotak Mahindra Bank Ltd.
Schedules forming part of the Balance Sheet and Profit and Loss Account
Schedule 18 – Notes to Accounts

						₹ in crore
Items/Related Party	Subsidiary Companies	Associates / Others	Key Manage -ment Person nel	Enterprise over which KMP/Relative of KMP have control / significant influence	Relatives of Key Manage- ment Personnel	Total
	(5.73)	(-)	(-)	(-)	(-)	(5.73)
Kotak Securities Ltd.	7.20	-	-	-	-	7.20
	(5.57)	(-)	(-)	(-)	(-)	(5.57)
Kotak Mahindra Old Mutual Life Insurance Limited	0.27	-	-	-	-	0.27
	(0.21)	(-)	(-)	(-)	(-)	(0.21)
Others	0.43	0.19	-	0.44	-	1.06
	(0.42)	(0.19)		(0.39)		(1.00)
Reimbursements from companies						
Kotak Mahindra Capital Company Limited	3.84	-	-	-	-	3.84
	(6.71)	(-)	(-)	(-)	(-)	(6.71)
Kotak Mahindra Prime Limited	15.57	-	-	-	-	15.57
	(15.98)	(-)	(-)	(-)	(-)	(15.98)
Kotak Mahindra Old Mutual Life Insurance Limited	14.91	-	-	-	-	14.91
	(14.37)	(-)	(-)	(-)	(-)	(14.37)
Kotak Securities Limited	50.66	-	-	-	-	50.66
	(36.69)	(-)	(-)	(-)	(-)	(36.69)
Kotak Mahindra Investments Limited	5.28	-	-	-	-	5.28
	(7.53)	(-)	(-)	(-)	(-)	(7.53)
Others	9.76	0.33	-	-	-	10.09
	(10.27)	(0.71)	(-)	(-)	(-)	(10.98)
Purchase of Fixed assets						
Kotak Mahindra Prime Limited	0.01	-	-	-	-	0.01
	(0.01)	(-)	(-)	(-)	(-)	(0.01)
Kotak Securities Limited	-	-	-	-	-	-
	(0.53)	(-)	(-)	(-)	(-)	(0.53)
Kotak Forex Brokerage Limited	0.01	-	-	-	-	0.01
	(-)	(-)	(-)	(-)	(-)	(-)
Sale of Fixed assets						
Kotak Mahindra General Insurance Limited	0.47	-	-	-	-	0.47
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Securities Limited	-	-	-	-	-	-
	(0.38)					(0.38)
Kotak Mahindra Prime Limited	-	-	-	-	-	-
	(0.01)	(-)	(-)	(-)	(-)	(0.01)
Kotak Mahindra, Inc	#	-	-	-	-	#
	-	(-)	(-)	(-)	(-)	-
Kotak Mahindra Investments Limited	0.21	-	-	-	-	0.21
	(0.22)	(-)	(-)	(-)	(-)	(0.22)
Phoenix ARC Private Ltd	-	-	-	-	-	-

						₹ in crore
Items/Related Party	**Subsidiary Companies**	**Associates / Others**	**Key Manage-ment Personnel**	**Enterprise over which KMP/Relative of KMP have control / significant influence**	**Relatives of Key Manage-ment Personnel**	**Total**
	(-)	(0.20)	(-)	(-)	(-)	(0.20)
Swaps/Forward /Options contract						
Kotak Mahindra (International) Ltd	0.05	-	-	-	-	0.05
	(-)	(-)	(-)	(-)	(-)	(-)
Guarantees/Lines of credit						
Kotak Securities Limited	100.00	-	-	-	-	100.00
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Pension Fund Ltd.	0.10	-	-	-	-	0.10
	(0.10)	(-)	(-)	(-)	(-)	(0.10)
Aero Agencies Limited	-	-	-	1.00	-	1.00
	(-)	(-)	(-)	(-)	(-)	(-)
ACE Derivatives and Commodity Exchange Limited	-	-	-	-	-	-
	(-)	(2.13)	(-)	(-)	(-)	(2.13)

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	6,238.54	2,809.78	87.66	713.15	14.61
	(3,840.15)	(2,780.28)	(34.25)	(308.40)	(17.65)
Other Liabilities	33.45	2.47	0.41	2.53	0.10
	(3.98)	(0.11)	(-)	(1.47)	(-)
Assets					
Advances	320.55	-	-	-	-
	(432.03)	(30.00)	(-)	(-)	(-)
Investments-Gross	1,412.61	33.88	-	-	-
	(1072.95)	(33.88)	(-)	(-)	(-)
Commission Receivable	24.14	-	-	-	-
	(15.12)	(-)	(-)	(-)	(-)
Others	90.95	0.20	-	0.19	-
	(25.64)	(0.37)	(-)	(-)	(-)

Note: Figures in brackets represent previous year's figures.

8. EMPLOYEE SHARE BASED PAYMENTS:

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

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

Consequent to the above, the Bank has granted stock options to the employees of the Group. The Bank under its various plan / schemes, has granted in aggregate 140,327,654 options (including options issued in exchange on amalgamation) as on 31st March, 2016 (Previous year 124,798,000). In aggregate 8,757,098 options are outstanding as on 31st March 2016 under the aforesaid schemes.

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

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

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

Equity-settled options

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

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

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

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

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

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

	Year ended 31st March, 2016		Year ended 31st March, 2015	
end of the year				
Weighted average remaining contractual life (in years)	1.33		1.55	
Weighted average fair value of options granted	184.86		123.68	

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

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

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

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

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

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

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

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

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

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

31st March, 2016

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

31st March, 2015

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
101-200	1,46,936	0.64	165.49
201-300	1,770,714	0.92	259.13
301-400	4,479,608	1.61	335.46
401-500	1,904,660	2.05	406.00

Stock appreciation rights

During the year, at the General Meeting, the shareholders of the Bank had unanimously passed Special Resolution on 29th June, 2015 to grant stock appreciation rights (SARs) to the eligible employees of the Bank, its subsidiary and associate companies. Pursuant to this resolution, Kotak Mahindra Stock Appreciation Rights Scheme 2015 has been formulated and adopted. The new SARs will be granted under the above scheme post the date of approval. The SARs granted and outstanding before the date of approval will continue. The Bank under its various plans/series has granted 1,152,360 SARs during FY2016.

The SARs are settled in cash and vest on the respective due dates in a graded manner as per the terms and conditions of the grant. The contractual life of the SARs outstanding range from 1.13 to 4.23 years.

Detail of activity under SARs is summarised below:

	Year Ended 31st March, 2016	Year Ended 31st March, 2015
Outstanding at the beginning of the year	1,306,020	1,489,910
Granted during the year	1,152,360	1,328,330
Additions/Reduction due to transfer of employees	614	10,722
Exercised during the year	943,268	1,478,726
Lapsed during the year	123,910	44,216
Outstanding at the end of the year	1,391,816	1,306,020

Fair value of employee stock options

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

Year ended 31st March,	**2016**		**2015**	
	Equity-settled	**Cash-settled**	**Equity-settled**	**Cash-settled**
Exercise Price ₹	400-690	5	300-406	5
Weighted Average Share Price ₹	664.59	665.29	409.26	437.18
Expected Volatility	26.55%-29.55%	21.42%-28.58%	28.13%-31.11%	24.19%-29.62%
Historical Volatility	26.55%-29.55%	21.42%-28.58%	28.13%-31.11%	24.19%-29.62%
Life of the options granted (Vesting and exercise period)				
- At the grant date	1.18-3.90		1.41-3.90	
- As at 31st March		0.08-3.59		0.08-3.08
Risk-free interest rate	7.64%-8.07%	7.08%-7.52%	8.31%-8.89%	7.97%-8.28%
Expected dividend rate	0.07%	0.07%	0.09%-0.10%	0.06%

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

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

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

₹ in crore

Year ended 31st March,	**2016**	**2015**
Total Employee compensation cost pertaining to share-based payment plans	69.22	91.89
Compensation cost pertaining to equity-settled employee share-based payment plan included above	2.94	2.16
Liability for employee stock options outstanding as at year end	4.82	4.75
Deferred Compensation Cost	1.41	1.76
Closing balance of liability for cash-settled options	52.78	49.11
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	25.04	30.21

Had the Bank recorded the compensation cost computed on the basis of Fair Valuation method instead of intrinsic value method, employee compensation cost would have been higher by ₹ 93.52 crore (Previous year ₹ 23.70 crore) and the profit after tax would have been lower by ₹ 61.16 crore (Previous year ₹ 15.65 crore). Consequently the basic and diluted EPS would have been ₹ 11.09 (Previous year ₹ 12.00) and ₹ 11.07 (Previous year ₹ 11.97) respectively.

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

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

9. Advances securitised by the Bank :

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Book value of advances securitized	-	-
Number of accounts	-	-
Sale consideration received for the accounts securitised	-	-
Gain on securitisation amortised during the year	-	-
Credit enhancement, liquidity support provided	-	-
Provision on securitised assets	-	-
Nature of post securitisation support	-	-

10. Employee Benefits

i. The Bank has recognised the following amounts in the Profit and Loss Account towards contributions to Provident Fund and Other Funds:

Particulars	31st March, 2016	31st March, 2015
Provident Fund	83.60	55.67
Superannuation Fund	2.76	0.49
New Pension Fund	2.45	1.87

ii. Gratuity

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

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

(₹ in crore)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Change in benefit obligations		
Liability at the beginning of the year	86.23	67.29
Current Service cost	28.24	13.57
Interest cost	18.24	7.10
Actuarial Losses / (Gain)	42.57	9.84
Addition due to amalgamation	145.48	-
Past Service Cost	-	-
Liability assumed on acquisition / (Settled on divestiture)	0.06	(0.01)
Benefits paid	(42.49)	(11.56)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Liability at the end of the year	278.33	86.23
Change in plan assets		
Fair value of plan assets at the beginning of the year	84.68	71.07
Expected return on plan assets	20.15	5.19
Actuarial Gain / (Losses)	(6.26)	15.59
Addition due to amalgamation	146.88	-
Benefits paid	(42.49)	(11.56)
Employer contributions	53.39	4.39
Fair value of plan assets at the end of the year	256.35	84.68

(₹ in crore)

Reconciliation of present value of the obligation and the fair value of the plan assets	31st March, 2016	31st March, 2015
Fair value of plan assets at the end of the year	256.35	84.68
Liability at the end of the year	278.33	86.23
Net Asset (included under Schedule 11.VI) / (Liability) (included under Schedule 5.IV)	(21.98)	(1.55)
Expense recognised for the year		
Current Service cost	28.24	13.57
Interest cost	18.24	7.10
Expected return on plan assets	(20.15)	(5.19)
Actuarial (Gain) / Loss	48.83	(5.75)
Past Service Cost	-	-
Net gratuity expense recognised in Schedule 16.I	75.16	9.73
Actual return on plan assets	13.89	20.79

(₹ in crore)

Reconciliation of the Liability recognised in the Balance Sheet	31st March, 2016	31st March, 2015
Net Liability / (Asset) at the beginning of the year	1.55	(3.78)
Addition due to amalgamation	(1.40)	-
Expense recognised	75.16	9.73
Liability assumed on acquisition / (Settled on divestiture)	0.06	(0.01)
Employer contributions	(53.39)	(4.39)
Net Liability / (asset)	21.98	1.55

Investment details of plan assets

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

	31st March, 2016 %	31st March, 2015 %
LIC managed funds #	46.06%	-
Government securities	19.03%	23.85%
Bonds, debentures and other fixed income instruments	10.05%	12.87%
Money market instruments	7.13%	8.30%
Equity shares	17.73%	54.98%
Total	**100.00%**	**100.00%**

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

Actuarial assumptions used

Discount rate	7.85% - 7.95% p.a. (Previous Year 7.98% p.a.)
Salary escalation rate	5.5% (IBA) and 8.50% (others) p.a. (Previous Year 8.50% p.a.)
Expected return on plan assets	7.50% - 8.75% p.a. (Previous Year 7.50% p.a.)

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

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

Experience adjustments

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

(₹ in crore)

	Gratuity					
	Year ended 31st March					
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Defined benefit obligation	278.33	86.23	67.29	62.65	46.29	39.85
Plan assets	256.35	84.68	71.07	60.67	41.31	34.66
Surplus / (Deficit)	(21.98)	(1.55)	3.78	(1.98)	(4.98)	(5.19)
Experience adjustments on plan liabilities	43.40	1.30	1.54	(1.41)	2.37	3.07
Experience adjustments on plan assets	(6.66)	15.59	3.76	1.32	(2.75)	0.64

The Bank expects to contribute ₹ 36.36 crore to gratuity fund in financial year 2016 - 17.

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

iii. Pension

Pension liability relates to employees of eIVBL which was merged with the Bank, hence there are no corresponding figures for the previous year.
Reconciliation of opening and closing balance of the present value of the defined benefit obligation for pension benefits is given below.

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

(₹ in crore)

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

(₹ in crore)

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

Investment details of plan assets

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

Actuarial assumptions used

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

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

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

Experience adjustments

Amounts for the current year are as follows:

(₹ in crore)

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

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

iv. Compensated absences

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

(₹ in crore)

	31st March, 2016	31st March, 2015
Total actuarial liability	175.37	55.58
Assumptions:		
Discount rate	7.85% - 7.95%	7.98%
Salary escalation rate	5.5% (IBA) and 8.50% (others)	8.50%

v. Long Service Award

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

(₹ in crore)

	31st March, 2016	31st March, 2015
Total actuarial liability	7.42	4.92
Assumptions:		
Discount rate	7.95%	7.98%

11. Provisions and Contingencies

Breakup of "Provisions and Contingencies" (including write-offs; net of write-backs) shown under the head Expenditure in Profit and Loss Account:

(₹ in crore)

Particulars	31st March, 2016	31st March, 2015
Provisions for Depreciation on Investments	136.32	(166.36)
Loss on valuation of securities on transfer between categories	0	55.02
Provision towards NPA	706.45	193.54
Provision towards Unhedged Foreign Currency Exposure	20.88	17.82
Provision towards Standard Assets	41.36	64.67
Provision for Taxes	1,033.94	966.98
Other Provision and Contingencies	12.35	(0.19)
Total Provisions and Contingencies	**1951.30**	**1,131.48**

12. Corporate Social Responsibility (CSR)

As per the provisions of the Section 135 of the Companies Act, 2013 the Bank is required to contribute ₹ 47.33 crore. The Bank has contributed ₹ 9.64 crore to the Kotak Education Foundation and ₹ 6.77 crore to other CSR initiatives in the current financial year. The Bank has also adopted a strong CSR policy, charting out its plan to invest in society and its own future. The Bank is building its CSR capabilities on a sustainable basis and is committed to gradually increase its CSR spend in the coming years.

Details of CSR expenditure	**(₹ in crore)**		
a) Gross amount required to be spent during the year ₹47.33 (Previous year ₹39.20)			
(b) Amount spent during the year ending on 31st March, 2016:	**Paid**	**Yet to be paid**	**Total**
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	16.41	-	16.41
b) Amount spent during the year ending on 31st March, 2015:	**Paid**	**Yet to be paid**	**Total**
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	11.97	-	11.97

13. Tier II Bonds

a) Lower Tier II Bonds outstanding as at 31st March, 2016 ₹ 969.70 crore (previous year ₹ 482.00 crore).

During the current year and previous year the Bank had not issued lower Tier II bonds. In accordance with the RBI requirements lower Tier II bonds of ₹ 524.71 crore (previous year ₹ 220.44 crore) are not considered as Tier II capital for the purposes of capital adequacy computation under Basel III guidelines.

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

During the current and previous year, the Bank did not issue upper Tier II bonds.

c) Interest Expended-Others (Schedule 15(III)) includes interest on subordinated debt (Lower and Upper Tier II) ₹ 125.97 crore (previous year ₹ 62.88 crore).

14. Details of payments of audit fees

(₹ in crore)

Particulars	**31st March, 2016**	**31st March, 2015**
Statutory Audit fees	1.98	1.37
Other Matters	0.13	0.16
Total	**2.11**	**1.53**

15. Description of Contingent Liabilities:

Sr.	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*

16. The Bank has received few intimations from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and there is no outstanding against those suppliers as on 31st March, 2016, hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given. The above is based on information available with the Bank and relied upon by the Auditors.

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

As per our report of even date

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

per Viren H Mehta
Partner
Membership No 048749
Mumbai, 11th May, 2016

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman and Managing Director

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Bina Chandarana
Company Secretary
Mumbai, 11th May, 2016

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
KOTAK MAHINDRA BANK LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **KOTAK MAHINDRA BANK LIMITED** ("the Bank"), which comprise the Balance Sheet as at 31st March, 2015, the Profit and Loss Account,the Cash Flow Statement for the year then ended, and a summary of the significant accounting policiesand other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Bank's Management and the Board of Directors are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies(Accounts) Rules, 2014 in so far as they apply to banks 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 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 design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentationof 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

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 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 the 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, but not for the purpose of expressing an opinion on whether the Bank has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation ofthe 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

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949; the Companies Act, 2013 in the manner so required for banking companies and the Guidelines issued by the Reserve Bank of India from time to time and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31^{st} March, 2015, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Companies Act, 2013 and Section 30 of the Banking Regulation Act, 1949 we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and found them to be satisfactory.

   (b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.

   (c) As explained in paragraph 2 below, the financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by the Branches.

   (d) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books

   (e) The Balance Sheet, the Profit and Loss Account, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   (f) In our opinion, the 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 in so far as they apply to banks.

   (g) On the basis of the written representations received from the directors as on 31^{st} March, 2015 taken on record by the Board of Directors, none of the directors are disqualified as on 31^{st} March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.

   (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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, Schedule 17 Note 13 and Schedule 18B Note 16 to the financial statements;

ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Schedule 17 Note 13 and Schedule 18B Note 12 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

2. We report that during the course of our audit we have visited and performed select relevant audit procedures at 70 branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the core banking systems, it does not require its branches to submit any financial returns. Accordingly our audit is carried out centrally at the Head Office based on the necessary records and data required for the purposes of our audit being made available to us.

For **S. B. Billimoria& Co.**
Chartered Accountants
(Firm's Registration No. 101496W)

Kalpesh J. Mehta
Partner
(Membership No.48791)

Mumbai, 5th May, 2015

KOTAK MAHINDRA BANK LIMITED
BALANCE SHEET AS AT 31st MARCH, 2015

(Rupees in thousands)

	Schedule	As at 31st MARCH, 2015	As at 31st MARCH, 2014
CAPITAL AND LIABILITIES			
Capital	1	38,61,763	38,51,555
Reserves and Surplus	2	13,75,49,099	11,88,99,262
Employees' Stock Options (Grants) Outstanding		29,969	85,315
Deposits	3	74,86,03,088	59,07,23,294
Borrowings	4	12,14,97,132	12,89,55,756
Other Liabilities and Provisions	5	4,85,79,696	3,33,38,243
Total		**1,06,01,20,747**	**87,58,53,425**
ASSETS			
Cash and Balances with Reserve Bank of India	6	3,92,82,964	2,94,82,304
Balances with Banks and Money at Call and Short Notice	7	2,33,40,613	3,03,16,596
Investments	8	30,42,10,872	25,48,45,482
Advances	9	66,16,07,126	53,02,76,325
Fixed Assets	10	1,20,67,051	1,10,69,436
Other Assets	11	1,96,12,121	1,98,63,282
Total		**1,06,01,20,747**	**87,58,53,425**
Contingent Liabilities	12	63,67,21,604	43,88,79,439
Bills for Collection		4,41,99,924	3,01,55,988
Significant Accounting Policies and Notes to the Financial Statements	17 & 18		

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

The Balance Sheet has been prepared in conformity with Form 'A' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For and on behalf of the Board of Directors

For S. B. Billimoria & Co.
Chartered Accountants

Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman
and Managing Director

Dipak Gupta
Joint Managing Director

Kalpesh J. Mehta
Partner

Jaimin Bhatt
President and Group Chief
Financial Officer

Bina Chandarana
Company Secretary

Mumbai, 5th May, 2015

KOTAK MAHINDRA BANK LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2015

(Rupees in thousands)

		Sche-dule	Year ended 31st MARCH, 2015	Year ended 31st MARCH, 2014
I.	**INCOME**			
	Interest earned	13	9,71,98,670	8,76,71,154
	Other Income	14	2,02,84,539	1,39,97,106
	Total		**11,74,83,209**	**10,16,68,260**
II.	**EXPENDITURE**			
	Interest expended	15	5,49,61,348	5,04,70,665
	Operating expenses	16	3,25,47,314	2,54,26,072
	Provisions and Contingencies [Refer Note 12 - schedule 18 B]		1,13,14,761	1,07,46,333
	Total		**9,88,23,423**	**8,66,43,070**
III.	**PROFIT**			
	Net Profit for the year (I - II)		**1,86,59,786**	**1,50,25,190**
	Add: Balance in Profit and Loss Account brought forward from previous year		4,00,52,917	3,01,65,987
	Total		**5,87,12,703**	**4,51,91,177**

contd/-

KOTAK MAHINDRA BANK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2015 (contd.)

(Rupees in thousands)

		Schedule	Year ended 31st MARCH, 2015	Year ended 31st MARCH, 2014
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		46,65,000	37,56,300
	Transfer to General Reserve		9,33,000	7,51,300
	Transfer to Capital Reserve		59,100	4,000
	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		2,80,000	3,20,000
	Transfer to/(from) Investment Reserve Account (Refer Note 31 - Schedule 18 A)		8,66,500	(4,11,014)
	Proposed Dividend		8,20,654	6,30,789
	Corporate Dividend Tax		1,35,813	86,885
	Balance carried over to Balance Sheet		5,09,52,636	4,00,52,917
	Total		**5,87,12,703**	**4,51,91,177**
V.	**EARNINGS PER SHARE (Face value of Rs. 5/-)**			
	Basic (Refer Note 2 - Schedule 18 B)		24.20	19.62
	Diluted (Refer Note 2 - Schedule 18 B)		24.14	19.59
	Significant Accounting Policies and Notes to the Financial Statements	17 & 18		

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

The Profit and Loss Account has been prepared in conformity with Form 'B' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For S. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 5th May, 2015

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

KOTAK MAHINDRA BANK LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2015

		(Rupees in thousands)	
		As at 31st MARCH, 2015	As at 31st MARCH, 2014
SCHEDULE 1 - CAPITAL			
	Authorised Capital		
	140,00,00,000 Equity Shares of Rs.5/- each (31st March, 2014: 100,00,00,000 Equity Shares of Rs.5/- each)	**70,00,000**	**50,00,000**
	Issued, Subscribed and Paid-up Capital		
	77,23,52,664 (31st March, 2014: 77,03,11,001) Equity Shares of Rs.5/- each fully paid-up (Refer Note 1 - Schedule 18 B)	38,61,763	38,51,555
	Total	**38,61,763**	**38,51,555**
SCHEDULE 2 - RESERVES AND SURPLUS			
I.	**Statutory Reserve**		
	Opening Balance	1,63,87,000	1,26,30,700
	Add: Transfer from Profit and Loss Account	46,65,000	37,56,300
	Total	**2,10,52,000**	**1,63,87,000**
II.	**Capital Reserve**		
	Opening balance	2,93,303	2,89,303
	Add: Transfer from Profit and Loss Account	59,100	4,000
	Total	**3,52,403**	**2,93,303**
III.	**General Reserve**		
	Opening Balance	51,69,552	47,30,052
	Add: Transfer on ESOPs lapsed	751	
	Add: Transfer from Profit and Loss Account	9,33,000	7,51,300
	Less: Utilised for creation of Deferred tax liability on Special Reserve (Refer Note 31 - Schedule 18 A)		3,11,800
	Total	**61,03,303**	**51,69,552**
IV.	**Investment Reserve Account**		
	Opening Balance	-	4,11,014
	Add: Transfer from/(to) Profit and Loss Account (Refer Note 31 - Schedule 18 A)	8,66,500	(4,11,014)
	Total	**8,66,500**	**-**
V.	**Special Reserve Account u/s 36(1)(viii) of Income Tax Act, 1961**		
	Opening Balance	15,45,000	12,25,000
	Add: Transfer from Profit and Loss Account	2,80,000	3,20,000
	Total	**18,25,000**	**15,45,000**
VI.	**Securities Premium Account**		
	Opening Balance	5,54,51,490	4,12,84,461
	Add:Received during the year	9,45,767	1,41,73,384
	Less: Utilised for Share Issue Expenses	-	6,355
	Total	**5,63,97,257**	**5,54,51,490**
VII.	**Balance in the Profit and Loss Account**	**5,09,52,636**	**4,00,52,917**
	Total (I to VII)	**13,75,49,099**	**11,88,99,262**

KOTAK MAHINDRA BANK LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2015

		(Rupees in thousands)	
		As at 31st MARCH, 2015	As at 31st MARCH, 2014
SCHEDULE 3 - DEPOSITS			
A I.	**Demand Deposits**		
	i. From Banks	25,51,379	17,09,993
	ii. From Others	12,92,62,006	8,56,98,151
	Total	**13,18,13,385**	**8,74,08,144**
II.	**Savings Bank Deposits**	14,03,61,089	10,08,70,498
III.	**Term Deposits**		
	i. From Banks	1,05,75,512	61,03,554
	ii. From Others	46,58,53,102	39,63,41,098
	Total	**47,64,28,614**	**40,24,44,652**
Total Deposits of branches (I to III)		**74,86,03,088**	**59,07,23,294**
B.	(i) Deposits of branches in India	**74,86,03,088**	**59,07,23,294**
	(ii) Deposits of branches outside India	**-**	**-**
	Total	**74,86,03,088**	**59,07,23,294**
SCHEDULE 4 - BORROWINGS			
I.	**Borrowings in India**		
	(i) Reserve Bank of India	1,76,34,500	4,15,33,200
	(ii) Other Banks	2,17,37,352	2,16,08,958
	(iii) Other Institutions and Agencies (Refer Note 14 - Schedule 18 B)	3,87,00,671	4,49,63,758
	Total	**7,80,72,523**	**10,81,05,916**
II.	**Borrowings outside India**		
	Banks & Other Institutions (Refer Note 14 - Schedule 18 B)	4,34,24,609	2,08,49,840
		4,34,24,609	**2,08,49,840**
Total Borrowings (I and II)		**12,14,97,132**	**12,89,55,756**
Secured Borrowings under CBLO included in I (iii) above		-	-
Tier II Bonds included in I (iii) above		61,80,000	61,80,000
Tier II Bonds included in II above		28,12,500	26,96,175
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I.	Bills Payable	97,16,565	71,05,404
II.	Interest Accrued	53,61,892	46,24,173
III.	Provision for tax (net of advance tax and tax deducted at source)	9,88,134	11,58,006
IV.	Others (including provisions)	3,15,33,547	1,97,38,092
V.	Proposed Dividend (includes tax on dividend)	9,79,558	7,12,568
	Total	**4,85,79,696**	**3,33,38,243**

KOTAK MAHINDRA BANK LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2015

		(Rupees in thousands)	
		As at 31st MARCH, 2015	As at 31st MARCH, 2014
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I.	Cash in hand (including foreign currency notes)	52,62,870	43,61,433
II.	Balances with RBI in Current Account	3,40,20,094	2,51,20,871
	Total	**3,92,82,964**	**2,94,82,304**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I.	**In India**		
	(i) Balances with Banks		
	(a) In Current Accounts	10,31,149	6,48,278
	(b) In Other Deposit Accounts	4,12,425	1,07,425
	Total	**14,43,574**	**7,55,703**
	(ii) Money at Call and Short Notice		
	(a) With Banks	1,72,24,272	69,99,065
	Total	**1,72,24,272**	**69,99,065**
	Total (i and ii)	**1,86,67,846**	**77,54,768**
II.	**Outside India**		
	(i) In Current Accounts	6,10,267	9,92,428
	(ii) In other Deposit Accounts	40,62,500	2,15,69,400
	Total	**46,72,767**	**2,25,61,828**
Total (I and II)		**2,33,40,613**	**3,03,16,596**
SCHEDULE 8 - INVESTMENTS			
I.	**Investments in India in**		
i.	Government Securities	22,88,17,200	17,46,53,699
ii.	Other Approved Securities	-	-
iii.	Shares	60,19,858	4,50,024
iv.	Debentures and Bonds	4,21,04,607	4,98,40,656
v.	Subsidiaries and Joint Ventures	53,81,450	45,91,980
vi.	Others [Units, Certificate of Deposits (CD), Commercial Paper (CP), Security Receipts, RIDF Deposit & Pass Through Certificates(PTC)]	2,17,43,329	2,51,68,147
	Total	**30,40,66,444**	**25,47,04,506**
II.	**Investments outside India in**		
i.	Shares	6,789	3,332
ii.	Subsidiaries and Joint Ventures	1,37,639	1,37,644
	Total	**1,44,428**	**1,40,976**
Total Investments (I and II)		**30,42,10,872**	**25,48,45,482**

KOTAK MAHINDRA BANK LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2015

		(Rupees in thousands) As at 31st MARCH, 2015	As at 31st MARCH, 2014
SCHEDULE 9 - ADVANCES			
A.	(i) Bills purchased and discounted#	1,97,23,762	1,17,53,149
	(ii) Cash Credits, Overdrafts and loans repayable on demand	15,04,54,628	12,39,13,952
	(iii) Term Loans @	49,14,28,736	39,46,09,224
	Total	**66,16,07,126**	**53,02,76,325**
	# Bills purchased and discounted is net of Bills Rediscounted Rs.1,258.05 crore (Previous Year Rs. 1,681.10 crore)		
	@ net of borrowings under Inter Bank Participatory certificates of Rs Nil (Previous Year Rs. 600 crore)		
B.	(i) Secured by tangible assets *	51,67,05,189	42,03,62,625
	(ii) Unsecured	14,49,01,937	10,99,13,700
	Total	**66,16,07,126**	**53,02,76,325**
	* including advances against book debts		
C.	Advances in India		
	(i) Priority Sector	20,49,59,181	17,95,78,057
	(ii) Public Sector	71,49,036	14,81,457
	(iii) Banks	-	-
	(iv) Others	44,94,98,909	34,92,16,811
	Total	**66,16,07,126**	**53,02,76,325**
SCHEDULE 10 - FIXED ASSETS			
A.	**Premises (Including Land)**		
	Gross Block		
	At cost on 31st March of the preceding year	69,05,684	22,15,661
	Additions during the year	9,43,926	46,90,023
	Less: Deductions during the year	13,415	-
	Total	**78,36,195**	**69,05,684**
	Depreciation		
	As at 31st March of the preceding year	5,54,599	4,73,388
	Add: Charge for the year	1,17,217	81,211
	Less: Deductions during the year	9,492	-
	Depreciation to date	**6,62,324**	**5,54,599**
	Net Block	**71,73,871**	**63,51,085**
B.	**Other Fixed Assets (including furniture and fixtures)**		
	Gross Block		
	At cost on 31st March of the preceding year	1,18,69,410	86,84,821
	Additions during the year	20,47,044	34,39,353
	Less: Deductions during the year	2,94,514	2,54,764
	Total	**1,36,21,940**	**1,18,69,410**
	Depreciation		
	As at 31st March of the preceding year	71,51,059	57,82,872
	Add: Charge for the year	18,12,786	15,70,580
	Less: Deductions during the year	2,35,085	2,02,393
	Depreciation to date	**87,28,760**	**71,51,059**
	Net Block (Refer Note 7 - Schedule 18 B)	**48,93,180**	**47,18,351**
Total (A) +(B)		**1,20,67,051**	**1,10,69,436**

KOTAK MAHINDRA BANK LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2015

		(Rupees in thousands) As at 31st MARCH, 2015	As at 31st MARCH, 2014
SCHEDULE 11 - OTHER ASSETS			
I.	Interest accrued	1,11,23,101	1,01,33,160
II.	Advance tax (net of provision for tax)	-	-
III.	Stationery and Stamps	8,028	13,130
IV.	Cheques in course of collection	2,24,787	1,56,105
V.	Non banking assets acquired in satisfaction of claims	67,824	67,824
VI.	Others (Refer Note 5 - Schedule 18 B)	81,88,381	94,93,063
	Total	**1,96,12,121**	**1,98,63,282**
SCHEDULE 12 - CONTINGENT LIABILITIES			
I.	Claims not acknowledged as debts	1,14,67,170	1,15,29,345
II.	Liability on account of Outstanding Forward Exchange Contracts	29,78,07,482	17,89,34,852
III.	Guarantees on behalf of Constituents in India	12,10,99,848	8,38,78,136
IV.	Acceptances, Endorsements and other obligations	6,37,11,640	4,25,59,956
V.	Other Items for which the Bank is contingently liable :		
	a. Liability in respect of interest rate and currency swaps and forward rate agreements	12,69,71,588	10,84,77,457
	b. Liability in respect of Options Contracts	1,49,40,972	1,27,56,125
	c. Capital commitments not provided	6,98,705	7,43,568
	d. Unclaimed Customer balances transferred to RBI DEAF Scheme	24,199	-
	Total	**63,67,21,604**	**43,88,79,439**

KOTAK MAHINDRA BANK LIMITED
SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH, 2015

		(Rupees in thousands)	
		Year ended 31st MARCH, 2015	**Year ended 31st MARCH, 2014**
SCHEDULE 13 - INTEREST EARNED			
I.	Interest / discount on Advances/Bills	7,46,86,674	6,67,48,159
II.	Income on Investments	2,21,58,482	2,05,00,414
III.	Interest on balances with RBI and other inter-bank funds	2,40,606	2,71,746
IV.	Others	1,12,908	1,50,835
	Total	**9,71,98,670**	**8,76,71,154**
SCHEDULE 14 - OTHER INCOME			
I.	Commission, exchange and brokerage	1,22,62,894	85,30,807
II.	Profit/(Loss) on sale of Investments (net)	31,47,720	18,18,318
III.	Profit/(Loss) on sale of building and other assets (net)	1,35,168	11,594
IV.	Profit on exchange transactions (net) (including derivatives)	20,64,213	21,18,203
V.	Income earned from Subsidiaries/ Joint Ventures	7,71,787	8,06,393
VI.	Profit on recoveries of non-performing assets acquired	13,46,195	2,54,477
VII.	Miscellaneous Income	5,56,562	4,57,314
	Total	**2,02,84,539**	**1,39,97,106**
SCHEDULE 15 - INTEREST EXPENDED			
I.	Interest on Deposits	4,57,94,864	3,81,53,041
II.	Interest on RBI / Inter-Bank Borrowings	49,95,974	77,76,885
III.	Others (Refer Note 14(c) - Schedule 18 B)	41,70,510	45,40,739
	Total	**5,49,61,348**	**5,04,70,665**

KOTAK MAHINDRA BANK LIMITED
SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH, 2015

		(Rupees in thousands)	
		Year ended 31st MARCH, 2015	**Year ended 31st MARCH, 2014**
SCHEDULE 16 - OPERATING EXPENSES			
I.	Payments to and provision for employees (Refer Note 11 - Schedule 18 B)	1,46,66,844	1,17,21,556
II.	Rent, taxes and lighting (Refer Note 4 - Schedule 18 B)	33,81,560	27,05,466
III.	Printing and Stationery	4,96,117	4,21,587
IV.	Advertisement, Publicity and Promotion	8,42,235	7,67,837
V.	Depreciation on Bank's property	19,30,003	16,51,791
VI.	Directors' fees, allowances and expenses	6,275	3,410
VII.	Auditors' fees and expenses (Refer Note 15 - Schedule 18 B)	15,321	14,734
VIII.	Law Charges	1,79,557	1,33,550
IX.	Postage, telephone etc.	7,01,276	6,29,984
X.	Repairs and maintenance	18,58,174	14,53,408
XI.	Insurance	6,25,867	5,02,442
XII.	Travel and Conveyance	6,73,640	6,34,762
XIII.	Professional Charges	30,77,415	19,87,967
XIV.	Brokerage	15,51,728	8,92,589
XV.	Stamping Expenses	1,27,039	1,29,557
XVI.	Other Expenditure (Refer Note 13 - Schedule 18 B)	29,57,536	22,47,855
		3,30,90,587	**2,58,98,495**
Less: Reimbursement of Costs from Group Companies		5,43,273	4,72,423
Total		**3,25,47,314**	**2,54,26,072**

KOTAK MAHINDRA BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2015 (Rupees in thousands)

	Year Ended 31st March 2015	Year Ended 31st March 2014
CASH FLOW FROM OPERATING ACTIVITIES		
Profit after tax	**1,86,59,786**	**1,50,25,190**
Add: Provision for tax	96,69,788	76,99,345
Net Profit Before Taxes	**2,83,29,574**	**2,27,24,535**
Adjustments for :-		
Employee Stock Options Expense	21,627	39,839
Depreciation on Bank's property	19,30,003	16,51,791
Diminution in the value of investments written off/(back)	(11,13,328)	17,66,093
Dividend from Subsidiaries/ Joint Ventures	(49,500)	(2,11,021)
Amortization of Premium on HTM Investments	7,19,084	7,88,908
Provision for Non Performing Assets, Standard Assets and Other Provisions	27,58,301	12,80,895
Profit on sale of fixed assets	(1,35,168)	(11,594)
	3,24,60,593	**2,80,29,446**
Adjustments for :-		
Decrease/(Increase) in Investments [other than Subsidiaries, Joint Ventures and Other HTM Investments]	(98,27,824)	3,31,82,929
Increase in Advances	(13,32,66,217)	(4,69,12,840)
Increase in Other Assets	(12,19,248)	(26,92,185)
Increase in Deposits	15,78,79,794	8,04,35,631
Increase in Other Liabilities and Provisions	1,43,22,415	42,33,493
	2,78,88,920	**6,82,47,028**
Direct Taxes Paid	**(91,30,189)**	**(62,60,185)**
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**5,12,19,324**	**9,00,16,289**
CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES		
Purchase of Fixed assets	(22,30,032)	(39,16,486)
Sale of Fixed assets	1,98,520	63,964
Proceeds from sale of Investment in Associates	-	2,100
Investments in Subsidiaries/ Joint Ventures	(8,76,136)	(9,32,043)
Investments in HTM securities	(3,82,67,186)	(9,19,199)
Dividend from Subsidiaries/ Joint Ventures	49,500	2,11,021
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	**(4,11,25,334)**	**(54,90,643)**
CASH FLOW FROM/ (USED IN) FINANCING ACTIVITIES		
Increase/(Decrease) in Subordinated Debt	1,16,325	(5,33,650)
Decrease in Refinance	(1,58,83,087)	(16,79,009)
Increase/(Decrease) in Borrowings [other than Refinance and Sub-ordinated debt]	83,08,138	(7,29,37,806)

contd/-

KOTAK MAHINDRA BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2015 (contd.)

(Rupees in thousands)

	Year Ended 31st March 2015	Year Ended 31st March 2014
Money received on exercise of stock options/issue of shares	8,78,788	1,41,55,019
Share issue expenses	-	(6,355)
Dividend paid including Corporate Dividend Tax	(6,89,477)	(6,16,553)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**(72,69,313)**	**(6,16,18,354)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	**28,24,677**	**2,29,07,292**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Refer Note below)	**5,97,98,900**	**3,68,91,608**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Refer Note below)	**6,26,23,577**	**5,97,98,900**
Note:		
Balance with Banks in India in Fixed Deposit (As per Sch 7 I (i) (b))	4,12,425	1,07,425
Balance with Banks in India in Current Account (As per Sch 7 I (i) (a))	10,31,149	6,48,278
Money at Call and Short Notice in India (as per Sch 7 I (ii))	1,72,24,272	69,99,065
Cash in hand (including foreign currency notes) (As per Sch 6 I.)	52,62,870	43,61,433
Balance with RBI in Current Accounts (As per Sch 6 II.)	3,40,20,094	2,51,20,871
Balance with Banks Outside India:		
(i) In Current Account (As per Sch 7 II (i))	6,10,267	9,92,428
(ii) In other Deposit Accounts (As per Sch 7 II (ii))	40,62,500	2,15,69,400
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**6,26,23,577**	**5,97,98,900**

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 "Cash Flow Statements" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies(Accounts) Rules, 2014.
2. The corresponding amounts of previous year have re-grouped, wherever necessary.

As per our report of even date.

For S. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 5th May, 2015

For and on behalf of 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

A BACKGROUND

In February 2003, Kotak Mahindra Finance Limited was given a license to carry out banking business by the Reserve Bank of India (RBI). It was the first NBFC Company in India to be converted into a Bank. Kotak Mahindra Bank Limited ("Kotak Mahindra Bank" or "the Bank") provides a full suite of banking services to its customers encompassing Retail Banking, Treasury and Corporate Banking in India and also has a representative office in Dubai.

B BASIS OF PREPERATION

The financial statements have been prepared in accordance with statutory requirements prescribed under the Banking Regulation Act, 1949. The accounting and reporting policies of Kotak Mahindra Bank used in the preparation of these financial statements is the accrual method of accounting and historical cost convention and it conforms with Generally Accepted Accounting Principles in India ("Indian GAAP"), the Accounting Standards specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act, 2013 ("the 2013 act") / Companies Act, 1956 ("the 1956 act"), in so far as they apply to banks and the guidelines issued by the Reserve Bank of India ("RBI").

Use of estimates

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

C SIGNIFICANT ACCOUNTING POLICIES

1 Investments

Classification:

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

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

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

Basis of classification:

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

Acquisition Cost:

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

Disposal of investments:

- **Investments classified as HFT or AFS** - Profit or loss on sale / redemption is included in the Profit and Loss Account.

- **Investments classified as HTM** - Profit on sale / redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale / redemption is charged to 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 are amortised over the balance maturity of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided.

b) **Investments classified as HFT or AFS –** Investments in this category 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 diminution other than temporary is made for, at the individual security level. Except in cases where provision for diminution other than temporary is created, the book value of the individual securities is not changed as a result of periodic valuations.

c) The market / 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 / 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 repurchase price / net asset value declared by the mutual fund.

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

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

- In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the YTM for Government Securities as published by FIMMDA / PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA is adopted for this purpose;

- 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 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 Reconstruction Company / Securitisation Company.

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

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

2 Advances

Classification:

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

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

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

Provisioning:

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

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

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

5%, teaser rate housing loans at 2.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.

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

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

3 Loss on Sale of Advances to Asset Reconstruction Company

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

4 Securitisation

The Bank enters into arrangements for sale of loans through Special Purpose Vehicles (SPVs). In most cases, post securitisation, the Bank continues to service the loans transferred to the SPV. At times the Bank also provides credit enhancement in the form of cash collaterals and / or by subordination of cash flows to Senior Pass Through Certificate (PTC) holders. In respect of credit enhancements provided or recourse obligations (projected delinquencies, future servicing etc. accepted by the Bank, appropriate provision / disclosure is made at the time of sale in accordance with Accounting Standard 29, "Provisions, Contingent Liabilities and Contingent Assets" notified by the Companies (Accounting Standards) Rules, 2006 "as amended".

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

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

5 Fixed assets (tangible and intangible) and depreciation/ amortisation

Tangible Assets / Intangible Assets have been stated at cost less accumulated depreciation / 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. A rebuttable presumption that the useful life of an Intangible asset will not exceed 10 years from the date the asset is available for use is considered by the Management. Gain or losses arising from the retirement or disposal of a fixed asset / 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 estimates of useful lives of the assets are based on a technical evaluation, taking into account the nature of the asset, the estimated usage of the asset, and the operating conditions surrounding the use of the asset, etc. Based on the above, the useful life of the assets has not under gone a change on account of transition to the Companies Act, 2013.

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

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

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

6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks / institutions and money at Call and short Notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

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

8 Revenue recognition

Interest income (other than in respect of retail advances) is recognised on accrual basis except in case of NPAs where the income accrued gets reversed, and then recognised, only upon realisation, as per the RBI guidelines. Penal interest is recognised as income on realisation.

Interest income in respect of retail advances is accounted for by using the internal rate of return method to provide a constant periodic rate of return on the net investment outstanding on the contract.

Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.

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

Service charges, fees and commission income are recognised when due except for guarantee commission and letter of credit which is recognised over the period of the guarantee / letter of credit. Syndication / arranger fee is recognised as income as per the terms of engagement.

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

Gain on account of securitisation of assets is amortised over the life of the securities issued in accordance with the guidelines issued by the RBI.

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

9 Employee benefits

Provident Fund – Defined Contribution Plan

Contribution as required by the statute made to the government provident fund is debited to the Profit and Loss Account when incurred. The Bank has no further obligations.

Gratuity – Defined Benefit Plan

The Bank provides for Gratuity, a defined benefit plan covering employees in accordance with the Payment of Gratuity Act, 1972. The Bank's liability is actuarially determined (using Projected Unit Credit Method) at the Balance Sheet date. The Bank makes contribution to a Gratuity Fund administered by trustees and managed by a life insurance company. Actuarial gains and losses are immediately recognised in the Profit and Loss Account and are not deferred. The contributions made to the trusts 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.

Superannuation Fund - Defined Contribution Plan

The Bank contributes a sum equivalent to 15% of eligible employees' salary, subject to a maximum of ₹ 1 lakh per employee per annum to a Fund administered by trustees and managed by a life insurance company. The Bank recognises such contributions as an expense in the year they are incurred.

Compensated Absences – Other Long-Term Employee Benefits

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

New Pension Scheme - Defined Contribution Plan

The Bank contributes up to 10% of eligible employees' salary per annum, to the New Pension Fund administered by a Pension Fund Regulatory and Development Authority (PFRDA) appointed pension fund manager. The Bank recognises such contributions as an expense in the year they are incurred.

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 Bank has formulated Employee Stock Option Schemes (ESOSs) in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Schemes provide for grant of options on equity shares to employees and Whole Time Directors of the Bank and its Subsidiaries to acquire the equity shares of the Bank that vest in cliff vesting or in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by The Institute of Chartered Accountants of India, the excess, if any, of the fair market price of the share preceding the date of grant of the option under ESOSs over the exercise price of the option is recognised as deferred employee compensation with a credit to Employee's Stock Option (Grant) Outstanding account. The deferred employee compensation cost is amortised on a straight-line basis over the vesting period of the option. The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation equal to the unamortised portion. In respect of the options which expire unexercised the balance standing to the credit of Employee's Stock Option (Grant) Outstanding accounts is transferred to General Reserve. The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed.

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

In respect of options granted to employees of subsidiaries, the Bank recovers the related compensation cost from the respective subsidiaries.

Cash-settled scheme:

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

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 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 included 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 / 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 on account of outstanding foreign exchange contracts are restated at year-end rates notified by FEDAI.

11 Derivative transactions

Notional amounts of derivative transactions comprising of forwards, swaps, futures and options are disclosed as off Balance Sheet exposures. The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the balance sheet or reporting dates. 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 / received is accounted for in the Profit and Loss Account on expiry of the option. Option contracts are marked to market on every reporting date.

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

A provision is recognised when the Bank has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are 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.

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

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 of 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 in terms of Section 52 of the Companies Act, 2013.

18 Credit cards reward points

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

19 Segment reporting

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

Segment	Principal activity
Treasury and BMU	Money market, forex market, derivatives, investments and primary dealership of government securities and Balance Sheet Management Unit (BMU) responsible for Asset Liability Management.
Corporate / Wholesale Banking	Wholesale borrowings and lendings and other related services to the corporate sector which are not included under retail banking.
Retail Banking	Includes: I Lending Commercial vehicle finance, personal loans, home loans, agriculture finance, other loans / services and exposures which fulfill the four 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.

A. DISCLOSURES AS LAID DOWN BY RBI CIRCULARS:

1. Capital Adequacy Ratio:

The Bank's Capital Adequacy Ratios as per Basel III guidelines as at 31st March, 2015 are as follows:

(₹ in crore)

	31st March, 2015	**31st March, 2014**
Capital Ratios:		
(i) Common Equity Tier I Capital (%)	16.18%	17.77%
(ii) Tier I Capital (%)	16.18%	17.77%
(iii) Tier II Capital (%)	0.99%	1.06%
(iv) Total CRAR %	17.17%	18.83%
(v) Percentage of the shareholding of the Government of India	-	-
(vi) Amount raised by issue of Equity Shares	87.88	1,415.50
(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 crore)

	31st March, 2015				**31st March, 2014**			
	HFT	**AFS**	**HTM**	**Total**	**HFT**	**AFS**	**HTM**	**Total**
Government Securities *	1,777.52	10,280.27	10,823.93	22,881.72	216.95	10,157.47	7,090.95	17,465.37
Other Approved Securities	-	-	-	-	-	-	-	-
Shares	19.82	582.85	-	602.67	10.76	34.58	-	45.34
Debentures and Bonds	655.08	3,555.38	-	4,210.46	418.06	4,566.01	-	4,984.07
Subsidiaries, Associates and Joint Ventures	-	-	551.91	551.91	-	-	472.96	472.96
Units, Certificate of Deposits, CP,SRs RIDF, PTCs etc.	92.22	320.13	1,761.98	2,174.33	322.10	1,091.47	1,103.24	2,516.81
Total	**2,544.64**	**14,738.63**	**13,137.82**	**30,421.09**	**967.87**	**15,849.53**	**8,667.15**	**25,484.55**

** Includes securities with face Value of ₹ 1,905.24 crore (previous year ₹ 3,971.48 crore) pledged and encumbered for availment of fund transfer facility, clearing facility, margin requirements and with RBI for LAF.*

3. The details of investments and the movement of provisions held towards depreciation of investments of the Bank as on 31st March, 2015 and 31st March, 2014 are given below:

(₹ in crore)

			31st March, 2015	**31st March, 2014**
1.	Value of Investments			
i.	Gross value of Investments			
	a.	In India	30,436.70	25,666.86
	b.	Outside India	14.44	14.10
ii.	Provision for Depreciation			
	c.	In India	(30.05)	(196.41)
	d.	Outside India	-	-
iii.	Net value of Investments			
	e.	In India	30,406.65	25,470.45
	f.	Outside India	14.44	14.10
2.	Movement of provisions held towards depreciation on investments			
i.	Opening balance		196.41	19.80
ii.	Add: Provisions made during the year		9.07	214.78
iii.	Less: Write-back of excess provisions during the year		175.43	38.17
iv.	Closing balance		30.05	196.41

4. Details of Repo / Reverse Repo (excluding LAF and MSF transactions for the year) deals (in face value terms):

Year ended 31st March, 2015:

(₹ in crore)

Particulars	**Minimum outstanding during the year**	**Maximum outstanding during the year**	**Daily Average outstanding during the year**	**31st March, 2015**
Securities sold under repos				
i. Government securities	-	4,110.00	1,010.81	30.60
ii. Corporate debt securities	-	25.00	0.07	-
Securities purchased under reverse repos				
i. Government securities	-	1,690.00	165.11	1,485.88
ii. Corporate debt securities	-	100.00	6.85	-

Year ended 31st March, 2014:

(₹ in crore)

Particulars	**Minimum outstanding during the year**	**Maximum outstanding during the year**	**Daily Average outstanding during the year**	**31st March, 2014**
Securities sold under repos				
i. Government securities	-	7,033.75	1,418.54	738.45
ii. Corporate debt securities	-	100.00	1.64	-
Securities purchased under reverse repos				
i. Government securities	-	1,000.00	157.45	720.75
ii. Corporate debt securities	-	225.00	2.88	-

5. Disclosure in respect of Non-SLR investments:

(i) Issuer composition of Non-SLR investments as at 31st March, 2015:

(₹ in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	527.75	508.00	-	-	8.00
2	FIs	1,885.29	1,854.51	-	3.38	1,854.21
3	Banks	45.89	-	34.37	11.52	-
4	Private Corporates	4,256.32	2,787.97	740.12	579.86	48.54
5	Subsidiaries, Associates and Joint Ventures	581.82	524.65	-	581.82	581.82
6	Others	272.35	261.10	165.94	89.59	272.35
7	Provision held towards depreciation	(30.05)	-	-	-	-
	Total	**7,539.37**	**5,936.23**	**940.43**	**1,266.17**	**2,764.92**

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive.

Issuer composition of Non-SLR investments as at 31st March, 2014:

(₹ 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	482.06	194.50	-	-	77.70
2	FIs	1,811.47	1,203.24	-	1,103.24	1,451.50
3	Banks	454.73	147.79	-	7.78	446.95
4	Private Corporates	4,619.50	2,577.42	296.49	29.60	534.00
5	Subsidiaries, Associates and Joint ventures	494.21	493.31	-	494.21	494.21
6	Others	190.07	178.54	135.27	45.68	190.07
7	Provision held towards depreciation	(32.86)	-	-	-	-
	Total	**8,019.18**	**4,794.80**	**431.76**	**1,680.51**	**3,194.43**

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, 2015**	**31st March, 2014**
Opening balance	0.04	15.66
Additions during the year since 1st April	-	-
Reductions during the year	-	15.62
Closing balance	0.04	0.04
Total provisions held	**0.04**	**0.04**

6. During the year ended 31st March, 2015 and year ended 31st March, 2014, the value of sale / transfer of securities to/from HTM category (excluding one time transfer of securities and sales to RBI under OMO auctions) was within 5% of the book value of instruments in HTM category at the beginning of the year.

7. Derivatives:

A. Forward Rate Agreements/ Interest Rate Swaps:

(₹ in crore)

Particulars	**31st March, 2015**	**31st March, 2014**
The notional principal of swap agreements	11,850.48	10,177.58
Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	53.98	106.94
Collateral required by the Bank upon entering into swaps	NA	NA
Concentration of credit risk arising from the swaps	90.52%(Banks)	98.07%(Banks)
The fair value of the swap book	(12.26)	34.69

B. Exchange Traded Interest Rate Derivatives:

(₹ in crore)

Particulars	**31st March, 2015**	**31st March, 2014**
Notional principal amount of exchange traded interest rate derivatives undertaken during the year	634.42	Nil
Notional principal amount of exchange traded interest rate derivatives outstanding	104.31	Nil
Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)	NA*	NA
Mark to market value of exchange traded interest rate derivatives outstanding and not "highly effective"	NA*	NA

** Being Trading positions*

Disclosures on risk exposures in derivatives:

Qualitative disclosures:

a) Structure and organization for management of risk in derivatives trading:

The Board of Directors, the Asset Liability Management Committee (ALCO), the Risk Management Committee (RMC), the Senior Management Committee for Derivatives and the Market Risk Management Department are entrusted with the management of risks in derivatives.

The philosophy and framework for the derivative business is laid out in the Board approved Investment and Derivative policies. The ALCO of the Bank is empowered to set the limit-framework for derivatives. It also reviews the market risk exposures of derivatives against the limits. The Risk Management Committee reviews all risks on a consolidated basis and also reviews Stress Testing.

The Senior Management Committee for Derivatives is responsible for reviewing and approving any new derivative products (within the regulatory framework provided by the RBI). The Board approved 'Customer Suitability and Appropriateness Policy for Derivatives' provides guidelines for the assessment of Customer Suitability and the Appropriateness of products offered to these customers.

The monitoring and measurement of risk in derivatives is carried out by the Market Risk Management Department. The Market Risk Management Department is independent of the Treasury Front-Office & Back-Office and directly reports into the Group Chief Risk Officer.

b) Scope and nature of risk measurement, risk reporting and risk monitoring systems:

All significant risks of the derivative portfolio are monitored and measured daily. The Market Risk Management Department measures and reports Market Risk metrics like VaR, PV01, Option Greeks like Delta, Gamma, Vega, Theta, Rho etc. The Credit Risk from the derivatives portfolio is also measured daily.

The Market Risk Management Department monitors these exposures against the set limits and also reviews profitability on a daily basis. MIS is sent to ALCO on a periodic basis. Exception reports are also sent so that emerging risks are reviewed and managed on a timely basis. Stress testing is also performed on the Derivative portfolio. The Bank continuously invests in technology to enhance the Risk Management architecture.

c) Policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants:

The Board Approved 'Hedging Policy' details the hedging strategies, hedging processes, accounting treatment, documentation requirements and effectiveness testing for hedges.

Hedges are monitored for effectiveness periodically, in accordance with the Board Approved Policy.

d) Accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation:

Derivative transactions are segregated into trading or hedge transactions. Trading transactions outstanding as at the Balance Sheet dates are marked to market and the resulting profits or losses, are recorded in the Profit and Loss Account.

Derivative transactions designated as "Hedges" are accounted in accordance with hedging instruments on an accrual basis over the life of the underlying instrument.

Option premium paid / received is accounted for in the Profit and Loss Account on expiry of the option.

Pursuant to the RBI guidelines, any receivables under derivative contracts comprising of crystallised receivables as well as positive Mark to Market (MTM) in respect of future receivables which remain overdue for more than 90 days are reversed through the Profit and Loss Account. The derivative limit sanctioned to clients is part of the overall limit sanctioned post credit appraisal. Collateral is accepted on a case to case basis considering the volatility of the price of the collateral and any increase in operational, legal and liquidity risk.

Quantitative Disclosures:

(₹ in crore)

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**		
	a) For hedging	5,269.80	-
	b) For trading	26,747.42	11,954.78
2	**Marked to Market Positions ****		
	a) Asset (+)	36.78	47.06
	b) Liability (-)	20.37	59.49
3	**Credit Exposure**	1,310.25	158.71
4	**Likely impact of one percentage change in interest rate (100*PV01) #**		
	a) On hedging derivatives	3.60	0.00
	b) On trading derivatives	0.30	81.71
5	**Maximum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	6.42	0.00
	b) On trading derivatives	2.89	84.11
6	**Minimum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	1.26	0.00
	b) On trading derivatives	0.17	54.27

Currency interest rate swaps have been included under currency derivatives.

 # Excludes PV01 on options.

*** MTM has been considered at product level.*

The nature and terms of the Interest Rate Swaps (IRS) as on 31st March, 2015 are set out below:

(₹ in crore)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	1	20.00	INBMK	Receive Floating Vs. Pay Fixed
Trading	28	1,100.00	MIFOR	Receive Fixed Vs. Pay Floating
Trading	5	225.00	MIFOR	Receive Floating Vs. Pay Fixed
Trading	48	2,358.53	MIBOR	Receive Fixed Vs. Pay Floating
Trading	116	5,460.24	MIBOR	Receive Floating Vs. Pay Fixed
Trading	21	725.53	LIBOR	Receive Fixed Vs. Pay Floating
Trading	44	1,887.43	LIBOR	Receive Floating Vs. Pay Fixed
Trading	1	73.75	LIBOR	Receive Floating Vs. Pay Floating
Total	**264**	**11,850.48**		

The nature and terms of the Cross Currency Swaps (CCS) as on 31st March, 2015 are set out below:

(₹ in crore)

Nature	No.	Notional Principal	Benchmark	Terms
Hedging	2	125.00	FIXED	Pay Fixed
Hedging	3	156.25	LIBOR	Receive Floating Vs. Pay Fixed
Trading	2	119.72	FIXED	Receive Fixed Vs. Pay Fixed
Trading	1	126.90	LIBOR	Receive Floating Vs. Pay Floating
Trading	2	76.15	LIBOR	Receive Floating Vs. Pay Fixed
Trading	8	138.35	LIBOR	Receive Fixed Vs. Pay Floating
Total	**18**	**742.37**		

The overnight Net open position as at 31st March, 2015 is ₹ 105.27 crore (previous year ₹ 159.65 crore).

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, 2015	31st March, 2014
i.	Net NPAs to Net Advances %	0.92%	1.08%
ii.	Movement of NPAs (Gross)		
	Gross NPAs as on 1st April (opening balance)	1,059.44	758.11
	Additions (Fresh NPAs) during the year	753.46	934.24
	Sub-total (A)	1,812.90	1,692.35
	Less:		
	(i) Upgradations	229.48	163.35
	(ii) Recoveries (excluding recoveries made from upgraded accounts)	247.41	263.44
	(iii) Technical / Prudential Write-offs	21.77	37.24
	(iv) Write-offs other than those under (iii) above	77.01	168.88
	Sub-total (B)	575.67	632.91
	Gross NPAs as on 31st March (closing balance) (A-B)	1,237.23	1,059.44
iii.	Movement of Net NPAs		
	a. Opening balance	573.56	311.41
	b. Additions during the year	370.69	520.02
	c. Reductions during the year	(335.17)	(257.87)
	d. Closing balance	609.08	573.56
iv.	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a. Opening balance	485.88	446.70
	b. Provisions made during the year	382.77	414.22
	c. Write-off / write-back of excess provisions	(240.50)	(375.04)
	d. Closing balance	628.15	485.88

10. Movement of Technical Write-offs and Recoveries:

(₹ in crore)

Particulars	31st March, 2015	31st March, 2014
Opening balance of Technical / Prudential written-off accounts as at 1st April	229.38	221.51
Add: Technical / Prudential write-offs during the year	21.77	37.24
Sub-Total (A)	251.15	258.75
Less: Recoveries / Reductions made from previously Technical / Prudential written-off accounts during the year (B)	78.34	29.37
Closing Balance as at 31st March (A-B)	**172.81**	**229.38**

11. The Provision Coverage Ratio (PCR) of the Bank after considering technical write-off is 56.80% as at 31st March, 2015 (previous year: 55.50%).

12. Concentration of NPAs:

(₹ in crore)

Particulars	31st March, 2015	31st March, 2014
Total Exposure to top four NPA accounts	301.23	307.34

Above represents Gross NPA

13. Sector-wise Advances

(₹ in crore)

Sl. No	Sector	31st March, 2015			31st March, 2014		
		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	8,411.76	119.43	1.42%	7,112.86	72.68	1.02%
2	Advances to Industries Sector eligible as Priority sector lending	4,624.95	22.04	0.48%	3,872.21	21.23	0.55%
3	Services	7,130.09	124.43	1.75%	6,713.35	107.57	1.60%
4	Personal Loans and others	499.84	2.00	0.40%	376.31	0.38	0.10%
	Sub-Total (A)	20,666.64	267.90	1.30%	18,074.73	201.86	1.12%
B	Non Priority Sector						
1	Agricultural and Allied Activities	828.63	3.05	0.37%	747.62	15.77	2.11%
2	Industry	14,185.51	193.62	1.36%	9,605.45	160.64	1.67%
3	Services	26,948.05	712.25	2.64%	21,681.78	618.88	2.85%
4	Personal loans and others	4,166.05	60.41	1.45%	3,407.45	62.29	1.83%
	Sub-Total (B)	46,128.24	969.33	2.10%	35,442.30	857.58	2.42%
	Total (A+B)	66,794.88	1,237.23	1.85%	53,517.03	1,059.44	1.98%

** Represents Gross Advances*
The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the Management) which has been relied upon by the auditors.

14. Details of Loan Assets subjected to Restructuring:

As at 31st March, 2015

(₹ in crore)

Sr. No.	Type of Restructuring		Others				
	Asset Classification		Standard	Sub-standard	Doubtful	Loss	Total
	Details						
1	Restructured Accounts as on April 1 of the FY (opening figures*)	No. of borrowers	42	2,007	738	-	2,787
		Amount outstanding	13.60	83.81	29.03	-	126.44
		Provision thereon	3.52	16.90	17.83	-	38.25
1A	Movement in Opening Balances (Recoveries)	No. of borrowers	(8)	(622)	(95)	-	(725)
		Amount outstanding	(5.82)	(6.87)	(4.23)	-	(16.92)
		Provision thereon	0.12	7.26	3.40	-	10.78
2	Fresh Restructuring during the year	No. of borrowers	8	2,564	192	-	2,764
		Amount outstanding	153.41	17.72	1.26	-	172.39
		Provision thereon	2.38	5.72	1.26	-	9.36
3	Upgradations to restructured standard category during the FY	No. of borrowers	11	(6)	(5)	-	-
		Amount outstanding	3.06	(1.34)	(1.72)	-	-
		Provision thereon	-	(0.41)	(1.38)	-	(1.79)
4	Restructured Standard Advances which cease to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	No. of borrowers	(3)	(464)	467	-	-
		Amount outstanding	(0.17)	(74.17)	74.34	-	-
		Provision thereon	-	(22.39)	22.39	-	-
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	(904)	(607)	-	(1,511)
		Amount outstanding	-	(1.25)	(0.95)	-	(2.20)
		Provision thereon	-	(1.25)	(0.95)	-	(2.20)
7	Restructured Accounts as on March 31 of the FY (closing figures*)	No. of borrowers	50	2,575	690	-	3,315
		Amount outstanding	164.08	17.90	97.73	-	279.71
		Provision thereon	6.02	5.83	42.55	-	54.40

* *Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)*

There are no cases restructured on account of CDR mechanism or SME debt restructuring in the current or previous year.

As at 31st March, 2014

(₹ in crore)

Sr. No.	Type of Restructuring		Others				
	Asset Classification		Standard	Sub-standard	Doubtful	Loss	Total
	Details						
1	Restructured Accounts as on April 1 of the FY (opening figures*)	No. of borrowers	28	1,005	390	-	1,423
		Amount outstanding	10.71	16.06	30.88	-	57.65
		Provision thereon	2.89	4.74	16.21	-	23.84
1A	Movement in Opening Balances (Recoveries)	No. of borrowers	(13)	(331)	(68)	-	(412)
		Amount outstanding	(8.71)	(7.86)	(5.25)	-	(21.82)
		Provision thereon	0.61	(1.48)	0.86	-	(0.01)
2	Fresh Restructuring during the year	No. of borrowers	3	1,998	126	-	2,127
		Amount outstanding	35.62	55.52	1.37	-	92.51
		Provision thereon	0.02	12.24	1.01	-	13.27
3	Upgradations to restructured standard category during the FY	No. of borrowers	29	(27)	(2)	-	-
		Amount outstanding	5.79	(2.51)	(3.28)	-	-
		Provision thereon	-	(0.50)	(0.92)	-	(1.42)
4	Restructured Standard Advances which cease to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	No. of borrowers	(3)	(353)	356	-	-
		Amount outstanding	(29.80)	23.20	6.60	-	-
		Provision thereon	-	2.50	1.96	-	4.46
6	Write-offs of restructured accounts during the FY	No. of borrowers	(2)	(285)	(64)	-	(351)
		Amount outstanding	(0.01)	(0.60)	(1.29)	-	(1.90)
		Provision thereon	-	(0.60)	(1.29)	-	(1.89)
7	Restructured Accounts as on March 31 of the FY (closing figures*)	No. of borrowers	42	2,007	738	-	2,787
		Amount outstanding	13.60	83.81	29.03	-	126.44
		Provision thereon	3.52	16.90	17.83	-	38.25

* *Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)*

There are no cases restructured on account of CDR mechanism or SME debt restructuring in the current or previous year.

15. Overseas Assets, NPAs and Revenue:

(₹ in crore)

Particulars	31st March, 2015	31st March, 2014
Total Assets	Nil	Nil
Total NPAs	Nil	Nil
Total Revenue	Nil	Nil

Above does not include assets of overseas representative office.

16. Details of non-performing financial assets purchased:

(₹ in crore)

Particulars		31st March, 2015	31st March, 2014
(a)	Number of accounts purchased during the year*	7	4
(b)	Aggregate outstanding in the Banks books**	147.99	55.95

* *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).

17. There are no unsecured advances for which intangible security such as charge over the rights, licenses, authority, etc. are accepted as collateral by the Bank.

18. Provisions on Standard Assets

(₹ in crore)

Particulars	31st March, 2015	31st March, 2014
Provisions towards Standard Assets	298.21	233.54

19. Business ratios / information:

Particulars	31st March, 2015	31st March, 2014
Interest income as a percentage of working funds	10.31%	10.51%
Non interest income as a percentage of working funds	2.15%	1.68%
Operating profit as a percentage of working funds	3.18%	3.09%
Return on assets (average)	1.98%	1.80%
Business (deposit plus advance) per employee (₹ in crore)	7.05	6.78
Profit per employee (₹ in crore)	0.11	0.10
Definitions:		
(A) Working funds is the monthly average of total assets as reported by the Bank's Management to the RBI under Section 27 of the Banking Regulation Act, 1949.		
(B) Operating profit = (Interest Income + Other Income – Interest expenses – Operating expenses).		
(C) Business is monthly average of net advances and deposits as reported to the RBI under section 27 of the Banking Regulation Act, 1949. Inter bank deposits are excluded for the purposes of computation of this ratio.		
(D) Productivity ratios are based on average number of employees.		

20. Maturity pattern of certain items of assets and liabilities:

31st March, 2015:

(₹ in crore)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months & upto 6 months	Over 6 months & upto 12 months	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Advances	567.17	1,542.75	1,807.43	1,004.37	5,173.59	4,741.80	6,751.49	26,707.53	7,800.35	10,064.23	66,160.71
Investments*	5,151.61	2,779.67	849.64	1,072.88	3,316.99	3,308.77	3,535.98	7,764.87	571.99	1,781.61	30,134.01
Deposits	528.31	6,009.55	5,354.43	4,456.97	8,901.51	12,341.07	8,163.19	28,024.95	715.56	364.77	74,860.31
Borrowings	89.55	2,474.46	737.02	23.16	1,178.01	1,302.20	3,619.60	953.46	243.00	1,529.25	12,149.71
Foreign Currency Assets	130.65	403.13	42.79	80.36	612.58	811.00	109.77	522.89	403.73	100.15	3,217.05
Foreign Currency Liabilities	124.24	205.97	240.00	15.66	742.42	427.73	2,928.19	2,513.11	399.90	281.25	7,878.47

* *Listed equity investments in AFS have been considered at 50% (* ₹ 287.08 crore) *haircut as per RBI directions*

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

31st March, 2014:

(₹ 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	906.52	1,349.41	1,817.42	1,067.04	3,956.55	3,765.70	5,507.55	21,099.46	5,973.70	7,584.28	53,027.63
Investments	77.94	5,393.21	886.06	1,400.73	3,450.27	3,169.69	2,384.47	6,616.79	719.22	1,386.17	25,484.55
Deposits	500.40	4,711.06	3,727.74	3,213.72	9,827.61	9,275.41	5,773.94	20,625.48	1,080.05	336.92	59,072.33
Borrowings	106.73	5,505.94	230.97	210.56	1,331.91	1,194.27	1,655.48	1,821.10	282.97	555.65	12,895.58
Foreign Currency Assets	144.99	1,983.08	207.58	125.90	254.68	672.12	30.96	46.61	6.24	59.92	3,532.08
Foreign Currency Liabilities	118.27	74.91	85.09	9.71	1,096.44	249.95	607.18	1,872.36	325.95	269.62	4,709.48

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.

21. Exposures:

(a) Exposure to Real Estate Sector*:

(₹ in crore)

		Particulars	31st March, 2015	31st March, 2014
a)	Direct exposure		13,294.81	11,336.11
	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, 2015 ₹ 460.88 crore and as at 31st March, 2014 ₹ 356.72 crore)	5,261.08	5,304.67
	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	8,033.73	6,031.44
	iii	Investments in Mortgage Backed Securities (MBS) and other securitised exposures-	-	-
		- Residential,	-	-
		- Commercial Real Estate	-	-
b)	Indirect Exposure		1,539.85	1,478.98
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		1,539.85	1,478.98
Total Exposure to Real Estate Sector			**14,834.66**	**12,815.09**

* *On limit basis or outstanding basis whichever is higher*

(b) Exposure to Capital Market*:

(₹ in crore)

	Particulars	31st March, 2015	31st March, 2014
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;	628.65	68.80
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;	112.36	81.92
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;	137.46	145.72
v.	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	1,312.35	1,019.67

(₹ in crore)

Particulars	31st March, 2015	31st March, 2014
vi. Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii. Bridge loans to companies against expected equity flows / issues;	-	-
viii. Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix. Financing to stockbrokers for margin trading;	-	-
x. All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	0.03	0.03
xi. Others (Financial Guarantees)	70.00	100.00
Total Exposure to Capital Market*	**2,260.85**	**1,416.14**

* *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, 2015. (Nil provision for the year ended 31st March, 2014)

(₹ in crore)

Risk Category	Exposure (net) as at 31st March, 2015	Provision held as at 31st March, 2015	Exposure (net) as at 31st March, 2014	Provision held as at 31st March, 2014
Insignificant	1,478.22	-	1,550.27	-
Moderate	3.82	-	-	-
Low	15.36	-	1.13	-
Total	**1,497.40**	**-**	**1,551.40**	**-**

22. Concentration of deposits:

(₹ in crore)

Particulars	31st March, 2015	31st March, 2014
Total deposits of twenty largest depositors	10,874.31	10,278.99
Percentage of deposits of twenty largest depositors to total deposits of the bank	14.53%	17.40%

23. Concentration of advances*:

(₹ in crore)

Particulars	31st March, 2015	31st March, 2014
Total advances to twenty largest borrowers	17,758.50	12,798.38
Percentage of advances to twenty largest borrowers to total advances of the bank	13.41%	13.25%

* *Advances represents Credit Exposure including derivatives furnished in Master Circular on Exposure Norms DBOD.No.Dir.BC.12/13.03.00/2014-15 dated July 1, 2014*

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management) which has been relied upon by the auditors.

24. Concentration of exposures**:

(₹ in crore)

Particulars	**31st March, 2015**	**31st March, 2014**
Total exposure to twenty largest borrowers/customers	18,357.96	14,303.84
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	13.28%	13.81%

** *Exposures represents credit, derivatives and investment exposure as prescribed in Master Circular on Exposure Norms DBOD.No.Dir.BC. 12/13.03.00/2014-15 dated July 1, 2014*

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management) which has been relied upon by the auditors.

25. During the year ended 31st March, 2015 and year ended 31st March, 2014 the Bank has not exceeded the prudential exposure limits as laid down by RBI guidelines for the Single Borrower Limit (SBL)/ Group Borrower Limit (GBL).

26. Provision made for taxes during the year:

(₹ in crore)

Particulars	**31st March, 2015**	**31st March, 2014**
Current tax	895.97	741.78
Deferred tax	70.95	28.11
Wealth Tax	0.06	0.04
Total	**966.98**	**769.93**

27. During the year penalty of ₹ 0.10 crore (previous year ₹ 1.501 crore) 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.

28. There are no Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms).

29. Bancassurance Business:

(₹ in crore)

Sr. No.	**Nature of Income**	**31st March, 2015**	**31st March, 2014**
1.	For selling life insurance policies	67.48	51.89
2.	For selling non life insurance policies	1.65	1.91
3.	For selling mutual fund products	258.20	114.58
4.	Others	-	-

This Income has been reflected under Commission, exchange and brokerage under Other Income

30. Floating Provisions:

(₹ in crore)

Particulars		**31st March, 2015**	**31st March, 2014**
(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

31. Draw Down from Reserves:

In accordance with the RBI requirement on creation and utilisation of Investment reserve in respect of HFT and AFS investments, reserve of ₹ 86.65 crore is created during the year (previous year ₹ 41.10 crore had been utilised)

Further in accordance with the RBI requirement on creation and utilisation of reserves, no reserve has been utilised in the current year and in the previous year except for below.

For the previous year ended 31st March 2014, in accordance with RBI communication RBI/2013-14/412 DBOD. No.BP.BC.77/21.04.018/2013-14 dated 20th December, 2013 on "Deferred Tax Liability (DTL) on Special Reserve created under Section 36(1) (viii) of the Income Tax Act, 1961", the Bank had reduced ₹ 31.18 crore from general reserves of the previous year towards DTL on special reserves created till year ended 31st March, 2013.

32. a) Status of Shareholder Complaints:

		31st March, 2015	**31st March, 2014**
(a)	No. of complaints pending at the beginning of the year	2	2
(b)	No. of complaints received during the year	32	18
(c)	No. of complaints redressed during the year	34	18
(d)	No. of complaints pending at the end of the year	0	2*

* *The pending complaints were resolved on 11.04.2014*

b) Status of Customer Complaints:

		31st March, 2015	**31st March, 2014**
(a)	No. of complaints pending at the beginning of the year	91	105
(b)	No. of complaints received during the year	2,763	3,713
(c)	No. of complaints redressed during the year	2,801	3,727
(d)	No. of complaints pending at the end of the year	53	91

c) Status of Awards passed by the Banking Ombudsman:

		31st March, 2015	**31st March, 2014**
(a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
(b)	No. of Awards passed by the Banking Ombudsman during the year	Nil	Nil
(c)	No. of Awards implemented during the year	Nil	Nil
(d)	No. of unimplemented Awards at the end of the year	Nil	Nil

The above details are as furnished by the Management and relied upon by the auditors.

33. The Bank has issued letters of awareness on behalf of a wholly owned, non-banking finance subsidiary in respect of its borrowings made or proposed to be made. These letters are in nature of factual statements or confirmation of facts and do not create any financial obligation or impact on the Bank. During the year, the Bank has not issued letters of awareness (previous year Nil). As at 31 March, 2015 cumulative value of outstanding letters of awareness aggregate to ₹ Nil (previous year ₹ 650 crore).

34. DISCLOSURES ON REMUNERATION

A. Qualitative Disclosures:

a) Information relating to the composition and mandate of the Remuneration Committee:

The Nomination & Remuneration committee comprises of independent directors of the Bank. Key mandate of the Nomination & Remuneration committee is to oversee the overall design and operation of the compensation policy of the Bank and work in coordination with the Risk Management Committee to achieve alignment between risks and remuneration.

b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:

Objective of Banks' Compensation Policy is to:

- To maintain fair, consistent and equitable compensation practices in alignment with Bank's core values and strategic business goals;
- To ensure effective governance of compensation and alignment of compensation practices with prudent risk taking;
- To have mechanisms in place for effective supervisory oversight and Board engagement in compensation

The remuneration process is aligned to the Bank's Compensation Policy objectives.

c) **Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks:**

In order to manage current and future risk and allow a fair amount of time to measure and review both quality and quantity of the delivered outcomes, a significant portion of senior and middle management compensation is variable. Further reasonable portion variable compensation is non- cash and deferred, over a period of 3 to 4 years.

In addition, remuneration process provides for 'malus' and 'clawback' option to take care of any disciplinary issue or future drop in performance of individual/ business/ company.

d) **Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:**

Individual performances are assessed in line with business/ individual delivery of the Key Result Areas (KRSAs), top priorities of business, budgets etc. KRAs of Line roles are linked to financials, people, service and process (Quality) parameters and KRAs of non-Line Roles have linkage to functional deliveries needed to achieve the top business priorities.

Further remuneration process is also linked to Market salaries / job levels, business budgets and achievement of individual KRAs.

e) **A discussion of the banks' policy on deferral and vesting of variable remuneration and a discussion of the 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 and II

a. Variable Pay will not exceed 70% of Fixed Pay.
b. The Cash component of the Variable Pay will not exceed 50% of the Fixed Pay
c. If Variable Pay is higher than 50% of Fixed Pay, at least 40% of Variable Pay will be deferred over a period of 3 years, or longer, on a pro-rata basis.

Category III

Variable Pay is payable as per approved schemes for incentive or Bonus:

i) The Cash component of the Variable Pay will not exceed 60% of the Fixed Pay.

ii) If Variable Pay is higher than 60% of Fixed Pay, at least 40% of Variable Pay will be deferred over a period of 3 years, or longer, on a pro-rata basis.

iii) However, if Variable Pay is less than or equal to ₹ 10 lakhs, management will have the discretion to pay the entire amount as cash.

For adjusting deferred remuneration before & after vesting:

Malus: Payment of all or part of amount of deferred Variable Pay can be prevented. This clause will be applicable in case of:

- Disciplinary Action (at the discretion of the Disciplinary Action Committee) and/ or
- Significant drop in performance of Individual/ Business/ Company (at the discretion of the Nomination & Remuneration Committee)
- Resignation of the staff prior to the payment date.

Clawback: Previously paid or already vested deferred Variable Pay can also be recovered under this clause.

This clause will be applicable in case of Disciplinary Action (at the discretion of the Disciplinary Action Committee and approval of the 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, 2015 4 meetings of Nomination & Remuneration committee was held. Each Member of the Nomination & Remuneration committee is paid a sitting fee of ₹ 30,000 per meeting.

b) Number of employees having received a variable remuneration award during the financial year.

Quantitative disclosure restricted to CEO, two Whole Time Directors and six Operating Management committee members as risk takers.

c) Number and total amount of sign-on awards made during the financial year.

Nil (previous year NIL)

d) Details of guaranteed bonus, if any, paid as joining / sign on bonus.

Nil (previous year NIL)

e) Details of severance pay, in addition to accrued benefits, if any.

Nil (previous year NIL)

f) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms

Outstanding SARs as at 31st March, 2015 – 100,614 rights (previous year 123,917 rights)

Outstanding ESOPs as at 31st March, 2015 – 644,816 equity shares (previous year 744,118 equity shares)

g) Total amount of deferred remuneration paid out in the financial year.

Payment towards SARs during year ended 31st March, 2015 ₹ 7.86 crore (previous year ₹ 2.63 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, 2015 - ₹ 17.12 crore (previous year ₹ 14.71 crore)

Deferred Variable Pay*

SARs – 44,290 rights (previous year 44,692 rights)
ESOPs – 207,850 equity shares (previous year 279,600 equity shares)

Non Deferred variable pay* ₹ 3.44 crore (previous year ₹ 3.43 crore)

** Details relating to variable pay pertains to remuneration awards for the financial year 2013-14 awarded during current financial year. Remuneration award for the year ended 31st March, 2015 are yet to be reviewed and approved by the remuneration committee.*

35. Intra – Group Exposures

(₹ in crore)

Particulars	31st March, 2015	31st March, 2014
(a) Total amount of intra-group exposures	2,586.95	2,291.61
(b) Total amount of top-20 intra-group exposures	2,586.95	2,291.61
(c) Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	1.87%	2.09%
(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.

36. Transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in crore)

Particulars	31st March, 2015
Opening balance of amounts transferred to DEAF	0.00
Add: Amounts transferred to DEAF during the year	2.44
Less: Amounts reimbursed by DEAF towards claim	0.02
Closing balance of amounts transferred to DEAF	2.42

37. Unhedged Foreign Currency Exposure of borrowers:

The bank recognises the importance of the risk of adverse fluctuation of foreign exchange rates on the profitability and financial position of borrowers who are exposed to currency risk. Currency induced credit risk refers to the risk of inability of borrowers to service their debt obligations due to adverse movement in the exchange rates and corresponding increase/decrease in their book values of trade payables, loan payables, trade receivables, etc. thereby exposing the Bank to risk of default by the customer. 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 of RBI. Incremental capital is maintained in respect of borrower counterparties in the highest risk category, in line with stipulations of 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 are not submitted, provision for currency induced credit risk is made as per RBI stipulated rates as 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) 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 31 March 2015 is ₹ 17.82 crore. Incremental Risk weighted Assets value considered for the purpose of CRAR calculation in respect of currency induced credit risk is ₹ 357.17 crore.

38. a) Liquidity Coverage Ratio

(₹ in crore)

		31st March, 2015	
		Total Unweighted Value (Average)	**Total Weighted Value (Average)**
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)	13,391.63	13,251.11
Cash Outflows			
2	Retail Deposits and Deposits from Small Business Customers of which:		
(i)	Stable Deposits	5,327.77	266.39
(ii)	Less Stable Deposits	28,590.61	2,859.06
3	Unsecured Wholesale Funding of which:		
(i)	Operational Deposits (all counterparties)	13,463.19	3,364.13
(ii)	Non-Operational Deposits (all counterparties)	16,240.86	9,252.15
(iii)	Unsecured Debt	3,353.14	3,353.14
4	Secured Wholesale Funding	930.20	-
5	Additional Requirements of which:		
(i)	Outflows related to Derivative exposures and other Collateral requirements	-	-
(ii)	Outflows related to loss of Funding on Debt Products	-	-
(iii)	Credit and liquidity facilities	1,157.07	235.78
6	Other Contractual funding obligations	2,169.37	2,169.37
7	Other Contingent funding obligations	23,140.69	1,157.03
8	**Total Cash Outflows**	94,372.91	22,657.05
	Cash Inflows		
9	Secured Lending (e.g. reverse repos)		
10	Inflows from fully performing exposures	5,202.17	3,044.39
11	Other Cash Inflows	1,050.33	525.21
12	**Total Cash Inflows**	6,252.50	3,569.60
			Total Adjusted Value
	TOTAL HQLA		13,251.11
	Total Net Cash Outflows		19,087.45
	Liquidity Coverage Ratio (%)		69.42%

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.

38. b) Qualitative disclosure around LCR

The Reserve Bank of India has prescribed monitoring of sufficiency of Bank's liquid assets using Basel III – Liquidity Coverage Ratio (LCR). The LCR is aimed at measuring and promoting short-term resilience of Banks to potential liquidity disruptions by ensuring maintenance of sufficient high quality liquid assets (HQLAs) to survive net cash outflows over next 30 days under stress conditions.

The LCR requirement has been introduced in a phased manner with banks required to maintain minimum LCR of 60% from January 2015 onwards and the requirement increasing by 10% annually to 100% by January 2019.

The Bank has implemented the LCR framework and has consistently maintained LCR well above the regulatory threshold of 60%. The average LCR for the quarter ended March 31, 2015 was 69.42%. Level 1 HQLA stood at 94.3% (₹ 12,491 crore.) of the total HQLA of ₹ 13,251 crore. This covered the net cash outflow of ₹ 19,087 crore. as detailed in the table above.

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 depositors and lenders concentration with top 20 depositors contributing 14.5% of Bank's total deposits and top 10 lenders contributing 8.1% 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.

B. OTHER DISCLOSURES:

1. The Board of Directors of Kotak Mahindra Bank Ltd ("Kotak") and the Board of Directors of ING Vysya Bank Ltd ("ING Vysya") at their respective meetings held on 20th November, 2014 have approved an amalgamation of ING Vysya with Kotak in the ratio of 725 shares of Kotak for every 1,000 shares of ING Vysya. Subsequently, the shareholders of Kotak and ING Vysya have approved the scheme of amalgamation at their respective Extra Ordinary General Meetings held on 7th January, 2015. The amalgamation is approved by the Reserve Bank of India (the "RBI") under the Banking Regulation Act and the Competition Commission of India. The amalgamation is effective from 1st April, 2015.

2. Earnings per Equity Share:

Particulars	**31st March, 2015**	**31st March, 2014**
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	771,140,159	765,821,581
Effect of potential equity shares for stock options outstanding	1,854,016	1,251,038
Weighted average number of equity shares used in computation of diluted earnings per share	772,994,175	767,072,619
Following is the reconciliation between basic and diluted earnings per share		
Nominal value per share	5.00	5.00
Basic earnings per share	24.20	19.62
Effect of potential equity shares for stock options	0.06	0.03
Diluted earnings per share	24.14	19.59
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	1,865.98	1,502.52

3. Segment Reporting:

The Summary of the operating segments of the Bank for the year ended 31st March, 2015 are as given below.

(₹ in crore)

		31st March, 2015	**31st March, 2014**
1.	**Segment Revenue**		
	a. Treasury and BMU	2,735.45	2,721.24
	b. Corporate / Wholesale Banking	4,438.80	3,646.86
	c. Retail Banking	8,193.53	6,115.14
	d. Other Banking business	-	-
	Sub-total	**15,367.78**	**12,483.24**
	Less : Inter-segmental revenue	3,625.55	2,319.28
	Add : Unallocated Income	6.09	2.87
	Total	**11,748.32**	**10,166.83**
2.	**Segment Results**		
	a. Treasury and BMU	467.75	175.58
	b. Corporate / Wholesale Banking	1,402.11	1,300.65
	c. Retail Banking	957.01	793.35
	d. Other Banking business	-	-

(₹ in crore)

		31st March, 2015	31st March, 2014
	Sub-total	**2,826.87**	**2,269.58**
	Add : Unallocated Income	6.09	2.87
	Total Profit Before Tax	**2,832.96**	**2,272.45**
	Provision for Tax	966.98	769.93
	Total Profit After Tax	**1,865.98**	**1,502.52**
3.	**Segment Assets**		
	a. Treasury and BMU	37,656.08	30,872.94
	b. Corporate / Wholesale Banking	38,386.95	32,025.82
	c. Retail Banking	79,499.40	61,655.43
	d. Other Banking business	-	-
	Sub-total	**155,542.43**	**124,554.19**
	Less : Inter-segmental Assets	49,599.62	37,109.07
	Total	**105,942.81**	**87,445.12**
	Add : Unallocated Assets	69.27	140.22
	Total Assets as per Balance Sheet	**106,012.08**	**87,585.34**
4.	**Segment Liabilities**		
	a. Treasury and BMU	33,953.33	28,341.55
	b. Corporate / Wholesale Banking	33,458.01	27,508.31
	c. Retail Banking	73,859.51	56,373.88
	d. Other Banking business	-	-
	Sub-total	**141,270.85**	**112,223.74**
	Less : Inter-segmental Liabilities	49,599.62	37,109.07
	Total	**91,671.23**	**75,114.67**
	Add : Unallocated liabilities	199.76	195.58
	Add : Share Capital & Reserves & surplus	14,141.09	12,275.09
	Total Liabilities as per Balance Sheet	**106,012.08**	**87,585.34**
5.	**Capital Expenditure**		
	a. Treasury and BMU	157.78	664.77
	b. Corporate / Wholesale Banking	16.69	14.06
	c. Retail Banking	124.63	134.11
	d. Other Banking business	-	-
	Total	**299.10**	**812.94**
6.	**Depreciation / Amortisation**		
	a. Treasury and BMU	76.58	59.46
	b. Corporate / Wholesale Banking	10.48	9.51
	c. Retail Banking	105.94	96.21
	d. Other Banking business	-	-
	Total	**193.00**	**165.18**

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.

4. Lease Discloures:

a. The Bank has taken various premises and equipment under operating lease. The lease payments recognised in the Profit and Loss Account are ₹ 266.41 crore (previous year ₹ 209.62 crore). The sub-lease income recognised in the Profit and Loss Account is ₹ 6.65 crore (previous year ₹ 7.03 crore).

b. The future minimum lease payments under non cancellable operating lease – not later than one year is ₹ 242.99 crore (previous year ₹ 198.87 crore), later than one year but not later than five years is ₹ 722.54 crore (previous year ₹ 811.69 crore) and later than five years ₹ 674.31 crore (previous year ₹ 443.26 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.

5. Deferred Taxes:

“Others” in Other Assets (Schedule 11 (VI)) includes deferred tax asset (net) of ₹ 69.28 crore (previous year ₹ 140.23 crore). The components of the same are as follows:

(₹ in crore)

Particulars of Asset/ (Liability)	**31st March, 2015**	**31st March, 2014**
Provision for NPA and general provision on standard assets	67.91	**134.17**
Expenditure allowed on payment basis	65.35	**48.37**
Depreciation	(7.71)	**(1.61)**
Deduction u/s. 36(1)(viii)	(56.27)	**(40.70)**
Net Deferred Tax Asset	69.28	**140.23**

6. 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, 2015**	**31st March, 2014**
Opening provision for reward points	1.59	2.33
Provision for reward points made during the year	4.39	5.09
Utilisation/write-back of provision for reward points	(3.34)	(5.83)
Closing provision for reward points*	2.64	1.59

** The closing provision is based on the actuarial valuation of accumulated credit card account reward points. This amount will be utilised towards redemption of the credit card accounts reward points.*

7. 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, 2015**	**31st March, 2014**
Gross Block		
At cost on 31st March of the preceding year	175.82	142.14
Additions during the year	17.13	33.68
Deductions during the year	-	-
Total	**192.95**	**175.82**
Depreciation / Amortisation		
As at 31st March of the preceding year	137.03	112.65
Charge for the year	25.28	24.38
Deductions during the year	-	-
Depreciation to date	**162.31**	**137.03**
Net Block	**30.64**	**38.79**

8. Related Party Disclosures :

A. Parties where control exists:

Nature of relationship	Related Party
Individual having control over the enterprise	Mr. Uday S. Kotak along with relatives and enterprises in which he has beneficial interest holds 39.95% of the equity share capital of Kotak Mahindra Bank Limited as on 31st March, 2015
Subsidiary Companies	Kotak Mahindra Prime Limited
	Kotak Securities Limited
	Kotak Mahindra Capital Company Limited
	Kotak Mahindra Old Mutual Life Insurance Limited
	Kotak Mahindra Investments Limited
	Kotak Mahindra Asset Management Company Limited
	Kotak Mahindra Trustee Company Limited
	Kotak Mahindra (International) Limited
	Kotak Mahindra (UK) Limited
	Kotak Mahindra Inc.
	Global Investment Opportunities Fund Limited (Till 12th May, 2014)
	Kotak Investment Advisors Limited
	Kotak Mahindra Trusteeship Services Limited
	Kotak Forex Brokerage Limited
	Kotak Mahindra Pension Fund Limited
	Kotak Mahindra Financial Services Limited
	Kotak Mahindra Asset Management (Singapore) Pte. Ltd.
	Kotak Mahindra General Insurance Limited (Incorporated on 20th Dec, 2014)

B. Other Related Parties:

Nature of Relationship	Related Party
Associates	ACE Derivatives and Commodity Exchange Limited.
	Infina Finance Private Limited
	Matrix Business Services India Private Limited
	Phoenix ARC Private Limited
Key Management Personnel	Mr. Uday S. Kotak, Executive Vice Chairman and Managing Director
	Mr. C Jayaram, Joint Managing Director
	Mr. Dipak Gupta, Joint Managing Director
Enterprises over which relatives of Key Management Personnel have control / significant Influence	Aero Agencies Limited Kotak & Company Limited Komaf Financial Services Limited Asian Machinery & Equipment Private Limited. Insurekot Sports Private Limited (Previously known as Insurekot Investments Private Limited) Kotak Trustee Company Private Limited Cumulus Trading Company Private Limited Palko Properties Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Limited Kotak Commodity Services Limited Harisiddha Trading and Finance Private Limited Puma Properties Private Limited Business Standard Private Limited (Previously Business Standard Ltd) Business Standard Online Limited (From 27th March, 2015) Allied Auto Accessories Private Limited
Relatives of Key Management Personnel	Ms. Pallavi Kotak Mr. Suresh Kotak Ms. Indira Kotak Mr. Jay Kotak Mr. Dhawal Kotak Ms. Aarti Chandaria Ms. Anita Gupta Ms. Urmila Gupta Ms. Usha Jayaram

₹ in crore

Items/Related Party	Subsidiary Companies	Associates	Key Manage-ment Personnel	Enterprises over which Relatives of Key Management Personnel have control/ significant influence	Relatives of Key Manage-ment Personnel	Total
Liabilities						
Deposits	2,016.85	231.23	26.17	109.94	10.44	2,394.63
	(2,172.53)	(253.65)	(1.47)	(70.04)	(1.59)	(2,499.28)
Interest Payable	19.47	1.78	0.42	0.59	0.18	22.44
	(15.17)	(1.97)	(0.02)	(0.58)	(0.01)	(17.75)
Other Liabilities	2.23	-				2.23
	(10.01)	(0.20)				(10.21)
Assets						
Advances	12.60					12.60
	-					-
Investments-Gross	1,072.95	33.88		#		1,106.83
	(986.92)	(32.29)		-		(1,019.21)
Diminution on Investments	2.28	27.64		#		29.92
	(2.19)	(19.06)		-		(21.25)
Commission Receivable	15.12	-				15.12
	(15.01)	-				(15.01)
Others	30.55	0.10				30.65
	(28.66)	(2.45)				(31.11)
Expenses						
Salaries/fees (Include ESOP)			9.48			9.48
			(9.81)			(9.81)
Interest Paid	179.64	27.81	1.70	5.72	0.47	215.34
	(173.28)	(37.81)	(0.35)	(8.68)	(0.07)	(220.19)
Others	42.45	0.41		3.19		46.05
	(6.35)	(1.19)		(2.64)		(10.18)
Income						
Dividend	4.95					4.95
	(21.11)					(21.11)
Interest Received	50.79					50.79
	(44.00)					(44.00)
Others	156.89	0.75		0.01		157.65
	(129.72)	(0.28)		-		(130.00)
Other Transactions						
Sale of investment	1,469.48					1,469.48
	(2,486.79)					(2,486.79)
Purchase of Investment	346.59	1.59				348.18
	(1,055.85)	-				(1,055.85)
Loan disbursed during the year		30.00				30.00
		-				-
Loan repaid during the year		30.00				30.00
		-				-
Dividend paid			24.60		0.16	24.76
			(23.40)		(0.13)	(23.53)
Reimbursement to companies	14.38	0.19		0.39		14.96
	(14.52)	(0.19)		(0.39)		(15.10)
Reimbursement from companies	91.55	0.71				92.26

₹ in crore

Items/Related Party	Subsidiary Companies	Associates	Key Manage -ment Person nel	Enterprises over which Relatives of Key Management Personnel have control/ significant influence	Relatives of Key Manage- ment Personnel	Total
	(78.25)	(0.71)				(78.96)
Purchase of Fixed assets	0.54	-				0.54
	(0.46)	(0.16)				(0.62)
Sale of Fixed assets	0.61	0.20				0.81
	(0.64)	-				(0.64)
Swaps/Forward/ options contracts	-					-
	(50.00)					(50.00)
Guarantees/Lines of credit	0.10	2.13				2.23
	(0.22)	(2.13)				(2.35)
I. Liabilities:						
Other liabilities						
Other Payable						
Kotak Mahindra Prime Limited	0.10					0.10
	(0.10)					(0.10)
Kotak Mahindra Investments Limited	0.38					0.38
	(0.01)					(0.01)
Kotak Mahindra (International) Limited	0.00					0.00
	(8.01)					(8.01)
Others	1.75	-				1.75
	(1.89)	(0.20)				(2.09)
II. Assets:						
Investments						
Kotak Mahindra Old Mutual Life Insurance Limited	260.25					260.25
	(260.25)					(260.25)
Kotak Mahindra Prime Limited	526.78					526.78
	(526.78)					(526.78)
Kotak Mahindra Capital Company Limited	65.14					65.14
	(65.14)					(65.14)
Kotak Mahindra Investments Limited	168.03					168.03
	(93.05)					(93.05)
Others	52.75			#		52.75
	(41.70)			-		(41.70)
ACE Derivatives and Commodity Exchange Limited		33.88				33.88
		(32.29)				(32.29)
Diminution on Investments						
Kotak Forex Brokerage Limited	2.28					2.28
	(2.19)					(2.19)
ACE Derivatives and Commodity Exchange Limited		27.64				27.64
		(19.06)				(19.06)

						₹ in crore
Items/Related Party	**Subsidiary Companies**	**Associates**	**Key Manage -ment Person nel**	**Enterprises over which Relatives of Key Management Personnel have control/ significant influence**	**Relatives of Key Manage-ment Personnel**	**Total**
Others				#		
				-		
Commission Receivable						
Kotak Mahindra Old Mutual Life Insurance Limited	15.12					15.12
	(15.01)					(15.01)
Others Receivable						
Kotak Mahindra Prime Limited	26.36					26.36
	(25.48)					(25.48)
Kotak Securities Limited	0.93					0.93
	(0.59)					(0.59)
Others	3.26	0.10				3.36
	(2.59)	(2.45)				(5.04)
III. Expenses:						
Salaries/fees(Include ESOP)						
Mr. Uday Kotak			2.47			2.47
			(2.38)			(2.38)
Mr. C Jayaram			3.00			3.00
			(3.45)			(3.45)
Mr.Dipak Gupta			4.01			4.01
			(3.98)			(3.98)
Other Expenses						
Brokerage						
Kotak Securities Limited	0.64					0.64
	(0.12)					(0.12)
Kotak Mahindra Financial Services Limited	7.90					7.90
	(4.29)					(4.29)
Premium						
Kotak Mahindra Old Mutual Life Insurance Limited	1.25					1.25
	(1.00)					(1.00)
Other Expenses:						
Kotak Mahindra Prime Limited	1.10					1.10
	(0.94)					(0.94)
Kotak Mahindra Capital Company Limited	31.50					31.50
	-					-
Aero Agencies Limited				3.18		3.18
				(2.64)		(2.64)
Kotak & Company Limited				0.01		0.01
				-		
Others	0.06	0.41				0.47
		(1.19)				(1.19)
IV. Income:						
Dividend						
Kotak Mahindra Asset Management Company Limited	4.95					4.95

						₹ in crore
Items/Related Party	**Subsidiary Companies**	**Associates**	**Key Manage -ment Person nel**	**Enterprises over which Relatives of Key Management Personnel have control/ significant influence**	**Relatives of Key Manage- ment Personnel**	**Total**
	(9.90)					(9.90)
Kotak Mahindra Trustee Co Ltd	-					-
	(3.76)					(3.76)
Kotak Mahindra INC	-					-
	(1.34)					(1.34)
Kotak Mahindra (International) Limited	-					-
	(6.00)					(6.00)
Kotak Mahindra Prime Limited	-					-
	(0.11)					(0.11)
Other Income						
Insurance Commission and Rental Income						
Kotak Mahindra Old Mutual Life Insurance Limited	81.73					81.73
	(67.71)					(67.71)
Rental and other Income						
Kotak Securities Limited	19.15					19.15
	(15.13)					(15.13)
Kotak Mahindra Capital Company Limited	10.48					10.48
	(7.28)					(7.28)
Kotak Mahindra Asset Management Company Limited	14.95					14.95
	(12.46)					(12.46)
Kotak Mahindra Prime Limited	12.87					12.87
	(11.05)					(11.05)
Kotak Investment Advisors Ltd	9.13					9.13
	(5.96)					(5.96)
Others	8.58	0.75		0.01		9.34
	(10.13)	(0.28)		-		(10.41)
V. Other Transactions:						
Sale of Investment						
Kotak Mahindra Old Mutual Life Insurance Ltd.	1,224.61					1,224.61
	(2,190.18)					(2,190.18)
Kotak Mahindra Prime Limited	225.00					225.00
	-					-
Kotak Securities Limited	19.87					19.87
	(296.61)					(296.61)
Purchase of Investments						
Kotak Mahindra Old Mutual Life Insurance Ltd.	46.61					46.61
	(414.95)					(414.95)
Kotak Mahindra Prime Limited	225.00					225.00
	(550.00)					(550.00)

						₹ in crore
Items/Related Party	**Subsidiary Companies**	**Associates**	**Key Manage -ment Person nel**	**Enterprises over which Relatives of Key Management Personnel have control/ significant influence**	**Relatives of Key Manage- ment Personnel**	**Total**
Kotak Securities Ltd.	-					-
	(0.90)					(0.90)
Kotak Mahindra Investments Limited	74.98					74.98
	(90.00)					(90.00)
ACE Derivatives and Commodity Exchange Limited		1.59				1.59
		-				-
Loan Disbursed during the year						
Phoenix A R C Private Limited		30.00				30.00
		-				-
Loan Repaid during the year						
Phoenix A R C Private Limited		30.00				30.00
		-				-
Dividend paid						
Mr. Uday Kotak			24.50			24.50
			(23.32)			(23.32)
Mr. C. Jayaram			0.05			0.05
			(0.04)			(0.04)
Mr. Dipak Gupta			0.05			0.05
			(0.04)			(0.04)
Ms. Pallavi Kotak					0.04	0.04
					(0.04)	(0.04)
Ms. Indira Kotak					0.10	0.10
					(0.08)	(0.08)
Others					0.02	0.02
					(0.01)	(0.01)
Reimbursements to companies						
Kotak Mahindra Capital Company Limited	2.45					2.45
	(2.47)					(2.47)
Kotak Mahindra Prime Limited	5.73					5.73
	(5.82)					(5.82)
Kotak Mahindra Old Mutual Life Insurance Limited	0.21					0.21
	(0.14)					(0.14)
Kotak Securities Ltd.	5.57					5.57
	(5.78)					(5.78)
Others	0.42	0.19		0.39		1.00
	(0.31)	(0.19)		(0.39)		(0.89)
Reimbursements from companies						
Kotak Mahindra Capital Company Limited	6.71					6.71
	(6.15)					(6.15)

						₹ in crore
Items/Related Party	**Subsidiary Companies**	**Associates**	**Key Manage -ment Person nel**	**Enterprises over which Relatives of Key Management Personnel have control/ significant influence**	**Relatives of Key Manage- ment Personnel**	**Total**
Kotak Mahindra Prime Limited	15.98					15.98
	(13.86)					(13.86)
Kotak Mahindra Old Mutual Life Insurance Limited	14.37					14.37
	(11.74)					(11.74)
Kotak Securities Limited	36.69					36.69
	(35.29)					(35.29)
Others	17.80	0.71				18.51
	(11.21)	(0.71)				(11.92)
Purchase of Fixed assets						
Kotak Mahindra Prime Limited	0.01					0.01
	(0.15)					(0.15)
Kotak Mahindra Capital Company Limited	-					0.00
	(0.15)					(0.15)
Kotak Securities Ltd	0.53					0.53
	-					0.00
Kotak Investment Advisor Limited	-					-
	(0.16)					(0.16)
ACE Derivatives and Commodity Exchange Limited		-				-
		(0.16)				(0.16)
Sale of Fixed assets						
Kotak Mahindra Capital Company Limited	-					-
	(0.16)					(0.16)
Kotak Securities Limited	0.38					0.38
	-					0.00
Kotak Mahindra Prime Limited	0.01					0.01
	(0.01)					(0.01)
Kotak Mahindra Asset Management Company Limited	-					-
	(0.20)					(0.20)
Kotak Mahindra Investments Limited	0.22					0.22
	(0.27)					(0.27)
Phoenix ARC Private Ltd		0.20				0.20
		-				-
Swaps/Forward /Options contract						
Kotak Mahindra (International) Ltd	-					-
	(50.00)					(50.00)

						₹ in crore
Items/Related Party	**Subsidiary Companies**	**Associates**	**Key Manage -ment Person nel**	**Enterprises over which Relatives of Key Management Personnel have control/ significant influence**	**Relatives of Key Manage- ment Personnel**	**Total**
Guarantees/Lines of credit						
Kotak Mahindra Prime Limited	-					-
	(0.12)					(0.12)
Kotak Mahindra Pension Fund Ltd.	0.10					0.10
	(0.10)					(0.10)
ACE Derivatives and Commodity Exchange Limited		2.13				2.13
		(2.13)				(2.13)

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	Key Management Personnel	Enterprise over which Relative of Key Management Personnel have control/ significant influence	Relatives of Key Management Personnel
Liabilities					
Deposits	3,840.15	2,771.59	34.25	161.93	17.65
	(3,443.22)	(648.61)	(20.62)	(167.54)	(9.99)
Other Liabilities	3.98	0.11			
	(4.79)	(0.39)			
Assets					
Advances	432.03	30.00			
	(177.90)	0.00			
Investments-Gross	1,072.95	33.88			
	(986.92)	(32.29)			
Commission Receivable	15.12				
	(15.01)				
Others	25.64	0.37			
	(17.40)	(0.53)			

9. EMPLOYEE SHARE BASED PAYMENTS:

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

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

Consequent to the above, the Bank has granted stock options to the employees of the Bank and its subsidiaries. The Bank under its various plan / schemes, has granted in aggregate 62,399,000 options as on 31st March, 2015 (previous year 61,348,520).

Stock appreciation rights

The management has approved the grant of stock appreciation rights (SARs) to eligible employees as and when deemed fit. The SARs are settled in cash and vest on the respective due dates in a graded manner as per the terms and conditions of grant. The contractual life of the SARs outstanding range from 1.14 to 3.65 years.

Detail of activity under SARs is summarised below:

	31st March, 2015	31st March, 2014
Outstanding at the beginning of the year	744,955	832,672
Granted during the year	664,165	5,09,299
Additions/ Reduction due to transfer of employees	5,361	(35,838)
Exercised during the year	739,363	4,93,229
Lapsed during the year	22,108	67,949
Outstanding at the end of the year	653,010	7,44,955

Equity-settled options

The Bank has granted options to its employees vide various employee stock option schemes. During the year ended 31st March, 2015, the following schemes were in operation:

	Plan 2007
Date of grant	Various Dates
Date of Board Approval	Various Dates
Date of Shareholder's approval	5th July, 2007 as amended on 21st August, 2007
Number of options granted	32,508,800
Method of Settlement (Cash/Equity)	Equity
Vesting Period	1 – 4. 14 years
Exercise Period	0.30 – 1.08 years
Vesting Conditions	Graded / Cliff vesting

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

	31st March, 2015		31st March, 2014	
	Number of Shares	Weighted Average Exercise Price(₹)	Number of Shares	Weighted Average Exercise Price(₹)
Outstanding at the beginning of the year	5,353,670	544.55	8,419,532	419.49
Granted during the year	1,077,480	800.99	1,141,160	711.19
Forfeited during the year	231,311	597.02	479,724	467.19
Exercised during the year	2,041,663	430.43	3,701,975	322.81
Expired during the year	7,217	324.68	25,323	357.56
Outstanding at the end of the year	4,150,959	664.70	5,353,670	544.55
Out of the above exercisable at the end of the year	248,090	407.72	308,891	295.25
Weighted average remaining contractual life (in years)	1.55		1.77	
Weighted average fair value of options granted	247.36		215.96	

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 1,126.03 (previous year ₹ 710.33)

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

31st March, 2015

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
0-100	-	-	-
101-200	-	-	-
201-300	1,038	-	250.00
301-400	72,430	0.65	332.14
401-500	217,652	0.25	421.00
501-600	667,705	1.14	549.96
601-700	1,440,000	1.59	640.00
701-800	799,804	1.64	726.57
801-900	952,330	2.05	812.00

31st March, 2014

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
0-100	-	-	-
101-200	64,849	0.28	173.00
201-300	163,220	0.99	250.00
301-400	441,993	0.92	316.73
401-500	1,197,204	1.00	421.00
501-600	1,006,264	1.55	545.42
601-700	1,490,000	2.59	640.00
701-800	990,140	2.31	724.00

Stock Options granted

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

	31st March, 2015		31st March, 2014	
	Equity-settled	**Cash-settled**	**Equity-settled**	**Cash-settled**
Exercise Price ₹	600-812	5	550-724	5
Weighted Average Share Price ₹	818.51	874.36	729.33	730.45
Expected Volatility	28.13%-31.11%	24.19%-29.62%	27.68%-31.56%	26.05%-34.00%
Historical Volatility	28.13%-31.11%	24.19%-29.62%	27.68%-31.56%	26.05%-34.00%
Life of the options granted (Vesting and exercise period) in years				
-At the grant date	1.41-3.90		1.31-4.15	
-As at 31st March		0.08-3.08		0.08-2.76
Risk-free interest rate	8.31%-8.89%	7.97%-8.28%	7.47%-8.97%	8.62%-8.72%
Expected dividend rate	0.09%-0.10%	0.06%	0.10%	0.09%

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

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

Effect of the employee share-based payment plans on the profit and loss account and on its financial position:

(₹ in crore)

	31st March, 2015	31st March, 2014
Total Employee Compensation Cost pertaining to share-based payment plans	91.89	45.61
Compensation Cost pertaining to equity-settled employee share-based payment plan included above	2.16	3.98
Liability for employee stock options outstanding as at year end	4.75	11.15
Deferred Compensation Cost	1.76	2.62
Closing balance of liability for cash-settled options	49.11	36.39
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	30.21	4.33

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 ₹ 23.70 crore (previous year ₹ 22.19 crore) and the profit after tax would have been lower by ₹ 15.65 crore (previous year ₹ 14.65 crore). Consequently the basic and diluted EPS would have been ₹ 23.99 (previous year ₹ 19.43) and ₹ 23.94 (previous year ₹ 19.40) respectively.

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

10. Advances securitised by the Bank :

(₹ in crore)

Particulars	**31st March, 2015**	**31st March, 2014**
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	-	-

11. 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, 2015**	**31st March, 2014**
Provident Fund	55.67	47.89
Superannuation Fund	0.49	0.47
New Pension Fund	1.87	1.48

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

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

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

		(₹ in crore)
Particulars	**31st March, 2015**	**31st March, 2014**
Change in benefit obligations		
Liability at the beginning of the year	67.29	62.65
Current Service cost	13.57	12.95
Interest cost	7.10	5.92
Actuarial Losses / (Gain)	9.84	(6.21)
Past Service Cost	-	-
Liability assumed on acquisition / (Settled on divestiture)	(0.01)	(0.36)
Benefits paid	(11.56)	(7.66)
Liability at the end of the year	86.23	67.29
Change in plan assets		
Fair value of plan assets at the beginning of the year	71.07	60.67
Expected return on plan assets	5.19	4.49
Actuarial Gain / (Losses)	15.59	3.76
Benefits paid	(11.56)	(7.66)
Employer contributions	4.39	9.81
Fair value of plan assets at the end of the year	84.68	71.07

		(₹ in crore)
Reconciliation of present value of the obligation and the fair value of the plan assets	**31st March, 2015**	**31st March, 2014**
Fair value of plan assets at the end of the year	84.68	71.07
Liability at the end of the year	86.23	67.29
Net Asset (included under Schedule 11.VI) / (Liability) (included under Schedule 5.IV)	(1.55)	3.78
Expense recognised for the year		
Current Service cost	13.57	12.95
Interest cost	7.10	5.92
Expected return on plan assets	(5.19)	(4.49)
Actuarial (Gain) / Loss	(5.75)	(9.97)
Past Service Cost	-	-
Net gratuity expense recognised in Schedule 16.I	9.73	4.41
Actual return on plan assets	20.79	8.25

		(₹ in crore)
Reconciliation of the Liability recognised in the Balance Sheet	**31st March, 2015**	**31st March, 2014**
Net Liability / (Asset) at the beginning of the year	(3.78)	1.98
Expense recognised	9.73	4.41
Liability assumed on acquisition / (Settled on divestiture)	(0.01)	(0.36)
Employer contributions	(4.39)	(9.81)
Net Liability / (asset)	1.55	(3.78)

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, 2015 %	31st March, 2014 %
Government securities	23.85%	24.53%
Bonds, debentures and other fixed income instruments	12.87%	10.02%
Money market instruments	8.30%	11.48%
Equity shares	55.98%	53.97%
Total	**100.00%**	**100.00%**

Actuarial assumptions used

Discount rate	7.98% p.a. (Previous Year 9.34% p.a.)
Salary escalation rate	8.50% p.a. (Previous Year 8.50% p.a.)
Expected return on plan assets	7.50% p.a. (Previous Year 7.50% p.a.)

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

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Experience adjustments

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

(₹ in crore)

	Gratuity				
	Year ended 31st March				
	2015	**2014**	**2013**	**2012**	**2011**
Defined benefit obligation	86.23	67.29	62.65	46.29	39.85
Plan assets	84.68	71.07	60.67	41.31	34.66
Surplus / (Deficit)	(1.55)	3.78	(1.98)	(4.98)	(5.19)
Experience adjustments on plan liabilities	1.30	1.54	(1.41)	2.37	3.07
Experience adjustments on plan assets	15.59	3.76	1.32	(2.75)	0.64

The Company expects to contribute ₹ 6 crore to gratuity fund in 2015 -16.
The above information is as certified by the actuary and relied upon by the auditors.

Compensated absences

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

(₹ in crore)

	31st March, 2015	31st March, 2014
Total actuarial liability	55.58	44.64
Assumptions:		
Discount rate	7.98%	9.34% p.a.
Salary escalation rate	8.50%	8.50% p.a.

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, 2015	31st March, 2014
Total actuarial liability	4.92	0.75
Assumptions:		
Discount rate	7.98%	9.34% p.a.

12. 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, 2015	31st March, 2014
Provisions for Depreciation on Investments	(166.36)	176.61
Loss on valuation of securities on transfer between categories	55.02	-
Provision towards NPA	193.54	132.64
Provision towards Unhedged Foreign Currency Exposure	17.82	-
Provision towards Standard Assets	64.67	14.61
Provision for Taxes	966.98	769.93
Other Provision and Contingencies	(0.19)	(19.16)
Total Provisions and Contingencies	**1,131.48**	**1,074.63**

13. Corporate Social Responsibility (CSR)

As per the provisions of the Section 135 of the Companies Act, 2013 the Bank is required to contribute ₹ 39.20 crore. The Bank has contributed ₹ 5.63 crore to the Kotak Education Foundation and ₹ 6.34 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.

14. Tier II Bonds

a) Lower Tier II Bonds outstanding as at 31st March, 2015 ₹ 482.00 crore (previous year ₹ 482.00 crore).

During the current year and previous year the Bank had not issued lower Tier II bonds. In accordance with the RBI requirements lower Tier II bonds of ₹ 369.25 crore (previous year ₹ 281.91 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, 2015 are ₹ 417.25 crore (previous year ₹ 405.62 crore) of which bonds issued outside India are ₹ 281.25 crore (previous year ₹ 269.62 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) ₹ 62.88 crore (previous year ₹ 63.57 crore).

15. Details of payments of audit fees

(₹ in crore)

Particulars	31st March, 2015	31st March, 2014
Statutory Audit fees	0.84	0.84
Other Matters	0.69	0.63
Total	**1.53**	**1.47**

16. 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 in India	As a part of its Banking activities, the Bank issues guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of customer failing to fulfill its financial or performance obligations.
4.	Acceptances, endorsements and other obligations	These includes: • Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Bank. • Bills re-discounted by the Bank and cash collateral provided by the Bank on assets which have been securitised. • Underwriting commitments in respect of Debt Syndication.
5.	Other items for which the Bank is contingently liable	These include: • Liabilities in respect of interest rate swaps, currency swaps, forward rate agreements and options contracts. The Bank enters into these transactions with inter Bank participants on its own account and for customers. Currency Swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are amounts used as a benchmark for the calculation of interest component of the contracts. • Liability in respect of Capital commitments relating to fixed assets and undrawn commitments in respect of investments.

* *Also refer Schedule 12 – Contingent Liability*

17. The Bank has received few intimations from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and there is no outstanding against those suppliers as on 31st March, 2015, 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.

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

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Uday Kotak
Executive Vice Chairman
and Managing Director

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Bina Chandarana
Company Secretary

Mumbai, 05 May 2015

DECLARATION

Our Bank certifies that all relevant provisions of Chapter VIII read with Schedule XVIII of the SEBI ICDR Regulations have been complied with and no statement made in this Preliminary Placement Document is contrary to the same and that all approvals and permissions required to carry on our Bank's business have been obtained, are currently valid and have been complied with. Our Bank further certifies that all the statements in this Preliminary Placement Document are true and correct.

Signed by:

Dipak Gupta
Joint Managing Director

Date: May 11, 2017
Place: Mumbai

DECLARATION

We, the Directors of our Bank certify that:

(i) our Bank has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government; and

(iii) the monies received under the offer shall be used only for the purposes and objects indicated in the Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4).

Signed by:

____

Dipak Gupta
Joint Managing Director

I am authorised by the Securities Issuance Committee, a committee of our Board of Directors, through resolution number __ dated March 30, 2017 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed by:

____

Dipak Gupta
Joint Managing Director

Date: May 11, 2017
Place: Mumbai

KOTAK MAHINDRA BANK LIMITED
Registered Office and Corporate Office
27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051
Website: www.kotak.com; **CIN**: L65110MH1985PLC038137
Contact Person: Bina Chandarana, Company Secretary and Compliance Officer

Address of Compliance Officer:
27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051
Tel: +91 22 6166 0001; **Fax**: +91 22 6713 2403; **E-mail:** investor.grievances@kotak.com

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Fax: +91 22 6776 2343
Website: www.dspml.com
E-mail: ranjan.sharma@baml.com

Kotak Mahindra Capital Company Limited
27 BKC, 1st Floor, Plot No. C – 27, G Block, Bandra Kurla Complex Bandra (East), Mumbai 400051
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Fax: +91 22 6713 2447
Website:www.investmentbank.kotak.com
E-mail: kmbl.qip@kotak.com

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