

Consolidated Financial Highlights 2016-17

₹ in crore

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

* Excludes Policyholders' investments

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

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

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

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

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

Consolidation at a Glance

(₹ in crore)

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

Independent Auditor's Report

To the Members of Kotak Mahindra Bank Limited

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Kotak Mahindra Bank Limited (hereinafter referred to as the "Bank"), its subsidiaries (the Bank and its subsidiaries together referred to as "the Group") and its associates, comprising of the consolidated Balance Sheet as at March 31, 2017, the consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements (hereinafter referred to as 'the consolidated financial statements').

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Bank's Board of Directors is responsible for the preparation of these consolidated financial statements in terms with the requirement of the Companies Act, 2013 (the "Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, the Companies (Accounting Standards) Amendment Rules, 2016 in so far as they apply to the Group and the guidelines issued by the Reserve Bank of India. The respective Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph (a) of the Other Matters below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group and its associates as at March 31, 2017, their consolidated profit, and their consolidated cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) We / the other auditors whose reports we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
- (b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- (c) The consolidated Balance Sheet, consolidated Profit and Loss Account, and consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;

- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016;
- (e) On the basis of the written representations received from the directors of the Bank as on March 31, 2017 taken on record by the Board of Directors of the Bank and the reports of the auditors who are appointed under Section 139 of the Act, of its subsidiary companies and associate companies incorporated in India, none of the directors of the Group's companies and its associates incorporated in India is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Bank and its subsidiary companies and associate companies incorporated in India, refer to our separate report in "Annexure 1" to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group and its associates– Refer Schedule 12.I, Schedule 17-Note 2X and Schedule 17-Note 9 to the consolidated financial statements;
 - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer (a) Schedule 17-Note 2X and Schedule 17-Note 9 to the consolidated financial statements in respect of such items as it relates to the Group and its associates and (b) the Group's share of net profit in respect of its associates;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank, its subsidiaries and associates incorporated in India.
 - iv. The disclosure requirement as envisaged in Notification G.S.R 308(E) dated 30th March, 2017 is not applicable to the Bank - Refer Schedule 17 – Note 24.

OTHER MATTER

- (a) The accompanying consolidated financial statements include total assets of ₹ 660,751,573 (thousands) as at March 31, 2017, and total revenues and net cash inflows of ₹ 130,238,299 (thousands) and ₹ 16,428,801 (thousands) for the year ended on that date, in respect of 17 subsidiaries, which have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. The consolidated financial statements also include the Bank's share of net profit of ₹ 687,240 (thousands) for the year ended March 31, 2017, as considered in the consolidated financial statements, in respect of 2 associates, whose financial statements, other financial information have been audited by other auditors and whose reports have been furnished to us by the Management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associates, is based solely on the reports of such other auditors.
- (b) The accompanying consolidated financial statements also include the Bank's share of net profit of ₹ 14,542 (thousands) for the year ended March 31, 2017, as considered in the consolidated financial statements, in respect of 2 associates, whose financial statements, other financial information have not been audited and whose unaudited financial statements, other unaudited financial information have been furnished to us by the Management. Our opinion, in so far as it relates to amounts and disclosures included in respect of these subsidiaries, and associates, and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid associates, is based solely on such unaudited financial statement and other unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements and other financial information are not material to the Group.
- (c) The auditors of a subsidiary of the Bank, Kotak Mahindra Old Mutual Life Insurance Limited ("the Company") have reported in their audit opinion "The actuarial valuation of liabilities for life policies in force is the responsibility of the Company's Appointed Actuary (the "Appointed Actuary"). The actuarial valuation of these liabilities for life policies in force and for policies in respect of which the premium has been discontinued but liability exists as at March 31, 2017 has been duly certified by the Appointed Actuary and in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India ("IRDAI"/"Authority") and the Institute of Actuaries of India in concurrence with the Authority. We have relied upon the Appointed Actuary's certificate in this regard for forming our opinion on the valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists on standalone financial statements of the Company".

- (d) The auditors of Kotak Mahindra General Insurance Company Limited ("KGIL") have reported in their opinion "The actuarial valuation of liabilities in respect of Incurred But Not Reported ("IBNR") and Incurred But Not Enough Reported ("IBNER") claims is the responsibility of KGIL's Appointed Actuary ("the Appointed Actuary"). The estimate of claims IBNR and IBNER included under claims outstanding as at 31 March 2017 has been duly certified by the Appointed Actuary of KGIL and in his opinion, the assumptions taken for such valuation is in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India ("IRDAI"/"Authority") and the Institute of Actuaries of India in concurrence with the Authority. We have relied upon the Appointed Actuary's certificate in this regard for forming our opinion on the financial statements of KGIL".

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

For S. R. Batliboi & Co. LLP

Chartered Accountants

ICAI/Firm's Registration No.: 301003E/E300005

per Viren H. Mehta

Partner

Membership Number: 048749

Place of Signature: Mumbai

Date: 27 April 2017

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF KOTAK MAHINDRA BANK 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, 2017, we have audited the internal financial controls over financial reporting of Kotak Mahindra Bank Limited (hereinafter referred to as the "Bank"), its subsidiary companies and its associate companies, which are companies incorporated in India, as of that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

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

AUDITOR'S RESPONSIBILITY

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

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

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

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

OPINION

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

OTHER MATTERS

- a) Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Bank, insofar as it relates to these 12 subsidiary companies and 2 associate companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiary and associates incorporated in India.
- b) The accompanying consolidated financial statements also include 2 associates incorporated in India, whose financial statements, other financial information including internal financial control over financial reporting have not been audited and is based on management certified financial statements. Our opinion, in so far as it relates internal financial control over financial reporting in respect of these associates, and our report in terms of clause (i) of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid associates, is based solely on such management certified unaudited financial statement and other unaudited financial information including internal financial control over financial reporting. In our opinion and according to the information and explanations given to us by the Management, these financial statements and other financial information including internal financial control over financial reporting are not material to the Group.
- c) The auditors of the Group's life insurance subsidiary Kotak Mahindra Old Mutual Life Insurance Company Limited have reported, "The actuarial valuation of liabilities for life policies in force and policies where premium is discontinued is required to be certified by the Appointed Actuary as per the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002 (the "IRDA Financial Statements Regulations"), and has been relied upon by us, as mentioned in "Other Matter" para of our audit report on the financial statements of the Company as at and for the year ended March 31, 2017. Accordingly, the internal financial controls over financial reporting in respect of the valuation and accuracy of the aforesaid actuarial valuation is also certified by the Appointed Actuary and has been relied upon by us". Accordingly, our opinion on the internal financial controls over financial reporting does not include reporting on the adequacy and operating effectiveness of the internal controls over the valuation and accuracy of the aforesaid actuarial liabilities.

For S. R. Batliboi & Co. LLP

Chartered Accountants

ICAI/Firm's Registration No.: 301003E/E300005

per Viren H. Mehta

Partner

Membership Number: 048749

Place of Signature: Mumbai

Date: 27 April 2017

Consolidated Balance Sheet

AS AT 31ST MARCH, 2017

(₹ in thousands)

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

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

As per our report of even date

For S. R. Batliboi & Co. LLP

Chartered Accountants

Firm Registration No. 301003E/E300005

per Viren H. Mehta

Partner

Membership No. 048749

Mumbai

27th April, 2017

For and on behalf of the Board of Directors

Dr. Shankar Acharya

Chairman

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, 2017

(₹ in thousands)

	Schedule	Year ended 31 st March, 2017	Year ended 31 st 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

per Viren H. Mehta

Partner

Membership No. 048749

Dipak Gupta

Joint Managing Director

Mumbai

27th April, 2017**Jaimin Bhatt**

President and Group Chief Financial Officer

Bina Chandarana

Company Secretary

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST MARCH 2017

(₹ in thousands)

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

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST MARCH 2017

(₹ in thousands)

	Year Ended 31 st March, 2017	Year Ended 31 st March, 2016
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid including corporate dividend tax	(1,106,638)	(990,701)
Money received on issue of shares / exercise of stock options	2,463,731	3,639,075
Share issue expenses	(2,200)	(5,578)
Redemption of Preference Shares	(403,450)	-
Increase / (Decrease) in borrowings	59,601,156	17,601,283
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES (C)	60,552,599	20,244,079
NET CASH AND CASH EQUIVALENTS TAKEN OVER FROM ERSTWHILE ING VYSYA BANK LIMITED ON AMALGAMATION (D)	-	63,093,682
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D)	139,891,406	46,959,669
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	115,994,084	69,034,415
(Refer Note below)		
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	255,885,490	115,994,084
(Refer Note below)		
Note:		
Balance with banks in India in Other Deposit Accounts (As per Schedule 7 I (i) (b))	29,046,646	1,853,575
Balance with banks in India in Current Account (As per Schedule 7 I (i) (a))	1,899,368	3,107,727
Money at call and short notice in India with Banks (As per Schedule 7 I (ii) (a))	20,147,844	18,272,970
Money at call and short notice in India with Other Agencies (As per Schedule 7 I (ii) (b))	115,500,000	3,000,000
Cash in hand (As per Schedule 6 I)	10,167,735	9,686,586
Balance with RBI in Current Account (As per Schedule 6 II)	64,954,520	59,562,418
Balance with banks Outside India:		
(i) In Current Account (As per Schedule 7 II (i))	11,352,387	9,097,701
(ii) In Other Deposit Accounts (As per Schedule 7 II (ii))	2,816,990	11,413,107
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	255,885,490	115,994,084

As per our report of even date

For 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

per Viren H. Mehta

Partner

Membership No. 048749

Dipak Gupta

Joint Managing Director

Mumbai

27th April, 2017**Jaimin Bhatt**

President and Group Chief Financial Officer

Bina Chandarana

Company Secretary

Schedules

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

SCHEDULE 1 - CAPITAL

(₹ in thousands)

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

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)

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

Schedules

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

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

Schedules

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

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

SCHEDULE 3 - DEPOSITS

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

SCHEDULE 4 - BORROWINGS

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

Schedules

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

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in thousands)

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

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in thousands)

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

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

(₹ in thousands)

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

Schedules

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

SCHEDULE 8 - INVESTMENTS

	(₹ in thousands)	
	As at 31 st March, 2017	As at 31 st March, 2016
I. Investments in India in [Refer Note 5 - Schedule 17]		
(i) Government Securities	431,439,553	477,660,120
(ii) Other approved Securities	-	-
(iii) Shares	78,867,803	63,405,434
(iv) Debentures and Bonds	116,599,583	96,720,232
(v) Associates *	8,995,900	8,288,741
(vi) Others [Units, Certificate of Deposits, Commercial Paper (CP), Security Receipts, Pass Through Certificates (PTC), Alternate Asset and other similar funds]	46,091,738	55,523,341
Total	681,994,577	701,597,868
II. Investments Outside India in		
(i) Government Securities	323,513	-
(ii) Shares	8,754	8,754
(iii) Debentures and Bonds	1,312,433	-
(iv) Others [Venture, Private Equity and other similar funds]	976,104	1,132,367
Total	2,620,804	1,141,121
Total Investments (I + II)	684,615,381	702,738,989
* Investment in Associates		
Equity Investment in Associates	1,494,886	1,494,886
Add: Goodwill on acquisition of Associates (Share of pre-acquisition losses)	20,856	20,856
Less: Capital reserve on Consolidation (Share of pre-acquisition profits)	5,098	5,098
Cost of Investment in Associates	1,510,644	1,510,644
Add: Post-acquisition profit / loss and Reserve of Associates (Equity method)	7,485,256	6,778,097
Total	8,995,900	8,288,741

SCHEDULE 9 - ADVANCES

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

Schedules

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

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

SCHEDULE 10 - FIXED ASSETS

	(₹ in thousands)	
	As at 31 st March, 2017	As at 31 st March, 2016
A. Premises (Including Land)		
Gross Block		
At cost on 31 st 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 31 st 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 31 st 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 31 st 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 31 st 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 31 st March of the preceding year	1,383,601	-
Add: Charge for the year (including on amalgamation)	-	1,383,601
Depreciation to date	1,383,601	1,383,601
Net Block	156,984	156,984
Total (A) +(B)+(C)	17,552,021	17,575,969

Schedules

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

SCHEDULE 11 - OTHER ASSETS

(₹ in thousands)

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

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in thousands)

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

Schedules

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

SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)

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

SCHEDULE 14 - OTHER INCOME

(₹ in thousands)

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

SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)

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

Schedules

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

SCHEDULE 16 - OPERATING EXPENSES

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

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

Schedules

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

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

1. BASIS OF CONSOLIDATION:

- a. The consolidated financial statements comprising of the financial statements of Kotak Mahindra Bank (“the Bank” or “KMBL”) and its subsidiaries, (which constitute “the Group”) are prepared in accordance with Accounting Standard 21 (AS-21), “Consolidated Financial Statements”. Investment in Associates are accounted by the Group under the equity method in accordance with Accounting Standard 23 (AS-23), “Accounting for Investments in Associates in Consolidated Financial Statements” specified under Section 133 of the Companies Act, 2013, read with paragraph 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The Bank consolidates entities in which it holds, directly or indirectly through subsidiaries, more than 50% of the voting rights or where it exercises control, on a line by line basis by adding together like items of assets, liabilities, income and expenses in accordance with AS-21. The Goodwill or Capital Reserve on consolidation represents the difference between the Group’s share in the networth of the subsidiary and the cost of acquisition at the time of making investment in the subsidiary. Intragroup balances, intragroup transactions and resulting unrealised profits / losses, if any, are eliminated in full. Minority interest representing the part of net results of operations and of the net assets of subsidiary attributable to interests not owned directly or indirectly through subsidiaries is presented separately from liabilities and the equity. Further, the Group accounts for investments in entities where it holds 20% to 50% of the voting rights or exercises significant influence by the equity method of accounting in accordance with AS-23. The financial statements of the subsidiaries, jointly controlled entities and associates used in consolidation are drawn up to the same reporting date as that of the holding Company i.e. 31st March, 2017.
- b. The list of subsidiaries is as under:

Name of the Subsidiary	Country of Origin	% Shareholding of group (31 st March, 2017)	% Shareholding of group (31 st March, 2016)
Kotak Mahindra Prime Limited	India	100.00	100.00
Kotak Securities Limited	India	100.00	100.00
Kotak Mahindra Capital Company Limited	India	100.00	100.00
Kotak Mahindra Old Mutual Life Insurance Limited	India	74.00	74.00
Kotak Mahindra Investments Limited	India	100.00	100.00
Kotak Mahindra Asset Management Company Limited	India	100.00	100.00
Kotak Mahindra Trustee Company Limited	India	100.00	100.00
Kotak Mahindra (International) Limited	Mauritius	100.00	100.00
Kotak Mahindra (UK) Limited	UK	100.00	100.00
Kotak Mahindra, Inc.	USA	100.00	100.00
Kotak Investment Advisors Limited	India	100.00	100.00
Kotak Mahindra Trusteeship Services Limited	India	100.00	100.00
Kotak Infrastructure Debt Fund Limited (formerly known as Kotak Forex Brokerage Limited)*	India	100.00	100.00
Kotak Mahindra Pension Fund Limited	India	100.00	100.00
Kotak Mahindra Financial Services Limited	U.A.E	100.00	100.00
Kotak Mahindra Asset Management (Singapore) PTE. Limited	Singapore	100.00	100.00
Kotak Mahindra General Insurance Company Limited	India	100.00	100.00
IVY Product Intermediaries Limited	India	100.00	100.00

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

Schedules

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

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

Name of the Associate	Country of Origin	% Shareholding of group (31 st March, 2017)	% Shareholding of group (31 st 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) ⁵	India	19.77	19.77

⁵ Significant influence exercised through Board representation.

2. SIGNIFICANT ACCOUNTING POLICIES:

A. ACCOUNTING METHODOLOGY

The Financial Statements have been prepared on historical cost basis of accounting. The Group adopts the accrual method of accounting and historical cost convention. The Group has prepared these financial statements to comply in all material respects with the Accounting standards notified under Section 133 of the Companies Act, 2013 read with paragraph 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016, in so far as they apply, guidelines issued by the Reserve Bank of India ("RBI"), Insurance Regulatory and Development Authority of India ("IRDAI") from time to time as applicable and the generally accepted accounting principles prevailing in India. The Ministry of Corporate Affairs ("MCA") has notified the Companies (Accounting Standards) Amendment Rules, 2016 vide its notification dated 30th March, 2016. As per clarification of MCA dated 27th April, 2016, the said rules are applicable to accounting period commencing on or after the date of notification i.e. 1st April, 2016. In case the accounting policies followed by consolidating entities are different from those followed by Bank, the same have been disclosed separately.

B. USE OF ESTIMATES

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

C. ACCOUNTING FOR PROPOSED DIVIDEND

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

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

D. REVENUE RECOGNITION

a. Banking / Investing:

- i. Interest income is recognised on accrual basis.
- ii. Interest income in respect of retail advances (except for a subsidiary, Kotak Mahindra Prime Limited ("KMPL")) is accounted for by using the internal rate of return method on the outstanding on the contract.
- iii. Interest income on investments in Pass-Through-Certificates ("PTCs") and loans bought out through the direct assignment route is recognised at their effective interest rate.
- iv. KMPL accounts for auto finance income (including service charges and incentives) by using the internal rate of return method to provide a constant periodic rate of return after adjustment of brokerage expenses on the net investment outstanding on the contract. The volume-based incentives and brokerage are accounted as and when the said volumes are achieved. Income also includes gains made on termination of contracts.

Schedules

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

- v. Service charges, fees and commission income are recognised when due except as indicated in para iv above. The guarantee commission and letter of credit commission is recognised over the period of the guarantee and letter of credit respectively. Syndication / arranger fee is recognised as income as per the terms of engagement.
- vi. Interest income on discounted instruments is recognised over the tenure of the instruments so as to provide a constant periodic rate of return.
- vii. Upon an asset becoming non-performing assets ("NPAs") the income accrued gets reversed, and is recognised only on realisation, as per RBI guidelines. Penal interest is recognised as income on realisation other than on running accounts where it is recognised when due.
- viii. Gain on account of securitisation of assets is amortised over the life of the securities issued in accordance with the guidelines issued by the RBI. Loss on account of securitisation of assets is recognised immediately in profit and loss account.
- ix. Gain on account of assignment of assets on bilateral basis is recognised based on the difference between the book value of the assigned assets and sale consideration received.
- x. Dividend income is accounted on an accrual basis when the right to receive the dividend is established.
- xi. In respect of non-performing assets acquired from other Banks / FIs and NBFCS, collections in excess of the consideration paid at each asset level or portfolio level is treated as income in accordance with RBI guidelines and clarifications.
- xii. Fees received on sale of Priority Sector Lending Certificates is considered as Miscellaneous Income, while fees paid for purchase is expensed as other expenses in accordance with the guidelines issued by the RBI.

b. Investment Banking:

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

c. Life Insurance:

- i. Premium is recognised as income when it is due from policyholders except on unit linked policies, where the premium is recognised when associated units are created.
- ii. In accordance with the terms of insurance policies, uncollected premium on lapsed policies is not recognised as income until revived.
- iii. Top Up / Lump sum contributions are accounted as a part of the single premium.
- iv. Income from linked policies, which include fund management fees, policy administration charges, mortality charges and other charges, if any, are recovered from the linked fund in accordance with the terms and conditions of the insurance contracts and is accounted for as income when due.
- v. Reinsurance premium ceded is accounted on due basis at the time when related premium income is accounted for. Profit commission on reinsurance ceded is accounted as income in the year of final determination of profit. Profit commission on reinsurance ceded is netted off against premium ceded on reinsurance.
- vi. The lending fee (net of brokerage) earned on equity securities lent under Security Lending & Borrowing ("SLB") is accrued over the contract period on a straight line basis.

d. General Insurance:

- i. Interest income is recognised on accrual basis. Dividend income is recognised when right to receive the same is established. Accretion of discount and amortisation of premium relating to debt securities is recognised over the maturity period of such securities on a constant yield.
- ii. Premium net of service tax (including reinsurance accepted and reinstatement premium) is recognised on commencement of the risk and for installment policies it is recognised on installment due dates. Premium earnings are recognised over the period of the policy. Any revisions in premium amount are recognised in the period in which it occurs and over the remaining period of the policy. Subsequent cancellations of policies are recognised in the same period in which they occur.

Schedules

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

- iii. Commission on reinsurance ceded is recognised as income on ceding of reinsurance premium. Profit commission under reinsurance treaties, wherever applicable, is recognised in the year of final determination of the profits and as intimated by the reinsurer.
- iv. Re-insurance premium ceded is accounted on due basis at the time when related premium income is accounted for. Any revisions in reinsurance premium ceded are recognised in the period in which it occurs. On cancellation of policies, related reinsurance premium ceded are recognised in the same period in which they occur. Premium on excess of loss reinsurance is accounted as per the terms of the reinsurance arrangements.
- v. In respect of policies booked where risk inception date is subsequent to the Balance Sheet date, the premium collected is presented in Balance Sheet as premium received in advance.
- vi. Premium deficiency is recognised when sum of expected claim cost, related expenses and maintenance cost (related to claims handling) exceed related reserve for unexpired risk. It is recognised on an annual basis and at segment level for the insurance company viz., Fire, Marine and Miscellaneous. Premium Deficiency Reserve is estimated and certified by the Appointed Actuary.

e. Broking:

- i. Placement and other fee based income are accounted for on the basis of the progress of the assignment.
- ii. Brokerage Income (net of service tax):
 - On fixed deposit is accounted on completion of the transaction.
 - On primary market subscription / mobilisation is accounted on receipt of intimation of allotment.
 - On secondary market transaction is recognised on the date of the transaction.
- iii. Incentive on primary market subscription / mobilisation is accounted on the basis of receipt of intimation of allotment received.
- iv. In respect of depository activity, transaction fees (net of service tax) are recognised on completion of transaction. Account maintenance charges are recognised on time basis over the period of contract.
- v. Portfolio management fees are accounted on accrual basis as follows:
 - In case of fees based on fixed percentage of the corpus / fixed amount, income is accrued over the period of the agreement.
 - In case of fees based on the returns of the portfolio, income is accounted on the termination of the portfolio agreement / on each anniversary as per the agreement, whichever is earlier.
 - In case of upfront non-refundable fee, income is accounted in the year of receipt.
- vi. Funds received from Portfolio Management Services ("PMS") Investors and corresponding investments made on their behalf are not forming part of these financial statements.
- vii. Securities lending or borrowing fees are recognised on pro-rata basis over the tenure of the contract.

f. Asset Management:

- i. Investment management fees are recognised (net of service tax) on an accrual basis after deducting actual and estimated expenses from total expense accruals in scheme books (adjusted for exclusions as required by the Securities and Exchange Board of India ("SEBI") guidelines), such that the total expenses, including management fees do not exceed the rates prescribed within the provision of - the SEBI (Mutual Fund) Regulations, 1996 on an annual basis.
- ii. Management fee from venture funds, private equity funds and other similar funds is recognised on accrual basis at the rates specified in the investment management agreement from the date of initial closing of funds under management.
- iii. Portfolio advisory service fees are recognised (net of service tax) on accrual basis in accordance with the terms of agreement.

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

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

Schedules

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

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

DEPRECIATION / AMORTISATION:

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

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

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

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

F. EMPLOYEE BENEFITS

i Defined Benefit Plans:

Gratuity:

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

Pension:

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

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

The contribution made to the trust is recognised as planned assets.

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

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

Schedules

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

ii **Defined Contribution Plans:** **Provident Fund:**

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

Superannuation Fund:

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

New Pension Scheme:

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

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

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

iv **Other Employee Benefits:**

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

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

G. **INVESTMENTS**

For the Bank

1. **Classification:**

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

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

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

Basis of classification:

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

2. **Acquisition Cost:**

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

Schedules

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

3. Disposal of investments:

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

4. Valuation:

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

- a. **Investments classified as HTM** – These are carried at their acquisition cost. Any premium on acquisition of debt instruments / government securities is amortised over the balance maturity of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided.
- b. **Investments classified as HFT or AFS** – Investments in these categories are marked to market and the net depreciation, if any, within each group is recognised in the Profit and Loss Account. Net appreciation, if any, is ignored. Further, provision for other than temporary diminution is made at the individual security level. Except in cases where provision for other than temporary diminution is made, the book value of the individual securities is not changed as a result of periodic valuations.
- c. The market or fair value of quoted investments included in the 'AFS' and 'HFT' categories is measured with respect to the market price of the scrip as available from the trades or quotes on the stock exchanges, SGL account transactions, price list of RBI or prices declared by Primary Dealers Association of India ("PDAI") jointly with Fixed Income Money Market and Derivatives Association of India ("FIMMDA") as at the year end.
- d. Treasury Bills, Exchange Funded Bills, Commercial Paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- e. Units of mutual funds are valued at the latest net asset value declared by the mutual fund.
- f. Market value of investments where current quotations are not available are determined as per the norms prescribed by the RBI as under:
 - In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to maturity for Government Securities as published by FIMMDA / PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA is adopted for this purpose;
 - In case of bonds and debentures (including PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by the RBI. Interest on such securities is not recognised in the Profit and Loss Account until received;
 - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹ 1 per investee company;
 - Units of Venture Capital Funds ("VCF") held under AFS category where current quotations are not available are marked to market based on the Net Asset Value ("NAV") shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF. Investment in unquoted VCF made after 23rd August, 2006 are categorised under HTM category for an initial period of three years and valued at cost as per RBI guidelines;
 - Security receipts are valued as per the NAV obtained from the issuing Asset Reconstruction Company or Securitisation Company or estimated recoverable value, whichever is lower.
- g. Non-performing investments are identified and valued based on the RBI guidelines.

Schedules

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

- 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 cervat credit is being claimed.
- b. Bonus entitlements are recognised as investments on the 'ex-bonus date'. Rights entitlements are recognised as investments on the 'ex-rights date'.
- c. Gain / Loss on transfer or sale of securities is the difference between the transfer or sale price and the net amortised cost / carrying value which is computed on a weighted average basis as on the date of transfer or sale. Sale consideration for the purpose of realised gain / loss is net of brokerage and taxes, if any.

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

- d. All debt securities are considered as "Held To Maturity" for the purpose of valuation and are accordingly recorded at historical cost (excluding interest paid, if any). Debt securities including Government securities are stated at net amortised cost. Money market instruments are valued at historical cost subject to accretion of discount. The premium or discount, if any, on purchase of debt securities is amortised or accreted over the period to maturity on an internal rate of return.
- e. Listed equity shares as at the Balance Sheet dates are stated at fair value being the quoted closing price on National Stock Exchange Limited ("NSE"). If an equity share is not listed or traded on NSE, the share price of Bombay Stock Exchange Limited ("BSE") is used. Unlisted shares or shares awaiting listing are stated at historical cost subject to provision for diminution, if any. All redeemable preference shares are considered as held to maturity and stated at historical cost, subject to amortisation of premium or accretion of discount over the period of maturity / holding on a straight line basis.

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

- f. Investments in mutual funds are valued at the previous day's NAV of the funds in which they are invested. Investments in Alternative Investment Funds are valued at the NAV.
- g. Unrealised gains due to change in the fair value of the investments is taken to a fair value change account and is adjusted in the carrying value of investment. The unrealised loss due to change in the fair value of investments, other than due to reversal of the gains recognised in fair value change account, is accounted in the Profit and Loss Account. The profit or loss on sale of investments includes the accumulated changes in the fair value change account.
- h. Real estate investment property represents land or building held for investment purpose to earn rental income or for capital appreciation and is not occupied. Such Investment property is initially valued at cost including any direct attributable cost. Investment in the real estate investment property is valued at historical cost plus revaluation, if any. Revaluation of the investment property is done at least once in three years. Any change in the carrying amount of the investment property is accounted to Revaluation Reserve. Impairment loss, if any, exceeding revaluation reserve is recognised as expenses in the Profit and Loss Account.

Valuation – Unit linked Business

- i. All Government securities, except treasury bills, held in linked business are valued at prices obtained from Credit Rating Information Service of India Limited ("CRISIL"). Debt Securities other than Government Securities are valued on the basis of CRISIL Bond valuer. The discount on purchase of treasury bills, certificate of deposit, commercial papers and CBLO is accreted over the period to maturity on an internal rate of return basis. Listed equity shares and Exchange traded funds ("ETF") are valued at fair value, being the last quoted

Schedules

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

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

- j. Mutual Fund Units are valued at the previous day's closing NAV of the fund in which they are invested.
- k. All unlisted redeemable preference shares are considered as held to maturity and stated at historical cost, subject to amortisation of premium or accretion of discount over the period of maturity / holding on a straight line basis.
- l. Transfer of investments (other than debt securities) from Shareholders' fund to the Policyholders' fund is at book value or market price, whichever is lower. Transfer of debt securities from Shareholders' to Policyholders' fund is transacted at the lower of net amortised cost or market value. Transfers of Investments between unit-linked funds are done at prevailing market price.

For General Insurance Company

- a. Investments are recorded at cost and include brokerage, transfer charges, stamps etc., and exclude pre acquisition interest, if any.
- b. Debt securities and non-convertible preference shares are considered as 'Held To Maturity' and stated at historical cost adjusted for amortisation of premium or accretion of discount determined on constant yield to maturity basis over the holding / maturity period.
- c. Mutual fund units are stated at their 'Net Asset Value' as at the Balance Sheet date. Any unrealised gain / loss will be accounted for under fair value change account and are included in the carrying value of investment.
- d. Gain / loss on transfer or sale of securities is the difference between the transfer or sale price and the net amortised cost / carrying value which is computed on a Weighted average basis as on the date of transfer or sale. Sale consideration for the purpose of realised gain / loss is net of brokerage and taxes, if any.
- e. The realised gain or loss on mutual funds is the difference between sale consideration and carrying cost as on the date of sale, determined on a weighted average cost basis. Any unrealised gain or loss in respect of mutual funds are recognised in 'fair value change account' in Balance Sheet and are included in the carrying value of investment.

For other entities:

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

Securities lending and borrowing

- a) Initial margin and / or additional margin paid over and above the initial margin, for entering into contracts for equity shares which are released on final settlement / squaring – up of the underlying contracts, are disclosed under Other Assets.
- b) The mark to market on securities lending and borrowing instrument is determined on a scripwise basis with net unrealised losses being recognised in the Profit and Loss Account. Net unrealised gains are not recognised in the Profit and Loss Account on grounds of prudence as enunciated in Accounting Standard 1 (AS-1) "Disclosure of Accounting Policies".
- c) On final settlement or squaring up of contracts for equity shares the realised profit or loss after adjusting the unrealised loss already accounted, if any, is recognised in the Profit and Loss Account.

Schedules

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

H. FOREIGN CURRENCY AND DERIVATIVE TRANSACTIONS

For the Bank:

- i. Foreign currency monetary assets and liabilities are translated at the Balance Sheet date at rates notified by the Foreign Exchange Dealers' Association of India ("FEDAI") and the resultant gain or loss is accounted in the Profit and Loss Account.
- ii. Income and Expenditure items are translated at the rates of exchange prevailing on the date of the transaction except for representative office expenses which are translated at the monthly average rate of exchange.
- iii. Outstanding forward exchange contracts (other than deposit and placement swaps) and spot contracts outstanding at the Balance Sheet date are revalued at rates notified by FEDAI for specified maturities and at the interpolated rates of interim maturities. In case of forward contracts of greater maturities where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resulting profits or losses are recognised in the Profit and Loss Account as per the regulations stipulated by the RBI / FEDAI.
- iv. Foreign exchange swaps "linked" to foreign currency deposits and placements are translated at the prevailing spot rate at the time of swap. The premium or discount on the swap arising out of the difference in the exchange rate of the swap date and the maturity date of the underlying forward contract is amortised over the period of the swap and the same is recognised in the Profit and Loss Account.
- v. Contingent liabilities on account of foreign exchange contracts, letters of credit, bank guarantees and acceptances and endorsements outstanding as at the Balance Sheet date denominated in foreign currencies are translated at year-end rates notified by FEDAI.
- vi. Notional amounts of derivative transactions comprising of forwards, swaps, futures and options are disclosed as off Balance Sheet exposures. The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet or reporting date. Derivatives are classified as assets when the fair value is positive (positive marked to market) or as liabilities when the fair value is negative (negative marked to market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.
- vii. Outstanding derivative transactions designated as "Hedges" are accounted in accordance with hedging instrument on an accrual basis over the life of the underlying instrument. Option premium paid or received is recognised in the Profit and Loss Account on expiry of the option. Option contracts are marked to market on every reporting date.

For other entities:

- viii. On initial recognition, all foreign transactions are recorded by applying to the foreign currency amount exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- ix. Monetary assets and liabilities denominated in foreign currencies are reported using the closing rate of exchange as on the Balance Sheet date.
- x. Exchange differences arising on settlement of the transaction and on account of restatement of assets and liabilities are recognised in the Profit and Loss Account. In case of items which are covered by forward exchange contracts entered to hedge the foreign currency risk, the difference between the year-end rate and the rate on the date of the contract is recognised as exchange difference in the Profit and Loss Account and the premium paid or received on forward exchange contracts is amortised as expense or income over the life of the contract. Any profit or loss on cancellation or renewal of such a forward exchange contract is recognised as income or expense.
- xi. The financial statements of all subsidiaries incorporated outside India which are in the nature of non-integral foreign operations are translated on the following basis: (a) Income and expenses are converted at the average rate of exchange applicable for the year and (b) All assets and liabilities are translated at the closing rate as on the Balance Sheet date. The exchange difference arising out of year end translation is debited or credited as "Foreign Currency Translation Reserve" forming part of "Reserves and Surplus".

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

Interest rate / Currency swaps:

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

Schedules

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

Currency options:

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

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

- xiv. Outstanding derivative contracts, including embedded derivatives, are measured at fair value as at each Balance Sheet date. Fair value of derivatives is determined using quoted market prices in an actively traded market, for the instrument, wherever available, as the best evidence of fair value. In the absence of quoted market prices in an actively traded market, a valuation technique is used to determine the fair value. In most cases the valuation techniques use observable market data as input parameters in order to ensure reliability of the fair value measure.
- xv. In accordance with 'Guidance Note on Accounting for Derivative Contracts' issued by the Institute of Chartered Accountants of India effective on 1st April 2016, the Subsidiaries and Associates have changed their accounting policy to recognise all mark to market gains or losses on derivative contracts in the Profit and Loss Account. Earlier mark to market gains or losses on derivative contracts were determined on a portfolio basis with net unrealised losses being recognised and the net unrealised gains ignored on grounds of prudence as enunciated in Accounting Standard 1 (AS-1) 'Disclosure of Accounting Policies'. The impact of the above change in accounting policy is recognised in the opening reserves to the extent of ₹ 0.89 crore (net of tax). Had the company followed the earlier method, the profit after tax for year ended 31st March, 2017 would have been lower by ₹ 2.71 crore.
- xvi. Initial Margin - Derivative Instrument representing the initial margin paid and / or additional margin paid over and above the initial margin, for entering into contracts for equity index / stock futures and equity index / stock options / other derivatives, which are released on final settlement / squaring-up of the underlying contracts, are disclosed under Other Assets. "Deposit for Mark to Market Margin - Derivative Instrument" representing the deposit paid in respect of mark to market margin is disclosed under Other Assets.
- xvii. On final settlement or squaring up of contracts for equity index / stock futures / other derivatives, the realised profit or loss after adjusting the unrealised loss already accounted, if any, is recognised in the Profit and Loss Account and shown as Profit on exchange on transactions (net) (including derivatives).
- xviii. On settlement or squaring up of equity index / stock options / other derivatives before expiry, the premium prevailing in option contracts on that date is recognised in the Profit and Loss Account.
- xix. When more than one contract in respect of the relevant series of equity index / stock futures or equity index / stock options / other derivatives contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit / loss on squaring-up.

I. ADVANCES

Classification:

- i. Advances are classified as performing and non-performing advances ("NPAs") based on the RBI guidelines and are stated net of bills rediscounted, specific provisions, interest in suspense for non-performing advances and claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan and provisions in lieu of diminution in the fair value of restructured assets. Also, NPAs are classified into sub-standard, doubtful as required by RBI guidelines. Interest on NPAs is transferred to an interest suspense account and not recognised in the Profit and Loss account until received.
- ii. Amounts paid for acquiring non-performing assets from other Banks and NBFCs are considered as advances. Actual collections received on such non-performing assets are compared with the cash flows estimated while purchasing the asset to ascertain over dues. If these over dues are in excess of 90 days, the Group classifies such assets into sub-standard, doubtful or loss as required by the RBI guidelines on purchase of non-performing assets.
- iii. The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

Schedules

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

Provisioning:

For Bank:

- iv. Provision for non-performing assets comprising sub-standard, doubtful and loss assets is made in accordance with RBI guidelines. In addition, the Bank considers accelerated specific provisioning that is based on past experience, evaluation of security and other related factors. Specific loan loss provisions in respect of non-performing advances are charged to the Profit and Loss Account. Any recoveries made by the Bank in case of NPAs written off are recognised in the Profit and Loss Account.
- v. The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made.
- vi. In accordance with RBI guidelines the Bank has provided general provision on standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, and gold at levels stipulated by RBI from time to time - farm credit to agricultural activities and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5.00%, teaser rate housing loans at 2.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%. Additional 2% standard asset provision is done for overseas step down subsidiaries of Indian corporates.
- vii. Further to provisions required as per the asset classification status, provisions are held for individual country exposure (except for home country) as per the RBI guidelines. Exposure is classified in the seven risk categories as mentioned in the Export Credit Guarantee Corporation of India Limited ("ECGC") guidelines and provisioning is done for that country if the net funded exposure is one percent or more of the Bank's total assets based on the rates laid down by the RBI.
- viii. Provisions for Unhedged Foreign Currency Exposure of borrowers are made as per the RBI guidelines.

For other entities:

- ix. NBFC subsidiaries provide general provision on standard assets at 0.30% in accordance with the RBI guidelines.
- x. Life insurance subsidiary provides general provision on standard assets at 0.40% in accordance with the IRDAI guidelines.

J. STRUCTURED LIABILITIES

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

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

K. LIABILITY FOR POLICIES

- i. Provision is made for policy liabilities in respect of all "in force" policies and "lapsed policies" that are likely to be revived in future based on actuarial valuation done by the Appointed Actuary in accordance with accepted actuarial practices, requirements of IRDAI and the Institute of Actuaries of India.
- ii. Liabilities in respect of unit-linked policies which have lapsed and are not likely to be revived, are shown as Policyholders' liabilities until expiry of the revival period.
- iii. Linked liabilities comprise of unit liability representing the fund value of policies are shown as 'Policyholders' Funds'.

L. ACTUARIAL METHOD – LIFE INSURANCE

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

Schedules

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

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

- ii The assumptions used in the Gross Premium valuation are based on conservative best estimates together with appropriate margins for adverse deviations from experience. The principal assumptions are interest, inflation, return to policyholders' accounts, lapses, expenses, mortality and morbidity.
- iii Reserves for group life one year renewable policies are calculated as the risk premium for the unexpired term with an allowance for expenses and a margin for adverse deviations. The actuarial liability for Group fund based / VIP fund is equal to premiums net of deductions accumulated with guaranteed interest plus a non-unit reserve to provide for expenses and mortality benefits.
- iv Reserve for freeloop cancellation is held to meet any premium refunds from policy freeloop cancellations.

M. RESERVE FOR UNEXPIRED RISK – GENERAL INSURANCE

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

N. DISCOUNTED INSTRUMENTS

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

O. ACQUISITION COSTS

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

P. BULLION

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

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

Q. TAXES ON INCOME

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

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

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

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

Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date. Changes in deferred tax assets / liabilities on account of changes in enacted tax rates are given effect to in the Profit and Loss Account in the period of the change. The carrying amount of deferred tax assets are reviewed at each Balance Sheet date. The Group writes-down the carrying

Schedules

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

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: <ol style="list-style-type: none"> 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" Branch Banking Retail borrowings covering savings, current and term deposit accounts and Branch Banking network and services including distribution of financial products. Credit cards Receivables / loans relating to credit card business.
Corporate / Wholesale Banking	Wholesale borrowings and lendings and other related services to the corporate sector which are not included in Retail Banking.
Vehicle Financing	Retail vehicle finance and wholesale trade finance to auto dealers.
Other Lending Activities	Financing against securities, securitisation and other loans / services not included under Retail Banking and Corporate / Wholesale Banking.
Broking	Brokerage income on market transactions done on behalf of clients, interest on delayed payments, distribution of financial products and forex broking.
Advisory and Transactional Services	Providing financial advisory and transactional services such as mergers and acquisition advice and equity / debt issue management services and revenue from being a professional clearing member.
Asset Management	Management of investments on behalf of clients and funds.
Insurance	Life insurance and General Insurance

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

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

Segment results are net of segment revenue and segment expenses.

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

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

S. EMPLOYEE SHARE BASED PAYMENTS

Equity-settled:

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

Schedules

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

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

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

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

Cash-settled:

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

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

T. CLAIMS / BENEFITS

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

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

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

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

U. LOSS ON SALE OF ADVANCES TO ASSET RECONSTRUCTION COMPANY

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

V. SECURITISATION

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

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

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

Schedules

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

W. LEASES

As Lessee

Leases where the Group does not retain substantially all the risks and rewards of ownership, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

As Lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

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

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

X. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

Y. SCHEME EXPENSES

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

Z. CONTRIBUTION TO TERRORISM POOL

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

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

AA. CONTRIBUTION TO SOLATIUM FUND

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

AB. SHARE ISSUE EXPENSES

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

AC. EARNINGS PER SHARE

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

Schedules

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

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

AD. IMPAIRMENT

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

AE. CASH AND CASH EQUIVALENTS

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

NOTES TO ACCOUNTS

3. EMPLOYEE BENEFITS:

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

Provident Fund	₹ 127.78 crore (Previous Year ₹ 118.55 crore)
Superannuation Fund	₹ 2.71 crore (Previous Year ₹ 3.01 crore)
New Pension Fund	₹ 4.27 crore (Previous Year ₹ 3.85 crore)

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

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

(₹ in crore)

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

Schedules

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

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

(₹ in crore)

	As on 31 st March, 2017		As on 31 st March, 2016	
	Funded	Unfunded	Funded	Unfunded
Fair value of plan assets as at the end of the year	344.32	-	295.10	-
Liability at the end of the year	327.61	8.23	320.65	7.49
Net Asset / (Liabilities) included in "Others" under "Other Assets" or "Other Liabilities"	16.71	(8.23)	(25.55)	(7.49)
Expenses recognised for the year				
Current service cost	36.43	0.97	35.57	0.88
Interest cost	24.75	0.64	21.66	0.62
Expected return on plan assets	(22.68)	-	(22.84)	-
Actuarial (gain) / loss	(10.50)	0.47	49.24	0.07
Effect of the limit in Para 59(b)	-	-	-	-
Net gratuity expense included in "[payments to and provision for employees]" under "Operating Expenses" [Schedule 16.I]	28.00	2.08	83.63	1.57
Actual return on plan assets	38.70	-	15.11	-

Reconciliation of the Liability recognised in the Balance Sheet

(₹ in crore)

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

Investment details of plan assets

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

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

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

Schedules

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

Actuarial assumptions used

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

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

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

Experience adjustments

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

(₹ in crore)

Gratuity	Year ended 31 st 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 eVBL.

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 31 st March, 2017 Funded	As on 31 st March, 2016 Funded
Change in benefit obligations		
Liability as at the beginning of the year	782.02	-
Addition due to amalgamation	-	503.60
Current Service cost	29.52	29.69
Interest cost	52.01	34.31
Actuarial (gain) / loss on obligations	210.06	347.58
Past Service cost	-	-
Benefits paid	(123.47)	(133.16)
Liability as at the end of the year	950.14	782.02
Change in plan assets		
Fair value of plan assets as at the beginning of the year	747.24	-
Addition due to amalgamation	-	504.17
Expected return on plan assets	66.89	54.75
Actuarial Gain / (loss)	(0.75)	(13.79)
Benefits paid	(123.47)	(133.16)
Employer contributions	235.00	335.27
Fair value of plan assets as at the end of the year	924.91	747.24

Schedules

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

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

(₹ in crore)

	As on 31 st March, 2017	As on 31 st March, 2016
	Funded	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 31 st March, 2017	As on 31 st March, 2016
	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 Liability included in "Others" under "Other Liabilities"	25.23	34.78

Investment details of plan assets

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

Actuarial assumptions used

	As on 31 st March, 2017	As on 31 st March, 2016
Discount rate	7.22% p.a.	7.85% p.a.
Salary escalation rate	5.50% p.a.	5.50% p.a.
Expected rate of return on plan assets	8.00% p.a.	8.75% p.a.
Inflation	6.00% p.a.	6.00% p.a.

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

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

Schedules

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

Experience adjustments

Amounts for the current year are as follows:

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

Long Service Award

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

	(₹ in crore)	
	As on 31 st March, 2017	As on 31 st March, 2016
Total actuarial liability	10.54	9.30
Assumptions:		
Discount rate	7.18% p.a.	7.95% p.a.

4. DEPOSIT UNDER LIEN:

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

5. SECURITIES PLEDGED AND ENCUMBERED:

(a) Investments include Government Securities with face Value of ₹ 1,231.53 crore (previous year ₹ 2,288.05 crore) pledged and encumbered for availment of fund transfer facility, clearing facility, margin requirements and with RBI for liquidity adjustment facility ("LAF").

(b) Stock in Trade pledged with National Securities Clearing Corporation Limited towards Exposure in Derivatives Segment as on 31st March, 2017 ₹ 133.29 crore (previous year ₹ 107.18 crore).

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

Schedules

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

Provision for Contingencies: -

Description	(₹ in crore)			
	Balance as on 1 st April, 2016	Addition during the year	Reversed / paid during the year	Balance as on 31 st 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

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

8. PROVISION MADE FOR TAXES DURING THE YEAR:

Year ended 31 st March,	(₹ in crore)	
	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: <ul style="list-style-type: none"> Documentary credit given to enhance the credit standing of the customers of the Group. Bills re-discounted by the Group and cash collateral provided by the Group on assets which have been securitised. Underwriting commitments in respect of Debt Syndication.

Schedules

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

Sr. No.	Contingent Liability*	Brief Description
5.	Other items for which the Group is contingently liable	<p>These include:</p> <ul style="list-style-type: none"> Liabilities in respect of interest rate swaps, currency swaps, forward rate agreements, futures, options and other derivative contracts. The Group enters into these transactions on its own account and for customers. Currency Swaps are commitments to exchange cash flows by way of interest or principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are amounts used as a benchmark for the calculation of interest component of the contracts. Liability in respect of Capital commitments relating to fixed assets and undrawn commitments in respect of investments.

* Also refer Schedule 12 – Contingent Liabilities

10. EARNINGS PER EQUITY SHARE:

Particulars	As on 31 st March, 2017	As on 31 st 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:

- Kotak Mahindra Equity Option Scheme 2001-02;
- Kotak Mahindra Equity Option Scheme 2002-03;
- Kotak Mahindra Equity Option Scheme 2005;
- Kotak Mahindra Equity Option Scheme 2007; and
- Kotak Mahindra Equity Option Scheme 2015

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

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

Consequent to the above, the Bank has granted stock options to the employees of the Group. The Bank under its various plan / schemes, has granted in aggregate 144,210,124 options (including options issued in exchange on amalgamation) as on 31st March, 2017 (Previous year 140,327,654).

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

Schedules

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

Equity-settled options

The Bank has granted options to employees of the Group vide various employee stock option schemes. During the year ended 31st March, 2017, the following schemes were in operation:

	Plan 2007	Plan 2015
Date of grant	Various Dates	Various Dates
Date of Board Approval	Various Dates	Various Dates
Date of Shareholder's approval	5 th July, 2007 as amended on 21 st August, 2007	29 th June, 2015
Number of options granted	68,873,000	3,896,470
Method of Settlement (Cash / Equity)	Equity	Equity
Vesting Period	1.00 – 4.14 years	1.00 – 4.02 years
Exercise Period	0.30 – 1.08 years	0.25 – 0.50 years
Vesting Conditions	Graded / Cliff vesting	Graded / Cliff vesting

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

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

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

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

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

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

Schedules

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

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

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

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

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

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

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

Schedules

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

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

31st March, 2017

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

31st March, 2016

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

Stock appreciation rights

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

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

Detail of activity under SARs is summarised below:

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

Fair value of Employee stock options

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

Schedules

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

Year ended 31 st 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 31 st March		0.08 - 2.71		0.08 - 3.59
Risk-free interest rate	6.64% - 7.46%	5.89% - 6.64%	7.64% - 8.07%	7.08% - 7.52%
Expected dividend rate	0.06% - 0.07%	0.06%	0.07%	0.07%

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

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

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

Year ended 31 st March,	2017		2016
			(₹ in crore)
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

- Lower Tier II Bonds outstanding as on 31st March, 2017 ₹ 1,051.60 crore (previous year ₹ 1,152.50 crore).
 - Upper Tier II Bonds outstanding as on 31st March, 2017 ₹ 348.28 crore (previous year ₹ 806.31 crore) of which bonds issued outside India ₹ 212.28 crore (previous year ₹ 670.31 crore).
- Interest Expended-Others (Schedule 15.III) includes interest on subordinated debt (Lower and Upper Tier II) ₹ 134.87 crore (previous year ₹ 145.00 crore).
 - The Group charges off to the Profit and Loss Account all expenses related to acquisition costs of advances in the year in which they are incurred. KMPL, a subsidiary of the Bank, charges off such costs based on the Internal Rate of Return of a contract. On account of this difference in accounting policy, unamortised brokerage amounting to ₹ 115.53 crore (previous year ₹ 115.12 crore) is carried forward in the Balance Sheet under "Other Assets".

Schedules

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

15. SEGMENT REPORTING

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

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

Schedules

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

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

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

Schedules

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

16. ASSETS TAKEN ON LEASE

- (i) The Group has taken various premises and equipment under operating lease. The lease payments recognised in the Profit and Loss Account are ₹ 468.53 crore (previous year ₹ 444.01 crore).
- (ii) The future minimum lease payments under non-cancelable operating lease not later than one year is ₹ 402.16 crore (previous year ₹ 392.95 crore), later than one year but not later than five years is ₹ 1,270.02 crore (previous year ₹ 1,134.58 crore) and later than five years ₹ 1,027.63 crore (previous year ₹ 916.02 crore).

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

17. ASSETS GIVEN ON LEASE

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

The future minimum lease payments expected to be received under non-cancelable operating lease – not later than one year is ₹ 0.66 crore (previous year ₹ 0.63 crore), later than one year but not later than five years is ₹ 2.91 crore (previous year ₹ 2.81 crore) and later than five years ₹ 1.13 crore (previous year ₹ 1.89 crore).

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

As on 31 st March,	(₹ in crore)	
	2017	2016
Gross Investments (A):		
(i) Not later than 1 year	86.01	82.99
(ii) Between 1-5 years	154.99	133.34
Total	241.00	216.33
Unearned Finance Income (B):		
(i) Not later than 1 year	21.01	19.10
(ii) Between 1-5 years	22.04	19.17
Total	43.05	38.27
Present Value of Rentals (A-B):		
(i) Not later than 1 year	65.00	63.89
(ii) Between 1-5 years	132.96	114.17
Total	197.96	178.06
Accumulated provision on the Gross Investments	1.14	1.06

18. In accordance with the IRDAI Regulations, 2002 (Preparation of Financial Statements and Auditors' Report of Insurance Companies), the Life Insurance subsidiary has revalued its investment property at the market value. Such market value is considered at lower of valuations performed by two independent valuers and is done once in three years. The last valuation was done on 31st March, 2015. The cost of the investment properties those are purchased post 31st March, 2015 are considered as market value as at the 31st March, 2017. The real estate investment property is accordingly valued at ₹ 178.53 crore at 31st March, 2017 (previous year ₹ 69.84 crore). The historical cost of the property is ₹ 158.19 crore (previous year ₹ 49.51 crore). The revaluation gains have been included in policyholder's funds.

Schedules

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

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

Derivative instrument outstanding as on 31st March, 2017

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

Unhedged forex exposure outstanding as on the Balance Sheet date

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

(₹ in crore)

Schedules

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

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

(₹ in crore)

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

* Total assets minus total liabilities

Schedules

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

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

Particulars	(₹ in crore)	
	Year ended 31 st March, 2017	Year ended 31 st 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:

Particulars	(₹ in crore)	
	Year ended 31 st March, 2017	Year ended 31 st March, 2016
PURCHASED SOFTWARE AND SYSTEM DEVELOPMENT EXPENDITURE		
Gross Block		
At cost on 31 st 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 31 st 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 31 st March of the preceding year	4.66	4.66
Total	4.66	4.66
Amortisation		
As on 31 st March of the preceding year	4.20	4.03
Charge for the year	0.12	0.17
Amortisation to date	4.32	4.20
Net Block	0.34	0.46

Schedules

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

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

Schedules

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

23. RELATED PARTY DISCLOSURES:

	Nature of relationship	Name of Related Party
A	Individual having significant influence over the enterprise	Mr. Uday S. Kotak along with his relatives and enterprises in which he has beneficial interest holds 32.02% of the equity share capital of Kotak Mahindra Bank Limited as on 31 st March, 2017.
B	Other Related Parties:	
	Associates / Others	ACE Derivatives and Commodity Exchange Limited Infina Finance Private Limited Phoenix ARC Private Limited Matrix Business Services India Private Limited Kotak Education Foundation ING Vysya Foundation
	Investing Party of the subsidiaries	Old Mutual Plc. Old Mutual Life Assurance Company (South Africa) Limited
	Enterprises over which KMP / relatives of KMP have control / significant influence	Aero Agencies Limited Allied Auto Accessories Private Limited Business Standard Private Limited Business Standard Online Private Limited (Formerly known as Business Standard Online Limited) Kotak and Company Private Limited Kotak Commodity Services Private Limited (Formerly known as Kotak Commodity Services Limited) Komaf Financial Services Private Limited (Formerly known as Komaf Financial Services Limited) Asian Machinery & Equipment Private Limited Cumulus Trading Company Private Limited Palko Properties Private Limited Harisiddha Trading and Finance Private Limited Kotak Trustee Company Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Private Limited (Formerly known as Kotak Ginning & Pressing Industries Limited) Insurekot Sports Private Limited Puma Properties Private Limited USK Benefit Trust II Uday S Kotak HUF Suresh A Kotak HUF
	Key Management Personnel	Mr. Uday S. Kotak – Executive Vice Chairman and Managing Director - KMBL Mr. C. Jayaram - Joint Managing Director - KMBL (upto 30 th 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 th April, 2016) Mr. K. Madhavan Kutty (upto 30 th April, 2016) Mr. Vivek Menon (upto 30 th April, 2016) Ms. Nayantara Menon Mehta (upto 30 th April, 2016) Ms. Anita Gupta Ms. Urmila Gupta Mr. Arnav Gupta Mr. Parthav Gupta Mr. Prabhat Gupta Ms. Jyoti Banga

Schedules

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

Details of related party transactions:

(₹ in crore)

Items / Related Party	Associates / Others	Investing Party of the subsidiaries	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel
I. Liabilities					
Other Liabilities	0.21	0.60	0.04	0.01	-
	(0.79)	(0.52)	(0.16)	(0.01)	(-)
Deposits	201.87	-	249.22	127.80	11.58
	(303.17)	(-)	(436.13)	(55.82)	(11.43)
Interest Payable	1.34	-	1.73	0.90	0.07
	(2.45)	(-)	(2.52)	(0.41)	(0.10)
II. Assets					
Investments - Gross	152.22	-	#	-	-
	(152.22)	(-)	(#)	(-)	(-)
Diminution on Investments	0.78	-	#	-	-
	(0.78)	(-)	(#)	(-)	(-)
Others	0.03	-	0.28	-	-
	(0.13)	(-)	(0.34)	(-)	(-)
III. Expenses					
Salaries / fees (Include ESOP cost)*	-	-	-	7.83	-
	(-)	(-)	(-)	(10.99)	(-)
Interest Paid	61.93	-	26.21	6.10	0.93
	(28.69)	(-)	(28.07)	(4.93)	(0.82)
Others	17.93	-	6.15	0.11	-
	(14.19)	(-)	(6.91)	(0.08)	(-)
IV. Income					
Others	3.60	-	3.78	0.08	-
	(3.20)	(-)	(3.23)	(0.01)	(-)
V. Other Transactions					
Dividend paid	-	-	0.04	30.69	0.19
	(-)	(-)	(#)	(27.68)	(0.17)
Reimbursement to companies	0.12	-	1.73	-	-
	(0.26)	(-)	(1.48)	(-)	(-)
Reimbursement from companies	0.16	0.21	1.94	-	-
	(0.33)	(-)	(2.08)	(-)	(-)
Purchase of Investments	-	-	-	-	-
	(30.62)	(-)	(-)	(-)	(-)
Loan disbursed during the year	-	-	-	-	-
	(3.00)	(-)	(-)	(-)	(-)
Loan repaid during the year	-	-	-	-	-
	(4.00)	(-)	(-)	(-)	(-)
Sale of Fixed Assets	-	-	#	-	-
	(-)	(-)	(-)	(-)	(-)
Deposits taken during the year	-	-	0.01	-	-
	(-)	(-)	(0.01)	(-)	(-)
Deposits given during the year	-	-	-	-	-
	(0.02)	(-)	(-)	(-)	(-)
Deposits repaid during the year	-	-	#	-	-
	(-)	(-)	(0.01)	(-)	(-)
Guarantees / Lines of credit	-	-	-	-	-
	(-)	(-)	(1.00)	(-)	(-)

Schedules

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

Material transactions with related parties:

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	(₹ in crore)
						Total
I. Liabilities:						
Other liabilities						
Old Mutual Life Assurance Company (South Africa) Limited		0.60 (0.52)				0.60 (0.52)
Aero Agencies Limited			0.01 (0.02)			0.01 (0.02)
Kotak Commodity Services Private Limited			0.03 (0.14)			0.03 (0.14)
Infina Finance Private Limited	0.08 (0.78)					0.08 (0.78)
Matrix Business Services India Private Limited	0.12 (0.01)					0.12 (0.01)
Others	# (#)			0.01 (0.01)		0.01 (0.01)
II. Assets:						
Investments						
ACE Derivatives and Commodity Exchange Limited	47.62 (47.62)					47.62 (47.62)
Phoenix ARC Private Limited	101.18 (101.18)					101.18 (101.18)
Others	3.42 (2.43)		# (0.00)			3.42 (2.43)
Diminution on investments						
ACE Derivatives and Commodity Exchange Limited	0.78 (0.78)					0.78 (0.78)
Others			# (#)			# (#)
Others						
Kotak Commodity Services Private Limited			0.28 (0.15)			0.28 (0.15)
ACE Derivatives and Commodity Exchange Limited	0.02 (0.02)					0.02 (0.02)
Infina Finance Private Limited	0.01 (0.04)					0.01 (0.04)
Others	# (0.07)		# (0.19)			# (0.26)

Schedules

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

(₹ in crore)

Items / Related Party	Associates / Others	Investing Party of the subsidiary	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
III. Expenses:						
Salaries (Includes ESOP cost)						
Mr. Uday Kotak*				2.85		2.85
				(2.70)		(2.70)
Mr. C. Jayaram*				0.78		0.78
				(4.14)		(4.14)
Mr. Dipak Gupta*				4.20		4.20
				(4.15)		(4.15)
Interest Paid						
Infina Finance Private Limited	61.24					61.24
	(25.84)					(25.84)
Kotak Commodity Services Private Limited			6.51			6.51
			(5.34)			(5.34)
USK Benefit Trust II			19.10			19.10
			(21.42)			(21.42)
Others	0.68		0.60	6.10	0.93	8.31
	(2.85)		(1.31)	(4.93)	(0.82)	(9.91)
Others						
Aero Agencies Limited			6.12			6.12
			(6.91)			(6.91)
Kotak Education Foundation	17.23					17.23
	(13.39)					(13.39)
Others	0.70		0.03	0.11		0.84
	(0.80)		(0.01)	(0.08)		(0.89)
IV. Income:						
Others						
Fee and Other Income						
Phoenix ARC Private Limited	0.01					0.01
	(0.50)					(0.50)
ACE Derivatives and Commodity Exchange Limited	0.01					0.01
	(0.37)					(0.37)
Kotak Commodity Services Private Limited			2.82			2.82
			(2.32)			(2.32)
USK Benefit Trust II			0.87			0.87
			(0.89)			(0.89)
Infina Finance Private Limited	0.09					0.09
	(0.08)					(0.08)
Others			0.01	#		0.01
			(#)	(#)		(#)

Schedules

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

(₹ in crore)

Items / Related Party	Associates / Others	Investing Party of the subsidiary	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
Premium Income						
Phoenix ARC Private Limited	0.02					0.02
	(0.01)					(0.01)
Kotak Commodity Services Private Limited			0.06 (0.01)			0.06 (0.01)
Others	# (-)			0.06 (-)		0.06 (-)
Brokerage Income						
Infina Finance Private Limited	3.47 (2.24)					3.47 (2.24)
Kotak Commodity Services Private Limited			0.02 (0.01)			0.02 (0.01)
Others				0.01 (0.01)		0.01 (0.01)
V. Other Transactions:						
Dividend Paid						
Mr. Uday Kotak				30.63 (27.56)		30.63 (27.56)
Ms. Pallavi Kotak					0.06 (0.05)	0.06 (0.05)
Ms. Indira Kotak					0.12 (0.11)	0.12 (0.11)
Suresh A Kotak HUF			0.01 (#)			0.01 (#)
USK Benefit Trust II			0.03 (-)			0.03 (-)
Others				0.07 (0.12)	0.01 (0.01)	0.08 (0.13)
Reimbursements made						
Infina Finance Private Limited	0.09 (0.21)					0.09 (0.21)
Matrix Business Services India Private Limited	0.03 (0.04)					0.03 (0.04)
Kotak Commodity Services Private Limited			1.58 (1.04)			1.58 (1.04)
Others	- (#)		0.15 (0.44)			0.15 (0.44)
Reimbursements received						
Old Mutual PLC		0.21 (-)				0.21 (-)

Schedules

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

(₹ in crore)

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

*includes incentive paid during the year

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

Schedules

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

Maximum balance outstanding

(₹ in crore)

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

Note: Figures of previous year are given in bracket.

24. DISCLOSURE OF SPECIFIED BANK NOTES (SBNS)

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

25. ADDITIONAL DISCLOSURE

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

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

As per our report of even date attached.

For and on behalf of the Board of Directors

For S. R. Batliboi & Co. LLP

Chartered Accountants

Firm Registration No. 301003E/E300005

Dr. Shankar Acharya

Chairman

Uday Kotak

Executive Vice Chairman and Managing Director

per Viren H. Mehta

Partner

Membership No. 048749

Dipak Gupta

Joint Managing Director

Mumbai

27th April, 2017

Jaimin Bhatt

President and Group Chief Financial Officer

Bina Chandarana

Company Secretary

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

PART "A" : Subsidiaries

Particulars	Kotak (₹ in crore)																
	Kotak Mahindra Prime Limited	Kotak Securities Limited	Kotak Mahindra Capital Company Limited	Kotak Mahindra Old Mutual Insurance Limited	Kotak Mahindra General Insurance Company Limited	Kotak Mahindra Investments Limited	Kotak Mahindra Asset Management Company Limited	Kotak Mahindra Trustee Company Limited	Kotak Mahindra (International) Limited (UK) Limited	Kotak Mahindra, Inc.	Kotak Investment Advisors Limited	Kotak Mahindra Trusteeship Services Limited	Kotak Infrastructure Debt Fund (formerly known as Kotak Forex Brokerage Limited)	Kotak Mahindra Pension Fund Limited	Kotak Mahindra Financial Services (Singapore) Pte. Limited	Kotak Mahindra Asset Management Limited	IVY Product Intermediaries Limited
Share Capital	3.50	1.60	3.44	510.29	135.00	5.17	29.80	0.05	16.16	7.01	0.07	0.09	310.00	28.00	8.45	9.40	2.21
Reserves & Surplus	4,223.57	2,994.35	489.79	1,314.43	(44.72)	1,032.38	118.02	80.67	450.89	194.48	11.69	14.15	(0.76)	(2.66)	(4.05)	(0.41)	2.98
Total Networth	4,227.07	2,995.95	493.23	1,824.72	90.28	1,037.55	147.82	80.72	467.05	201.49	11.76	276.85	309.24	25.34	4.40	8.99	5.19
Total Assets	27,161.17	6,222.13	512.26	21,807.04	173.75	7,754.48	218.38	81.14	1,199.55	472.14	13.91	15.27	310.06	25.85	10.85	9.11	5.28
Total Liabilities	22,934.10	3,226.18	19.03	19,982.32	83.47	6,716.93	70.56	0.42	732.50	270.65	2.15	24.32	0.82	0.51	6.45	0.12	0.09
Investments (excluding investment in subsidiaries)	1,231.33	474.37	140.43	20,620.67	147.16	669.14	99.20	78.30	873.52	-	4.26	206.14	-	25.57	-	-	-
Turnover	2,922.15	1,184.34	135.94	7,591.03	46.62	761.70	291.24	26.56	82.68	123.51	16.27	98.19	8.19	2.22	17.88	0.02	0.46
Profit before taxation	787.79	543.30	60.57	342.70	(34.72)	290.11	58.59	25.36	54.89	51.42	(6.39)	6.06	5.05	(0.22)	(1.22)	(0.63)	0.38
Provision for taxation	273.04	182.03	14.96	39.43	-	93.68	20.36	7.91	1.93	10.05	0.05	0.13	1.67	-	-	-	0.12
Profit after taxation	514.75	361.27	45.61	303.27	(34.72)	196.43	38.23	17.45	52.96	41.37	(6.44)	5.93	3.38	(0.22)	(1.22)	(0.63)	0.26
Proposed Dividend (Equity)	20.97	NIL	NIL	NIL	NIL	NIL	NIL	7.50	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
% of Shareholding	100.00	100.00	100.00	74.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note:

- (1) Share Capital does not include Preference Share capital.
- (2) Total liabilities includes Preference Share Capital and excludes Equity Share Capital and Reserves.
- (3) Investments include investments and stock-in-trade reported by the above entities and also include investments held to cover policy holders' liabilities and unit linked liabilities.
- (4) Turnover is the total income reported by each of the entities in their financial statements.
- (5) Dividend excludes corporate dividend tax. As per AS 4 (Revised), the Company cannot create provision for dividend proposed / declared after the balance sheet date unless a statute requires otherwise. The Company has disclosed the same in notes to the financial statements in accordance with AS 4 (Revised).
- (6) % of Shareholding includes direct and indirect holding through subsidiaries.
- (7) The figures in respect of Kotak Mahindra, Inc., Kotak Mahindra (UK) Limited, Kotak Mahindra Financial Services Limited and Kotak Mahindra Asset Management (Singapore) Pte. Limited are based on the accounts prepared under Indian Accounting Standards. The reporting currency of these subsidiaries is US\$ and exchange rate as on the last day of the financial year ending 31st March, 2017 is 1 USD = 64.85 INR
- (8) Kotak Infrastructure Debt Fund Limited (formerly known as Kotak Forex Brokerage Limited) has received permission from RBI to commence and carry on the business as Non Banking Finance Company ("NBFC").

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

PART "B" : ASSOCIATES

Particulars	(₹ in crore)			
	Infina Finance Private Limited	Phoenix ARC Private Limited	ACE Derivatives and Commodities Exchange Limited ^{1 & 4}	Matrix Business Services India Private Limited ^{1 & 3}
Latest Audited Balance Sheet date	31-Mar-17	31-Mar-17	31-Mar-16	31-Mar-16
Shares of Associate held by the Group on the year end				
No of Equity Shares	1,100,240	83,832,000	43,795,700	103,255
Amount of gross Investment in Associates	1.10	100.02	47.62	2.32
Extend of Holding %	49.99%	49.90%	40.00%	19.77%
Description of how there is significance influence	Ownership of 20% or more of the voting power	Ownership of 20% or more of the voting power	Ownership of 20% or more of the voting power	Significant influence through Board Representation
Reason why the associate is not consolidated	Ownership of less than 50% of the Voting Power and no control over the Board	Ownership of less than 50% of the Voting Power and no control over the Board	Ownership of less than 50% of the Voting Power and no control over the Board	Ownership of less than 50% of the Voting Power and no control over the Board
Networth attributable to Shareholding as per latest audited Balance Sheet ^{3 & 4}	730.40	154.32	6.08	7.98
Profit / Loss for the year	114.87	22.65	0.53	6.29
(i) Considered in the Consolidation	57.42	11.30	0.21	1.24
(ii) Not considered in the Consolidation	57.45	11.35	0.32	5.05

Note:

- (1) For the purpose of preparation of consolidation financial statements, the Group has considered unaudited financial statement as of 31st March, 2017.
- (2) Significant influence has been determined as per Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements".
- (3) Share of audited Networth based on share holding as on 31st March, 2016 of 19.77% is ₹ 6.71 Crs.
- (4) Share of audited Networth based on share holding as on 31st March, 2016 of 40.00 % is ₹ 5.91 Crs.

For and on behalf of the Board of Directors

Dr. Shankar Acharya

Chairman

Dipak Gupta

Joint Managing Director

Jaimin Bhatt

President and Group Chief Financial Officer
Mumbai, 27th April, 2017

Uday Kotak

Executive Vice Chairman and Managing Director

Bina Chandarana

Company Secretary

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

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

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

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