

Consolidated Financial Highlights 2017-2018

(₹ In crore)

Financial Highlights	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Advances	71,693	88,632	144,793	167,125	205,997
Investments*§	26,685	31,910	55,304	49,974	68,741
Total Assets	122,237	148,576	240,804	276,188	337,720
Net Profit	2,465	3,045	3,459	4,940	6,201
Key Financial Indicators					
Net Interest Margin (NIM)	5.0%	4.9%	4.4%	4.5%	4.3%
Return on Average Assets (RoAA)	2.1%	2.3%	1.6%	2.0%	2.0%
Book Value Per Share (₹)	124	143	182	209	265
Earnings Per Share (EPS) Face Value ₹ 5 per share^	16.1	19.7	18.9	26.9	32.7
Return on Equity (RoE)	14.0%	14.8%	11.0%	13.8%	13.5%
Capital Adequacy Ratio	18.9%	17.6%	17.0%	17.2%	18.4%
Gross NPA (₹ crore)	1,178	1,392	3,017	3,804	4,071
Net NPA (₹ crore)	634	697	1,353	1,814	1,769
Gross NPA Ratio	1.6%	1.6%	2.1%	2.2%	2.0%
Net NPA Ratio	0.9%	0.8%	0.9%	1.1%	0.9%

* 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 FY2014 and FY2015 have been regrouped.

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

MARKET RELATED RATIOS	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Market Price (₹) #	391	657	681	872	1,048
Market Capitalisation (₹ crore)	60,165	101,429	124,857	160,563	199,674
Price to Book Ratio	3.2	4.6	3.7	4.2	4.0
Price to Earnings Ratio	24.3	33.3	36.1	32.5	32.1

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

Consolidation at a Glance

(₹ in crore)

Financial Highlights	2017-2018		2016-2017		March 31, 2018	March 31, 2017
	Profit before Tax	Profit after Tax	Profit before Tax	Profit after Tax	Networth	Networth
Kotak Mahindra Bank Limited	6,218.22	4,084.30	5,148.07	3,411.50	37,481.66	27,616.07
Subsidiaries						
Kotak Mahindra Prime Limited	901.88	589.62	787.79	514.75	4,816.44	4,227.07
Kotak Securities Limited	795.97	530.95	543.30	361.27	3,526.90	2,995.95
Kotak Mahindra Capital Company Limited	101.54	65.29	60.57	45.61	558.52	493.23
Kotak Mahindra Life Insurance Company Limited	471.23	413.41	342.70	303.27	2,238.13	1,824.72
Kotak Mahindra General Insurance Company Limited	(32.55)	(32.55)	(34.72)	(34.72)	97.73	90.28
Kotak Mahindra Investments Limited	366.64	244.97	290.11	196.43	1,382.52	1,037.55
Kotak Mahindra Asset Management Company Limited	124.45	81.21	58.59	38.23	227.35	147.82
Kotak Mahindra Trustee Company Limited	45.39	33.79	25.36	17.45	105.49	80.72
Kotak Mahindra (International) Limited	67.74	62.01	54.89	52.96	532.00	467.05
Kotak Mahindra (UK) Limited	26.08	19.05	51.42	41.37	222.15	201.49
Kotak Mahindra, Inc.	(2.84)	(2.87)	(6.39)	(6.44)	8.91	11.76
Kotak Investment Advisors Limited	10.81	10.88	6.06	5.93	337.74	276.85
Kotak Mahindra Trusteeship Services Limited	2.39	1.73	2.85	1.93	15.97	14.24
Kotak Infrastructure Debt Fund Limited	14.38	14.38	5.05	3.38	323.62	309.24
Kotak Mahindra Pension Fund Limited	(0.05)	(0.05)	(0.22)	(0.22)	25.29	25.34
Kotak Mahindra Financial Services Limited	3.35	3.35	(1.22)	(1.22)	7.82	4.40
Kotak Mahindra Asset Management (Singapore) Pte. Limited	39.39	32.81	(0.63)	(0.63)	42.22	8.99
IVY Product Intermediaries Limited	0.26	0.16	0.38	0.26	5.35	5.19
BSS Microfinance Limited	27.15	17.91	-	-	108.50	-
Total	9,181.43	6,170.35	7,333.96	4,951.11	52,064.31	39,837.96
Add: Associates		110.51		70.18	857.92	749.31
Less: Dividend, Minority interest, Inter company and other adjustment		79.89		80.86	2,436.17	2,096.43
Consolidated Profit After Tax/Networth		6,200.97		4,940.43	50,486.06	38,490.84
Consolidated Earnings per Share (₹)		32.66		26.86		
Consolidated Book Value per Share (₹)					264.93	209.09

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, 2018, 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 including its associates in accordance with accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, read with the Companies (Accounts) Rules, 2014 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 its associates and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, 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 and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries and associates, 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, 2018, their consolidated profit, and their consolidated cash flows for the year ended on that date.

Other Matter

- (a) We did not audit the financial statements and other financial information, in respect of 18 subsidiaries, whose financial statements include total assets of ₹ 771,538,053 thousands as at March 31, 2018, and total revenues of ₹ 15,113,629 thousands and net cash inflows of ₹ 5,001,102 thousands for the year ended on that date. These financial statement and other financial information 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 ₹ 1,091,931 thousands for the year ended March 31, 2018, 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-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid

subsidiaries and associates, is based solely on the reports of such other auditors.

Certain of these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Bank's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. These conversion adjustments made by the Bank's management have been audited by another firm of independent chartered accountants. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Bank and audited by another firm of independent chartered accountants.

- (b) The consolidated financial statements also include the Bank's share of net profit of ₹ 13,140 thousands for the year ended March 31, 2018, as considered in the consolidated financial statements, in respect of 2 associates, whose financial statements, other financial information have not been audited and whose unaudited financial statements, other unaudited financial information have been furnished to us by the Management. Our opinion, in so far as it relates amounts and disclosures included in respect of these associates, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid associates, is based solely on such unaudited financial statement and other unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements and other financial information are not material to the Group.
- (c) The auditors of Kotak Mahindra Life Insurance Company Limited ("the Company") have reported in their audit opinion "The actuarial valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists as at March 31, 2018 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, 2018 has been duly certified by the Appointed Actuary and in his opinion, the actuarial valuation are in accordance with the generally accepted actuarial principles, the requirements of Insurance Act, relevant regulations issued by IRDAI and the Actuarial Practice Standard and Guidance Notes of the Institute of Actuaries of India. 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 audit 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 the Company's Appointed Actuary (the Appointed Actuary). The estimate of claims Incurred But Not Reported ("IBNR") and Incurred But Not Enough Reported ("IBNER"), included under Claims Outstanding as at March 31, 2018 has been duly certified by the Company's Appointed Actuary, and in his opinion, the assumptions for such valuation 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 IRDAI. 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 below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries and associates as noted in the 'other matter' paragraph 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 Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014;
- (e) On the basis of the written representations received from the directors of the Bank as on March 31, 2018 taken on record by the Board of Directors of the Bank and the reports of the statutory 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, 2018 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 2W and Schedule 17-Note 11 to the consolidated financial statements;
 - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer (a) Schedule 17-Note 2W and Schedule 17-Note 11 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 during the year ended March 31, 2018.

For S.R. Batliboi & CO. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per Viren H. Mehta

Partner

Membership Number: 048749

Place of Signature: Mumbai

Date: 30 April 2018

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

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

To the Members of Kotak Mahindra Bank Limited

In conjunction with our audit of the consolidated financial statements of Kotak Mahindra Bank Limited as of and for the year ended March 31, 2018, 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, 2018, 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 13 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 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, 2018. Accordingly, the internal financial controls over financial reporting in respect of the valuation and accuracy of the aforesaid actuarial valuation is also certified by the Appointed Actuary and has been relied upon by us". Accordingly, our opinion on the internal financial controls over financial reporting does not include reporting on the adequacy and operating effectiveness of the internal controls over the valuation and accuracy of the aforesaid actuarial liabilities.

For S.R. Batliboi & CO. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per Viren H. Mehta

Partner

Membership Number: 048749

Place of Signature: Mumbai

Date: 30 April 2018

Consolidated Balance Sheet

as at 31st March, 2018

(₹ in thousands)

	Schedule	As at 31 st March, 2018	As at 31 st March, 2017
CAPITAL AND LIABILITIES			
Capital	1	9,528,243	9,204,489
Reserves and Surplus	2	495,332,422	375,703,944
Minority Interest	2A	-	4,744,261
Employees' Stock Options (Grants) Outstanding		21,680	18,676
Deposits	3	1,912,357,994	1,555,399,984
Borrowings	4	586,039,735	496,899,092
Policyholders' Funds		224,253,361	187,928,768
Other Liabilities and Provisions	5	149,671,302	131,976,373
Total		3,377,204,737	2,761,875,587
ASSETS			
Cash and Balances with Reserve Bank of India	6	89,335,019	75,122,255
Balances with Banks and Money at Call and Short Notice	7	154,671,304	180,763,235
Investments	8	909,766,020	684,615,381
Advances	9	2,059,973,244	1,671,249,109
Fixed Assets	10	17,498,290	17,552,021
Other Assets	11	138,030,254	132,539,392
Goodwill on Consolidation		7,930,606	34,194
Total		3,377,204,737	2,761,875,587
Contingent Liabilities	12	2,097,575,442	1,961,720,654
Bills for Collection		242,553,119	203,182,634
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 Consolidated Balance Sheet.

As per our report of even date attached.

For S.R. Batliboi & Co. LLP

Chartered Accountants

Firm Registration No. 301003E/E300005

per Viren H. Mehta

Partner

Membership No. 048749

Mumbai

30th April, 2018

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

Prakash Apte

Director

Bina Chandarana

Company Secretary

Consolidated Profit and Loss Account

for the year ended 31st March, 2018

(₹ in thousands)

	Schedule	For the year ended 31 st March, 2018	For the year ended 31 st March, 2017
I. INCOME			
Interest earned	13	251,310,773	223,242,067
Other Income	14	136,822,314	116,595,592
Total		388,133,087	339,837,659
II. EXPENDITURE			
Interest expended	15	124,668,478	114,575,099
Operating expenses	16	161,634,936	142,454,072
Provisions and Contingencies (Refer Note 9 - Schedule 17)		40,358,318	33,317,656
Total		326,661,732	290,346,827
III. PROFIT			
Net Profit for the year		61,471,355	49,490,832
Less: Share of Minority Interest		566,690	788,276
Add: Share in profit / (loss) of Associates		1,105,071	701,782
Consolidated Profit for the year attributable to the Group		62,009,736	49,404,338
Add : Balance in Profit and Loss Account brought forward from previous year		201,525,609	162,238,798
Add: MTM Gain on Derivatives (net of tax)		-	8,946
Total		263,535,345	211,652,082
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		10,210,800	8,528,800
Transfer to Special Reserve u/s 45 IC of RBI Act, 1934		1,740,571	1,422,600
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		550,000	550,000
Transfer to Capital Redemption Reserve		85,000	10,000
Transfer to Capital Reserve		240,000	105,500
Transfer to General Reserve		17,500	-
Transfer (from) / to Investment Reserve Account		-	(484,902)
Dividend / Proposed Dividend		1,142,141	702
Corporate Dividend Tax		238,025	(6,227)
Balance carried over to Balance Sheet		249,311,308	201,525,609
Total		263,535,345	211,652,082
V. EARNINGS PER SHARE [Refer Note 12 - Schedule 17]			
Basic (₹)		32.70	26.89
Diluted (₹)		32.66	26.86
Face value per share (₹)		5.00	5.00
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 Consolidated Profit and Loss Account.

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

Prakash Apte

Director

Mumbai
30th April, 2018

Jaimin Bhatt

President and Group
Chief Financial Officer

Bina Chandarana

Company Secretary

Consolidated Cash Flow Statement

for the year ended 31st March, 2018

(₹ in thousands)

	Year Ended 31 st March, 2018	Year Ended 31 st March, 2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit for the year	61,471,355	49,490,832
Add: Provision for tax	30,110,881	23,828,515
Net Profit before taxes	91,582,236	73,319,347
Adjustments for:-		
Employee Stock Options expense	17,470	15,028
Depreciation on Group's property	3,834,314	3,622,140
Amortisation of Premium on Investments	2,976,319	2,454,151
Diminution / (write back) in the value of investments	2,088,886	1,515,276
(Profit) / Loss on revaluation of investments (net)	1,051,100	(8,043,394)
Profit on sale of Investments (net)	(11,203,504)	(12,649,520)
Provision for Non Performing Assets, Standard Assets and Other Provisions	8,158,551	7,973,865
Profit on sale of fixed assets	(470,002)	(137,068)
	98,035,370	68,069,825
Adjustments for :-		
(Increase) / Decrease in investments - Available for Sale, Held for Trading and Stock-in-Trade	(180,651,109)	84,417,212
(Increase) in Advances	(395,386,785)	(230,137,099)
(Increase) in Other Assets	(5,019,179)	(11,136,690)
Increase in Deposits	356,958,010	195,912,383
Increase in Policyholders' Funds	36,324,593	36,445,985
Increase in Other Liabilities and Provisions	15,282,785	9,748,679
	(172,491,685)	85,250,470
Direct Taxes Paid (net of refunds)	(29,467,742)	(21,095,250)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	(103,924,057)	132,225,045
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(4,258,377)	(4,044,989)
Proceeds from sale of Fixed assets	598,270	224,099
Dividend received from Associates	-	2,965
Proceeds from buy back of Shares in Associates	19,753	-
Purchase consideration paid on acquisition of Subsidiary / Minority Interest	(14,113,271)	-
(Increase) in Other Investments	(38,328,845)	(48,862,958)
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	(56,082,470)	(52,680,883)

Consolidated Cash Flow Statement

for the year ended 31st March, 2018

(₹ in thousands)

	Year Ended 31 st March, 2018	Year Ended 31 st March, 2017
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid including corporate dividend tax	(1,376,334)	(1,106,638)
Money received on issue of shares / exercise of stock options	59,531,804	2,463,731
Share issue expenses	(287,125)	(2,200)
Redemption of Preference Shares	-	(403,450)
Increase / (Decrease) in borrowings	88,925,671	59,601,156
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES (C)	146,794,016	60,552,599
Increase/(Decrease) in Foreign Currency Translation Reserve (D) [Refer Note 2 (G) (viii) and (xii) - Schedule 17]	63,518	(205,355)
Net Cash and Cash Equivalent on Acquisition of Subsidiary (E)	1,269,826	-
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D + E)	(11,879,167)	139,891,406
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	255,885,490	115,994,084
(Refer Note below)		
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	244,006,323	255,885,490
(Refer Note below)		
Note:		
Balance with banks in India in Other Deposit Accounts (As per Schedule 7 I (i) (b))	36,924,541	29,046,646
Balance with banks in India in Current Account (As per Schedule 7 I (i) (a))	3,706,813	1,899,368
Money at call and short notice in India with Banks (As per Schedule 7 I (ii) (a))	57,637,535	20,147,844
Money at call and short notice in India with Other Agencies (As per Schedule 7 I (ii) (b))	33,550,000	115,500,000
Cash in hand (As per Schedule 6 I)	12,299,782	10,167,735
Balance with RBI in Current Account (As per Schedule 6 II)	77,035,237	64,954,520
Balance with banks Outside India:		
(i) In Current Account (As per Schedule 7 II (i))	6,963,109	11,352,387
(ii) In Other Deposit Accounts (As per Schedule 7 II (ii))	15,889,306	2,816,990
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	244,006,323	255,885,490

As per our report of even date attached.

For S.R. Batliboi & Co. LLP

Chartered Accountants
Firm Registration No. 301003E/E300005

per Viren H. Mehta

Partner
Membership No. 048749

Mumbai
30th April, 2018

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

Prakash Apte

Director

Bina Chandarana

Company Secretary

Schedules

Forming part of the Consolidated Balance Sheet as at 31st March, 2018

SCHEDULE 1 - CAPITAL

(₹ in thousands)

	As at 31 st March, 2018	As at 31 st March, 2017
Authorised Capital		
3,000,000,000 Equity Shares of ₹ 5/- each (31 st March, 2017: 3,000,000,000 Equity Shares of ₹ 5/- each)	15,000,000	15,000,000
Issued, Subscribed and Paid-up Capital		
1,905,648,506 Equity Shares of ₹ 5/- each (31 st March, 2017: 1,840,897,877 Equity Shares of ₹ 5/- each) fully paid-up [Refer Note 3 - Schedule 17]	9,528,243	9,204,489
Total	9,528,243	9,204,489

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)

	As at 31 st March, 2018	As at 31 st March, 2017
I. Statutory Reserve		
Opening Balance	44,883,583	36,354,783
Add: Transfer from Profit and Loss Account	10,210,800	8,528,800
Total	55,094,383	44,883,583
II. Capital Reserve		
Opening Balance	1,823,986	1,718,486
Add: Transfer from Profit and Loss Account	240,000	105,500
Total	2,063,986	1,823,986
III. General Reserve		
Opening Balance	6,505,937	6,505,937
Add: Transfer from Profit and Loss Account	17,500	-
Total	6,523,437	6,505,937
IV. Securities Premium Account		
Opening Balance	104,233,363	102,177,372
Add: Received during the year [Refer Note 3 - Schedule 17]	59,222,515	2,461,641
Less: Utilised for Share Issue Expenses	287,125	2,200
Less: Utilised for redemption of Preference Shares	-	403,450
Total	163,168,753	104,233,363
V. Special Reserve under Section 45IC of the RBI Act, 1934		
Opening Balance	8,705,856	7,283,256
Add: Transfer from Profit and Loss Account	1,740,571	1,422,600
Total	10,446,427	8,705,856

(₹ in thousands)

	As at 31 st March, 2018	As at 31 st March, 2017
VI. Capital Reserve on Consolidation		
Opening Balance	1,475,671	1,475,671
Total	1,475,671	1,475,671
VII. Foreign Currency Translation Reserve		
(Refer Note 2(G)(viii) and (xii)- Schedule 17)		
Opening Balance	1,316,593	1,521,948
(Decrease) / Increase during the year	63,518	(205,355)
Total	1,380,111	1,316,593
VIII. Investment Reserve Account		
Opening Balance	-	484,902
Add: Transfer to Profit and Loss Account	-	(484,902)
Total	-	-
IX. Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961		
Opening Balance	3,992,000	3,442,000
Add: Transfer from Profit and Loss Account	550,000	550,000
Total	4,542,000	3,992,000
X. Capital Redemption Reserve		
Opening Balance	16,800	6,800
Add: Transfer from Profit and Loss Account	85,000	10,000
Total	101,800	16,800
XI. Amalgamation Reserve		
Opening Balance	1,224,046	1,224,046
Total	1,224,046	1,224,046
XII. Investment Allowance (Utilised) Reserve		
Opening Balance	500	500
Total	500	500
XIII. Balance in the Profit and Loss Account	249,311,308	201,525,609
Total (I to XIII)	495,332,422	375,703,944

SCHEDULE 2A - MINORITY INTEREST

(₹ in thousands)

	As at 31 st March, 2018	As at 31 st March, 2017
Minority Interest at the date on which parent subsidiary relationship came into existence	396,700	396,700
Subsequent (Decrease) / Increase [Refer Note 4 - Schedule 17]	(396,700)	4,347,561
Total	-	4,744,261

SCHEDULE 3 - DEPOSITS

(₹ in thousands)

	As at 31 st March, 2018	As at 31 st March, 2017
A. I. Demand Deposits		
i. From Banks	4,031,444	3,839,881
ii. From Others	313,070,671	270,828,268
Total	317,102,115	274,668,149
II. Savings Bank Deposits	655,292,031	415,039,313
III. Term Deposits		
i. From Banks	13,446,945	5,776,790
ii. From Others	926,516,903	859,915,732
Total	939,963,848	865,692,522
Total Deposits (I to III)	1,912,357,994	1,555,399,984
B. I. Deposits of Branches in India	1,911,833,224	1,553,871,243
II. Deposits of Branches Outside India	524,770	1,528,741
Total Deposits (I + II)	1,912,357,994	1,555,399,984

SCHEDULE 4 - BORROWINGS

(₹ in thousands)

	As at 31 st March, 2018	As at 31 st March, 2017
I. Borrowings in India		
(i) Reserve Bank of India	13,750,000	5,000,000
(ii) Other Banks	152,452,935	152,521,205
(iii) Institutions, Agencies and others (Refer Note 14 - Schedule 17)	334,967,758	277,705,211
Total	501,170,693	435,226,416
II. Borrowings outside India		
Banks, Institutions, Agencies and others (Refer Note 14 - Schedule 17)	84,869,042	61,672,676
Total	84,869,042	61,672,676
Total Borrowings (I + II)	586,039,735	496,899,092
Secured Borrowings included in I & II above	208,621,641	174,989,043

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in thousands)

	As at 31 st March, 2018	As at 31 st March, 2017
I. Bills Payable	14,851,284	13,147,598
II. Interest Accrued	14,866,326	15,463,981
III. Provision for tax (net of advance tax and tax deducted at source)	803,836	646,071
IV. Standard Asset provision	9,081,853	7,601,701
V. Others (including provisions) (Refer Note 5, 8 and 23 - Schedule 17)	110,068,003	95,117,022
Total	149,671,302	131,976,373

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in thousands)

	As at 31 st March, 2018	As at 31 st March, 2017
I. Cash in hand (including foreign currency notes)	12,299,782	10,167,735
II. Balances with RBI in current account	77,035,237	64,954,520
Total	89,335,019	75,122,255

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

(₹ in thousands)

	As at 31 st March, 2018	As at 31 st March, 2017
I. In India		
(i) Balances with Banks [Refer Note 6 - Schedule 17]		
(a) In Current Accounts	3,706,813	1,899,368
(b) In Other Deposit Accounts	36,924,541	29,046,646
Total	40,631,354	30,946,014
(ii) Money at Call and Short Notice		
(a) With Banks	57,637,535	20,147,844
(b) With Other Agencies	33,550,000	115,500,000
Total	91,187,535	135,647,844
Total (i + ii)	131,818,889	166,593,858
II. Outside India		
(i) In Current Accounts	6,963,109	11,352,387
(ii) In Other Deposit Accounts	15,889,306	2,816,990
Total (i + ii)	22,852,415	14,169,377
Total (I + II)	154,671,304	180,763,235

SCHEDULE 8 - INVESTMENTS

(₹ in thousands)

	As at 31 st March, 2018	As at 31 st March, 2017
I. Investments in India in [Refer Note 7 - Schedule 17]		
i. Government Securities	623,082,268	431,439,553
ii. Other approved Securities	-	-
iii. Shares	99,397,863	78,867,803
iv. Debentures and Bonds	116,292,690	116,599,583
v. Associates *	10,077,386	8,995,900
vi. Others [Units, Certificate of Deposits, Commercial Paper (CP), Security Receipts, Pass Through Certificates (PTC), Alternate Asset and Other similar funds]	57,285,870	46,091,738
Total	906,136,077	681,994,577
II. Investments Outside India in		
i. Government Securities	1,296,929	323,513
ii. Shares	16,533	8,754
iii. Debentures and Bonds	1,306,304	1,312,433
iv. Others [Venture, Private Equity and other similar funds]	1,010,177	976,104
Total	3,629,943	2,620,804

(₹ in thousands)

	As at 31 st March, 2018	As at 31 st March, 2017
Total Investments (I + II)	909,766,020	684,615,381
* Investment in Associates		
Equity Investment in Associates	1,494,886	1,494,886
Less: Proceeds from Buy-back of shares	4,617	-
Add: Goodwill on acquisition of Associates	20,856	20,856
Less: Provision for diminution	7,813	7,813
Less: Capital reserve on Consolidation (Share of pre-acquisition profits)	5,098	5,098
Cost of Investment in Associates	1,498,214	1,502,831
Add: Post-acquisition profit / loss and Reserve of Associates (Equity method)	8,579,172	7,493,069
Total	10,077,386	8,995,900

SCHEDULE 9 - ADVANCES

(₹ in thousands)

	As at 31 st March, 2018	As at 31 st March, 2017
A.		
(i) Bills purchased and discounted #	71,057,817	58,036,427
(ii) Cash Credits, Overdrafts and Loans repayable on demand	502,766,238	419,191,202
(iii) Term Loans	1,486,149,189	1,194,021,480
Total	2,059,973,244	1,671,249,109
# Bills purchased and discounted is net of bills rediscounted ₹ 1,482.66 crore (previous year ₹ 1,428.12 crore)		
B.		
(i) Secured by tangible assets *	1,619,929,055	1,341,451,501
(ii) Covered by Bank / Government guarantees	19,352,191	-
(iii) Unsecured	420,691,998	329,797,608
Total	2,059,973,244	1,671,249,109
<i>* including advances secured against book debts</i>		
C. I Advances in India		
(i) Priority Sector	592,840,670	487,109,122
(ii) Public Sector	21,786,687	2,796,032
(iii) Banks	482,031	-
(iv) Others	1,417,533,027	1,168,715,383
II Advances outside India		
(i) Due from banks	-	-
(ii) Due from others		
a) Bills purchased and discounted	-	-
b) Syndicated and term loans	27,330,829	12,627,839
c) Others	-	733
Total	2,059,973,244	1,671,249,109

SCHEDULE 10 - FIXED ASSETS

(₹ in thousands)

	As at 31 st March, 2018	As at 31 st March, 2017
A. Premises (Including Land)		
Gross Block		
At cost on 31 st March of the preceding year	11,657,512	11,664,270
Additions during the year	724	3,588
Deductions during the year	61,770	10,346
Total	11,596,466	11,657,512
Depreciation		
As at 31 st March of the preceding year	1,557,096	1,365,709
Add: Charge for the year	192,439	195,349
Deductions during the year	23,820	3,962
Depreciation to date	1,725,715	1,557,096
Net Block	9,870,751	10,100,416
B. Other Fixed Assets (including furniture and fixtures)		
Gross Block		
At cost on 31 st March of the preceding year	30,168,904	27,230,187
Additions during the year (including on acquisition)	3,908,127	3,681,635
Deductions during the year	2,877,592	742,918
Total	31,199,439	30,168,904
Depreciation		
As at 31 st March of the preceding year	22,874,283	20,109,763
Add: Charge for the year	3,641,875	3,426,791
Deductions during the year	2,787,274	662,271
Depreciation to date	23,728,884	22,874,283
Net Block (Refer Note 24 - Schedule 17)	7,470,555	7,294,621
C. Leased Fixed Assets		
Gross Block		
At cost on 31 st March of the preceding year	1,540,585	1,540,585
Additions during the year	-	-
Total	1,540,585	1,540,585
Depreciation		
As at 31 st March of the preceding year	1,383,601	1,383,601
Add: Charge for the year	-	-
Depreciation to date	1,383,601	1,383,601
Net Block	156,984	156,984
Total (A) + (B) + (C)	17,498,290	17,552,021

SCHEDULE 11 - OTHER ASSETS

(₹ in thousands)

	As at 31 st March, 2018	As at 31 st March, 2017
I. Interest accrued	28,673,945	26,116,895
II. Advance tax (net of provision for tax)	197,455	436,930
III. Stationery and stamps	18,988	16,958
IV. Cheques in course of collection	241,428	461,132
V. Non Banking assets acquired in satisfaction of claims	67,824	67,824
VI. Others (Refer Note 5 and 23 - Schedule 17)	108,830,614	105,439,653
Total	138,030,254	132,539,392

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in thousands)

	As at 31 st March, 2018	As at 31 st March, 2017
I. Claims not acknowledged as debts	17,500,473	16,016,026
II. Liability on account of outstanding forward exchange contracts	1,241,775,855	1,166,206,826
III. Guarantees on behalf of constituents	274,343,456	249,897,759
IV. Acceptances, Endorsements and Other Obligations	135,250,530	115,154,901
V. Other items for which the Group is contingently liable:		
Liability in respect of interest rate, currency swaps and forward rate agreements	362,285,015	343,346,731
Liability in respect of other derivative contracts	59,505,355	64,053,007
Capital commitments not provided	5,256,816	5,686,311
Unclaimed customer balances*	1,657,942	1,359,093
Total	2,097,575,442	1,961,720,654

* includes amount transferred to RBI DEAF Scheme and IRDAI SCWF

SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)

	For the year ended 31 st March, 2018	For the year ended 31 st March, 2017
I. Interest / discount on advances / bills	183,808,599	166,198,366
II. Income from investments	52,582,520	48,553,607
III. Interest on balances with RBI and other inter-bank funds	9,667,997	3,078,677
IV. Others	5,251,657	5,411,417
Total	251,310,773	223,242,067

SCHEDULE 14 - OTHER INCOME

(₹ in thousands)

	For the year ended 31 st March, 2018	For the year ended 31 st March, 2017
I. Commission, exchange and brokerage	46,723,615	35,396,651
II. Profit on sale of Investments (net)	11,203,504	12,649,520
III. (Loss) / Profit on revaluation of investments of Insurance business	(1,051,100)	8,043,394
IV. Profit on sale of building and other assets (net)	470,002	137,068
V. Profit on exchange on transactions (net) (including derivatives)	8,207,087	5,571,041
VI. Premium on Insurance business	66,670,762	51,377,655
VII. Profit on recoveries of non-performing assets acquired	2,131,131	2,295,586
VIII. Miscellaneous Income	2,467,313	1,124,677
Total	136,822,314	116,595,592

SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)

	For the year ended 31 st March, 2018	For the year ended 31 st March, 2017
I. Interest on Deposits	88,492,271	80,626,576
II. Interest on RBI / Inter-Bank Borrowings	13,822,038	12,291,820
III. Others (Refer Note 15 - Schedule 17)	22,354,169	21,656,703
Total	124,668,478	114,575,099

SCHEDULE 16 - OPERATING EXPENSES

(₹ in thousands)

	For the year ended 31 st March, 2018	For the year ended 31 st March, 2017
I. Payments to and provision for employees (Refer Note 5 and 13 - Schedule 17)	43,808,981	39,823,117
II. Rent, taxes and lighting (Refer Note 18 - Schedule 17)	6,475,686	6,162,892
III. Printing and Stationery	1,201,743	1,033,909
IV. Advertisement, Publicity and Promotion	2,940,964	2,415,664
V. Depreciation on Group's property	3,834,314	3,622,140
VI. Directors' fees, allowances and expenses	35,098	31,930
VII. Auditors' fees and expenses *		
Statutory Audit fees	70,046	66,325
Other Matters	10,134	7,305
VIII. Law Charges	412,195	309,850
IX. Postage, telephones etc.	1,919,786	1,689,313
X. Repairs and maintenance	4,841,488	4,255,277
XI. Insurance	1,633,062	1,429,033
XII. Travel and Conveyance	1,619,884	1,466,529
XIII. Professional Charges	7,823,915	5,496,304
XIV. Brokerage	7,538,670	5,640,486
XV. Stamping Expenses	1,165,465	673,842
XVI. Policyholders' Reserves	36,801,151	37,091,902
XVII. Insurance Business Expenses (claims and benefits paid)	28,530,573	23,109,591
XVIII. Other Expenditure	10,971,781	8,128,663
Total	161,634,936	142,454,072

* The audit fees is aggregate of statutory audit fees of Kotak Mahindra Bank Limited and its subsidiaries. Of the above ₹ 2.31 crore (previous year ₹ 2.15 crore) have been paid to the statutory auditors of the Bank.

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
1. BASIS OF CONSOLIDATION:

- a. The consolidated financial statements comprising of the financial statements of Kotak Mahindra Bank Limited (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 and the relevant provision of the Companies Act, 2013. 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, if any, are eliminated in full. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered. 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 and associates used in consolidation are drawn up to the same reporting date as that of the holding Company i.e. 31st March, 2018.
- b. The list of subsidiaries is as under:

Name of the Subsidiary	Country of Origin	% Shareholding of group (31 st March, 2018)	% Shareholding of group (31 st March, 2017)
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 Life Insurance Company Limited (Formerly known as Kotak Mahindra Old Mutual Life Insurance Limited) ¹	India	100.00	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	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
BSS Microfinance Limited (Formerly known as BSS Microfinance Private Limited) ¹	India	100.00	--

¹ Refer note 4 - schedule 17.

- 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, 2018)	% Shareholding of group (31 st March, 2017)
Infina Finance Private Limited	India	49.99	49.99
Phoenix ARC Private Limited	India	49.90	49.90
ACE Derivatives & Commodity Exchange Limited (ACE) (Unaudited)	India	40.00	40.00
Matrix Business Services India Private Limited (Unaudited) [§]	India	19.77	19.77

[§] Significant influence exercised through Board representation.

2. SIGNIFICANT ACCOUNTING POLICIES:**A. ACCOUNTING METHODOLOGY**

The Financial Statements have been prepared on historical cost basis of accounting. The Group adopts the accrual method of accounting and historical cost convention. The Group has prepared these financial statements to comply in all material respects with the Accounting Standards notified under Section 133 and the relevant provision of the Companies Act, 2013, 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. In case the accounting policies followed by consolidating entities are different from those followed by Bank, the same have been disclosed separately.

B. USE OF ESTIMATES

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

C. REVENUE RECOGNITION**a. Banking / Investing:**

- i. Interest income is recognised on accrual basis.
- ii. Interest income in respect of retail advances (except for a subsidiary, Kotak Mahindra Prime Limited (KMPL)) is accounted for by using the internal rate of return method on the outstanding on the contract.
- iii. Interest income on investments in Pass-Through-Certificates (PTCs) and loans bought out through the direct assignment route is recognised at their effective interest rate.
- iv. KMPL accounts for auto finance income (including service charges and incentives) by using the internal rate of return method to provide a constant periodic rate of return after adjustment of brokerage expenses on the net investment outstanding on the contract. The volume-based incentives and brokerage are accounted as and when the said volumes are achieved. Income also includes gains made on termination of contracts.
- v. Service charges, fees and commission income are recognised when due except as indicated in para iv above. The guarantee commission and letter of credit commission is recognised over the period of the guarantee and letter of credit respectively. Syndication / arranger fee is recognised as income as per the terms of engagement.
- vi. Interest income on discounted instruments is recognised over the tenure of the instruments so as to provide a constant periodic rate of return.
- vii. Upon an asset becoming non-performing assets (NPAs) the income accrued gets reversed, and is recognised only on realisation, as per RBI guidelines. Penal interest is recognised as income on realisation other than on running accounts where it is recognised when due.
- viii. Gain on account of securitisation of assets is amortised over the life of the securities issued in accordance with the guidelines issued by the RBI. Loss on account of securitisation of assets is recognised immediately in profit and loss account.
- ix. Gain on account of assignment of assets on bilateral basis is recognised based on the difference between the book value of the assigned assets and sale consideration received.
- x. Dividend income is accounted on an accrual basis when the right to receive the dividend is established.
- xi. In respect of non-performing assets acquired from other Banks / FIs and NBFCs, collections in excess of the consideration paid at each asset level or portfolio level is treated as income in accordance with RBI guidelines and clarifications.
- xii. Fees received on sale of Priority Sector Lending Certificates is considered as Miscellaneous Income, while fees paid for purchase is expensed as other expenses in accordance with the guidelines issued by the RBI.

b. Investment Banking:

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

c. Life Insurance:

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

- ii. In accordance with the terms of insurance policies, uncollected premium on lapsed policies is not recognised as income until revived.
- iii. Top Up / Lump sum contributions are accounted as a part of the single premium.
- iv. Income from linked policies, which include fund management fees, policy administration charges, mortality charges and other charges, if any, are recovered from the linked fund in accordance with the terms and conditions of the insurance contracts and is accounted for as income when due.
- v. Reinsurance premium ceded is accounted on due basis at the time when related premium income is accounted for. Profit commission on reinsurance ceded is accounted as income in the year of final determination of profit. Profit commission on reinsurance ceded is netted off against premium ceded on reinsurance.

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 indirect 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 or period of risk. Any revisions in premium amount are recognised in the year in which they occur and over the remaining period of the policy. Any subsequent cancellations of policies are recognised in the same period in which they occur.
- iii. Commission on reinsurance ceded is recognised as income on ceding of reinsurance premium. Profit commission under reinsurance treaties, wherever applicable, is recognised in the year of final determination of the profits and as intimated by the reinsurer.
- iv. Proportional Reinsurance premium ceded is accounted on due basis at the time when related premium income is accounted for. Non-proportional reinsurance cost is accounted as per terms of the reinsurance arrangements. Any revisions in reinsurance premium ceded are recognised in the period in which it occur. On cancellation of policies, related reinsurance premium ceded are recognised in the same period in which it occur. Reinsurance inward acceptances are accounted for on the basis of returns, to the extent received, from the insurers.
- 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 indirect tax):
 - On primary market subscription / mobilisation is accounted on receipt of intimation of allotment.
 - On secondary market transaction is recognised upon completion of brokerage services to customers.
- iii. Depository Fees (net of indirect taxes), is recognised on accrual basis and as per terms agreed with the customers. Other charges recovered from secondary broking customers are recognised upon completion of services.
- iv. 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.
- v. Funds received from Portfolio Management Services (PMS) investors and corresponding investments made on their behalf are not forming part of these financial statements.

- vi. 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 indirect 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 indirect tax) on accrual basis in accordance with the terms of agreement.

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

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

DEPRECIATION / AMORTISATION:

Depreciation / amortisation is provided on a pro-rata basis on a Straight Line Method over the estimated useful life of the assets at rates which are equal to or 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.

E. EMPLOYEE BENEFITS

i Defined Benefit Plans:

Gratuity:

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

Pension:

In respect of pension payable to certain 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 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 pension fund is recognised as planned assets.

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

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

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

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

Superannuation Fund:

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

New Pension Scheme:

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

iii Compensated Absences: Other Long-Term Employee Benefits:

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

iv Other Employee Benefits:

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

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

F. INVESTMENTS**For the Bank****1. Classification:**

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

Under each of these categories, investments are further classified under six groups (hereinafter called "groups") - Government

Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Associates and Other Investments for the purposes of disclosure in the Balance Sheet.

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

Basis of classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. As per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities as on that date. Investments which the Bank intends to hold till maturity are classified as HTM securities in accordance with RBI regulations. 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 a weighted average basis. Broken period interest on debt instruments and government securities are considered as a revenue item. The transaction costs including brokerage, commission etc. paid at the time of acquisition of investments is recognised in Profit and Loss Account.

3. Disposal of investments:

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

4. Valuation:

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

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

Investment in unquoted VCF made after 23rd August, 2006 are categorised under HTM category for an initial period of three years and valued at cost as per RBI guidelines;

- Security receipts are valued as per the NAV obtained from the issuing Asset Reconstruction Company or Securitisation Company or estimated recoverable value, whichever is lower.
- g. Non-performing investments are identified and valued based on the RBI guidelines.
- h. **Repurchase and reverse repurchase transactions** – Securities sold under agreements to repurchase (Repos) and securities purchased under agreements to resell (Reverse Repos) are accounted as collateralised borrowing and lending transactions respectively. The difference between the consideration amount of the first leg and the second leg of the repo is recognised as interest income or interest expense over the period of the transaction.

For the Life Insurance Company:

- a. Investments are recorded at cost on trade date which includes brokerage, transfer charges, transaction taxes as applicable, etc. but excludes pre-acquisition interest, if any and indirect tax on brokerage where cenvat credit is being claimed.
- b. Bonus entitlements are recognised as investments on the 'ex- bonus date'. Rights entitlements are recognised as investments on the 'ex-rights date'.
- c. Gain / Loss on transfer or sale of securities is the difference between the transfer or sale price and the net amortised cost / carrying value which is computed on a weighted average basis as on the date of transfer or sale. Sale consideration for the purpose of realised gain / loss is net of brokerage and taxes, if any.

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

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

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.

The investment in Additional Tier 1 Bonds have been valued at an applicable market yield rates provided by CRISIL on the basis of Crisil Bond Valuer.

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

Valuation – Unit linked Business

- i. All Government securities, except treasury bills, held in linked business are valued at prices obtained from Credit Rating Information Service of India Limited (CRISIL). Debt Securities other than Government Securities are valued on the basis of CRISIL Bond valuer. The discount on purchase of treasury bills, certificate of deposit, commercial papers and CBLO is accreted over the period to maturity on an internal rate of return basis. Listed equity shares and Exchange Traded Funds (ETF) are valued at fair value, being the last quoted closing price on the NSE (In case of securities not listed on NSE, the last quoted closing price on the BSE is used). Equity shares awaiting listing are stated at historical cost subject to provision for diminution, if any, in the value of such investments. Such diminution is determined separately for each individual investment. Unrealised gains and losses are recognised in the Profit and Loss Account.

- j. Mutual Fund Units are valued at the previous day's closing NAV of the fund in which they are invested.
- k. All unlisted redeemable preference shares are considered as held to maturity and stated at historical cost.
- 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 cost 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 and Associates are valued at cost (calculated by applying weighted average cost method) or market price, whichever is lower on category of investments. Brokerage, stamping and additional charges paid are included in the cost of investments. The profit or loss on sale of securities (Stock-in-trade) is recognised on trade date in the Profit and Loss account. During the current year, the Subsidiaries and Associates have changed its methodology to determine the carrying cost of stock in trade from lower of cost and fair value determined on an individual investment basis followed hitherto, to lower of cost and fair value determined on a category of investment. Consequently the Stock in trade for the group as on 31st March 2018 is higher by ₹ 4.42 crore and the profit for the year after taxation is higher (including share of Associates) by ₹ 16.48 crore.

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

G. FOREIGN CURRENCY AND DERIVATIVE TRANSACTIONS

For the Bank:

- i. Foreign currency monetary assets and liabilities are translated as at the Balance Sheet date at rates notified by the Foreign Exchange Dealers' Association of India (FEDAI) and the resultant gain or loss is accounted in the Profit and Loss Account.
- ii. Income and Expenditure items are translated at the rates of exchange prevailing on the date of the transaction except for representative office (which are integral in nature) 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.

- 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.
- viii. The financial statements of International Financial Services Center Banking Unit (IBU) which are in the nature of non-integral overseas operations are translated on the following basis: (a) Income and expenses are converted at the average rate of exchange during the year and (b) All assets and liabilities are translated at closing rate as on Balance sheet date. The exchange difference arising out of year end translation is debited or credited as "Foreign Currency Translation Reserve" forming part of "Reserves and Surplus".

For other entities:

- ix. On initial recognition, all foreign currency 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.
- x. Monetary assets and liabilities denominated in foreign currencies are reported using the closing rate of exchange as on the Balance Sheet date.
- xi. Exchange differences arising on settlement of the transaction and on account of restatement of monetary 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.
- xii. 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:

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

Currency options:

- xiv. 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:

- xv. 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.

- 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 or loss on squaring-up.

H. ADVANCES

Classification:

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

Provisioning:

For Bank:

- iv. Provision for non-performing assets comprising sub-standard, doubtful and loss assets is made in accordance with RBI guidelines. In addition, the Bank considers accelerated specific provisioning that is based on past experience, evaluation of security and other related factors. Specific loan loss provisions in respect of non-performing advances are charged to the Profit and Loss Account. Any recoveries made by the Bank in case of NPAs written off are recognised in the Profit and Loss Account.
- v. The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made.
- vi. In accordance with RBI guidelines the Bank creates 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 0.40% in accordance with the RBI guidelines.
- x. Life insurance subsidiary provides general provision on standard assets at 0.40% in accordance with the IRDAI guidelines.

I. STRUCTURED LIABILITIES

The Group has issued structured liabilities wherein the return on these liabilities is linked to non-interest benchmarks. Such structured liabilities have an embedded derivative which is the non-interest related return component. The embedded derivative is separated from the host contract and accounted separately (Refer Note 2 (G)(xv)).

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

J. LIABILITY FOR POLICIES

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

K. ACTUARIAL METHOD – LIFE INSURANCE

- i. Actuarial method and assumptions: The actuarial liabilities have been calculated 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 Auditor's Report of Insurance Companies) Regulations, 2002, the Insurance Regulatory and Development Authority of India (Assets, Liabilities and Solvency Margin of Life Insurance Business) Regulations, 2016, and other relevant regulations, orders/ directions issued by IRDAI in this regard and the prescribed guidance notes issued by the Institute of Actuaries of India. In respect of unit linked policies, a unit reserve equal to the value of units as on the Balance Sheet date and an additional non-unit reserve calculated on gross premium prospective valuation method is created. The method adopted for par policies (accumulation contracts) is the value of the accumulated fund and an additional non-unit reserve calculated on gross premium prospective valuation method. In respect of individual conventional business / Group business 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 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.

L. RESERVE FOR UNEXPIRED RISK – GENERAL INSURANCE

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

M. DISCOUNTED INSTRUMENTS

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

N. ACQUISITION COSTS

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

O. BULLION

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

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

P. TAXES ON INCOME

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

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

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, all the deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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

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

Q. SEGMENT REPORTING

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

Segment	Principal activity
Treasury, BMU and Corporate centre	Dealing in debt, equity, money market, forex market, derivatives and investments and primary dealership of Government securities and Balance Sheet Management unit (BMU) responsible for Asset Liability Management and Corporate Centre which primarily comprises of support functions.
Retail Banking	Includes: <ol style="list-style-type: none"> (1) Lending Commercial vehicle finance, personal loans, home loans, agriculture finance, other loans / services and exposures which fulfill the four criteria for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (2) Branch Banking Retail borrowings covering savings, current and term deposit accounts and Branch Banking network and services including distribution of financial products. (3) Credit cards Receivables / loans relating to credit card business.
Corporate / Wholesale Banking	Wholesale borrowings and lendings and other related services to the corporate sector which are not included in Retail Banking.

Segment	Principal activity
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.
Asset Management	Management of funds and investments on behalf of clients and funds.
Insurance	Life insurance and General Insurance

A transfer pricing mechanism between segments has been established by 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.

R. EMPLOYEE SHARE BASED PAYMENTS

Equity-settled:

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

In accordance with the 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 the cost of lapsed option 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 conditions are reversed by a credit to employee compensation expense, equal to the amortised cost in respect of the lapsed portion.

S. CLAIMS / BENEFITS

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

In respect of general insurance subsidiary, claims incurred includes claims paid net of reinsurance recovery and salvage value retained by the insured, 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.

T. LOSS ON SALE OF ADVANCES TO ASSET RECONSTRUCTION COMPANY

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

U. SECURITISATION

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

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

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

V. LEASES**As Lessee**

Leases where all the risks and rewards of ownership are retained by the lessor 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

Where the group has substantially retained all the risks and rewards of ownership are classified as operating leases and 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 as expense 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 incidental to legal ownership are classified as finance leases. Such assets are recognised as a receivable at an amount equal to the net investment in the lease. The lease payment is apportioned between finance income and the repayment of principle i.e. the net investment in the lease.

W. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

X. SCHEME EXPENSES

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

Y. CONTRIBUTION TO TERRORISM POOL

In accordance with the requirements of IRDAI, the general insurance subsidiary, 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.

Z. 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.

AA. SHARE ISSUE EXPENSES

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

AB. EARNINGS PER SHARE

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

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

AC. 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.

AD. 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. CAPITAL ISSUANCE

The Bank on 18th May, 2017, concluded a Qualified Institutional Placement (QIP) of 62,000,000 equity shares at a price of ₹ 936 per equity share aggregating to ₹ 5,803.20 crore. Accordingly, Share Capital increased by ₹ 31.00 crore and share premium increased by ₹ 5,743.67 crore, net of share issue expenses of ₹ 28.53 crore. The above expenses include ₹ 0.72 crore paid to the statutory auditors in connection with the issue.

4. ACQUISITION

- a. The Group held 74% of the equity till 12th October 2017 in Kotak Mahindra Life Insurance Company Limited (KLIFE). Effective 13th October 2017, Bank acquired the entire 26% equity stake held by Old Mutual Plc. in KLIFE for a consideration of ₹ 1,292.70 crore. Consequent to the above, the consolidated results for the year include 100% share of profits with effect from 13th October 2017. The excess of the purchase consideration (including investment acquisition charges) over the book value of the net assets acquired of ₹ 762.94 crore has been accounted as Goodwill.
- b. On 27th September, 2017, Bank acquired 99.49% of BSS Microfinance Limited (BSS) for a consideration of ₹ 116.69 crore. Consequently, BSS became a subsidiary of Bank and it has been consolidated from that date. The Bank has purchased the remaining stake in the BSS on 9th March, 2018 for ₹ 0.50 crore to make it a 100% subsidiary. The excess of the purchase consideration (including investment acquisition charges) over the book value of the net assets acquired of ₹ 26.70 crore has been accounted as Goodwill.

Consequent to the above there is no minority interest as at 31st March, 2018.

5. 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 ₹ 141.84 crore (Previous Year ₹ 127.78 crore)

Superannuation Fund ₹ 2.14 crore (Previous Year ₹ 2.71 crore)

New Pension Fund ₹ 5.22 crore (Previous Year ₹ 4.27 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 ₹ 0.20 crore (Previous year: ₹ 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, 2018		As on 31 st March, 2017	
	Funded	Unfunded	Funded	Unfunded
Change in benefit obligations				
Liability as at the beginning of the year	327.61	8.23	320.65	7.49
Current Service cost	40.39	1.32	36.43	0.97
Interest cost	25.19	0.72	24.75	0.64
Actuarial (gain) / loss on obligations	6.72	1.77	5.52	0.47
Past Service cost	90.00	3.06	-	-
Liabilities assumed on acquisition / (settled on divestiture)	(0.02)	2.45	(0.04)	0.03
Benefits paid	(55.79)	(1.53)	(59.70)	(1.37)
Liability as at the end of the year	434.10	16.02	327.61	8.23
Change in plan assets				
Fair value of plan assets as at the beginning of the year	344.32	-	295.10	-
Expected return on plan assets	26.42	-	22.68	-
Actuarial Gain / (loss)	(0.90)	-	16.02	-
Benefits paid	(55.79)	(1.53)	(59.70)	(1.37)
Employer contributions	27.95	1.53	70.22	1.37
Fair value of plan assets as at the end of the year	342.00	-	344.32	-

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

(₹ in crore)

	As on 31 st March, 2018		As on 31 st March, 2017	
	Funded	Unfunded	Funded	Unfunded
Fair value of plan assets as at the end of the year	342.00	-	344.32	-
Liability at the end of the year	434.10	16.02	327.61	8.23
Net Asset / (Liabilities) included in "Others" under "Other Assets" or "Other Liabilities"	(92.10)	(16.02)	16.71	(8.23)
Expenses recognised for the year				
Current service cost	40.39	1.32	36.43	0.97
Interest cost	25.19	0.72	24.75	0.64
Expected return on plan assets	(26.42)	-	(22.68)	-
Actuarial (gain) / loss	7.62	1.77	(10.50)	0.47
Past Service Cost	90.00	3.06		
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]	136.78	6.87	28.00	2.08
Actual return on plan assets	25.52	-	38.70	-

Reconciliation of the Liability recognised in the Balance Sheet

(₹ in crore)

	As on 31 st March, 2018		As on 31 st March, 2017	
	Funded	Unfunded	Funded	Unfunded
Net (Asset) / Liability as at the beginning of the year	(16.71)	8.23	25.55	7.49
Expense recognized	136.78	6.87	28.00	2.08
Liabilities assumed on acquisition / (settled on divestiture)	(0.02)	2.45	(0.04)	0.03
Employer contributions	(27.95)	(1.53)	(70.22)	(1.37)
Effect of the limit in Para 59(b)	-	-	-	-
Net (Asset) / Liability included in "Others" under "Other Assets" or "Other Liabilities"	92.10	16.02	(16.71)	8.23

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, 2018 %	As on 31 st March, 2017 %
LIC managed funds#	22.14	27.66
Government securities	35.12	14.24
Bonds, debentures and other fixed income instruments	14.19	15.01
Money market instruments	1.75	6.88
Equity shares and other current assets	26.80	36.21
Total	100.00	100.00

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

Actuarial assumptions used

	As on 31 st March, 2018	As on 31 st March, 2017
Discount rate	7.35% - 7.90% p.a.	7.18% - 7.22 % p.a.
Salary escalation rate	5.50% (IBA) and 7.00-9.00% (others) p.a.	5.50% (IBA) and 7.00% (others) p.a.
Expected rate of return on plan assets	7.50% - 8.00% p.a.	7.50% - 8.00% p.a.

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

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

Experience adjustments

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

(₹ in crore)

Gratuity	Year ended 31st March,				
	2018	2017	2016	2015	2014
Defined benefit obligation	450.12	335.84	328.14	131.50	102.46
Plan assets	342.00	344.32	295.10	120.56	101.27
Surplus / (deficit)	(108.12)	8.48	(33.04)	(10.94)	(1.19)
Experience adjustments on plan liabilities	13.28	4.18	42.28	4.25	1.84
Experience adjustments on plan assets	(0.90)	14.74	(8.14)	20.30	4.04

The Group expects to contribute ₹ 48.02 crores to gratuity fund in financial year 2018-19.

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

Pension

Pension liability relates to employees of eIVBL.

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

(₹ in crore)

	As on 31 st March, 2018	As on 31 st March, 2017
	Funded	Funded
Change in benefit obligations		
Liability as at the beginning of the year	950.14	782.02
Current Service cost	29.19	29.52
Interest cost	67.99	52.01
Actuarial (gain) / loss on obligations	147.03	210.06
Past Service cost	-	-
Benefits paid	(136.50)	(123.47)
Liability as at the end of the year	1,057.85	950.14
Change in plan assets		
Fair value of plan assets as at the beginning of the year	924.91	747.24
Expected return on plan assets	79.54	66.89
Actuarial Gain / (loss)	(0.72)	(0.75)
Benefits paid	(136.50)	(123.47)
Employer contributions	196.46	235.00
Fair value of plan assets as at the end of the year	1,063.69	924.91

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

(₹ in crore)

	As on 31 st March, 2018	As on 31 st March, 2017
	Funded	Funded
Fair value of plan assets at the end of the year	1,063.69	924.91
Liability at the end of the year	1,057.85	950.14
Net Asset/ (Liability) included in "Others" under "Other Assets" or "Other Liabilities"	5.84	(25.23)
Expenses recognised for the year		
Current service cost	29.19	29.52
Interest cost	67.99	52.01
Expected return on plan assets	(79.54)	(66.89)
Actuarial (gain) / loss	147.75	210.81
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]	165.39	225.45
Actual return on plan assets	78.82	66.14

Reconciliation of the Liability recognised in the Balance Sheet

(₹ in crore)

	As on 31 st March, 2018	As on 31 st March, 2017
	Funded	Funded
Net (Asset) / Liability at the beginning of the year	25.23	34.78
Expense recognised	165.39	225.45
Employer contributions	(196.46)	(235.00)
Effect of the limit in Para 59(b)	-	-
Net (Asset)/ Liability included in "Others" under "Other Assets" or "Other Liabilities"	(5.84)	25.23

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, 2018	As on 31 st March, 2017
Discount rate	7.71% p.a.	7.22% p.a.
Salary escalation rate	5.50% p.a.	5.50% p.a.
Expected rate of return on plan assets	8.00% p.a.	8.00% p.a.
Inflation	8.00% p.a.	6.00% p.a.

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

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

Experience adjustments

Amounts for the current year and previous year are as follows:

(₹ in crore)

Pension	Year ended 31 st March, 2018	Year ended 31 st March, 2017
Defined benefit obligation	1,057.85	950.14
Plan assets	1,063.69	924.91
Surplus / (deficit)	5.84	(25.23)
Experience adjustments on plan liabilities	208.24	178.79
Experience adjustments on plan assets	(0.72)	(7.02)

The pension liability was assumed on eIVBL amalgamation with the Bank effective 1st April, 2015 and hence the data for current and previous year has been provided.

The Bank expects to contribute ₹ 109.37 crore to pension fund in financial year 2018-2019.

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, 2018	As on 31 st March, 2017
Total actuarial liability	211.57	223.32
Assumptions:		
Discount rate	7.35% - 7.90% p.a.	7.18% - 7.22% p.a.
Salary escalation rate	5.5% (IBA) and 7.00%-9.00% (others) p.a.	5.5% (IBA) and 7.00% (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, 2018	As on 31 st March, 2017
Total actuarial liability	13.02	10.54
Assumptions:		
Discount rate	7.71%-7.90% p.a.	7.18% p.a.

6. DEPOSIT UNDER LIEN:

Balance with Banks in other deposit accounts include ₹ 3,133.02 crore (previous year ₹ 1,960.12 crore) which are under lien.

7. SECURITIES PLEDGED AND ENCUMBERED:

- Investments include Government Securities with face value of ₹ 3,246.48 crore (previous year ₹ 1,231.53 crore) pledged and encumbered for availment of fund transfer facility, clearing facility, margin requirements and with RBI for liquidity adjustment facility (LAF).
- Stock in Trade pledged with National Securities Clearing Corporation Limited towards Exposure in Derivatives Segment as on 31st March, 2018 ₹ 544.52 crore (previous year ₹ 133.29 crore).

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

Provision for Contingencies: -

(₹ in crore)

Description	Balance as on 1st April, 2017	Addition during the year	Reversed/ paid during the year	Balance as on 31st March, 2018
Stamp duty on Trades	3.21	-	3.21	-
Customer claims with respect to repossessed vehicles	0.22	0.00	0.05	0.17
Total	3.43	0.00	3.26	0.17
Previous year	3.47	-	0.04	3.43

9. PROVISIONS AND CONTINGENCIES:

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

(₹ in crore)

Year ended 31st March,	2018	2017
Provision for taxation (Refer Note 10 below)	3,011.09	2,382.85
Provision for Non-performing Assets and Contingencies (including write-offs and net of recoveries)	667.21	681.61
Provision for Standard Assets	148.32	116.13
Provision for Unhedged Foreign Currency Exposure	(0.30)	(9.46)
Provision for Diminution in value of Investments	208.89	151.53
Provision Others	0.62	9.11
Total	4,035.83	3,331.77

10. PROVISION MADE FOR TAXES DURING THE YEAR:

(₹ in crore)

Year ended 31st March,	2018	2017
Current tax	2,985.64	2,467.76
Deferred tax	25.45	(84.91)
Wealth Tax	-	-
Total	3,011.09	2,382.85

11. DESCRIPTION OF CONTINGENT LIABILITIES:

Sr. No.	Contingent Liability*	Brief Description
1.	Claims not acknowledged as debts	<p>This includes liability on account of income tax, sales tax, lease tax demands, property tax demands and legal cases filed against the Group.</p> <p>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.</p>
2.	Liability on account of outstanding forward exchange contracts	<p>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.</p>
3.	Guarantees on behalf of constituents in and outside India	<p>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.</p>

Sr. No.	Contingent Liability*	Brief Description
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
5.	Other items for which the Group is contingently liable	These include: <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. Amount Transferred to RBI under the Depositor Education and Awareness Fund ('DEAF') and amount transferred to Senior Citizens Welfare Fund ('SCWF') net of claims paid in respect of amounts transferred earlier as directed by IRDAI.

* Also refer Schedule 12 – Contingent Liabilities

12. EARNINGS PER EQUITY SHARE:

Particulars	As on 31 st March, 2018	As on 31 st March, 2017
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	1,896,049,700	1,837,185,095
Effect of potential equity shares for stock options outstanding	2,572,354	2,013,926
Weighted average number of equity shares used in computation of diluted earnings per share	1,898,622,054	1,839,199,021
Following is the reconciliation between basic and diluted earnings per share:		
Nominal value per share (₹)	5.00	5.00
Basic earnings per share (₹)	32.70	26.89
Effect of potential equity shares for stock options (₹)	0.04	0.03
Diluted earnings per share (₹)	32.66	26.86
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	6,200.97	4,940.43

13. 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 Limited with the Bank, the Bank has renamed and adopted the ESOP Schemes of the eIVBL, as given below:

- Kotak Mahindra Bank Limited (IVBL) Employees Stock Option Scheme 2005;
- Kotak Mahindra Bank Limited (IVBL) Employees Stock Option Scheme 2007;
- Kotak Mahindra Bank Limited (IVBL) Employee Stock Option Scheme 2010; and
- Kotak Mahindra Bank Limited (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 148,401,294 options (including options issued in exchange on amalgamation) as on 31st March, 2018 (Previous year 144,210,124).

In aggregate 9,475,005 options are outstanding as on 31st March, 2018 (Previous year 8,663,925) under the aforesaid schemes.

Equity-settled options

The Bank has granted options to employees of the Group wide various employee stock option schemes. During the year ended 31st March, 2018, 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	8,087,640
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

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

	Year ended 31 st March, 2018		Year ended 31 st March, 2017	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	3,228,236	572.03	8,743,098	467.54
Granted during the year	-	-	-	-
Forfeited during the year	149,740	640.29	417,350	587.02
Exercised during the year	1,741,978	533.47	5,086,246	391.04
Expired during the year	15,730	657.33	11,266	632.12
Outstanding at the end of the year	1,320,788	614.14	3,228,236	572.03
Out of the above exercisable at the end of the year	231,244	396.02	330,038	397.83
Weighted average remaining contractual life (in years)		0.87		1.25
Weighted average fair value of options granted		-		-

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

	Year ended 31 st March, 2018		Year ended 31 st March, 2017	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	3,778,230	721.10	14,000	690.00
Granted during the year	4,191,170	952.24	3,882,470	720.94
Forfeited during the year	453,894	849.09	114,740	712.88
Exercised during the year	631,975	704.46	3,500	690.00
Expired during the year	10,097	710.00	-	-
Outstanding at the end of the year	6,873,434	855.14	3,778,230	721.10
Out of the above exercisable at the end of the year	103,630	710.00	-	-
Weighted average remaining contractual life (in years)		1.94		2.40
Weighted average fair value of options granted		232.34		201.36

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

	Year ended 31 st March, 2018		Year ended 31 st March, 2017	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	156,022	408.82	407,684	395.25
Forfeited during the year	-	-	-	-
Exercised during the year	5,220	201.50	251,662	386.84
Expired during the year	-	-	-	-
Outstanding at the end of the year	150,802	416.00	156,022	408.82
Out of the above exercisable at the end of the year	150,802	416.00	156,022	408.82
Weighted average remaining contractual life (in years)		1.70		2.63

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

	Year ended 31 st March, 2018		Year ended 31 st March, 2017	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	716,978	280.53	1,392,986	275.34
Forfeited during the year	-	-	6	416.00
Exercised during the year	164,572	263.45	676,002	269.82
Expired during the year	-	-	-	-
Outstanding at the end of the year	552,406	285.62	716,978	280.53
Out of the above exercisable at the end of the year	552,406	285.62	716,978	280.53
Weighted average remaining contractual life (in years)		1.31		2.19

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

	Year ended 31 st March, 2018		Year ended 31 st March, 2017	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	784,459	387.72	1,282,136	387.44
Forfeited during the year	-	-	28	379.50
Exercised during the year	206,884	391.05	497,649	387.01
Expired during the year	-	-	-	-
Outstanding at the end of the year	577,575	386.53	784,459	387.72
Out of the above exercisable at the end of the year	577,575	386.53	784,459	387.72
Weighted average remaining contractual life (in years)		2.04		3.02

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 1,008.92 (Previous year ₹ 772.59).

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

31st March, 2018

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
201-300	442,958	1.14	247.70
301-400	469,656	2.08	379.50
401-500	629,573	1.21	416.89
501-600	50,001	1.43	550.00
601-700	1,134,954	1.07	667.27
701-800	2,877,113	1.71	728.13
901-1000	3,823,950	2.10	955.07
1001-1100	46,800	2.71	1,076.10

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

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 1.10 to 4.24 years.

Detail of activity under SARs is summarised below:

	Year Ended 31 st March, 2018	Year Ended 31 st March, 2017
Outstanding at the beginning of the year	2,346,585	2,213,354
Granted during the year	1,186,758	1,252,558
Settled during the year	1,028,499	983,585
Lapsed during the year	182,466	135,742
Outstanding at the end of the year	2,322,378	2,346,585

Fair value of Employee stock options

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

Year ended 31st March,	2018		2017	
	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Exercise Price ₹	700-1,084	0-955	550-795	0-710
Weighted Average Share Price ₹	957.63	939.80	724.39	709.31
Expected Volatility	18.12%-39.37%	16.74%-22.56%	23.63%-28.05%	14.68%-24.24%
Historical Volatility	18.12%-39.37%	16.74%-22.56%	23.63%-28.05%	14.68%-24.24%
Life of the options granted (Vesting and exercise period)				
- At the grant date	1.19-3.88		1.24-4.21	
- As at 31 st March		0.08-3.59		0.08-2.71
Risk-free interest rate	6.30%-7.42%	6.01%-7.33%	6.64%-7.46%	5.89%-6.64%
Expected dividend rate	0.06%	0.06%	0.06%-0.07%	0.06%

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

The above information has been prepared by the Management.

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

(₹ in crore)

Year ended 31st March,	2018	2017
Total Employee compensation cost pertaining to share-based payment plans	112.01	96.24
Compensation cost pertaining to equity-settled employee share-based payment plan included above	1.75	1.50
Liability for employee stock options outstanding as at year end	4.41	3.45
Deferred Compensation Cost	2.24	1.59
Closing balance of liability for cash-settled options	118.76	101.38
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	91.32	66.79

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 ₹ 63.80 crore (Previous year ₹ 46.49 crore) and the profit after tax would have been lower by ₹ 43.50 crore (Previous year ₹ 31.18 crore). Consequently the basic and diluted EPS would have been ₹ 32.48 (Previous year ₹ 26.72) and ₹ 32.43 (Previous year ₹ 26.69) respectively.

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

14. TIER II BONDS

- Lower Tier II Bonds outstanding as on 31st March, 2018 ₹ 887.60 crore (previous year ₹ 1,051.60 crore).
 - Upper Tier II Bonds outstanding as on 31st March, 2018 ₹ 225.10 crore (previous year ₹ 348.28 crore) of which bonds issued outside India ₹ 225.10 crore (previous year ₹ 212.28 crore).
- Interest Expended-Others {Schedule 15.III} includes interest on subordinated debt (Lower and Upper Tier II) ₹ 92.79 crore (previous year ₹ 134.87 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. Kotak Mahindra Prime Limited, 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 ₹ 103.44 crore (previous year ₹ 115.53 crore) is carried forward in the Balance Sheet under "Other Assets".

17. SEGMENT REPORTING

The Summary of the operating segments of the Group for the year ended 31st March, 2018 are as given below:

	(₹ in crore)	
31st March,	2018	2017
Segment Revenues:		
Treasury, BMU and Corporate Centre	6,157.90	5,394.15
Retail Banking	11,437.61	10,274.57
Corporate / Wholesale Banking	9,061.32	8,330.52
Vehicle Financing	2,302.91	2,138.17
Other Lending Activities	1,702.97	1,475.55
Broking	1,383.79	1,009.74
Advisory and Transactional Services	214.29	116.34
Asset Management	933.77	649.51
Insurance	8,613.55	7,678.48
Sub-total	41,808.11	37,067.03
Add: Unallocated Income	-	-
Less: Inter-segment revenues	(2,994.80)	(3,083.27)
Total Income	38,813.31	33,983.76
Segment Results:		
Treasury, BMU and Corporate Centre	2,126.69	1,529.75
Retail Banking	1,510.71	1,194.72
Corporate / Wholesale Banking	2,984.45	2,694.81
Vehicle Financing	532.83	495.22
Other Lending Activities	588.78	514.82
Broking	566.63	372.08
Advisory and Transactional Services	90.62	25.11
Asset Management	318.99	199.51
Insurance	438.53	305.91
Sub-total	9,158.23	7,331.93
Add: Unallocated Income / (Expense)	-	-
Total Profit before tax, minority interest and associates	9,158.23	7,331.93
Provision for tax	3,011.09	2,382.85
Net Profit before share of Associates and Minority	6,147.14	4,949.08
Segment Assets:		
Treasury, BMU and Corporate Centre	92,958.91	78,152.01
Retail Banking	143,303.89	122,665.94
Corporate / Wholesale Banking	100,506.20	81,612.15
Vehicle Financing	21,800.01	19,037.54
Other Lending Activities	16,931.85	15,131.02
Broking	4,747.27	3,423.72
Advisory and Transactional Services	166.58	41.66
Asset Management	2,160.35	2,196.96
Insurance	26,058.32	21,306.89
Sub-total	408,633.38	343,567.89
Less: inter-segment assets	(72,044.14)	(67,768.17)
Total	336,589.24	275,799.72
Add: Unallocated Assets	1,131.23	387.84
Total Assets as per Balance Sheet	337,720.47	276,187.56

(₹ in crore)

31st March,	2018	2017
Segment Liabilities:		
Treasury, BMU and Corporate Centre	83,916.49	73,983.89
Retail Banking	132,725.09	114,071.16
Corporate / Wholesale Banking	88,984.44	71,189.88
Vehicle Financing	17,736.92	15,188.49
Other Lending Activities	6,996.12	6,765.41
Broking	4,180.14	2,986.21
Advisory and Transactional Services	85.95	24.64
Asset Management	769.98	1,088.14
Insurance	23,800.76	19,626.16
Sub-total	359,195.89	304,923.98
Less: inter-segment liabilities	(72,044.14)	(67,768.17)
Total	287,151.75	237,155.81
Add: Unallocated liabilities	82.66	66.48
Add: Share Capital, Reserves and Surplus and Minority Interest	50,486.06	38,965.27
Total Capital and Liabilities as per Balance Sheet	337,720.47	276,187.56
Capital Expenditure		
Treasury, BMU and Corporate Centre	44.22	58.06
Retail Banking	237.94	203.27
Corporate / Wholesale Banking	20.71	23.01
Vehicle Financing	4.79	2.79
Other Lending Activities	1.03	0.58
Broking	28.03	19.48
Advisory and Transactional Services	0.81	1.05
Asset Management	10.65	8.08
Insurance	37.46	52.20
Total	385.64	368.52
Depreciation / Amortisation		
Treasury, BMU and Corporate Centre	102.51	91.21
Retail Banking	184.92	182.40
Corporate / Wholesale Banking	16.47	17.29
Vehicle Financing	3.27	2.86
Other Lending Activities	0.68	0.79
Broking	22.55	22.32
Advisory and Transactional Services	3.37	1.69
Asset Management	10.97	10.09
Insurance	38.69	33.56
Total	383.43	362.21

Segment information is provided as per the MIS available for internal reporting purposes.

18. 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 ₹ 495.72 crore (previous year ₹ 468.53 crore).
- (ii) The future minimum lease payments under non-cancelable operating lease not later than one year is ₹ 445.26 crore (previous year ₹ 402.16 crore), later than one year but not later than five years is ₹ 1,395.15 crore (previous year ₹ 1,270.02 crore) and later than five years ₹ 1,116.25 crore (previous year ₹ 1,027.63 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.

19. ASSETS GIVEN ON LEASE

The lease income recognised in the Profit and Loss Account in respect of premises and equipment under operating lease is ₹ 0.70 crore (previous year ₹ 0.01 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 ₹ 0.66 crore), later than one year but not later than five years is ₹ 3.09 crore (previous year ₹ 2.91 crore) and later than five years ₹ 0.29 crore (previous year ₹ 1.13 crore).

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

(₹ in crore)		
As on 31 st March,	2018	2017
Gross Investments (A):		
(i) Not later than 1 year	66.86	86.01
(ii) Between 1-5 years	110.40	154.99
Total	177.26	241.00
Unearned Finance Income (B):		
(i) Not later than 1 year	15.44	21.01
(ii) Between 1-5 years	15.00	22.04
Total	30.44	43.05
Present Value of Rentals (A-B):		
(i) Not later than 1 year	51.41	65.00
(ii) Between 1-5 years	95.40	132.96
Total	146.81	197.96
Accumulated provision on the Gross Investments	1.74	1.14

20. In accordance with the IRDAI Regulations, 2002 (Preparation of Financial Statements and Auditor's Report of Insurance Companies), the Life Insurance subsidiary has revalued its investment property at the market value being the lower of valuation performed by two independent valuers as at 31st March, 2018. The cost of the investment properties, which were purchased post 31st March, 2015 are considered as market value as at the 31st March, 2018. The real estate investment property is accordingly valued at ₹ 192.65 crore at 31st March, 2018 (previous year ₹ 178.53 crore). The historical cost of the property is ₹ 158.28 crore (previous year ₹ 158.19 crore). The revaluation gains have been included in policyholders' funds.

21. 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, 2018

As on 31 st March, Particulars of Derivatives	2018 Quantity	2017 Quantity	Purpose
Futures			
S&P CNX Nifty Futures Long	525	-	Trading
S&P CNX Nifty Futures Short	5,250	75,975	Trading
Bank Nifty Futures Long	8,760	5,000	Trading
Stock Futures Long	3,534,700	2,326,330	Trading
Stock Futures Short	17,656,632	2,070,486	Trading
USD-INR Long	1,335,000	-	Trading
USD-INR Short	-	412,000	Trading
Options			
S&P CNX Nifty Options Long	1,453,875	877,875	Trading
S&P CNX Nifty Options Short	769,125	424,425	Trading

As on 31st March, Particulars of Derivatives	2018 Quantity	2017 Quantity	Purpose
Stock Options Long	-	100,200	Trading
Bank Nifty Options Long	8,880	10,680	Trading
Bank Nifty Options Short	640	2,760	Trading
USD-INR Long	15,255,000	2,264,000	Trading
USD-INR Short	9,755,000	2,532,000	Trading
Forward Exchange Contracts			
USD-INR Long	USD 13,000,000	USD 29,939,044	Hedging
Interest Rate Swap	USD 58,000,000	USD 68,500,000	Hedging
Total Return Swap	USD 2,667,993	USD 5,335,985	Trading

Unhedged forex exposure outstanding as on the Balance Sheet date

(₹ in crore)

Particulars	As on 31st March, 2018	As on 31st March, 2017
Amount Receivable in foreign currency	6.08 (USD 943,256)	5.48 (USD 844,174)
	0.40(EURO 50,000)	0.03 (GBP 3,300)
	0.44(GBP 47,397)	
Amount Payable in foreign currency	0.66(USD 106,260)	0.46 (USD 70,248)

22. Additional information to consolidated accounts at 31st March, 2018, (Pursuant to Schedule III of the Companies Act, 2013)

(₹ in crore)

Name of the Subsidiary	Net Assets*				Share in profit or loss			
	2017 - 2018		2016 - 2017		2017 - 2018		2016 - 2017	
	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	74.24%	37,481.66	71.75%	27,616.07	65.87%	4,084.30	69.05%	3,411.50
Indian Subsidiaries:								
Kotak Mahindra Prime Limited	9.54%	4,816.44	10.98%	4,227.07	9.51%	589.62	10.42%	514.75
Kotak Securities Limited	6.99%	3,526.90	7.78%	2,995.95	8.56%	530.95	7.31%	361.27
Kotak Mahindra Capital Company Limited	1.11%	558.52	1.28%	493.23	1.05%	65.29	0.92%	45.61
Kotak Mahindra Life Insurance Company Limited (Formerly known as Kotak Mahindra Old Mutual Life Insurance Limited)	4.43%	2,238.13	4.74%	1,824.72	6.67%	413.41	6.14%	303.27
Kotak Mahindra General Insurance Company Limited	0.19%	97.73	0.23%	90.28	(0.52%)	(32.55)	(0.70%)	(34.72)
Kotak Mahindra Investments Limited	2.74%	1,382.52	2.70%	1,037.55	3.95%	244.97	3.98%	196.43
Kotak Mahindra Asset Management Company Limited	0.45%	227.35	0.38%	147.82	1.31%	81.21	0.77%	38.23
Kotak Mahindra Trustee Company Limited	0.21%	105.49	0.21%	80.72	0.54%	33.79	0.35%	17.45
Kotak Investment Advisors Limited	0.67%	337.74	0.72%	276.85	0.18%	10.88	0.12%	5.93
Kotak Mahindra Trusteeship Services Limited	0.03%	15.97	0.04%	14.24	0.03%	1.73	0.04%	1.93
Kotak Infrastructure Debt Fund Limited	0.64%	323.62	0.80%	309.24	0.23%	14.38	0.07%	3.38

Name of the Subsidiary	Net Assets*				Share in profit or loss			
	2017 - 2018		2016 - 2017		2017 - 2018		2016 - 2017	
	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 Pension Fund Limited	0.05%	25.29	0.07%	25.34	0.00%	(0.05)	(0.00%)	(0.22)
IVY Product Intermediaries Limited	0.01%	5.35	0.01%	5.19	0.00%	0.16	0.01%	0.26
BSS Microfinance Limited (Formerly known as BSS Microfinance Private Limited)	0.21%	108.50			0.29%	17.91		
Foreign Subsidiaries:								
Kotak Mahindra (International) Limited	1.05%	532.00	1.21%	467.05	1.00%	62.01	1.07%	52.96
Kotak Mahindra (UK) Limited	0.44%	222.15	0.52%	201.49	0.31%	19.05	0.84%	41.37
Kotak Mahindra, Inc.	0.02%	8.91	0.03%	11.76	(0.05%)	(2.87)	(0.13%)	(6.44)
Kotak Mahindra Financial Services Limited	0.02%	7.82	0.01%	4.40	0.05%	3.35	(0.02%)	(1.22)
Kotak Mahindra Asset Management (Singapore) Pte. Limited	0.08%	42.22	0.02%	8.99	0.53%	32.81	(0.01%)	(0.63)
Minority Interests in subsidiary	0.00%	-	(1.23%)	(474.43)	(0.91%)	(56.67)	(1.60%)	(78.83)
Associates:								
Infina Finance Private Limited					1.53%	94.83	1.16%	57.42
Phoenix ARC Private Limited					0.23%	14.36	0.23%	11.30
ACE Derivatives & Commodity Exchange Limited (ACE)					0.00%	0.31	0.00%	0.21
Matrix Business Services India Private Limited					0.02%	1.01	0.03%	1.24
Inter-company and Other adjustments	(3.12%)	(1,578.25)	(2.25%)	(872.69)	(0.38%)	(23.22)	(0.05%)	(2.02)
Total	100.00%	50,486.06	100.00%	38,490.84	100.00%	6,200.97	100.00%	4,940.43

* Total assets minus total liabilities

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

(₹ in crore)

Particulars	Year ended 31 st March, 2018	Year ended 31 st March, 2017
Deferred Tax Assets		
Provision for non-performing and doubtful debts, standard advances and contingencies	282.45	325.21
Depreciation on assets	57.74	43.30
Provision for investments	4.18	3.72
Unamortised Income	0.98	2.49
Expenditure allowed on payment basis and others	156.63	158.64
Total Deferred Tax Assets	501.98	533.36
Deferred Tax Liabilities		
Deferred expenses	39.49	42.84
Depreciation on assets	2.07	24.72
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	143.28	124.81
Others	5.64	4.89
Total Deferred Tax Liabilities	190.48	197.26
Net Deferred Tax Assets / (Liabilities)	311.50	336.10

24. FIXED ASSETS

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

(₹ in crore)

Particulars	Year ended 31 st March, 2018	Year ended 31 st March, 2017
PURCHASED SOFTWARE AND SYSTEM DEVELOPMENT EXPENDITURE		
Gross Block		
At cost on 31 st March of the preceding year	701.42	588.12
Additions during the year (including on acquisition)	91.92	113.30
Deductions during the year	84.33	-
Total	709.01	701.42
Amortisation		
As on 31 st March of the preceding year	576.97	492.33
Charge for the year	88.99	84.64
Deductions during the year	84.33	-
Amortisation to date	581.63	576.97
Net Block	127.38	124.45
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	4.32	4.20
Charge for the year	0.11	0.12
Amortisation to date	4.43	4.32
Net Block	0.23	0.34
GOODWILL		
Gross Block		
At cost on 31 st March of the preceding year	1.88	1.88
Deductions during the year	1.88	1.88
Total	-	-
Amortisation		
As on 31 st March of the preceding year	1.88	1.88
Charge for the year	-	-
Deductions during the year	1.88	1.88
Amortisation to date	-	-
Net Block	-	-
FOREX BROKING BUSINESS RIGHTS		
Gross Block		
At cost on 31 st March of the preceding year	-	3.83
Deductions during the year	-	3.83
Total	-	-
Amortisation		
As on 31 st March of the preceding year	-	3.83
Charge for the year	-	-
Deductions during the year	-	3.83
Amortisation to date	-	-
Net Block	-	-
ASSET MANAGEMENT RIGHTS		
Gross Block		
At cost on 31 st March of the preceding year	15.90	15.90
Total	15.90	15.90
Amortisation		
As on 31 st March of the preceding year	6.88	3.70
Charge for the year	3.18	3.18
Amortisation to date	10.06	6.88
Net Block	5.84	9.02

25. 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 30.04% of the equity share capital of Kotak Mahindra Bank Limited as on 31 st March, 2018.
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. (upto 12 th October, 2017) Old Mutual Life Assurance Company (South Africa) Limited (upto 12 th October, 2017)
	Enterprises over which KMP / relatives of KMP have control / significant influence	Aero Agencies Limited Asian Machinery & Equipment Private Limited Allied Auto Accessories Private Limited Cumulus Trading Company Private Limited Business Standard Private Limited Business Standard Online Private Limited Harisiddha Trading and Finance Private Limited Insurekot Sports Private Limited Kotak and Company Private Limited Kotak Commodity Services Private Limited Komaf Financial Services Private Limited Kotak Trustee Company Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Private Limited Palko Properties Private Limited Puma Properties Private Limited Kotak Family Foundation (w.e.f 2 nd May, 2017) Helena Realty Private Limited (w.e.f. 2 nd February, 2018) Doreen Realty Private Limited (w.e.f. 15 th February, 2018) Renato Realty Private Limited (w.e.f. 15 th February, 2018) Pine Tree Estates Private Limited (w.e.f. 20 th March, 2018) Meluha Developers Private Limited (w.e.f. 20 th March, 2018) Quantycy Realty Private Limited (w.e.f. 16 th March, 2018) Xanadu Properties Private Limited (w.e.f. 20 th March, 2018) 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

Nature of relationship	Name of Related Party
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	

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	0.03 (0.21)	- (0.60)	0.35 (0.04)	- (0.01)	- (-)
Deposits	57.75 (201.87)	- (-)	134.54 (249.22)	128.35 (127.80)	1.99 (11.58)
Interest Payable	0.05 (1.34)	- (-)	1.37 (1.73)	0.95 (0.90)	0.01 (0.07)
II. Assets					
Investments -Gross	151.76 (152.22)	- (-)	# (#)	- (-)	- (-)
Diminution on Investments	0.78 (0.78)	- (-)	# (#)	- (-)	- (-)
Others	0.05 (0.03)	- (-)	0.14 (0.28)	- (-)	- (-)
III. Expenses					
Salaries / fees (Include ESOP cost)*	- (-)	- (-)	- (-)	8.06 7.83	0.10 (-)
Interest Paid	38.23 (61.93)	- (-)	15.38 (26.21)	12.02 (6.10)	0.31 (0.93)
Others	24.86 (17.96)	- (-)	5.66 (6.15)	0.08 (0.11)	- (-)
IV. Income					
Others	4.96 (3.60)	- (-)	3.48 (3.78)	1.69 (0.08)	0.05 (-)
V. Other Transactions					
Dividend paid	- (-)	- (-)	0.04 (0.04)	34.10 (30.69)	0.22 (0.19)

(₹ 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
Reimbursement to companies	- (0.09)	- (-)	1.45 (1.73)	- (-)	- (-)
Reimbursement from companies	0.11 (0.16)	1.04 (0.21)	1.81 (1.94)	- (-)	- (-)
Buyback of Shares	1.98 (-)	- (-)	- (-)	- (-)	- (-)
Sale of Fixed Assets	- (-)	- (-)	- (#)	- (-)	- (-)
Deposits taken during the year	# (-)	- (-)	0.01 (0.01)	- (-)	- (-)
Deposits repaid during the year	- (-)	- (-)	0.01 (#)	- (-)	- (-)
Guarantees / Lines of credit	0.05 (-)	- (-)	- (-)	- (-)	- (-)

Material transactions with related parties:

(₹ in crore)

Items / Related Party	Associates / Others	Investing Party of the subsidiary	Enterprises over which KMP / relatives of KMP have control /significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
I. Liabilities:						
Other liabilities						
Aero Agencies Limited			0.32 (0.01)			0.32 (0.01)
Matrix Business Services India P Limited	0.03 (0.12)					0.03 (0.12)
Others	- (0.08)	- (0.60)	0.03 (0.03)	- (0.01)		0.03 (0.72)
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	2.96 (3.42)		# (#)			2.96 (3.42)
Diminution on investments						
ACE Derivatives and Commodity Exchange Limited	0.78 (0.78)					0.78 (0.78)
Others			# (#)			# (#)
Others						
Kotak Commodity Services Private Limited			0.07 (0.28)			0.07 (0.28)

(₹ 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
ACE Derivatives and Commodity Exchange Limited	0.02 (0.02)					0.02 (0.02)
Infina Finance Private Limited	0.02 (0.01)					0.02 (0.01)
Business Standard Private Limited			0.07 -			0.07 -
Others	# (#)		# (#)			# (#)
III. Expenses:						
Salaries (Includes ESOP cost)						
Mr. Uday Kotak*				3.20 (2.85)		3.20 (2.85)
Mr. C. Jayaram*				- (0.78)		- (0.78)
Mr. Dipak Gupta*				4.86 (4.20)		4.86 (4.20)
Others					0.10 (-)	0.10 (-)
Interest Paid						
Infina Finance Private Limited	37.53 (61.24)					37.53 (61.24)
Kotak Commodity Services Private Limited			6.71 (6.51)			6.71 (6.51)
USK Benefit Trust II			8.16 (19.10)			8.16 (19.10)
Others	0.70 (0.68)		0.51 (0.60)	12.02 (6.10)	0.31 (0.93)	13.54 (8.31)
Others						
Aero Agencies Limited			5.54 (6.12)			5.54 (6.12)
Kotak Education Foundation	24.04 (17.23)					24.04 (17.23)
Others	0.83 (0.73)		0.12 (0.03)	0.08 (0.11)		1.03 (0.87)
IV. Income:						
Others						
Fee and Other Income						
ACE Derivatives and Commodity Exchange Limited	0.02 (0.01)					0.02 (0.01)
Kotak Commodity Services Private Limited			2.57 (2.82)			2.57 (2.82)

(₹ 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
USK Benefit Trust II			0.85 (0.87)			0.85 (0.87)
Infina Finance Private Limited	0.08 (0.09)					0.08 (0.09)
Others	# (0.01)		0.01 (0.01)	# (#)	# (-)	0.01 (0.01)
Premium Income						
Phoenix ARC Private Limited	0.02 (0.02)					0.02 (0.02)
Infina Finance Private Limited	0.01 (#)					0.01 (#)
Kotak Commodity Services Private Limited			0.02 (0.06)			0.02 (0.06)
Palko Properties Private Limited			# (-)			# (-)
Harisiddha Trading and Finance Private Limited			# (-)			# (-)
Others	(#)			# (0.06)	0.04 (0.03)	0.04 (0.09)
Brokerage Income						
Infina Finance Private Limited	4.82 (3.47)					4.82 (3.47)
Kotak Commodity Services Private Limited			0.02 (0.02)			0.02 (0.02)
Others				1.69 (0.01)	0.01 (-)	1.70 (0.01)
V. Other Transactions:						
Dividend Paid						
Mr. Uday Kotak				34.02 (30.63)		34.02 (30.63)
Ms. Pallavi Kotak					0.07 (0.06)	0.07 (0.06)
Ms. Indira Kotak					0.14 (0.12)	0.14 (0.12)
Suresh A Kotak HUF			0.01 (0.01)			0.01 (0.01)
USK Benefit Trust II			0.04 (0.03)			0.04 (0.03)
Others				0.08 (0.07)	0.02 (0.01)	0.10 (0.08)

(₹ 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
Reimbursements made						
Kotak Commodity Services Private Limited			1.45 (1.58)			1.45 (1.58)
Others	- (0.09)		- (0.15)			- (0.24)
Reimbursements received						
Old Mutual PLC		1.04 (0.21)				1.04 (0.21)
Kotak Commodity Services Private Limited			1.81 (1.94)			1.81 (1.94)
Infina Finance Private Limited	0.09 (0.12)					0.09 (0.12)
Phoenix ARC Private Limited	0.02 (0.03)					0.02 (0.03)
Buyback of Shares						
Matrix Business Services India Private Limited	1.98 -					1.98 -
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)
Others	# (-)					# (-)
Deposits repaid during the year						
Kotak Commodity Services Private Limited			0.01 (#)			0.01 (#)
Guarantees/Lines of credit	0.05 (-)					0.05 (-)

* includes incentive paid during the year

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

Maximum balance outstanding

(₹ in crore)

Items/Related Party	Associates/ Others	Investing Party of the Subsidiary	Enterprise over which KMP/relative of KMP have control /significant influence	Key Management Personnel	Relatives of Key Management Personnel
I. Liabilities					
Deposits	5,180.30		397.28	358.56	16.37
	(5,902.00)		(522.73)	(149.22)	(55.70)
Other Liabilities	0.21	0.60	0.35	0.01	-
	(0.79)	(0.60)	(0.16)	(0.01)	(-)
II. Assets					
Investments-Gross	152.22		#		
	(152.22)		(#)		
Others	0.05		0.28		
	(0.13)		(0.34)		

Note: Figures of previous year are given in bracket.

26. ADDITIONAL DISCLOSURE

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

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

As per our report of even date attached.

For S.R. Batliboi & Co. LLP

Chartered Accountants
Firm Registration No. 301003E/E300005

per Viren H. Mehta

Partner
Membership No. 048749

Mumbai
30th April, 2018

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

Prakash Apte

Director

Bina Chandarana

Company Secretary

Form AOC - 1

Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014

Statement containing salient features of the financial statement of subsidiaries/associate companies

PART "A" : Subsidiaries

Particulars	(₹ in crore)																		
	Kotak Mahindra Securities Limited	Kotak Mahindra Prime Limited	Kotak Mahindra Life Insurance Company Limited	Kotak Mahindra General Insurance Company Limited	Kotak Mahindra Life Insurance Company Limited	Kotak Mahindra Capital Insurance Company Limited	Kotak Mahindra Capital Insurance Company Limited	Kotak Mahindra Life Insurance Company Limited	Kotak Mahindra General Insurance Company Limited	Kotak Mahindra Life Insurance Company Limited	Kotak Mahindra Capital Insurance Company Limited	Kotak Mahindra Life Insurance Company Limited	Kotak Mahindra General Insurance Company Limited	Kotak Mahindra Life Insurance Company Limited	Kotak Mahindra Capital Insurance Company Limited	BSS Microfinance Limited			
Share Capital	3.50	1.60	3.44	510.29	175.00	5.62	29.80	0.05	16.16	7.01	0.07	5.44	0.09	310.00	28.00	8.45	9.40	2.21	26.73
Reserves & Surplus	4,812.94	3,525.30	555.08	1,727.84	(77.27)	1,376.90	197.55	105.44	515.84	215.14	8.84	332.30	15.88	13.62	(2.71)	(0.63)	32.82	3.14	81.77
Total Network	4,816.44	3,526.90	558.52	2,238.13	97.73	1,382.52	227.35	105.49	532.00	222.15	8.91	337.74	15.97	323.62	25.29	7.82	42.22	5.35	108.50
Total Assets	30,294.74	8,149.19	604.70	26,256.60	290.35	8,832.39	348.35	107.48	964.45	400.21	10.96	356.86	17.68	582.04	25.96	15.24	66.40	5.38	173.17
Total Liabilities	25,478.30	4,622.29	46.18	24,018.47	192.62	7,449.87	121.00	1.99	432.45	178.06	2.05	19.12	1.71	258.42	0.67	7.42	24.18	0.03	64.67
Investments (excluding investment in subsidiaries)	651.36	913.73	178.54	24,997.34	238.86	781.92	181.42	103.46	757.43	-	3.40	222.44	15.09	333.66	25.74	-	-	-	50.78
Turnover	3,194.62	1,654.55	181.02	8,432.73	133.79	913.61	518.90	46.36	101.44	91.35	22.36	91.88	6.45	24.81	2.48	23.66	58.85	0.34	128.24
Profit before taxon	901.88	795.97	101.54	471.23	(32.55)	366.64	124.45	45.39	67.74	26.08	(2.84)	10.81	2.39	14.38	(0.05)	3.35	39.39	0.26	32.73
Provision for taxation	312.26	265.02	36.25	57.82	-	121.67	43.24	11.60	5.73	7.03	0.03	(0.07)	0.66	-	-	-	6.58	0.10	11.47
Profit after taxon	589.62	530.95	65.29	413.41	(32.55)	244.97	81.21	33.79	62.01	19.05	(2.87)	10.88	1.73	14.38	(0.05)	3.35	32.81	0.16	21.26
Proposed Dividend (Equity)	0.21	NIL	NIL	NIL	NIL	NIL	NIL	3.75	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
% of Shareholding	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

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 Accounting Standard 4 "Contingencies and Events Occurring After the Balance Sheet Date" (AS 4 (Revised)), the Company is not required to create provision for dividend after the balance sheet date. The Company has disclosed the same in notes to the financial statements in accordance with AS 4 (Revised).
- (6) % of Shareholding includes direct and indirect holding through subsidiaries.
- (7) The figures in respect of Kotak Mahindra, Inc., Kotak Mahindra (UK) Limited, Kotak Mahindra (International) Limited, Kotak Mahindra Financial Services Limited and Kotak Mahindra Asset Management (Singapore) Pte. Limited are based on the accounts prepared under Indian Accounting Standards. The reporting currency of these subsidiaries is USD and exchange rate as on the last day of the financial year ending 31st March, 2018 is 1 USD = 65.175 INR
- (8) Effective 13th October 2017, Bank acquired the entire 26% equity stake held by Old Mutual Plc. in Kotak Mahindra Life Insurance Company Limited (formerly known as Kotak Mahindra Old Mutual Life Insurance Limited) (KLIFE) for a consideration of ₹ 1,292.70 crore. Subsequent to the above, KLIFE has become 100% subsidiary of the Bank and hence, the consolidated results for the year include 100% share of profits with effect from 13th October 2017.
- (9) On 27th September, 2017, Bank acquired 99.49% of BSS Microfinance Limited (BSS) for a consideration of ₹ 116.69 crore. Consequently, BSS became a subsidiary of Bank and it has been consolidated from that date. The Bank has purchased the remaining stake in the BSS on 9th March, 2018 for a consideration of ₹ 0.50 crore to make it a 100% subsidiary.

Statement containing salient features of the financial statement of subsidiaries/associate companies (Contd.)
PART "B" : Associates

(₹ in crore)

Particulars	Infina Finance Private Limited	Phoenix ARC Private Limited	ACE Derivatives and Commodities Exchange Limited 1, 4 & 5	Matrix Business Services India Private Limited ^{1, 3 & 5}
Latest Audited Balance Sheet date	31-Mar-18	31-Mar-18	31-Mar-17	31-Mar-17
Shares of Associate held by the Group on the year end				
No of Equity Shares	1,100,240	83,832,000	43,795,700	82,680
Amount of Investment in Associates	1.10	100.02	47.62	1.85
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 Ownership and 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}	825.22	168.68	6.39	6.63
Profit for the year	189.69	28.79	0.72	5.43
i) Considered in the Consolidation	94.83	14.36	0.31	1.01
ii) Not considered in the Consolidation	94.86	14.43	0.43	4.36

Note:

- (1) For the purpose of preparation of consolidation financial statements, the Group has considered unaudited financial statement as of 31st March, 2018.
- (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, 2017 of 19.77% is ₹ 7.91 Crs.
- (4) Share of audited Networth based on share holding as on 31st March, 2017 of 40.00 % is ₹ 6.10 Crs.
- (5) Includes adjustments for share of difference between audited and unaudited financial results for the year ended 31st March, 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

 Mumbai
30th April, 2018

Uday Kotak
Executive Vice Chairman and
Managing Director

Prakash Apte
Director

Bina Chandarana
Company Secretary

Basel III (Pillar 3) Disclosures (Consolidated) as at 31st March, 2018

RBI circular DBOD.No.BP.BC.1/21.06.201/2015-16 dated 1st July, 2015 on 'Basel III Capital Regulations' read together with the RBI circular DBR.No.BP.BC.80/21.06.201/2014-15 dated 31st March, 2015 on 'Prudential Guidelines on Capital Adequacy and Liquidity Standards-Amendments' requires banks to make applicable Pillar 3 disclosures including leverage ratio and liquidity coverage ratio under the Basel III Framework. These disclosures are available on the Bank's website at the following link: <https://www.kotak.com/en/investor-relations/financial-results/regulatory-disclosure.html>. These disclosures have not been subjected to audit or limited review.