# Independent Auditor's Report

To the Members of Kotak Mahindra Bank Limited

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of Kotak Mahindra Bank Limited (hereinafter referred to as "the Bank") and 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, 2019, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as "the consolidated financial statements").

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 aforesaid consolidated financial statements give the information required by the Companies Act, 2013, as amended ("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, 2019, their consolidated profit and their consolidated cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their reports furnished to us by the management, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| **Identification of and provisioning for Non-performing advances (Refer Schedule 17 - Note 2H to the consolidated financial statements):** | |
| Advances constitute a significant portion of the Group's assets and the quality of these advances is measured in terms of ratio of Non-Performing Advances ("NPA") to the gross advances of the Group. The Group's net advances constitute 62% of the total assets as at March 31, 2019.<br>The Reserve Bank of India's ("RBI") guidelines on Income recognition and asset classification ("IRAC") prescribe the prudential norms for identification and classification of NPAs and the minimum provision required for such assets. The Bank and the non banking financial companies in the Group are also required to apply its judgement to determine the identification and provision required against NPAs by applying quantitative as well as qualitative factors. The risk of identification of NPAs is affected by factors like stress and liquidity concerns in certain sectors. | The audit procedures performed, among others, included:<br>- Considering the Group's policies for NPA identification and provisioning and assessing compliance with the IRAC norms.<br>- Understanding, evaluating and testing the design and operating effectiveness of key controls (including application controls) around identification of impaired accounts based on the extant guidelines on IRAC.<br>- Performing other procedures including substantive audit procedures covering the identification of NPAs. These procedures included:<br>  - Testing of the exception reports generated from the application systems where the advances have been recorded. |

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| The provisioning for identified NPAs is estimated based on ageing and classification of NPAs, value of security and other qualitative factors and is subject to the minimum provisioning norms specified by RBI.<br>Since the identification of NPAs and provisioning for advances require significant level of estimation and given its significance to the overall audit, we have ascertained identification and provisioning for NPAs as a key audit matter. | - Reading the accounts reported by the Bank and other banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress.<br>- Reading account statements and other related information of the borrowers selected based on quantitative and qualitative risk factors.<br>- Performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which need to be considered as NPA. Examining the early warning reports generated by the Bank to identify stressed loan accounts.<br>- Holding specific discussions with the management of the Bank on sectors where there is perceived credit risk and the steps taken to mitigate the risks to identified sectors.<br>With respect to provisioning of advances, we performed the following procedures:<br>- Gained an understanding of the Group's process for provisioning of advances.<br>- Tested on a sample basis the realizable value of assets provided as security against loans classified as non-performing for determining the provision.<br>- Tested on a sample basis the calculation performed by the management for compliance with RBI regulations and internally laid down policies for provisioning. |
| **Information Technology ("IT") Systems and controls** | |
| The reliability and security of IT systems plays a key role in the business operations of the Bank. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These systems also play a key role in the financial accounting and reporting process of the Bank.<br>Due to the pervasive nature and complexity of the IT environment we have ascertained IT systems and controls as a key audit matter. | - We included specialized IT auditors as part of the audit team for testing IT General Controls (logical access, change management and aspects of IT operations controls), application controls and IT dependent manual controls implemented by the Bank, and testing the information produced by the Bank.<br>- Tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting.<br>- Tested the Bank's periodic review of access rights. We inspected requests of changes to systems for approval and authorisation.<br>- Considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.<br>- Tested key application controls to evaluate their operating effectiveness.<br>- Where deficiencies were identified, we tested compensating controls or performed alternate procedures. |
| **Compliance with regulations impacting financial statements** | |
| The Bank operates in a highly regulated environment. In addition to the Banking Regulation Act, 1949, RBI provides directives and guidelines in the form of circulars from time to time.<br>Given the pervasive nature of the regulations, failure to comply with them could have a material financial impact on the operations of the Bank. | - Understood the relevant legal and regulatory framework within which the Bank operates and assessed the design and operation of its key controls over this framework.<br>- Assessed the compliance structure of the Bank with regard to adherences to various regulations. We understood the process followed by the Bank's compliance team to obtain and disseminate updates regarding new circulars/notifications/press releases.<br>- Reviewed the RBI Annual Financial Inspection report and other communication with regulators.<br>- Reviewed the minutes of meeting of board level committees, risk management committee, credit and NPA review committees and internal audit reports for any recorded instances of potential non-compliance, and maintained a high level of vigilance when carrying out our other audit procedures for indications of non-compliance.<br>- Enquired about penalties levied on the Bank for any assessed non-compliance with regulatory requirements. |

**Information Other than the Consolidated Financial Statements and Auditor's Report Thereon**

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Basel III - Pillar 3 disclosures but does not include the financial statements and our auditor's reports thereon which we obtained prior to the date of this auditor's report, and other elements of the Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether such other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other elements of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Those Charged with Governance.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

The Bank's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read Rule 7 of 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 are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; 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 consolidated 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.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are also responsible for overseeing the financial reporting process of the Group.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance of the Bank and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Matter**

(a) The accompanying consolidated financial statements include total assets of ₹ 859,807,539 (thousands) as at March 31, 2019, and total revenues and net cash inflows of ₹ 173,569,490 (thousands) and ₹ 15,823,037 (thousands) for the year ended on that date, in respect of 18 subsidiaries, which have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. The consolidated financial statements also include the Bank's share of net profit of ₹ 331,885 (thousands) for the year ended March 31, 2019, as considered in the consolidated financial statements, in respect of 1 associate, whose financial statements, other financial information have been audited by other auditors. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associates, is based solely on the reports of such other auditors.

(b) The accompanying consolidated financial statements also include the Bank's share of net profit of ₹ 12,548 (thousands) for the year ended March 31, 2019, as considered in the consolidated financial statements, in respect of 2 associates, whose financial statements, other financial information have not been audited and whose unaudited financial statements, other unaudited financial information have been furnished to us by the Management. Our opinion, in so far as it relates amounts and disclosures included in respect of these subsidiaries, and associates, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid associates, is based solely on such unaudited financial statement and other unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements and other financial information are not material to the Group.

(c) The auditors of 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, 2019 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, 2019 has been duly certified by the Appointed Actuary and in his opinion, the assumptions for such valuations are in accordance with the guidelines and norms issued by the IRDAI and the Institute of Actuaries of India in concurrence with the IRDAI. 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, 2019 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 for the year ended March 31, 2019 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 associate, as noted in the ‘other matter’ paragraph we report, to the extent applicable, that:

(a) We/the other auditors whose report 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 purposes of our audit of the aforesaid consolidated financial statements;

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid 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, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;

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

(e) On the basis of the written representations received from the directors of the Bank as on March 31, 2019 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 and of its subsidiary companies and associate companies, none of the directors of the Bank, its subsidiaries and associate companies is disqualified as on March 31, 2019 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 with reference to these consolidated financial statements of the Bank and its subsidiary companies, refer to our separate Report in “Annexure 1” to this report;

(g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Bank for the year ended March 31, 2019. However, the remuneration to whole-time directors of the Bank during the year ended March 31, 2019 has been paid by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act, 1949. Based on the consideration of reports of the statutory auditors of two subsidiaries, Kotak Mahindra Life Insurance Company Limited and Kotak Mahindra General Insurance Company Limited, the remuneration paid to their directors during the year ended March 31, 2019 was in accordance with the provision of section 197 of the Act, read with section 34A of the Insurance Act, 1938 and based on the consideration of reports of the statutory auditors of four subsidiaries, Kotak Securities Limited, Kotak Mahindra Trusteeship Services Limited, BSS Microfinance Limited and IVY Products Intermediaries Limited, the remuneration paid to their directors during the year ended March 31, 2019 was in accordance with the provision of section 197 of the Act. The other Indian subsidiaries and associates of the Bank are in the process of transitioning to Indian Accounting Standards in accordance with Companies (Indian Accounting Standards) Rules 2015 with effect from April 1, 2018 and have submitted audited/ unaudited special purpose financial statements prepared in accordance with Indian GAAP for the purpose of preparation of consolidated financial statements by the Bank. Accordingly, our reporting on the compliance of the provisions of section 197, read with Schedule V of the Act, for the year ended March 31, 2019 for the Group is based on the related information, to the extent available, from the statutory auditors of such subsidiaries and associates;

(h) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and associate, as noted in the ‘Other matter’ paragraph:

  i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group in its consolidated financial statements – Refer Schedule 12.1, 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 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;

  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 during the year ended March 31, 2019.

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

**per Viren H. Mehta**
Partner
Membership Number: 048749
Place: Mumbai
Date: 30 April 2019

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

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

To the Members of Kotak Mahindra Bank Limited

In conjunction with our audit of the consolidated financial statements of Kotak Mahindra Bank Limited as of and for the year ended March 31, 2019, 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, 2019, 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 1 associate company, 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, 2019. 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.

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, 2019 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.” 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: Mumbai
Date: 30 April 2019

# Consolidated Balance Sheet

as at 31st March, 2019

(₹ in thousands)

| | Schedule | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|---|
| **CAPITAL AND LIABILITIES** | | | |
| Capital | 1 | 14,543,774 | 9,528,243 |
| Reserves and Surplus | 2 | 568,253,545 | 495,332,422 |
| Minority Interest | 2A | - | - |
| Employees' Stock Options (Grants) Outstanding | | 20,728 | 21,680 |
| Deposits | 3 | 2,248,242,606 | 1,912,357,994 |
| Borrowings | 4 | 664,389,383 | 586,039,735 |
| Policyholders' Funds | | 274,178,120 | 224,253,361 |
| Other Liabilities and Provisions | 5 | 182,084,325 | 149,671,302 |
| **Total** | | **3,951,712,481** | **3,377,204,737** |
| **ASSETS** | | | |
| Cash and Balances with Reserve Bank of India | 6 | 109,109,235 | 89,335,019 |
| Balances with Banks and Money at Call and Short Notice | 7 | 203,535,378 | 154,671,304 |
| Investments | 8 | 1,034,870,206 | 909,766,020 |
| Advances | 9 | 2,434,619,939 | 2,059,973,244 |
| Fixed Assets | 10 | 18,837,090 | 17,498,290 |
| Other Assets | 11 | 142,603,103 | 138,030,254 |
| Goodwill on Consolidation | | 8,137,530 | 7,930,606 |
| **Total** | | **3,951,712,481** | **3,377,204,737** |
| Contingent Liabilities | 12 | 2,178,471,521 | 2,097,575,442 |
| Bills for Collection | | 318,522,336 | 242,553,119 |
| 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, 2019

For and on behalf of the Board of Directors

**Prakash Apte**
Chairman

**Uday Kotak**
Chief Executive Officer and Managing Director

**Dipak Gupta**
Joint Managing Director

**Uday Khanna**
Director

**Jaimin Bhatt**
President and Group Chief Financial Officer

**Bina Chandarana**
Company Secretary

# Consolidated Profit and Loss Account

for the year ended 31st March, 2019

(₹ in thousands)

| | | Schedule | For the year ended 31st March, 2019 | For the year ended 31st March, 2018 |
|---|---|---|---|---|
| **I.** | **INCOME** | | | |
| | Interest earned | 13 | 299,347,627 | 251,310,773 |
| | Other Income | 14 | 160,443,503 | 136,822,314 |
| | **Total** | | **459,791,130** | **388,133,087** |
| **II.** | **EXPENDITURE** | | | |
| | Interest expended | 15 | 151,866,056 | 124,668,478 |
| | Operating expenses | 16 | 191,714,249 | 161,634,936 |
| | Provisions and Contingencies (Refer Note 9 - Schedule 17) | | 45,013,854 | 40,358,318 |
| | **Total** | | **388,594,159** | **326,661,732** |
| **III.** | **PROFIT** | | | |
| | **Net Profit for the year** | | 71,196,971 | 61,471,355 |
| | Less: Share of Minority Interest | | - | 566,690 |
| | Add: Share in profit / (loss) of Associates | | 844,334 | 1,105,071 |
| | **Consolidated Profit for the year attributable to the Group** | | **72,041,305** | **62,009,736** |
| | Add : Balance in Profit and Loss Account brought forward from previous year | | 249,311,308 | 201,525,609 |
| | **Total** | | **321,352,613** | **263,535,345** |
| **IV.** | **APPROPRIATIONS** | | | |
| | Transfer to Statutory Reserve | | 12,163,400 | 10,210,800 |
| | Transfer to Special Reserve u/s 45 IC of RBI Act, 1934 | | 1,665,283 | 1,740,571 |
| | Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 | | 400,000 | 550,000 |
| | Transfer to Capital Redemption Reserve | | - | 85,000 |
| | Transfer to Capital Reserve | | 69,900 | 240,000 |
| | Transfer to General Reserve | | 17,500 | 17,500 |
| | Transfer to Fraud Provision | | 13,971 | - |
| | Transfer to Investment Reserve Account | | 310,622 | - |
| | Transfer to Investment Fluctuation Reserve Account | | 708,918 | - |
| | Dividend | | 1,602,824 | 1,142,141 |
| | Corporate Dividend Tax | | 329,784 | 238,025 |
| | Balance carried over to Balance Sheet | | 304,070,411 | 249,311,308 |
| | **Total** | | **321,352,613** | **263,535,345** |
| **V.** | **EARNINGS PER SHARE [Refer Note 12 - Schedule 17]** | | | |
| | Basic (₹) | | 37.78 | 32.70 |
| | Diluted (₹) | | 37.74 | 32.66 |
| | 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 S.R. Batliboi & Co. LLP**
Chartered Accountants
Firm Registration No. 301003E/E300005

**per Viren H. Mehta**
Partner
Membership No. 048749

Mumbai
30th April, 2019

For and on behalf of the Board of Directors

**Prakash Apte**
Chairman

**Uday Kotak**
Chief Executive Officer and Managing Director

**Dipak Gupta**
Joint Managing Director

**Uday Khanna**
Director

**Jaimin Bhatt**
President and Group Chief Financial Officer

**Bina Chandarana**
Company Secretary

# Consolidated Cash Flow Statement

for the year ended 31st March, 2019

(₹ in thousands)

| | For the year ended 31st March, 2019 | For the year ended 31st March, 2018 |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Net Profit for the year | 71,196,971 | 61,471,355 |
| Add: Provision for tax | 34,560,191 | 30,110,881 |
| **Net Profit before taxes** | **105,757,162** | **91,582,236** |
| **Adjustments for:-** | | |
| Employee Stock Options expense | 17,961 | 17,470 |
| Depreciation on Group's property | 4,584,215 | 3,834,314 |
| Amortisation of Premium on Investments | 2,767,131 | 2,976,319 |
| Diminution / (write back) in the value of investments | (221,386) | 2,088,886 |
| (Profit) / Loss on revaluation of investments (net) | (3,362,543) | 1,051,100 |
| Profit on sale of Investments (net) | (8,757,588) | (11,203,504) |
| Provision for Non Performing Assets, Standard Assets and Other Provisions | 10,675,049 | 8,158,551 |
| Profit on sale of fixed assets | (216,146) | (470,002) |
| | **111,243,855** | **98,035,370** |
| **Adjustments for :-** | | |
| (Increase) / Decrease in investments - Available for Sale, Held for Trading and Stock-in-Trade | (85,977,086) | (180,651,109) |
| (Increase) in Advances | (383,870,477) | (395,386,785) |
| (Increase) in Other Assets | (5,375,139) | (5,019,179) |
| Increase in Deposits | 335,884,612 | 356,958,010 |
| Increase in Policyholders' Funds | 49,924,759 | 36,324,593 |
| Increase in Other Liabilities and Provisions | 30,707,914 | 15,282,785 |
| | **(58,705,417)** | **(172,491,685)** |
| **Direct Taxes Paid (net of refunds)** | **(34,314,608)** | **(29,467,742)** |
| **NET CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES (A)** | **18,223,830** | **(103,924,057)** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Purchase of Fixed assets | (5,249,629) | (4,258,377) |
| Proceeds from sale of Fixed assets | 339,338 | 598,270 |
| Proceeds from buy back of Shares in Associates | - | 19,753 |
| Purchase consideration paid on acquisition of Subsidiary / Minority Interest | (206,924) | (14,113,271) |
| (Increase) in Other Investments | (28,708,380) | (38,328,845) |
| **NET CASH FLOW (USED IN) INVESTING ACTIVITIES (B)** | **(33,825,595)** | **(56,082,470)** |

# Consolidated Cash Flow Statement

for the year ended 31st March, 2019

(₹ in thousands)

| | For the year ended 31st March, 2019 | For the year ended 31st March, 2018 |
|---|---|---|
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Dividend paid including corporate dividend tax | (1,932,608) | (1,376,334) |
| Money received on issue of Equity Shares / exercise of stock options | 2,235,908 | 59,531,804 |
| Share issue expenses | (7,013) | (287,125) |
| Money received on issue of Perpetual Non Cumulative Preference Shares | 5,000,000 | - |
| Increase / (Decrease) in borrowings | 78,349,648 | 88,925,671 |
| **NET CASH FLOW FROM FINANCING ACTIVITIES (C)** | **83,645,935** | **146,794,016** |
| **Increase in Foreign Currency Translation Reserve (D) [Refer Note 2 (G) (viii) and (xii) - Schedule 17]** | 594,120 | 63,518 |
| **Net Cash and Cash Equivalent on Acquisition of Subsidiary (E)** | - | 1,269,826 |
| **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D + E)** | **68,638,290** | **(11,879,167)** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | 244,006,323 | 255,885,490 |
| **(Refer Note below)** | | |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 312,644,613 | 244,006,323 |
| **(Refer Note below)** | | |
| **Note:** | | |
| Balance with banks in India in Other Deposit Accounts (As per Schedule 7 I (i) (b)) | 52,509,250 | 36,924,541 |
| Balance with banks in India in Current Account (As per Schedule 7 I (i) (a)) | 3,236,037 | 3,706,813 |
| Money at call and short notice in India with Banks (As per Schedule 7 I (ii) (a)) | 48,751,995 | 57,637,535 |
| Money at call and short notice in India with Other Agencies (As per Schedule 7 I (ii) (b)) | 43,000,000 | 33,550,000 |
| Cash in hand (As per Schedule 6 I) | 12,545,048 | 12,299,782 |
| Balance with RBI in Current Account (As per Schedule 6 II) | 96,564,187 | 77,035,237 |
| Balance with banks Outside India: | | |
| (i) In Current Account (As per Schedule 7 II (i)) | 7,864,430 | 6,963,109 |
| (ii) In Other Deposit Accounts (As per Schedule 7 II (ii)) | 48,173,666 | 15,889,306 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | **312,644,613** | **244,006,323** |

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

**Prakash Apte**
Chairman

**Uday Kotak**
Chief Executive Officer and Managing Director

**per Viren H. Mehta**
Partner
Membership No. 048749

**Dipak Gupta**
Joint Managing Director

**Uday Khanna**
Director

Mumbai
30th April, 2019

**Jaimin Bhatt**
President and Group Chief Financial Officer

**Bina Chandarana**
Company Secretary

# Schedules

Forming part of Consolidated Balance Sheet as at 31st March, 2019

## SCHEDULE 1 - CAPITAL

(₹ in thousands)

| | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|
| **Authorised Capital** | | |
| 2800,000,000 Equity Shares of ₹ 5/- each (31st March, 2018: 3000,000,000 Equity Shares of ₹ 5/- each) | 14,000,000 | 15,000,000 |
| 1000,000,000 Perpetual Non Cumulative Preference Shares of ₹ 5/- each (31st March, 2018: Nil) | 5,000,000 | - |
| | 19,000,000 | 15,000,000 |
| **Issued, Subscribed and Paid-up Capital** | | |
| 1908,754,827 Equity Shares of ₹ 5/- each (31st March, 2018: 1905,648,506 Equity Shares of ₹ 5/- each) fully paid-up | 9,543,774 | 9,528,243 |
| 1000,000,000 Perpetual Non Cumulative Preference Shares of ₹ 5/- each (31st March, 2018: Nil) fully paid-up [Refer Note 3 - Schedule 17] | 5,000,000 | - |
| **Total** | **14,543,774** | **9,528,243** |

## SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)

| | | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|---|
| **I.** | **Statutory Reserve** | | |
| | Opening Balance | 55,094,383 | 44,883,583 |
| | Add: Transfer from Profit and Loss Account | 12,163,400 | 10,210,800 |
| | **Total** | **67,257,783** | **55,094,383** |
| **II.** | **Capital Reserve** | | |
| | Opening Balance | 2,063,986 | 1,823,986 |
| | Add: Transfer from Profit and Loss Account | 69,900 | 240,000 |
| | **Total** | **2,133,886** | **2,063,986** |
| **III.** | **General Reserve** | | |
| | Opening Balance | 6,523,437 | 6,505,937 |
| | Add: Transfer from Profit and Loss Account | 17,500 | 17,500 |
| | **Total** | **6,540,937** | **6,523,437** |
| **IV.** | **Securities Premium Account** | | |
| | Opening Balance | 163,168,753 | 104,233,363 |
| | Add: Received during the year | 2,239,290 | 59,222,515 |
| | Less: Utilised for Share Issue Expenses | 7,013 | 287,125 |
| | **Total** | **165,401,030** | **163,168,753** |
| **V.** | **Special Reserve under Section 45IC of the RBI Act, 1934** | | |
| | Opening Balance | 10,446,427 | 8,705,856 |
| | Add: Transfer from Profit and Loss Account | 1,665,283 | 1,740,571 |
| | **Total** | **12,111,710** | **10,446,427** |

(₹ in thousands)

| | | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|---|
| **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 | 1,380,111 | 1,316,593 |
| | Increase during the year | 594,120 | 63,518 |
| | **Total** | **1,974,231** | **1,380,111** |
| **VIII.** | **Investment Reserve Account** | | |
| | Opening Balance | - | - |
| | Add: Transfer from Profit and Loss Account | 310,622 | - |
| | **Total** | **310,622** | **-** |
| **IX.** | **Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961** | | |
| | Opening Balance | 4,542,000 | 3,992,000 |
| | Add: Transfer from Profit and Loss Account | 400,000 | 550,000 |
| | **Total** | **4,942,000** | **4,542,000** |
| **X** | **Investment Fluctuation Reserve** | | |
| | Opening Balance | - | - |
| | Add: Transfer from Profit and Loss Account | 708,918 | - |
| | **Total** | **708,918** | **-** |
| **XI.** | **Capital Redemption Reserve** | | |
| | Opening Balance | 101,800 | 16,800 |
| | Add: Transfer from Profit and Loss Account | - | 85,000 |
| | **Total** | **101,800** | **101,800** |
| **XII.** | **Amalgamation Reserve** | | |
| | Opening Balance | 1,224,046 | 1,224,046 |
| | **Total** | **1,224,046** | **1,224,046** |
| **XIII.** | **Investment Allowance (Utilised) Reserve** | | |
| | Opening Balance | 500 | 500 |
| | **Total** | **500** | **500** |
| **XIV.** | **Balance in the Profit and Loss Account** | 304,070,411 | 249,311,308 |
| | **Total (I to XIV)** | **568,253,545** | **495,332,422** |

## SCHEDULE 2A - MINORITY INTEREST

(₹ in thousands)

| | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|
| Minority Interest at the date on which parent subsidiary relationship came into existence | - | 396,700 |
| Subsequent (Decrease) / Increase | - | (396,700) |
| **Total** | **-** | **-** |

## SCHEDULE 3 - DEPOSITS

(₹ in thousands)

| | | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|---|
| **A. I.** | **Demand Deposits** | | |
| | i. From Banks | 3,685,256 | 4,031,444 |
| | ii. From Others | 379,107,522 | 313,070,671 |
| | **Total** | **382,792,778** | **317,102,115** |
| **II.** | **Savings Bank Deposits** | 796,847,139 | 655,292,031 |
| **III.** | **Term Deposits** | | |
| | i. From Banks | 630,768 | 13,446,945 |
| | ii. From Others | 1,067,971,921 | 926,516,903 |
| | **Total** | **1,068,602,689** | **939,963,848** |
| | **Total Deposits (I to III)** | **2,248,242,606** | **1,912,357,994** |
| **B. I.** | Deposits of Branches in India | 2,246,639,481 | 1,911,833,224 |
| **II.** | Deposits of Branches Outside India | 1,603,125 | 524,770 |
| | **Total Deposits (I + II)** | **2,248,242,606** | **1,912,357,994** |

## SCHEDULE 4 - BORROWINGS

(₹ in thousands)

| | | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|---|
| **I.** | **Borrowings in India** | | |
| | (i) Reserve Bank of India | 16,290,000 | 13,750,000 |
| | (ii) Other Banks | 190,147,507 | 152,452,935 |
| | (iii) Other Institutions and Agencies (Refer Note 14 - Schedule 17) | 341,953,934 | 334,967,758 |
| | **Total** | **548,391,441** | **501,170,693** |
| | | | |
| **II.** | **Borrowings outside India** | | |
| | Banks and Other Institutions (Refer Note 14 - Schedule 17) | 115,997,942 | 84,869,042 |
| | **Total** | **115,997,942** | **84,869,042** |
| | **Total Borrowings (I + II)** | **664,389,383** | **586,039,735** |
| | **Secured Borrowings included in I & II above** | **232,136,194** | **208,621,641** |

## SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in thousands)

| | | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|---|
| I. | Bills Payable | 18,481,653 | 14,851,284 |
| II. | Interest Accrued | 18,066,072 | 14,866,326 |
| III. | Provision for tax (net of advance tax and tax deducted at source) | 1,211,813 | 803,836 |
| IV. | Standard Asset provision | 10,363,819 | 9,081,853 |
| V. | Others (including provisions) (Refer Note 5, 8 and 23 - Schedule 17) | 133,960,968 | 110,068,003 |
| | **Total** | **182,084,325** | **149,671,302** |

## SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in thousands)

| | | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|---|
| I. | Cash in hand (including foreign currency notes) | 12,545,048 | 12,299,782 |
| II. | Balances with RBI in Current Account | 96,564,187 | 77,035,237 |
| | **Total** | **109,109,235** | **89,335,019** |

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

(₹ in thousands)

| | | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|---|
| **I.** | **In India** | | |
| | **(i) Balances with Banks [Refer Note 6 - Schedule 17]** | | |
| | (a) In Current Accounts | 3,236,037 | 3,706,813 |
| | (b) In Other Deposit Accounts | 52,509,250 | 36,924,541 |
| | **Total** | **55,745,287** | **40,631,354** |
| | **(ii) Money at Call and Short Notice** | | |
| | (a) With Banks | 48,751,995 | 57,637,535 |
| | (b) With Other Agencies | 43,000,000 | 33,550,000 |
| | **Total** | **91,751,995** | **91,187,535** |
| | **Total (i + ii)** | **147,497,282** | **131,818,889** |
| **II.** | **Outside India** | | |
| | (i) In Current Accounts | 7,864,430 | 6,963,109 |
| | (ii) In Other Deposit Accounts | 48,173,666 | 15,889,306 |
| | **Total (i + ii)** | **56,038,096** | **22,852,415** |
| **Total (I + II)** | | **203,535,378** | **154,671,304** |

## SCHEDULE 8 - INVESTMENTS

(₹ in thousands)

| | | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|---|
| **I.** | **Investments in India in [Refer Note 7 - Schedule 17]** | | |
| | i. Government Securities | 692,202,262 | 623,082,268 |
| | ii. Other approved Securities | - | - |
| | iii. Shares | 105,774,422 | 99,397,863 |
| | iv. Debentures and Bonds | 155,953,680 | 116,292,690 |
| | v. Associates * | 10,921,720 | 10,077,386 |
| | vi. Others [Units, Certificate of Deposits, Commercial Paper (CP), Security Receipts, Pass Through Certificates (PTC), Alternate Asset and Other similar funds] | 66,970,143 | 57,285,870 |
| | **Total** | **1,031,822,227** | **906,136,077** |
| **II.** | **Investments Outside India in** | | |
| | i. Government Securities | 1,705,969 | 1,296,929 |
| | ii. Shares | 16,523 | 16,533 |
| | iii. Debentures and Bonds | 693,882 | 1,306,304 |
| | iv. Others [Venture, Private Equity and other similar funds] | 631,605 | 1,010,177 |
| | **Total** | **3,047,979** | **3,629,943** |
| | **Total Investments (I + II)** | **1,034,870,206** | **909,766,020** |

(₹ in thousands)

| | | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|---|
| * | **Investment in Associates** | | |
| | Equity Investment in Associates | 1,490,269 | 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** | **1,498,214** |
| | Add: Post-acquisition profit / (loss) and Reserve of Associates (Equity method) | 9,423,506 | 8,579,172 |
| | **Total** | **10,921,720** | **10,077,386** |

## SCHEDULE 9 - ADVANCES

(₹ in thousands)

| | | | | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|---|---|---|
| **A.** | (i) | Bills purchased and discounted # | | 91,420,925 | 71,057,817 |
| | (ii) | Cash Credits, Overdrafts and Loans repayable on demand | | 593,575,229 | 502,766,238 |
| | (iii) | Term Loans | | 1,749,623,785 | 1,486,149,189 |
| | **Total** | | | **2,434,619,939** | **2,059,973,244** |
| | # Bills purchased and discounted is net of bills rediscounted ₹ 491.21 crore (previous year ₹ 1,482.66 crore) | | | | |
| **B.** | (i) | Secured by tangible assets * | | 1,881,549,435 | 1,619,929,055 |
| | (ii) | Covered by Bank / Government guarantees | | 20,844,952 | 19,352,191 |
| | (Iii) | Unsecured | | 532,225,552 | 420,691,998 |
| | **Total** | | | **2,434,619,939** | **2,059,973,244** |
| | ** including advances secured against book debts* | | | | |
| **C. I** | **Advances in India** | | | | |
| | (i) | Priority Sector | | 722,728,549 | 592,840,670 |
| | (ii) | Public Sector | | 11,687,525 | 21,786,687 |
| | (iii) | Banks | | 66 | 482,031 |
| | (iv) | Others | | 1,658,779,560 | 1,417,533,027 |
| **II** | **Advances outside India** | | | | |
| | (i) | Due from banks | | - | - |
| | (ii) | Due from others | | | |
| | | a) | Bills purchased and discounted | - | - |
| | | b) | Syndicated and term loans | 41,423,367 | 27,330,829 |
| | | c) | Others | 872 | - |
| | **Total** | | | **2,434,619,939** | **2,059,973,244** |

## SCHEDULE 10 - FIXED ASSETS

(₹ in thousands)

| | | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|---|
| **A.** | **Premises (Including Land)** | | |
| | **Gross Block** | | |
| | At cost on 31st March of the preceding year | 11,596,466 | 11,657,512 |
| | Additions during the year | 135,794 | 724 |
| | Deductions during the year | 65,483 | 61,770 |
| | **Total** | **11,666,777** | **11,596,466** |
| | **Depreciation** | | |
| | As at 31st March of the preceding year | 1,725,715 | 1,557,096 |
| | Add: Charge for the year | 193,488 | 192,439 |
| | Deductions during the year | 20,889 | 23,820 |
| | **Depreciation to date** | **1,898,314** | **1,725,715** |
| | **Net Block** | **9,768,463** | **9,870,751** |
| **B.** | **Other Fixed Assets (including furniture and fixtures)** | | |
| | **Gross Block** | | |
| | At cost on 31st March of the preceding year | 31,199,439 | 30,168,904 |
| | Additions during the year (including on acquisition) | 5,910,413 | 3,908,127 |
| | Deductions during the year | 6,353,641 | 2,877,592 |
| | **Total** | **30,756,211** | **31,199,439** |
| | **Depreciation** | | |
| | As at 31st March of the preceding year | 23,728,884 | 22,874,283 |
| | Add: Charge for the year | 4,390,727 | 3,641,875 |
| | Deductions during the year | 6,275,043 | 2,787,274 |
| | **Depreciation to date** | **21,844,568** | **23,728,884** |
| | **Net Block (Refer Note 24 - Schedule 17)** | **8,911,643** | **7,470,555** |
| **C.** | **Leased Fixed Assets** | | |
| | **Gross Block** | | |
| | At cost on 31st 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 31st 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)** | | **18,837,090** | **17,498,290** |

## SCHEDULE 11 - OTHER ASSETS

(₹ in thousands)

| | | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|---|
| I. | Interest accrued | 32,619,296 | 28,673,945 |
| II. | Advance tax (net of provision for tax) | 248,773 | 197,455 |
| III. | Stationery and stamps | 17,632 | 18,988 |
| IV. | Cheques in course of collection | - | 241,428 |
| V. | Non Banking assets acquired in satisfaction of claims | - | 67,824 |
| VI. | Others (Refer Note 5 and 23 - Schedule 17) | 109,717,402 | 108,830,614 |
| | **Total** | **142,603,103** | **138,030,254** |

## SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in thousands)

| | | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|---|
| I. | Claims not acknowledged as debts | 19,567,389 | 17,500,473 |
| II. | Liability on account of outstanding forward exchange contracts | 1,200,719,737 | 1,241,775,855 |
| III. | Guarantees on behalf of constituents | | |
| | i) In India | 267,992,053 | 274,243,491 |
| | ii) Outside India | 102,414 | 99,965 |
| IV. | Acceptances, Endorsements and Other Obligations | 167,730,488 | 135,250,530 |
| V. | Other items for which the Group is contingently liable: | | |
| | Liability in respect of interest rate, currency swaps and forward rate agreements | 405,612,228 | 362,285,015 |
| | Liability in respect of other derivative contracts | 96,620,268 | 59,505,355 |
| | Capital commitments not provided | 18,280,212 | 5,256,816 |
| | Unclaimed customer balances* | 1,846,732 | 1,657,942 |
| | **Total** | **2,178,471,521** | **2,097,575,442** |

* *includes amount transferred to RBI DEAF Scheme and IRDAI SCWF*

## SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)

| | | For the year ended 31st March, 2019 | For the year ended 31st March, 2018 |
|---|---|---|---|
| I. | Interest / discount on advances / bills | 222,662,736 | 183,808,599 |
| II. | Income from investments | 64,438,098 | 52,582,520 |
| III. | Interest on balances with RBI and other inter-bank funds | 7,351,727 | 9,667,997 |
| IV. | Others | 4,895,066 | 5,251,657 |
| | **Total** | **299,347,627** | **251,310,773** |

## SCHEDULE 14 - OTHER INCOME

(₹ in thousands)

| | | For the year ended 31st March, 2019 | For the year ended 31st March, 2018 |
|---|---|---|---|
| I. | Commission, exchange and brokerage | 53,945,269 | 46,723,615 |
| II. | Profit on sale of Investments (net) | 8,757,588 | 11,203,504 |
| III. | Profit / (Loss) on revaluation of investments of Insurance business | 3,362,543 | (1,051,100) |
| IV. | Profit on sale of building and other assets (net) | 216,146 | 470,002 |
| V. | Profit on exchange on transactions (net) (including derivatives) | 7,639,891 | 8,207,087 |
| VI. | Premium on Insurance business | 83,091,916 | 66,670,762 |
| VII. | Profit on recoveries of non-performing assets acquired | 1,796,826 | 2,131,131 |
| VIII. | Miscellaneous Income | 1,633,324 | 2,467,313 |
| | **Total** | **160,443,503** | **136,822,314** |

## SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)

| | | For the year ended 31st March, 2019 | For the year ended 31st March, 2018 |
|---|---|---|---|
| I. | Interest on Deposits | 109,636,733 | 88,492,271 |
| II. | Interest on RBI / Inter-Bank Borrowings | 17,659,445 | 13,822,038 |
| III. | Others (Refer Note 15 - Schedule 17) | 24,569,878 | 22,354,169 |
| | **Total** | **151,866,056** | **124,668,478** |

## SCHEDULE 16 - OPERATING EXPENSES

(₹ in thousands)

| | | For the year ended 31st March, 2019 | For the year ended 31st March, 2018 |
|---|---|---|---|
| I. | Payments to and provision for employees (Refer Note 5 and 13 - Schedule 17) | 48,509,041 | 43,808,981 |
| II. | Rent, taxes and lighting (Refer Note 18 - Schedule 17) | 7,113,274 | 6,475,686 |
| III. | Printing and Stationery | 1,275,941 | 1,201,743 |
| IV. | Advertisement, Publicity and Promotion | 3,401,404 | 2,940,964 |
| V. | Depreciation on Group's property | 4,584,215 | 3,834,314 |
| VI. | Directors' fees, allowances and expenses | 42,140 | 35,098 |
| VII. | Auditors' fees and expenses * | | |
| | Statutory Audit fees | 87,138 | 70,046 |
| | Other Matters | 12,272 | 10,134 |
| VIII. | Law Charges | 564,128 | 412,195 |
| IX. | Postage, telephones etc. | 2,245,227 | 1,919,786 |
| X. | Repairs and maintenance | 5,111,666 | 4,841,488 |
| XI. | Insurance | 2,016,222 | 1,633,062 |
| XII. | Travel and Conveyance | 1,719,652 | 1,619,884 |
| XIII. | Professional Charges | 8,639,624 | 7,823,915 |
| XIV. | Brokerage | 8,287,478 | 7,538,670 |
| XV. | Stamping Expenses | 1,411,715 | 1,165,465 |
| XVI. | Policyholders' Reserves | 50,817,337 | 36,801,151 |
| XVII. | Insurance Business Expenses (claims and benefits paid) | 30,692,111 | 28,530,573 |
| XVIII. | Other Expenditure | 15,183,664 | 10,971,781 |
| | **Total** | **191,714,249** | **161,634,936** |

* *The audit fees is aggregate of statutory audit fees of Kotak Mahindra Bank Limited and its subsidiaries. Of the above ₹ 2.65 crore (previous year ₹ 2.31 crore) have been paid to the statutory auditors of the Bank.*

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

**1. GENERAL:**

**OVERVIEW**

Kotak Mahindra Bank Limited (the Bank or KMBL), together with its subsidiaries (collectively, 'the Group'), is a diversified financial services group providing a wide range of banking and financial services including Retail Banking, Treasury and Corporate Banking, Investment Banking, Stock Broking, Vehicle Finance, Advisory services, Asset Management, Life Insurance and General Insurance. The Bank set up and commenced operations in May 2016, at its International Financial Services Center Banking Unit (IBU) in Gujarat International Finance Tec (GIFT) City, Gujarat.

**BASIS OF CONSOLIDATION**

The consolidated financial statements of 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 provisions of the Companies Act, 2013 as amended from time to time. 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, 2019.

**a.** The list of subsidiaries are as under:

| Name of the Subsidiary | Country of Origin | % Shareholding of Group (31st March, 2019) | % Shareholding of Group (31st March, 2018) |
|---|---|---|---|
| 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 | India | 100.00 | 100.00 |
| 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 | India | 100.00 | 100.00 |

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

| Name of the Associate | Country of Origin | % Shareholding of Group (31st March, 2019) | % Shareholding of Group (31st March, 2018) |
|---|---|---|---|
| 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.*

\# *The Group has sold its entire stake in Matrix Business Services India Private Limited on 26th April, 2019 and accordingly it has ceased to be an associate of the Group from that date.*

## 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 except derivatives. 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 the 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 recognised as expense under 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. 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 and Advisory Services:**

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 fees (net of indirect tax) 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. Advisory fees (net of indirect tax) is recognised on accrual basis as per the terms of contract.

iii. Portfolio advisory service fees are recognised (net of indirect tax) on accrual basis in accordance with the terms of agreement.

iv. Income on account of distribution from venture capital funds / Alternate investment fund is recognised on the receipt of the distribution letter or when right to receive is established.

**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 and 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 |
| 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 five of its subsidiaries (Previous Year: four 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 are 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. Market value of units of mutual funds is based on 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. Such investments are required to be transferred to AFS thereafter;
- 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 provision is made thereon based on 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 input tax 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 basis.

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. In case of Infrastructure Investment Trusts (InvIT), where market quote is not available for the last 30 days, the Units shall be valued as per the latest NAV (not more than 6 months old) of the Units published by the trust. 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 latest NAV of the funds in which they are invested. Investments in Alternative Investment Funds are valued at the latest 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 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 forming part of "Reserves and Surplus". Impairment loss, if any, exceeding revaluation reserve is recognised as expenses in the Profit and Loss Account.

Unlisted units of REIT awaiting listing are stated at historical cost subject to provision for diminution, if any. Investment in units of REIT are valued at market value (last Quoted price should not be later than 30 days). Where Market Quote is not available for the last 30 days, the units shall be valued as per the latest NAV (not more than 6 months old) of the units published by the trust.

**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 / Triparty Repo 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 is accounted for under fair value change account and is 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:**

Investments, other than stock-in-trade are classified into long term investments and current investments in accordance with Accounting Standard 13 (AS-13) "Accounting for 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 classified 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 determined by the 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.

**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 (other than deposit and placement swaps) and spot foreign exchange 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 forward profits or losses on the forward contracts are discounted using discount rates and 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 letters of credit, bank guarantees and acceptances and endorsements outstanding as at the Balance Sheet date denominated in foreign currencies and other foreign exchange contracts 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. 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 / income of the underlying liability / asset. The foreign currency balances on account of notional 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 remaining uncollected 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, individual housing loan and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances and MSME borrowers registered under GST who have been granted relief from NPA recognition at 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 made for overseas step down subsidiaries of Indian corporates. Standard provision is also done at higher than the prescribed rates in respect of advances to stressed sectors as per the framework approved by Board of Directors. In case of frauds, the Bank makes provision for amounts it is liable for in accordance with the guidelines provided by RBI.

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 generally 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 freelook cancellation is held to meet any premium refunds from policy freelook 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, less unexpired discount. 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: |
| | (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. |

| Segment | Principal activity |
|---|---|
| Corporate / Wholesale Banking | Wholesale borrowings and lendings and other related services to the corporate sector which are not included in Retail Banking. |
| Vehicle Financing | Retail vehicle finance and wholesale trade finance to auto dealers. |
| Other Lending Activities | Financing against securities, securitisation and other loans / services not included under Retail Banking and Corporate / Wholesale Banking. |
| Broking | Brokerage income on market transactions done on behalf of clients, interest on delayed payments, distribution of financial products and forex broking. |
| Advisory and Transactional Services | Providing financial advisory and transactional services such as mergers and acquisition advice and equity / debt issue management services. |
| 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 in "Payment to and provision for employee", 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 death benefit, maturity, surrenders, survival benefits, discontinuance and other policy related claims and and change in the outstanding provision for claims at the year end. Claims by death and Surrender 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. With effect from October 22, 2018, no scheme expenses are to be borne by the Group.

**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 has allotted 8.10% Perpetual Non-Convertible Preference Shares (PNCPS) on 2nd August, 2018 to eligible investors at an issue price of ₹ 5 per PNCPS aggregating to ₹ 500 crore, resulting in increase in paid-up capital of the Bank.

**4. ACQUISITION**

During the year, the Group has paid ₹ 20.69 crore contingent consideration to erstwhile shareholders of BSS Microfinance Limited on fulfilment of conditions agreed at the time of acquisition. The same has been accounted as Goodwill.

**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 | ₹ 160.52 crore (Previous Year ₹ 141.84 crore) |
| Superannuation Fund | ₹ 1.86 crore (Previous Year ₹ 2.14 crore) |
| New Pension Fund | ₹ 6.08 crore (Previous Year ₹ 5.22 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. There is no ceiling on gratuity payable to directors and certain categories of employees subject to service regulations and service awards.

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

(₹ in crore)

| | As on 31st March, 2019 | | As on 31st March, 2018 | |
|---|---|---|---|---|
| | Funded | Unfunded | Funded | Unfunded |
| **Change in benefit obligations** | | | | |
| Liability as at the beginning of the year | 434.10 | 16.02 | 327.61 | 8.23 |
| Transfer from Unfunded to Funded | 2.95 | (2.95) | - | - |
| Current Service cost | 46.73 | 1.65 | 40.39 | 1.32 |
| Interest cost | 33.92 | 1.06 | 25.19 | 0.72 |
| Actuarial (gain) / loss on obligations | 31.56 | 1.24 | 6.72 | 1.77 |
| Past Service cost | - | - | 90.00 | 3.06 |
| Liabilities assumed on acquisition / (settled on divestiture) | (0.15) | 0.19 | (0.02) | 2.45 |
| Benefits paid | (75.66) | (1.55) | (55.79) | (1.53) |
| **Liability as at the end of the year** | **473.45** | **15.66** | **434.10** | **16.02** |
| **Change in plan assets** | | | | |
| Fair value of plan assets as at the beginning of the year | 342.00 | - | 344.32 | - |
| Expected return on plan assets | 27.80 | - | 26.42 | - |
| Actuarial Gain / (loss) | 11.25 | - | (0.90) | - |
| Benefits paid | (75.66) | (1.55) | (55.79) | (1.53) |
| Employer contributions | 165.02 | 1.55 | 27.95 | 1.53 |
| **Fair value of plan assets as at the end of the year** | **470.41** | **-** | **342.00** | **-** |

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

(₹ in crore)

| | As on 31st March, 2019 | | As on 31st March, 2018 | |
|---|---|---|---|---|
| | Funded | Unfunded | Funded | Unfunded |
| Fair value of plan assets as at the end of the year | 470.41 | - | 342.00 | - |
| Liability at the end of the year | 473.45 | 15.66 | 434.10 | 16.02 |
| **Net Asset / (Liabilities) included in "Others" under "Other Assets" or "Other Liabilities"** | **(3.04)** | **(15.66)** | **(92.10)** | **(16.02)** |
| **Expenses recognised for the year** | | | | |
| Current service cost | 46.73 | 1.65 | 40.39 | 1.32 |
| Interest cost | 33.92 | 1.06 | 25.19 | 0.72 |
| Expected return on plan assets | (27.80) | - | (26.42) | - |
| Actuarial (gain) / loss<br>Past Service Cost | 20.31<br>- | 1.24<br>- | 7.62<br>90.00 | 1.77<br>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]** | **73.16** | **3.95** | **136.78** | **6.87** |
| **Actual return on plan assets** | **39.05** | **-** | **25.52** | **-** |

**Reconciliation of the Liability recognised in the Balance Sheet**

(₹ in crore)

| | As on 31st March, 2019 | | As on 31st March, 2018 | |
|---|---|---|---|---|
| | Funded | Unfunded | Funded | Unfunded |
| Net (Asset) / Liability as at the beginning of the year | 92.10 | 16.02 | (16.71) | 8.23 |
| Transfer from Unfunded to Funded | 2.95 | (2.95) | - | - |
| Expense recognized | 73.16 | 3.95 | 136.78 | 6.87 |
| Liabilities assumed on acquisition / (settled on divestiture) | (0.15) | 0.19 | (0.02) | 2.45 |
| Employer contributions | (165.02) | (1.55) | (27.95) | (1.53) |
| Effect of the limit in Para 59(b) | - | - | - | - |
| **Net (Asset) / Liability included in "Others" under "Other Assets" or "Other Liabilities"** | **3.04** | **15.66** | **92.10** | **16.02** |

**Investment details of plan assets**

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

| | As on 31st March, 2019 % | As on 31st March, 2018 % |
|---|---|---|
| LIC managed funds# | 9.37 | 22.14 |
| Government securities | 28.27 | 35.12 |
| Bonds, debentures and other fixed income instruments | 20.78 | 14.19 |
| Money market instruments | 3.61 | 1.75 |
| Equity shares and other current assets | 37.97 | 26.80 |
| **Total** | **100.00** | **100.00** |

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

**Actuarial assumptions used**

| | As on 31st March, 2019 | As on 31st March, 2018 |
|---|---|---|
| Discount rate | 6.95 - 7.64% p.a. | 7.35 - 7.90% p.a. |
| Salary escalation rate | 5.50% (IBA) and 7.00-8.00% (others) p.a. | 5.50% (IBA) and 7.00-9.00% (others) p.a. |
| Expected rate of return on plan assets | 6.95 - 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,** | | | | |
|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** |
| Defined benefit obligation | 489.11 | 450.12 | 335.84 | 328.14 | 131.50 |
| Plan assets | 470.41 | 342.00 | 344.32 | 295.10 | 120.56 |
| Surplus / (Deficit) | (18.70) | (108.12) | 8.48 | (33.04) | (10.94) |
| Experience adjustments on plan liabilities | 20.25 | 13.28 | 4.18 | 42.28 | 4.25 |
| Experience adjustments on plan assets | 11.25 | (0.90) | 14.74 | (8.14) | 20.30 |

The Group expects to contribute ₹ 67.27 crores to gratuity fund in financial year 2019-20.

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

**Pension**
Pension liability relates to employees of eIVBL.

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

(₹ in crore)

| | As on 31st March, 2019 | As on 31st March, 2018 |
|---|---|---|
| | Funded | Funded |
| **Change in benefit obligations** | | |
| Liability as at the beginning of the year | 1,057.85 | 950.14 |
| Current Service cost | 35.13 | 29.19 |
| Interest cost | 74.82 | 67.99 |
| Actuarial (gain) / loss on obligations | 145.66 | 147.03 |
| Past Service cost | - | - |
| Benefits paid | (157.12) | (136.50) |
| **Liability as at the end of the year** | **1,156.34** | **1,057.85** |
| **Change in plan assets** | | |
| Fair value of plan assets as at the beginning of the year | 1,063.69 | 924.91 |
| Expected return on plan assets | 88.91 | 79.54 |
| Actuarial Gain / (loss) | (6.46) | (0.72) |
| Benefits paid | (157.12) | (136.50) |
| Employer contributions | 170.14 | 196.46 |
| **Fair value of plan assets as at the end of the year** | **1,159.16** | **1,063.69** |

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

(₹ in crore)

| | As on 31st March, 2019 | As on 31st March, 2018 |
|---|---|---|
| | Funded | Funded |
| Fair value of plan assets at the end of the year | 1,159.16 | 1,063.69 |
| Liability at the end of the year | 1,156.33 | 1,057.85 |
| **Net Asset/ (Liability) included in "Others" under "Other Assets" or "Other Liabilities"** | **2.83** | **5.84** |
| **Expenses recognised for the year** | | |
| Current service cost | 35.13 | 29.19 |
| Interest cost | 74.82 | 67.99 |
| Expected return on plan assets | (88.91) | (79.54) |
| Actuarial (gain) / loss | 152.11 | 147.75 |
| 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]** | **173.15** | **165.39** |
| **Actual return on plan assets** | **82.45** | **78.82** |

**Reconciliation of the Liability recognised in the Balance Sheet**

(₹ in crore)

| | As on 31st March, 2019 Funded | As on 31st March, 2018 Funded |
|---|---|---|
| Net (Asset) / Liability at the beginning of the year | (5.84) | 25.23 |
| Expense recognised | 173.15 | 165.39 |
| Employer contributions | (170.14) | (196.46) |
| Effect of the limit in Para 59(b) | - | - |
| **Net (Asset)/ Liability included in "Others" under "Other Assets" or "Other Liabilities"** | **(2.83)** | **(5.84)** |

**Investment details of plan assets**

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

**Actuarial assumptions used**

| | As on 31st March, 2019 | As on 31st March, 2018 |
|---|---|---|
| Discount rate | 7.64% p.a. | 7.71% 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. | 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 year and previous year are as follows:

(₹ in crore)

| **Pension** | Year ended 31st March, 2019 | Year ended 31st March, 2018 | Year ended 31st March, 2017 | Year ended 31st March, 2016 |
|---|---|---|---|---|
| Defined benefit obligation | 1,156.33 | 1,057.85 | 950.14 | 782.02 |
| Plan assets | 1,159.16 | 1,063.69 | 924.91 | 747.24 |
| Surplus / (deficit) | 2.83 | 5.84 | (25.23) | (34.78) |
| Experience adjustments on plan liabilities | 102.64 | 208.24 | 178.79 | 344.62 |
| Experience adjustments on plan assets | (6.46) | (0.72) | (7.02) | (15.35) |

The pension liability was assumed on eIVBL amalgamation with the Bank effective 1st April, 2015 and hence the data from the date of amalgamation has been provided.

The Bank expects to contribute ₹ 8.01 crore to pension fund in financial year 2019-2020.

**Compensated Absences**

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

(₹ in crore)

| | As on 31st March, 2019 | As on 31st March, 2018 |
|---|---|---|
| Total actuarial liability | 234.05 | 211.57 |
| **Assumptions:** | | |
| Discount rate | 6.95% - 7.64% p.a. | 7.35% - 7.90% p.a. |
| Salary escalation rate | 5.5% (IBA) and 7.00%-8.00% (others) p.a. | 5.5% (IBA) and 7.00%-9.00% (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 31st March, 2019 | As on 31st March, 2018 |
|---|---|---|
| Total actuarial liability | 14.82 | 13.02 |
| **Assumptions:** | | |
| Discount rate | 7.15-7.64% p.a. | 7.71%-7.90% p.a. |

6. **DEPOSIT UNDER LIEN:**
Balance with Banks in other deposit accounts include ₹ 3,476.35 crore (previous year ₹ 3,133.02 crore) which are under lien.

7. **SECURITIES PLEDGED AND ENCUMBERED:**
(a) Investments include Government Securities with face value of ₹ 7,684.71 crore (previous year ₹ 3,246.48 crore) pledged and encumbered for availment of fund transfer facility, clearing facility, margin requirements and with RBI for liquidity adjustment facility (LAF).

(b) Stock-in-Trade pledged with National Securities Clearing Corporation Limited towards Exposure in Derivatives Segment as on 31st March, 2019 ₹ 726.31 crore (previous year ₹ 544.52 crore).

8. "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, 2018 | Addition during the year | Reversed/ paid during the year | Balance as on 31st March, 2019 |
|---|---|---|---|---|
| Customer claims with respect to repossessed vehicles | 0.17 | - | 0.07 | 0.10 |
| **Total** | **0.17** | **-** | **0.07** | **0.10** |
| Previous year | 3.43 | - | 3.26 | 0.17 |

## 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, | 2019 | 2018 |
|---|---|---|
| Provision for taxation (Refer Note 10 below) | 3,456.02 | 3,011.09 |
| Provision for Non-performing Assets and Contingencies (including write-offs and net of recoveries) | 922.38 | 667.21 |
| Provision for Standard Assets | 122.45 | 148.32 |
| Provision for Unhedged Foreign Currency Exposure | 6.17 | (0.30) |
| Provision for Diminution in value of Investments | (22.14) | 208.89 |
| Provision Others | 16.51 | 0.62 |
| **Total** | **4,501.39** | **4,035.83** |

## 10. PROVISION MADE FOR TAXES DURING THE YEAR:

(₹ in crore)

| Year ended 31st March, | 2019 | 2018 |
|---|---|---|
| Current tax | 3,467.14 | 2,985.64 |
| Deferred tax | (11.12) | 25.45 |
| **Total** | 3,456.02 | 3,011.09 |

## 11. DESCRIPTION OF CONTINGENT LIABILITIES:

| Sr. No. | Contingent Liability* | Brief Description |
|---|---|---|
| 1. | Claims not acknowledged as debts | This includes liability on account of income tax, sales tax, lease tax demands, property tax demands and legal cases filed against the Group.<br>The Group is a party to various legal proceedings in the normal course of business. The Group does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, result of operations or cash flows. In respect of appeals filed by the Income Tax department with higher authorities, where the matter was settled in favour of the Group at the first appellate stage, and where in view of the Management, it gives rise to an item of timing difference, no contingent liability is envisaged by the Group. |
| 2. | Liability on account of outstanding forward exchange contracts | The Group enters into foreign exchange contracts with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. |
| 3. | Guarantees on behalf of constituents in and outside India | Primarily as part of its banking activities, the Group issues guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Group will make payments in the event of customer failing to fulfill its financial or performance obligations. |
| 4. | Acceptances, endorsements and other obligations | These include:<br>• Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Group<br>• Bills re-discounted by the Group and cash collateral provided by the Group on assets which have been securitised.<br>• Underwriting commitments in respect of Debt Syndication |

| Sr. No. | Contingent Liability* | Brief Description |
|---|---|---|
| 5. | Other items for which the Group is contingently liable | These include:<br>• 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.<br>• Liability in respect of capital commitments relating to fixed assets and undrawn commitments in respect of investments.<br>• 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*

With regard to a recent Supreme Court judgement on PF there are various interpretative issues including applicability. The Group has based on a legal opinion taken the view that the judgement will be applicable from March 2019.

**12. EARNINGS PER EQUITY SHARE:**

| Particulars | As on 31st March, 2019 | As on 31st March, 2018 |
|---|---:|---:|
| **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 | 1,906,844,174 | 1,896,049,700 |
| Effect of potential equity shares for stock options outstanding | 2,263,269 | 2,572,354 |
| Weighted average number of equity shares used in computation of diluted earnings per share | 1,909,107,443 | 1,898,622,054 |
| Following is the reconciliation between basic and diluted earnings per share: | | |
| Nominal value per share (₹) | 5.00 | 5.00 |
| Basic earnings per share (₹) | 37.78 | 32.70 |
| Effect of potential equity shares for stock options (₹) | 0.04 | 0.04 |
| Diluted earnings per share (₹) | 37.74 | 32.66 |
| Earnings used in the computation of basic and diluted earnings per share (₹ in crore) | 7,204.13 | 6,200.97 |

**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:

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

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

(c) Kotak Mahindra Equity Option Scheme 2005;

(d) Kotak Mahindra Equity Option Scheme 2007; and

(e) Kotak Mahindra Equity Option Scheme 2015

Further, pursuant to the Scheme of Amalgamation of ING Vysya Bank 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 152,525,793 options (including options issued in exchange on amalgamation) as on 31st March, 2019 (Previous year 148,401,294).

In aggregate 10,046,188 options are outstanding as on 31st March, 2019 (Previous year 9,475,005) under the aforesaid schemes.

**Equity-settled options**

The Bank has granted options to employees of the Group vide various employee stock option schemes. During the year ended 31st March, 2019, the following schemes were in operation:

| | Plan 2007 | Plan 2015 |
|---|---|---|
| Date of grant | Various Dates | Various Dates |
| Date of Board Approval | Various Dates | Various Dates |
| Date of Shareholder's approval | 5th July, 2007 as amended on 21st August, 2007 | 29th June, 2015 |
| Number of options granted | 68,873,000 | 12,212,139 |
| 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 | 0.21 – 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 31st March, 2019 | | Year ended 31st March, 2018 | |
|---|---|---|---|---|
| | Number of Shares | Weighted Average Exercise Price (₹) | Number of Shares | Weighted Average Exercise Price (₹) |
| Outstanding at the beginning of the year | 1,320,788 | 614.14 | 3,228,236 | 572.03 |
| Granted during the year | - | - | - | - |
| Forfeited during the year | 35,880 | 665.00 | 149,740 | 640.29 |
| Exercised during the year | 947,069 | 595.88 | 1,741,978 | 533.47 |
| Expired during the year | 8,153 | 657.12 | 15,730 | 657.33 |
| Outstanding at the end of the year | 329,686 | 660.00 | 1,320,788 | 614.14 |
| Out of the above exercisable at the end of the year | 329,686 | 660.00 | 231,244 | 396.02 |
| Weighted average remaining contractual life (in years) | | 0.24 | | 0.87 |
| Weighted average fair value of options granted | | - | | - |

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

| | Year ended 31st March, 2019 | | Year ended 31st March, 2018 | |
|---|---|---|---|---|
| | Number of Shares | Weighted Average Exercise Price (₹) | Number of Shares | Weighted Average Exercise Price (₹) |
| Outstanding at the beginning of the year | 6,873,434 | 855.14 | 3,778,230 | 721.10 |
| Granted during the year | 4,124,499 | 1,265.43 | 4,191,170 | 952.24 |
| Forfeited during the year | 379,029 | 955.68 | 453,894 | 849.09 |
| Exercised during the year | 1,873,709 | 847.35 | 631,975 | 704.46 |
| Expired during the year | 23,933 | 867.88 | 10,097 | 710.00 |
| Outstanding at the end of the year | 8,721,262 | 1,046.44 | 6,873,434 | 855.14 |
| Out of the above exercisable at the end of the year | 49,513 | 901.99 | 103,630 | 710.00 |
| Weighted average remaining contractual life (in years) | | 1.69 | | 1.94 |
| Weighted average fair value of options granted during the year | | 350.19 | | 232.34 |

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

| | Year ended 31st March, 2019 | | Year ended 31st March, 2018 | |
|---|---|---|---|---|
| | Number of Shares | Weighted Average Exercise Price (₹) | Number of Shares | Weighted Average Exercise Price (₹) |
| Outstanding at the beginning of the year | 150,802 | 416.00 | 156,022 | 408.82 |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | - | - | 5,220 | 201.50 |
| Expired during the year | - | - | - | - |
| Outstanding at the end of the year | 150,802 | 416.00 | 150,802 | 416.00 |
| Out of the above exercisable at the end of the year | 150,802 | 416.00 | 150,802 | 416.00 |
| Weighted average remaining contractual life (in years) | | 0.70 | | 1.70 |

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

| | Year ended 31st March, 2019 | | Year ended 31st March, 2018 | |
|---|---|---|---|---|
| | Number of Shares | Weighted Average Exercise Price (₹) | Number of Shares | Weighted Average Exercise Price (₹) |
| Outstanding at the beginning of the year | 552,406 | 285.62 | 716,978 | 280.53 |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | 212,614 | 258.00 | 164,572 | 263.45 |
| Expired during the year | - | - | - | - |
| Outstanding at the end of the year | 339,792 | 302.90 | 552,406 | 285.62 |
| Out of the above exercisable at the end of the year | 339,792 | 302.90 | 552,406 | 285.62 |
| Weighted average remaining contractual life (in years) | | 0.70 | | 1.31 |

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

| | Year ended 31st March, 2019 | | Year ended 31st March, 2018 | |
|---|---|---|---|---|
| | Number of Shares | Weighted Average Exercise Price (₹) | Number of Shares | Weighted Average Exercise Price (₹) |
| Outstanding at the beginning of the year | 577,575 | 386.53 | 784,459 | 387.72 |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | 72,929 | 398.00 | 206,884 | 391.05 |
| Expired during the year | - | - | - | - |
| Outstanding at the end of the year | 504,646 | 384.87 | 577,575 | 386.53 |
| Out of the above exercisable at the end of the year | 504,646 | 384.87 | 577,575 | 386.53 |
| Weighted average remaining contractual life (in years) | - | 1.04 | - | 2.04 |

The weighted average share price at the date of exercise for stock options exercised during the year was ₹1,266.32 (Previous year ₹ 1,008.92).

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

**31st March, 2019**

| Range of exercise prices (₹) | Number of options outstanding | Weighted average remaining contractual life of options (in years) | Weighted average exercise price (₹) |
|---|---|---|---|
| 201-300 | 226,830 | 0.66 | 246.58 |
| 301-400 | 430,347 | 1.08 | 379.50 |
| 401-500 | 348,063 | 0.74 | 418.41 |
| 501-600 | 28,572 | 0.88 | 550.00 |
| 601-700 | 371,185 | 0.42 | 669.76 |
| 701-800 | 1,965,284 | 1.07 | 735.48 |
| 801-900 | 58,820 | 2.08 | 900.00 |
| 901-1000 | 2,607,868 | 1.58 | 955.10 |
| 1001-1100 | 46,800 | 1.71 | 1,076.10 |
| 1201-1300 | 3,962,419 | 2.08 | 1,270.71 |

**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 |

**Stock appreciation rights**

At the General Meeting on 29th June, 2015, the shareholders of the Bank had passed Special Resolution 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 31st March, 2019 | Year Ended 31st March, 2018 |
|---|---|---|
| Outstanding at the beginning of the year | 2,322,378 | 2,346,585 |
| Granted during the year | 1,160,802 | 1,186,758 |
| Settled during the year | 1,036,729 | 1,028,499 |
| Lapsed during the year | 124,266 | 182,466 |
| Outstanding at the end of the year | 2,322,185 | 2,322,378 |

**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:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Year ended 31st March,** | **Equity-settled** | **Cash-settled** | **Equity-settled** | **Cash-settled** |
| Exercise Price ₹ | 900-1271 | 0-1271 | 700-1,084 | 0-955 |
| Weighted Average Share Price ₹ | 1,268.97 | 1,085.04 | 957.63 | 939.80 |
| Expected Volatility | 18.68%-32.95% | 19.74%-28.06% | 18.12%-39.37% | 16.74%-22.56% |
| Historical Volatility | 18.68%-32.95% | 19.74%-28.06% | 18.12%-39.37% | 16.74%-22.56% |
| Life of the options granted (Vesting and exercise period) | | | | |
| - At the grant date | 1.10-3.87 | | 1.19-3.88 | |
| - As at 31st March | | 0.06-3.38 | | 0.08-3.59 |
| Risk-free interest rate | 6.97%-7.99% | 6.17%-6.84% | 6.30%-7.42% | 6.01%-7.33% |
| Expected dividend rate | 0.06% | 0.05% | 0.06% | 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.

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,** | **2019** | **2018** |
|---|---|---|
| Total Employee compensation cost pertaining to share-based payment plans | 143.54 | 112.01 |
| Compensation cost pertaining to equity-settled employee share-based payment plan included above | 1.80 | 1.75 |
| Liability for employee stock options outstanding as at year end | 4.09 | 4.41 |
| Deferred Compensation Cost | 2.02 | 2.24 |
| Closing balance of liability for cash-settled options | 145.50 | 118.76 |
| Expense arising from increase in intrinsic value of liability for cash stock appreciation plan | 109.70 | 91.32 |

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 ₹ 100.17 crore (Previous year ₹ 63.80 crore) and the profit after tax would have been lower by ₹ 67.74 crore (Previous year ₹ 43.50 crore). Consequently the basic and diluted EPS would have been ₹ 37.43 (Previous year ₹ 32.48) and ₹ 37.38 (Previous year ₹ 32.43) respectively.

**14. TIER II BONDS**

a. Lower Tier II Bonds outstanding as on 31st March, 2019 ₹ 561.60 crore (previous year ₹ 887.60 crore).

b. Upper Tier II Bonds outstanding as on 31st March, 2019 ₹ Nil (previous year ₹ 225.10 crore) of which bonds issued outside India ₹ Nil (previous year ₹ 225.10 crore).

**15.** Interest Expended-Others {Schedule 15.III} includes interest on subordinated debt (Lower and Upper Tier II) ₹ 72.76 crore (previous year ₹ 92.79 crore).

**16.** 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 ₹ 95.17 crore (previous year ₹ 103.44 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, 2019 are as given below:

(₹ in crore)

| 31st March, | 2019 | 2018 |
|---|---|---|
| **Segment Revenues:** | | |
| Treasury, BMU and Corporate Centre | 6,333.84 | 6,157.90 |
| Retail Banking | 13,885.48 | 11,437.61 |
| Corporate / Wholesale Banking | 11,392.66 | 9,061.32 |
| Vehicle Financing | 2,407.69 | 2,302.91 |
| Other Lending Activities | 1,839.75 | 1,702.97 |
| Broking | 1,428.26 | 1,383.79 |
| Advisory and Transactional Services | 300.71 | 214.29 |
| Asset Management | 1,106.03 | 933.77 |
| Insurance | 10,711.88 | 8,613.55 |
| **Sub-total** | **49,406.30** | **41,808.11** |
| Add: Unallocated Income | - | - |
| Less: inter-segment revenues | (3,427.19) | (2,994.80) |
| **Total Income** | **45,979.11** | **38,813.31** |
| **Segment Results:** | | |
| Treasury, BMU and Corporate Centre | 2,382.40 | 2,126.69 |
| Retail Banking | 1,988.39 | 1,510.71 |
| Corporate / Wholesale Banking | 3,287.57 | 2,984.45 |
| Vehicle Financing | 524.79 | 532.83 |
| Other Lending Activities | 649.37 | 588.78 |
| Broking | 475.14 | 566.63 |
| Advisory and Transactional Services | 141.12 | 90.62 |
| Asset Management | 571.11 | 318.99 |
| Insurance | 555.84 | 438.53 |
| **Sub-total** | **10,575.73** | **9,158.23** |
| Add: Unallocated Income / (Expense) | - | - |
| **Total Profit before tax, minority interest and associates** | 10,575.73 | 9,158.23 |
| Provision for tax | 3,456.03 | 3,011.09 |
| **Net Profit before share of Associates and Minority** | **7,119.70** | **6,147.14** |
| **Segment Assets:** | | |
| Treasury, BMU and Corporate Centre | 103,728.34 | 92,958.91 |
| Retail Banking | 174,501.61 | 143,303.89 |
| Corporate / Wholesale Banking | 134,695.27 | 100,506.20 |
| Vehicle Financing | 21,661.53 | 21,800.01 |
| Other Lending Activities | 19,562.02 | 16,931.85 |
| Broking | 4,973.38 | 4,747.27 |
| Advisory and Transactional Services | 272.04 | 166.58 |
| Asset Management | 2,919.14 | 2,160.35 |
| Insurance | 31,721.42 | 26,058.32 |
| **Sub-total** | **494,034.75** | **408,633.38** |
| Less: inter-segment assets | (99,880.27) | (72,044.14) |
| **Total** | **394,154.48** | **336,589.24** |
| Add: Unallocated Assets | 1,016.77 | 1,131.23 |
| **Total Assets as per Balance Sheet** | **395,171.25** | **337,720.47** |

(₹ in crore)

| 31st March, | 2019 | 2018 |
|---|---|---|
| **Segment Liabilities:** | | |
| Treasury, BMU and Corporate Centre | 94,807.25 | 83,916.49 |
| Retail Banking | 160,851.80 | 132,725.09 |
| Corporate / Wholesale Banking | 122,068.09 | 88,984.44 |
| Vehicle Financing | 17,819.58 | 17,736.92 |
| Other Lending Activities | 6,952.50 | 6,996.12 |
| Broking | 4,080.72 | 4,180.14 |
| Advisory and Transactional Services | 70.14 | 85.95 |
| Asset Management | 1,060.32 | 769.98 |
| Insurance | 28,938.13 | 23,800.76 |
| **Sub-total** | **436,648.53** | **359,195.89** |
| Less: inter-segment liabilities | (99,880.27) | (72,044.14) |
| **Total** | **336,768.26** | **287,151.75** |
| Add: Unallocated liabilities | 123.25 | 82.66 |
| Add: Share Capital, Reserves and Surplus and Minority Interest | 58,279.74 | 50,486.06 |
| **Total Capital and Liabilities as per Balance Sheet** | **395,171.25** | **337,720.47** |
| **Capital Expenditure** | | |
| Treasury, BMU and Corporate Centre | 83.41 | 44.22 |
| Retail Banking | 364.75 | 237.94 |
| Corporate / Wholesale Banking | 53.64 | 20.71 |
| Vehicle Financing | 5.30 | 4.79 |
| Other Lending Activities | 2.13 | 1.03 |
| Broking | 21.89 | 28.03 |
| Advisory and Transactional Services | 7.81 | 0.81 |
| Asset Management | 8.42 | 10.65 |
| Insurance | 57.27 | 37.46 |
| **Total** | **604.62** | **385.64** |
| **Depreciation / Amortisation** | | |
| Treasury, BMU and Corporate Centre | 108.67 | 102.51 |
| Retail Banking | 234.24 | 184.92 |
| Corporate / Wholesale Banking | 25.21 | 16.47 |
| Vehicle Financing | 4.38 | 3.27 |
| Other Lending Activities | 0.99 | 0.68 |
| Broking | 21.86 | 22.55 |
| Advisory and Transactional Services | 3.21 | 3.37 |
| Asset Management | 11.50 | 10.97 |
| Insurance | 48.36 | 38.69 |
| **Total** | **458.42** | **383.43** |

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 ₹ 554.28 crore (previous year ₹ 495.72 crore).

(ii) The future minimum lease payments under non-cancelable operating lease not later than one year is ₹ 490.94 crore (previous year ₹ 445.26 crore), later than one year but not later than five years is ₹ 1,506.87 crore (previous year ₹ 1,395.15 crore) and later than five years ₹ 1,129.02 crore (previous year ₹ 1,116.25 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 ₹ 0.70 crore).

The future minimum lease payments expected to be received under non-cancelable operating lease – not later than one year is ₹ 0.73 crore (previous year ₹ 0.66 crore), later than one year but not later than five years is ₹ 2.65 crore (previous year ₹ 3.09 crore) and later than five years ₹ Nil crore (previous year ₹ 0.29 crore).

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

(₹ in crore)

| As on 31st March, | 2019 | 2018 |
|---|---|---|
| **Gross Investments (A):** | | |
| (i) Not later than 1 year | 70.82 | 66.86 |
| (ii) Between 1-5 years | 110.14 | 110.40 |
| **Total** | **180.96** | **177.26** |
| **Unearned Finance Income (B):** | | |
| (i) Not later than 1 year | 15.51 | 15.44 |
| (ii) Between 1-5 years | 15.51 | 15.00 |
| **Total** | **31.02** | **30.44** |
| **Present Value of Rentals (A-B):** | | |
| (i) Not later than 1 year | 55.31 | 51.41 |
| (ii) Between 1-5 years | 94.72 | 95.40 |
| **Total** | **150.03** | **146.81** |
| **Accumulated provision on the Gross Investments** | **1.52** | **1.74** |

**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, 2019. The cost of the investment properties, which were purchased post 31st March, 2015 are considered as market value as at 31st March, 2019. The real estate investment property is accordingly valued at ₹ 192.65 crore at 31st March, 2019 (previous year ₹ 192.65 crore). The historical cost of the property is ₹ 158.28 crore (previous year ₹ 158.28 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, 2019**

| As on 31st March, Particulars of Derivatives | 2019 Quantity | 2018 Quantity | Purpose |
|---|---|---|---|
| **Futures** | | | |
| S&P CNX Nifty Futures Long | - | 525 | Trading |
| S&P CNX Nifty Futures Short | 2,850 | 5,250 | Trading |
| Bank Nifty Futures Long | - | 8,760 | Trading |
| Stock Futures Long | 7,202,797 | 3,534,700 | Trading |
| Stock Futures Short | 49,924,331 | 17,656,632 | Trading |
| USD-INR Long | - | 1,335,000 | Trading |
| **Options** | | | |
| S&P CNX Nifty Options Long | 574,800 | 1,453,875 | Trading |
| S&P CNX Nifty Options Short | 379,200 | 769,125 | Trading |

| As on 31st March, Particulars of Derivatives | 2019 Quantity | 2018 Quantity | Purpose |
|---|---|---|---|
| Stock Options Long | 116,700 | - | Trading |
| Stock Options Short | 86,450 | - | Trading |
| Bank Nifty Options Long | - | 8,880 | Trading |
| Bank Nifty Options Short | - | 640 | Trading |
| USD-INR Long | - | 15,255,000 | Trading |
| USD-INR Short | - | 9,755,000 | Trading |
| **Forward Exchange Contracts** | | | |
| USD-INR Long | USD 4,000,000 | USD 13,000,000 | Hedging |
| **Interest Rate Swap** | USD 52,000,000 | USD 58,000,000 | Hedging |
| **Total Return Swap** | USD 25,128,219 | USD 2,667,993 | Trading |

**Unhedged forex exposure outstanding as on the Balance Sheet date**

(₹ in crore)

| Particulars | As on 31st March, 2019 | As on 31st March, 2018 |
|---|---|---|
| Amount Receivable in foreign currency | 1.68 (USD 243,276)<br>0.25 (EURO 32,222)<br>0.23 (GBP 25,933)<br>0.41 (JPY 6,555,556) | 6.08 (USD 943,256)<br>0.40 (EURO 50,000)<br>0.44 (GBP 47,397) |
| Amount Payable in foreign currency | 2.32 (USD 335,677)<br>0.01 (SGD 1,419) | 0.66 (USD 106,260) |

**22.** Additional information to consolidated accounts at 31st March, 2019, (Pursuant to Schedule III of the Companies Act, 2013)

(₹ in crore)

| Name of the Subsidiary | Net Assets* | | | | Share in Profit or Loss | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 - 2019 | | 2017 - 2018 | | 2018 – 2019 | | 2017 - 2018 | |
| | 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 | 73.61% | 42,898.38 | 74.24% | 37,481.66 | 67.54% | 4,865.33 | 65.87% | 4,084.30 |
| **Indian Subsidiaries:** | | | | | | | | |
| Kotak Mahindra Prime Limited | 9.29% | 5,415.52 | 9.54% | 4,816.44 | 8.32% | 599.35 | 9.51% | 589.62 |
| Kotak Securities Limited | 6.83% | 3,978.76 | 6.99% | 3,526.90 | 6.27% | 451.86 | 8.56% | 530.95 |
| Kotak Mahindra Capital Company Limited | 0.98% | 571.93 | 1.11% | 558.52 | 0.88% | 63.12 | 1.05% | 65.29 |
| Kotak Mahindra Life Insurance Company Limited | 4.71% | 2,745.36 | 4.43% | 2,238.13 | 7.04% | 507.24 | 6.67% | 413.41 |
| Kotak Mahindra General Insurance Company Limited | 0.19% | 107.83 | 0.19% | 97.73 | (0.48%) | (34.90) | (0.52%) | (32.55) |
| Kotak Mahindra Investments Limited | 2.73% | 1,589.51 | 2.74% | 1,382.52 | 2.87% | 206.99 | 3.95% | 244.97 |
| Kotak Mahindra Asset Management Company Limited | 0.76% | 445.41 | 0.45% | 227.35 | 3.03% | 218.06 | 1.31% | 81.21 |
| Kotak Mahindra Trustee Company Limited | 0.24% | 137.45 | 0.21% | 105.49 | 0.51% | 36.48 | 0.54% | 33.79 |
| Kotak Investment Advisors Limited | 0.61% | 355.14 | 0.67% | 337.74 | 0.24% | 17.41 | 0.18% | 10.88 |
| Kotak Mahindra Trusteeship Services Limited | 0.03% | 18.35 | 0.03% | 15.97 | 0.03% | 2.39 | 0.03% | 1.73 |
| Kotak Infrastructure Debt Fund Limited | 0.60% | 349.20 | 0.64% | 323.62 | 0.36% | 25.65 | 0.23% | 14.38 |

| Name of the Subsidiary | Net Assets* | | | | Share in Profit or Loss | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 - 2019 | | 2017 - 2018 | | 2018 – 2019 | | 2017 - 2018 | |
| | 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 | 0.04% | 25.36 | 0.05% | 25.29 | 0.00% | 0.07 | 0.00% | (0.05) |
| IVY Product Intermediaries Limited | 0.01% | 5.59 | 0.01% | 5.35 | 0.00% | 0.24 | 0.00% | 0.16 |
| BSS Microfinance Limited | 0.28% | 164.18 | 0.21% | 108.50 | 0.77% | 55.68 | 0.29% | 17.91 |
| **Foreign Subsidiaries:** | | | | | | | | |
| Kotak Mahindra (International) Limited | 1.07% | 623.03 | 1.05% | 532.00 | 0.83% | 59.59 | 1.00% | 62.01 |
| Kotak Mahindra (UK) Limited | 0.47% | 273.90 | 0.44% | 222.15 | 0.54% | 38.81 | 0.31% | 19.05 |
| Kotak Mahindra, Inc. | 0.01% | 7.05 | 0.02% | 8.91 | (0.03%) | (2.44) | (0.05%) | (2.87) |
| Kotak Mahindra Financial Services Limited | 0.01% | 8.41 | 0.02% | 7.82 | 0.00% | 0.12 | 0.05% | 3.35 |
| Kotak Mahindra Asset Management (Singapore) Pte. Limited | 0.17% | 96.38 | 0.08% | 42.22 | 0.72% | 52.16 | 0.53% | 32.81 |
| **Minority Interests in subsidiary** | 0.00% | - | 0.00% | - | 0.00% | - | (0.91%) | (56.67) |
| **Associates:** | | | | | | | | |
| Infina Finance Private Limited | - | - | - | - | 0.46% | 33.19 | 1.53% | 94.83 |
| Phoenix ARC Private Limited | - | - | - | - | 0.69% | 49.99 | 0.23% | 14.36 |
| ACE Derivatives & Commodity Exchange Limited (ACE) | - | - | - | - | 0.00% | 0.13 | 0.00% | 0.31 |
| Matrix Business Services India Private Limited | - | - | - | - | 0.02% | 1.12 | 0.02% | 1.01 |
| Inter-company and Other adjustments | (2.64%) | (1,536.24) | (3.12%) | (1,578.25) | (0.61%) | (43.51) | (0.38%) | (23.22) |
| **Total** | 100.00% | 58,280.50 | 100.00% | 50,486.06 | 100.00% | 7,204.13 | 100.00% | 6,200.97 |

* *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 31st March, 2019 | Year ended 31st March, 2018 |
|---|---|---|
| **Deferred Tax Assets** | | |
| Provision for non-performing and doubtful debts, standard advances and contingencies | 268.81 | 282.45 |
| Depreciation on assets | 81.37 | 57.74 |
| Provision for investments | 3.97 | 4.18 |
| Unamortised Income | 2.90 | 0.98 |
| Expenditure allowed on payment basis and others | 171.29 | 156.63 |
| **Total Deferred Tax Assets** | **528.34** | **501.98** |
| **Deferred Tax Liabilities** | | |
| Deferred expenses | 35.93 | 39.49 |
| Depreciation on assets | 2.20 | 2.07 |
| Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961 | 160.59 | 143.28 |
| Others | 7.01 | 5.64 |
| **Total Deferred Tax Liabilities** | **205.73** | **190.48** |
| **Net Deferred Tax Assets / (Liabilities)** | **322.61** | **311.50** |

**24. FIXED ASSETS**

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

(₹ in crore)

| Particulars | Year ended 31st March, 2019 | Year ended 31st March, 2018 |
|---|---|---|
| **PURCHASED SOFTWARE AND SYSTEM DEVELOPMENT EXPENDITURE** | | |
| **Gross Block** | | |
| At cost on 31st March of the preceding year | 709.01 | 701.42 |
| Additions during the year (including on acquisition) | 199.56 | 91.92 |
| Deductions during the year | 151.82 | 84.33 |
| **Total** | **756.75** | **709.01** |
| **Amortisation** | | |
| As on 31st March of the preceding year | 581.63 | 576.97 |
| Charge for the year | 127.87 | 88.99 |
| Deductions during the year | 148.12 | 84.33 |
| **Amortisation to date** | **561.38** | **581.63** |
| **Net Block** | **195.37** | **127.38** |
| **MEMBERSHIP CARDS OF STOCK EXCHANGE** | | |
| **Gross Block** | | |
| At cost on 31st March of the preceding year | 4.66 | 4.66 |
| **Total** | **4.66** | **4.66** |
| **Amortisation** | | |
| As on 31st March of the preceding year | 4.43 | 4.32 |
| Charge for the year | 0.12 | 0.11 |
| **Amortisation to date** | **4.55** | **4.43** |
| **Net Block** | **0.11** | **0.23** |
| **GOODWILL** | | |
| **Gross Block** | | |
| At cost on 31st March of the preceding year | - | 1.88 |
| Deductions during the year | - | 1.88 |
| **Total** | - | - |
| **Amortisation** | | |
| As on 31st March of the preceding year | - | 1.88 |
| Charge for the year | - | - |
| Deductions during the year | - | 1.88 |
| **Amortisation to date** | **-** | **-** |
| **Net Block** | **-** | **-** |
| **ASSET MANAGEMENT RIGHTS** | | |
| **Gross Block** | | |
| At cost on 31st March of the preceding year | 15.90 | 15.90 |
| **Total** | **15.90** | **15.90** |
| **Amortisation** | | |
| As on 31st March of the preceding year | 10.06 | 6.88 |
| Charge for the year | 3.18 | 3.18 |
| **Amortisation to date** | **13.24** | **10.06** |
| **Net Block** | **2.66** | **5.84** |

## 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 relatives and enterprises in which he has beneficial interest holds 29.99% of the equity share capital and 19.68% of the paid-up share capital of Kotak Mahindra Bank Limited as on 31st March, 2019. |
| B | **Other Related Parties:** | |
| | **Associates /Others** | ACE Derivatives and Commodity Exchange Limited<br>Infina Finance Private Limited<br>Phoenix ARC Private Limited<br>Matrix Business Services India Private Limited<br>Kotak Education Foundation<br>ING Vysya Foundation |
| | **Investing Party of the subsidiaries** | Old Mutual Plc. (upto 12th October, 2017)<br>Old Mutual Life Assurance Company (South Africa) Limited (upto 12th October, 2017) |
| | **Enterprises over which KMP / relatives of KMP have control / significant influence** | Aero Agencies Limited<br>Asian Machinery & Equipment Private Limited<br>Allied Auto Accessories Private Limited<br>Cumulus Trading Company Private Limited<br>Business Standard Private Limited<br>Business Standard Online Private Limited<br>Harisiddha Trading and Finance Private Limited<br>Insurekot Sports Private Limited<br>Kotak and Company Private Limited<br>Kotak Commodity Services Private Limited<br>Kotak Commodity International FZE<br>Komaf Financial Services Private Limited<br>Kotak Trustee Company Private Limited<br>Kotak Chemicals Limited<br>Kotak Ginning & Pressing Industries Private Limited<br>Palko Properties Private Limited<br>Puma Properties Private Limited<br>Kotak Family Foundation (w.e.f 2nd May, 2017)<br>Helena Realty Private Limited (w.e.f. 2nd February, 2018)<br>Doreen Realty Private Limited (w.e.f. 15th February, 2018)<br>Renato Realty Private Limited (w.e.f. 15th February, 2018)<br>Pine Tree Estates Private Limited (w.e.f. 20th March, 2018)<br>Meluha Developers Private Limited (w.e.f. 20th March, 2018)<br>Quantyco Realty Private Limited (w.e.f. 16th March, 2018)<br>Xanadu Properties Private Limited (w.e.f. 20th March, 2018)<br>USK Benefit Trust II<br>Uday S Kotak HUF<br>Suresh A Kotak HUF |
| | **Key Management Personnel** | Mr. Uday S. Kotak, Managing Director and CEO - KMBL<br>Mr. Dipak Gupta – Joint Managing Director – KMBL |
| | **Relatives of Key Management Personnel** | Ms. Pallavi Kotak<br>Mr. Suresh Kotak<br>Ms. Indira Kotak<br>Mr. Jay Kotak<br>Mr. Dhawal Kotak<br>Ms. Aarti Chandaria<br>Ms. Anita Gupta<br>Ms. Urmila Gupta<br>Mr. Arnav Gupta<br>Mr. Parthav Gupta<br>Mr. Prabhat Gupta<br>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 | 0.32 | - | 0.02 | - | # |
| | | (0.03) | (-) | (0.35) | (-) | (-) |
| | Deposits | 125.00 | - | 144.77 | 632.99 | 143.55 |
| | | (57.75) | (-) | (134.54) | (128.35) | (1.99) |
| | Interest Payable | 0.39 | - | 1.72 | 5.56 | 0.41 |
| | | (0.05) | (-) | (1.37) | (0.95) | (0.01) |
| **II.** | **Assets** | | | | | |
| | Investments -Gross | 226.76 | - | # | - | - |
| | | (151.76) | (-) | (#) | (-) | (-) |
| | Diminution on Investments | 0.78 | - | # | - | - |
| | | (0.78) | (-) | (#) | (-) | (-) |
| | Others | 0.08 | - | 0.30 | # | # |
| | | (0.05) | (-) | (0.14) | (-) | (-) |
| **III.** | **Expenses** | | | | | |
| | Salaries / fees (Include ESOP cost)* | - | - | - | 8.84 | 0.24 |
| | | (-) | (-) | (-) | (8.06) | (0.10) |
| | Interest Paid | 7.31 | - | 11.66 | 36.10 | 1.09 |
| | | (38.23) | (-) | (15.38) | (12.02) | (0.31) |
| | Others | 20.63 | - | 7.68 | 0.08 | - |
| | | (24.86) | (-) | (5.66) | (0.08) | (-) |
| **IV.** | **Income** | | | | | |
| | Others | 3.07 | - | 4.52 | - | - |
| | | (4.96) | (-) | (3.48) | (1.69) | (0.05) |
| **V.** | **Other Transactions** | | | | | |
| | Dividend paid | - | - | 0.05 | 39.78 | 0.26 |
| | | (-) | (-) | (0.04) | (34.10) | (0.22) |
| | Reimbursement to companies | 0.01 | - | 0.04 | - | - |
| | | (-) | (-) | (1.45) | (-) | (-) |
| | Reimbursement from companies | 0.20 | - | 1.82 | - | - |
| | | (0.11) | (1.04) | (1.81) | (-) | (-) |
| | Buyback of Shares | - | - | - | - | - |
| | | (1.98) | (-) | (-) | (-) | (-) |
| | Deposits taken during the year | - | - | - | - | - |
| | | (0.00) | (-) | (0.01) | (-) | (-) |
| | Deposits repaid during the year | - | - | 0.09 | - | - |
| | | (-) | (-) | (0.01) | (-) | (-) |
| | Swaps/Forwards/Options Contracts | - | - | - | - | 1.88 |
| | | (-) | (-) | (-) | (-) | (-) |
| | 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 | | | 0.01 | | | 0.01 |
| | | | | (0.32) | | | (0.32) |
| | Matrix Business Services India Private Limited | 0.03 | | | | | 0.03 |
| | | (0.03) | | | | | (0.03) |
| | Kotak Commodity Services Limited | | | # | | | # |
| | | | | - | | | - |
| | Infina Finance Private Limited | 0.29 | | | | | 0.29 |
| | | - | | | | | - |
| | Others | - | - | # | - | # | # |
| | | (-) | (-) | (0.03) | (-) | (-) | (0.03) |
| II. | **Assets:** | | | | | | |
| | **Investments** | | | | | | |
| | ACE Derivatives and Commodity Exchange Limited | 47.62 | | | | | 47.62 |
| | | (47.62) | | | | | (47.62) |
| | Phoenix ARC Private Limited | 176.18 | | | | | 176.18 |
| | | (101.18) | | | | | (101.18) |
| | Others | 2.96 | | # | | | 2.96 |
| | | (2.96) | | (#) | | | (2.96) |
| | **Diminution on Investments** | | | | | | |
| | ACE Derivatives and Commodity Exchange Limited | 0.78 | | | | | 0.78 |
| | | (0.78) | | | | | (0.78) |
| | Others | | | # | | | # |
| | | | | (#) | | | (#) |
| | **Others** | | | | | | |
| | Kotak Commodity Services Private Limited | | | 0.29 | | | 0.29 |
| | | | | (0.07) | | | (0.07) |
| | Phoenix ARC Private Limited | 0.06 | | | | | 0.06 |
| | | (-) | | | | | (-) |
| | ACE Derivatives and Commodity Exchange Limited | # | | | | | # |
| | | (0.02) | | | | | (0.02) |
| | Infina Finance Private Limited | 0.01 | | | | | 0.01 |
| | | (0.02) | | | | | (0.02) |
| | Others | # | | 0.01 | # | # | 0.01 |
| | | (#) | | (0.07) | - | - | (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 |
|---|---|---|---|---|---|---|---|
| **III.** | **Expenses:** | | | | | | |
| | **Salaries (Includes ESOP cost)** | | | | | | |
| | Mr. Uday Kotak* | | | | 3.54 | | 3.54 |
| | | | | | (3.20) | | (3.20) |
| | Mr. Dipak Gupta* | | | | 5.30 | | 5.30 |
| | | | | | (4.86) | | (4.86) |
| | Others | | | | | 0.24 | 0.24 |
| | | | | | | (0.10) | (0.10) |
| | **Interest Paid** | | | | | | |
| | Infina Finance Private Limited | 5.42 | | | | | 5.42 |
| | | (37.53) | | | | | (37.53) |
| | Phoenix ARC Private Limited | 1.09 | | | | | 1.09 |
| | | (0.01) | | | | | (0.01) |
| | Kotak Commodity Services Private Limited | | | 5.63 | | | 5.63 |
| | | | | (6.71) | | | (6.71) |
| | USK Benefit Trust II | | | 3.83 | | | 3.83 |
| | | | | (8.16) | | | (8.16) |
| | Harisiddha Trading & Finance Private Limited | | | 1.66 | | | 1.66 |
| | | | | (0.06) | | | (0.06) |
| | Others | 0.79 | | 0.54 | 36.10 | 1.09 | 38.53 |
| | | (0.69) | | (0.45) | (12.02) | (0.31) | (13.47) |
| | **Others** | | | | | | |
| | Aero Agencies Limited | | | 5.58 | | | 5.58 |
| | | | | (5.54) | | | (5.54) |
| | Kotak Education Foundation | 19.80 | | | | | 19.80 |
| | | (24.04) | | | | | (24.04) |
| | Infina Finance Private Limited | # | | | | | # |
| | | (-) | | | | | (-) |
| | Kotak Commodity Services Private Limited | | | 2.01 | | | 2.01 |
| | | | | (-) | | | (-) |
| | Others | 0.82 | | 0.08 | 0.08 | | 0.99 |
| | | (0.83) | | (0.12) | (0.08) | | (1.03) |
| **IV.** | **Income:** | | | | | | |
| | **Others** | | | | | | |
| | **Fee and Other Income** | | | | | | |
| | Phoenix ARC Private Limited | 0.06 | | | | | 0.06 |
| | | (-) | | | | | (-) |

(₹ 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) |
| | Kotak Commodity Services Private Limited | | | 3.61 | | | 3.61 |
| | | | | (2.57) | | | (2.57) |
| | USK Benefit Trust II | | | 0.85 | | | 0.85 |
| | | | | (0.85) | | | (0.85) |
| | Infina Finance Private Limited | 0.01 | | | | | 0.01 |
| | | (0.08) | | | | | (0.08) |
| | Others | 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 | 0.02 | | | | | 0.02 |
| | | (0.01) | | | | | (0.01) |
| | Kotak Commodity Services Private Limited | | | 0.04 | | | 0.04 |
| | | | | (0.02) | | | (0.02) |
| | Others | | | - | - | - | - |
| | | | | (#) | (#) | (0.04) | (0.04) |
| | **Brokerage Income** | | | | | | |
| | Infina Finance Private Limited | 2.93 | | | | | 2.93 |
| | | (4.82) | | | | | (4.82) |
| | Kotak Commodity Services Private Limited | | | 0.02 | | | 0.02 |
| | | | | (0.02) | | | (0.02) |
| | Others | | | | - | - | - |
| | | | | | (1.69) | (0.01) | (1.70) |
| **V.** | **Other Transactions:** | | | | | | |
| | **Dividend Paid** | | | | | | |
| | Mr. Uday Kotak | | | | 39.68 | | 39.68 |
| | | | | | (34.02) | | (34.02) |
| | Ms. Pallavi Kotak | | | | | 0.08 | 0.08 |
| | | | | | | (0.07) | (0.07) |
| | Ms. Indira Kotak | | | | | 0.16 | 0.16 |
| | | | | | | (0.14) | (0.14) |
| | Suresh A Kotak HUF | | | 0.01 | | | 0.01 |
| | | | | (0.01) | | | (0.01) |
| | USK Benefit Trust II | | | 0.01 | | | 0.01 |
| | | | | (0.04) | | | (0.04) |

(₹ 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 |
|---|---|---|---|---|---|---|
| Others | | | | 0.09 | 0.02 | 0.12 |
| | | | | (0.08) | (0.02) | (0.10) |
| **Reimbursements made** | | | | | | |
| Matrix Business Services India Private Limited | 0.01 | | | | | 0.01 |
| | (-) | | | | | (-) |
| Kotak Commodity Services Private Limited | | | 0.04 | | | 0.04 |
| | | | (1.45) | | | (1.45) |
| **Reimbursements received** | | | | | | |
| Old Mutual PLC | | - | | | | - |
| | | (1.04) | | | | (1.04) |
| Kotak Commodity Services Private Limited | | | 1.82 | | | 1.82 |
| | | | (1.81) | | | (1.81) |
| Infina Finance Private Limited | 0.18 | | | | | 0.18 |
| | (0.09) | | | | | (0.09) |
| Phoenix ARC Private Limited | 0.02 | | | | | 0.02 |
| | (0.02) | | | | | (0.02) |
| **Buyback of Shares** | | | | | | |
| Matrix Business Services India Private Limited | - | | | | | - |
| | (1.98) | | | | | (1.98) |
| **Deposits taken during the year** | | | | | | |
| Infina Finance Private Limited | 0.01 | | | | | 0.01 |
| | (-) | | | | | (-) |
| Kotak Commodity Services Private Limited | | | - | | | - |
| | | | (0.01) | | | (0.01) |
| Others | - | | | | | - |
| | (#) | | | | | (#) |
| **Deposits repaid during the year** | | | | | | |
| Kotak Commodity Services Private Limited | | | 0.09 | | | 0.09 |
| | | | (0.01) | | | (0.01) |
| Swaps/Forwards/Options Contracts | | | | | 1.88 | 1.88 |
| | | | | | (-) | (-) |
| **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 | 2,174.53 | | 351.93 | 1,274.95 | 147.02 |
| | | (5,180.30) | | (397.28) | (358.56) | (16.37) |
| | Other Liabilities | 0.32 | - | 0.35 | - | - |
| | | (0.03) | (0.60) | (0.35) | (0.01) | (-) |
| **II.** | **Assets** | | | | | |
| | Investments-Gross | 226.76 | | # | | |
| | | (151.76) | | (#) | | |
| | Others | 0.05 | | 0.30 | # | # |
| | | (0.05) | | (0.14) | (-) | (-) |

**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 and on behalf of the Board of Directors

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

**per Viren H. Mehta**
Partner
Membership No. 048749

Mumbai
30th April, 2019

**Prakash Apte**
Chairman

**Dipak Gupta**
Joint Managing Director

**Jaimin Bhatt**
President and Group Chief Financial Officer

**Uday Kotak**
Chief Executive Officer and Managing Director

**Uday Khanna**
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

(₹ in crore)

| Particulars | Kotak Mahindra Prime Limited | Kotak Securities Limited | Kotak Mahindra Capital Company Limited | Kotak Mahindra Life Insurance Company Limited | Kotak Mahindra General Insurance Company Limited | Kotak Mahindra Investments Limited | Kotak Mahindra Asset Management Company Limited | Kotak Mahindra Trustee Company Limited | Kotak Mahindra (International) Limited | Kotak Mahindra (UK) Limited | Kotak Mahindra, Inc. | Kotak Investment Advisors Limited | Kotak Mahindra Trusteeship Services Limited | Kotak Infrastructure Debt Fund Limited | Kotak Mahindra Pension Fund Limited | Kotak Mahindra Financial Services Limited | Kotak Mahindra Asset Management (Singapore) Pte. Limited | IVY Product Intermediaries Limited | BSS Microfinance Limited |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Share Capital | 3.50 | 1.60 | 3.44 | 510.29 | 220.00 | 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 | 5,412.02 | 3,977.16 | 568.49 | 2,235.07 | (112.17) | 1,583.89 | 415.61 | 137.40 | 606.87 | 266.89 | 6.98 | 349.70 | 18.26 | 39.20 | (2.64) | (0.04) | 86.98 | 3.38 | 137.45 |
| Total Networth | 5,415.52 | 3,978.76 | 571.93 | 2,745.36 | 107.83 | 1,589.51 | 445.41 | 137.45 | 623.03 | 273.90 | 7.05 | 355.14 | 18.35 | 349.20 | 25.36 | 8.41 | 96.38 | 5.59 | 164.18 |
| Total Assets | 30,886.77 | 8,446.03 | 616.13 | 31,708.66 | 467.94 | 10,350.10 | 533.04 | 139.86 | 1,046.16 | 793.95 | 9.89 | 376.27 | 20.34 | 769.25 | 26.10 | 13.65 | 114.72 | 5.63 | 189.31 |
| Total Liabilites | 25,471.25 | 4,467.27 | 44.20 | 28,963.30 | 360.11 | 8,760.59 | 87.63 | 2.41 | 423.13 | 520.05 | 2.84 | 21.13 | 1.99 | 420.05 | 0.74 | 5.24 | 18.34 | 0.04 | 25.13 |
| Investments (excluding investment in subsidiaries) | 597.87 | 1,571.40 | 174.98 | 30,218.41 | 414.29 | 997.51 | 398.46 | 134.87 | 746.53 | - | 1.23 | 193.93 | - | 291.48 | 25.73 | - | - | - | 7.71 |
| Turnover | 3,301.70 | 1,582.43 | 176.00 | 10,417.60 | 225.27 | 954.33 | 654.99 | 51.97 | 98.04 | 121.75 | 24.31 | 85.34 | 9.09 | 63.57 | 2.88 | 19.55 | 83.34 | 0.37 | 139.42 |
| Profit before taxation | 905.07 | 680.39 | 92.93 | 590.80 | (34.90) | 315.56 | 337.12 | 50.53 | 63.60 | 48.34 | (2.38) | 17.10 | 3.31 | 25.65 | 0.07 | 0.12 | 60.59 | 0.33 | 79.22 |
| Provision for taxation | 305.72 | 228.53 | 29.81 | 83.56 | - | 108.57 | 119.06 | 14.05 | 4.01 | 9.53 | 0.06 | (0.31) | 0.92 | - | - | - | 8.43 | 0.09 | 23.54 |
| Profit after taxation | 599.35 | 451.86 | 63.12 | 507.24 | (34.90) | 206.99 | 218.06 | 36.48 | 59.59 | 38.81 | (2.44) | 17.41 | 2.39 | 25.65 | 0.07 | 0.12 | 52.16 | 0.24 | 55.68 |
| Proposed Dividend (Equity) | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | 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) 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 declared 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, 2019 is 1 USD = 69.155 INR

(8) The financial results of the subsidiaries (excluding insurance companies) and associates used for preparation of the consolidated financial results are in accordance with Generally Accepted Accounting Principles in India ('GAAP') specified under Section 133 and relevant provision of Companies Act, 2013. The financial statements of such subsidiaries and associates are being prepared as per Indian Accounting Standards in accordance with the Companies (Indian Accounting Standards) Rules, 2015.

**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-19 | 31-Mar-19 | 31-Mar-18 | 31-Mar-18 |
| **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]** | 858.41 | 218.67 | 6.52 | 7.75 |
| **Profit for the year** | 66.39 | 100.18 | 0.32 | 5.45 |
| i) Considered in the Consolidation | 33.19 | 49.99 | 0.13 | 1.12 |
| ii) Not considered in the Consolidation | 33.20 | 50.19 | 0.19 | 4.37 |

**Note:**

(1) *For the purpose of preparation of consolidated financial statements, the Group has considered unaudited financial statement as of 31st March, 2019.*

(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, 2018 of 19.77% is ₹ 6.67 Crore*

(4) *Share of audited Networth based on share holding as on 31st March, 2018 of 40.00% is ₹ 6.39 Crore*

(5) *Includes adjustments for share of difference between audited and unaudited financial results for the year ended 31st March, 2018*

(6) *# The Group has sold its entire stake in Matrix Business Services India Private Limited on 26th April, 2019 and accordingly it has ceased to be an associate of the Group from that date.*

For and on behalf of the Board of Directors

| | |
|---|---|
| **Prakash Apte**<br>Chairman | **Uday Kotak**<br>Chief Executive Officer and Managing Director |
| **Dipak Gupta**<br>Joint Managing Director | **Uday Khanna**<br>Director |
| **Jaimin Bhatt**<br>President and Group Chief Financial Officer | **Bina Chandarana**<br>Company Secretary |

Date : 30th April, 2019

**Basel III (Pillar 3) Disclosures (Consolidated) as at 31st March, 2019**

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.