***By Prakash Apte***

**Ladies and gentlemen,**

During last year, the global geopolitical and economic landscape faced various challenges, including a global trade slowdown led by a deterioration in US-China trade relations & Brexit finally culminating in an escalation of the COVID-19 pandemic in the last quarter.

The Indian economy as well had slowed down to a growth of 4.2% for FY 19-20, ahead of the Covid-19 impact hitting Indian shores by the end of the year. This slowdown was combined with deterioration in investment in real terms, at 33% of GDP in FY20, compared to 35% in the previous year. Consumption spending saw a sharp moderation as well, with FY20 real growth at 5.3%, against a medium-term average of about 7.0%.

In this challenging context, our Group's results for the financial year demonstrated our strengths and the effectiveness of our strategy. Our sound risk management, governance, balance sheet strength, depth of managerial capabilities and strong customer focus led us to conclude another successful financial year.

For the year ended 31st March 2020, the Group's consolidated profit after tax was Rs. 8,593 crore, which was 19% higher than the previous year. At a standalone level, the Bank reported a profit after tax of Rs. 5,947 crore, growing by 22% over the previous year.

In the standalone Bank balance sheet, our CASA deposits grew by 24% and savings deposits crossed Rs. 1 lakh crore in FY20. Our low-cost, granular, liability franchise remains one of our bank's strengths, and a key element of our strategy.

On the lending side, our advances grew by about 7%, closing at Rs. 219,748 crore. This relatively lower growth in advances reflects our conscious decision to slow down lending, recognizing the headwinds in the economy.

We continued our focus on asset quality and the Bank's Gross NPAs as at March 31st 2020 stood at 2.25% of gross advances. The Bank continues to monitor asset quality closely, and has made prudent provisions. Thus, our Net NPA as at March 31st stood at 0.71% of net advances. Further, we also made a provision of Rs. 650 crore towards potential impact of COVID on asset quality.

The Group's subsidiaries have boon an important driver of our consolidated results and they contributed over 30% to the Group's consolidated profit after tax for the year FY20. All subsidiaries are 100% beneficially owned by the Bank, and many of these subsidiaries, including insurance, broking and investment banking, asset management and advisory, are low-capital and non-credit-risk taking businesses.

Our Bank was recognized as the 'Best Mid-Size Bank' at Business Today- Money Today Financial Awards 2018-19. It was also recognized as "India's Best Bank" at the

Euromoney Awards for Excellence 2018 and as “Best Domestic Bank, India” at the Asiamoney Best Bank Awards 2019.

Apart from this, as in previous years, our Bank as well as other companies in the group, have won a number of significant awards for excellence in Products & Services and Information Technology.

**The COVID-19 challenge this year**

As all of us are aware, this year has begun with the serious and unprecedented challenge posed by the Covid-19 pandemic, which is a battle of both science and economics. The immediate risk is the risk to lives, and governments around the world introduced a variety of measures, including lockdowns, to contain the spread of the virus. In India, a nationwide lockdown was enforced at the end of March.

However, while protecting lives, the lockdown also had a huge impact on livelihoods and the economy. Even after the central government has delegated the decisions to States, the pandemic has forced many ground level restrictions, impacting the integrated functioning of the domestic economy. Most economists are now expecting negative GDP growth during the current financial year.

Despite the slowing of economic activity, inflation has remained relatively high in recent months, with CPI inflation at 6.23% in June and 6.93% in July, against an average of 4.8% for FY 2020.

The slowing economy prompted the Indian government to announce a slew of measures to boost economic activity such as cash transfers to women and farmers, provision of food and gas cylinders to the poor, and liquidity support to MSMEs backed by a government credit guarantee. Additionally, in an effort to alleviate the tightening of financial conditions, the Reserve Bank of India has taken several measures to keep liquidity flowing into the system, such as repo rate and CRR cuts, increased limits for overnight borrowing under the MSF, and Targeted Long-term Repo Operations for investments in corporate debt.

The government’s stimulus measures are expected to have a significant fiscal impact, with India’s consolidated Centre plus State fiscal deficit being projected by economists at 11 – 12% of GDP.

On the other hand, India’s external account seems to be under control. While export growth has been slow owing to weak global demand, imports have contracted at a sharper pace owing to the fall in oil prices and weak domestic demand. The current account registered a surplus of 0.1% in Q4FY20, and this situation is expected to continue through FY2021.

Capital markets have bounced back significantly after culmination of the nationwide lockdown. Net FPI inflows into India this financial year have amounted to about USD 5 billion so far, and the stock market Indices on August 14 were about 34% above their level at the start of the financial year.

The financial services industry, which underpins all economic activity, has had to adapt quickly to the situation this year. Till August 15 this year, the Indian banking and financial services sector alone has raised primary equity capital of nearly 70,000 crore.

Your bank too has taken steps to adapt to the changing conditions and our focus is on operations and business continuity, customer service, employee safety, shift from

physical to digital, capital preservation, liquidity management, cost rationalization and strengthening of collection infrastructure.

In May 2020, your Bank successfully completed a Qualified Institutional Placement (QIP) of equity shares, being among the first entities in India to raise capital during the pandemic. The Bank raised Rs. 7,442.50 crore by issuing 6.5 crore equity shares.

With an all-round need to rationalize costs and preserve capital, in April 2020, the group's leadership team unanimously and voluntarily opted to take a 15% cut in compensation for the financial year 2020-21. Management staff earning over Rs 25 lakh per annum also took a cut of 10%.

Pursuant to approval from the Reserve Bank of India on 18th February 2020, the promoters' shareholding in the Bank was required to be reduced within a period of 6 months. The Bank has achieved the said requirement within the time period stipulated by the RBI.

## Conclusion

It has become increasingly clear with time that COVID will have long-lasting effects on nearly all aspects of our lives. In terms of the economy, while there seems to be a recovery in some areas, it will be some time before we get back to pre-COVID levels.

Kotak as a Group has gone through various external challenges in the past, and has emerged stronger from each. This time too, the Group has retained its firm footing and is looking to strengthen itself in these uncertain times, while keeping an eye on opportunities ahead. Grounded in our prudent approach to lending and led with a clear vision of being a world-class financial services conglomerate, Kotak is determined to Persevere, Pioneer and Prosper.

With that, on behalf of Board of Directors, I would like to thank all our customers, shareholders, regulators, and the Central and State Governments for the continued encouragement, sustained support, timely guidance and generous advice that we have benefited from.

Thank you.